



March 15, 2013

MADIGAN CALLS ON CONGRESS TO CURB FOR-PROFIT COLLEGE RECRUITING ABUSES

Attorneys General Urge Support for Bill to Crack Down on Use of Federal Aid for Recruitment, Advertising & Marketing

Chicago — Attorney General Lisa Madigan today joined with 13 of her counterparts to urge Congress to support legislation to crack down on the for-profit school industry's use of federal aid for recruiting, advertising and marketing to students.

In a letter to ranking members of key Senate and House committees, Madigan and the states called for passage of the Protecting Financial Aid for Students and Taxpayers Act. The bill, sponsored by Sen. Kay R. Hagan, D-North Carolina, and Sen. Tom Harkin, D-Iowa, would restrict institutions of higher learning, including the for-profit schools industry, from using federal financial aid for recruitment, advertising and marketing.

Madigan said the bill will help ensure that federal education funding is used to serve and educate students rather than to finance advertising campaigns and aggressive student recruitment and marketing operations.

"The tactics employed by many for-profit college recruiters put revenues ahead of student success and often leave students with little to show for their education other than life-crushing debt," Madigan said. "This federal measure is necessary to ensure that for-profit colleges direct their focus where it belongs – on the quality of the education they provide their students."

"I'm grateful for the support of more than a dozen attorneys general from around the country who understand that in these tough fiscal times, it's imperative that every taxpayer dollar be spent wisely and responsibly," said Sen. Hagan, a member of the Health, Education, Labor and Pensions Committee. "I introduced this legislation because taxpayer dollars should not be used on out-of-control marketing, advertising and recruitment budgets. I'm especially troubled that our veterans are being targeted by some for-profit schools, and these deceptive recruitment practices are unacceptable. I will continue working to pass this legislation that will benefit taxpayers, students and veterans in North Carolina and around the country."

The Attorneys General highlighted several trends regarding the for-profit schools industry:

- In fiscal year 2009, these for-profit education companies spent \$3.7 billion dollars (23 percent of their budgets) on advertising, marketing and recruitment, which was often very aggressive and deceptive;
- Nonprofit colleges and universities spend an average of one-half of one percent of their revenues on marketing;
- Together, 30 education companies examined by the U.S. Senate Committee on Health, Education, Labor and Pensions spent \$4.2 billion on marketing in 2009 or 22.7 percent of all revenue, which equates to \$2,622 per student;
- Of those 30 educational companies, 54 percent of students who started in 2008-2009 left without a degree by mid-2010. This translates to nearly 600,000 students leaving colleges without a degree;
- Students who attended a for-profit college already account for 47 percent of all student loan borrowers in default; and
- Fifteen of the largest for-profit education companies received at least 86 percent of their revenues from federal student aid programs, such as the G.I. Bill and Pell grant programs.

Today's letter is the latest effort by Attorney General Madigan to rein in the for-profit school industry's abusive practices. Last year, Madigan filed a lawsuit against the national for-profit school Westwood College, alleging Westwood left many students with anywhere from \$50,000 to \$70,000 in debt for degrees that failed to qualify them for careers in criminal justice. Madigan's lawsuit alleges that Westwood downplayed the ultimate cost of attending the college and failed to provide students with sufficient information about their loans.

Also in 2012, Madigan settled a national lawsuit with the company behind www.GIbill.com for deceptively steering U.S. service members and veterans to use their federal education benefits with the company's preferred clients in the for-profit schools industry. Madigan has also testified before Congress on growing concerns about the industry.

In addition, for the first time in 2012, complaints against schools ranked among the top 10 received by Madigan's office. Of the more than 1,300 complaints about schools operating in Illinois last year, nearly 95 percent concerned unfair and misleading practices employed by for-profit colleges, including deceptive recruitment and lending practices that have made for-profit college students in Illinois part of a growing generation of Americans trapped in a lifetime of financial insecurity.

Joining Madigan in sending today's letter were attorneys general from Arkansas, Iowa, Kentucky, Maryland, Massachusetts, Minnesota, Missouri, Nevada, New York, North Carolina, Oregon, Pennsylvania and Tennessee.

-30-

[Return to March 2013 Press Releases](#)

