

DeVry

Summary: 2012 U.S. Senate Committee Findings + 2015 Update

Overview

- 3rd largest publicly-traded, for-profit educational company operating 96 campuses plus an online division under 4 brands—Carrington Colleges Group, Chamberlain College of Nursing, DeVry University, and Keller Graduate School of Management
- Offers certificate, associate, bachelors, and graduate level programs focusing primarily on business, technology, and healthcare
- Despite concern about high student withdrawal and default rates, school leadership has demonstrated a commitment to investing in students and student services, and in engaging in a dialogue to improve—steps that distinguish the company from others in the sector
- In 2013-2014, three state Attorneys General and the Federal Trade Commission launched investigations over potential violations involving advertising, marketing, and other matters.

Tuition

- Although a Bachelor's of Science in business administration costs 12% more at the University of Illinois (\$84,320) compared to DeVry (\$75,184), an Associate of Science in Medical Assisting at a DeVry California campus costs \$30,781 compared to \$3,116 at San Jose City College.
- Has increased tuition 3% to 6% every year. Internal emails indicate that it considered, but ultimately abandoned, a strategy of aggressive price increases, in part because of concern about congressional scrutiny and impending Department of Education Gainful Employment regulations
- Because of high tuition, some students must rely on alternative financing in addition to federal student aid. DeVry's institutional loan programs help it meet a regulatory requirement that no more than 90% of its revenue can come from federal student aid

Federal Revenue

- 80.9% (\$1.2 billion) of DeVry's revenue is from federal student aid plus military and veteran educational benefits in 2010

Expenditure Priorities

- In 2009, 19.7% (\$288 million) of DeVry's revenue was allocated to marketing/recruitment and 16.1% (\$235 million) to profit. In 2010, its profit nearly doubled to \$411 million.
- It spent \$4,054 per student on marketing and \$2,890 per student on profit.
- Headquartered in Illinois, it paid its CEO \$6.3 million in 2009—46 times the salary of the president of the University of Illinois. CEOs of the large, publicly traded, for-profit education companies took home an average of \$7.3 million in 2009
- Invests \$2,989 per student on instruction compared to \$892 to \$3969 at other for-profit institutions.

Recruiting Tactics

- Although titled "enrollment advisors" or "enrollment counselors," an internal document makes the job function of recruiters clear: "This is a sales position."
- When asked about the cost of tuition at DeVry, recruiters trained to respond: "Do you plan to make your decision about a school based on cost alone?"
- Recruiters also trained to use manipulative tactics, such as causing prospective students to feel pain about their current situations or using a line of questions to create a sense of urgency about enrolling
- Works with QuinStreet, Inc. which employs military logos and generic site names to aggressively target military service members. Sites managed by QuinStreet, like GIBILL.COM, appear to provide general college information while effectively collecting prospective students' information for paying clients such as DeVry
- Like many other for-profit schools, it includes a binding arbitration clause in its standard enrollment agreement, which can severely limit the ability of students to have their complaints heard in court

Academic Quality and Student Outcomes

- Spent \$2,989 per student on instruction in 2009. In contrast, per student expenditures on instruction at other Illinois-based public colleges ranged from \$4,603 to \$11,776
- 83% of faculty are part-time, slightly higher than the for-profit industry standard
- Recognized the need to improve academic quality in its nursing program, where one student commented “I don’t feel that I can be a competent nurse based on what I am learning here... I am afraid that I am going to end of killing patients [sic].”
- Each career counselor was responsible for 557 students (robust compared to other publicly traded schools) and each student services staffer was responsible for 89 students, but the company employed one recruiter for every 52 students
- 52.2% of student who enrolled in 2008-09 withdrew by mid-2010 and were only enrolled a median of 3½ months. Withdrawal rates are higher in its bachelor’s and associate programs (about 55%) compared to its certificate programs (32%)
- Its default rate grew from 13.1% for those entering repayment in 2005 to 18.3% in 2008. But default rate is worse at some campuses—at one California campus, 28% of students entering repayment in 2008 defaulted on their loans
- Default rates are likely undercounted because it hired the General Revenue Corporation (GRC) to contact students and sign them up for temporary forbearances and deferments in order to avoid defaulting. In 2010, the GRC gave 62.9% of its DeVry borrowers a forbearance, which delayed payment but allows loan balances continue to grow as the result of accumulating interest

2015 Update

- A 2014 Senate HELP Committee report found that 25% of DeVry programs would fail or be at risk of failing the Department of Education’s Gainful Employment regulation
- The same report found that, from 2009 through 2013, DeVry was the fourth largest for-profit recipient of tuition from individuals using their Post-9/11 educational benefits, receiving a total of \$395 million from the Department of Veterans Affairs
- The state Attorneys General of New York, Illinois, and Massachusetts launched investigations of DeVry in 2013 and 2014 for false TV and website advertising, violating the federal incentive compensation ban, and submitting false claims related to student loans, guarantee, and grants
- In 2014, the Federal Trade Commission also opened an investigation of DeVry over advertising, marketing, and other matters
- In February 2015, Allied World National Insurance Company, DeVry’s liability insurer, filed a lawsuit seeking to avoid having to pay all of DeVry’s legal fees. It cited a January 2014 Federal Trade Commission civil investigative demand that asked DeVry to turn over all documentation related to published claims that 90% of graduates were hired in their field of study within 6 months
- In April 2015, DeVry a request for documents from the Office of the United States Attorney for the Northern District of Ohio related to that it had offered an associate degree program in Health Information Technology without providing necessary information to applicants regarding requirements for obtaining a degree and a job in the health information technology field upon graduation.