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Exploiting Veterans for Profit

Despite efforts by Congress, the Obama administration and state attorneys general to stop the predatory practices of for-profit colleges, veterans and service members who rely on funding from the G.I. bill and the Defense Department to attend school are still being targeted by an industry infamous for saddling people with debt and useless degrees.

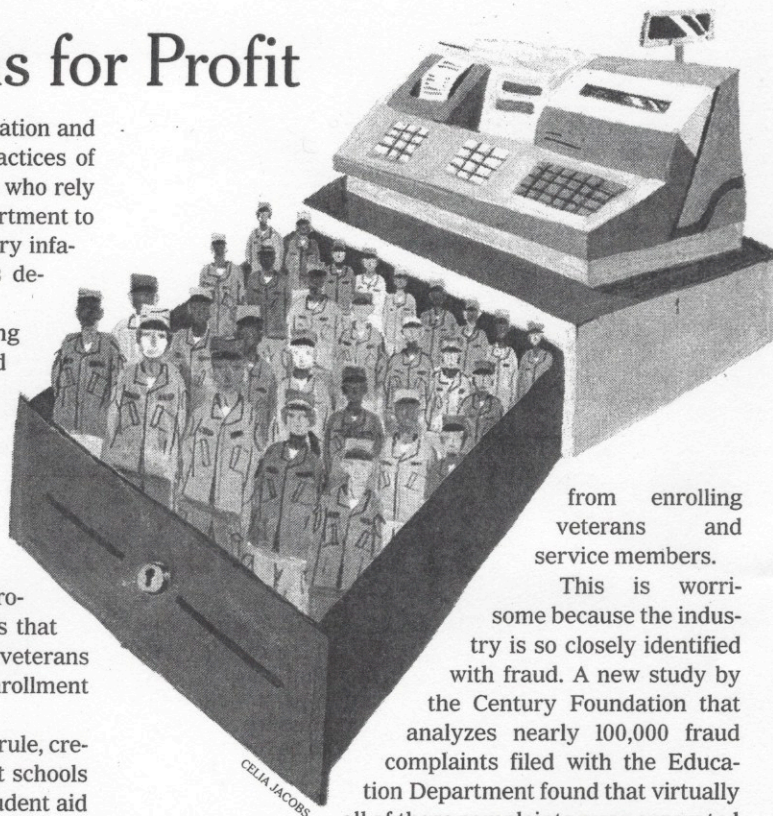
A Senate committee report sounded a warning on this problem three years ago, when it raised questions about deceptive practices in the industry. State attorneys general and federal agencies at the time were investigating seven for-profit outfits with significant revenue streams from the G.I. bill. Some of these schools have since been forced to shut down.

Nevertheless, a new analysis of federal data by Veterans Education Success, a nonprofit that provides free legal services to student veterans, finds that the for-profit industry is still setting its sights on veterans and service members even as its nonmilitary enrollment has declined.

The problem lies in what is known as the 90/10 rule, created by Congress in 1998. The rule allows for-profit schools to raise 90 percent of their revenue from federal student aid and requires them to raise the remaining 10 percent from other sources. The point was to prevent the government from supplying all of the revenue for low-quality schools that private citizens thought unworthy of their dollars.

But because of an oversight in how the law was worded, schools are allowed to count some federal money — from G.I. education benefits and Department of Defense tuition assistance — as privately raised. This has made veterans and service members a special target for high-pressure recruitment tactics and deliberate fraud.

The new report also shows that the schools that rely almost entirely on federal revenue — when veteran and Defense Department money is counted — are leaning more and more on veterans and service members. The number of schools that get more than 90 percent of revenue from the government grew to 192 from 133 between 2011 and 2013, the most recent year with available data — and such schools experienced a 60 percent jump in the revenue they received



from enrolling veterans and service members.

This is worrisome because the industry is so closely identified with fraud. A new study by the Century Foundation that analyzes nearly 100,000 fraud complaints filed with the Education Department found that virtually all of those complaints were generated

by the for-profit industry, which accounts for only about 10 percent of student enrollment nationally.

Veterans organizations that have seen servicemen and women exploited by this for-profit industry have repeatedly criticized the Department of Education's recent decision to abandon Obama-era rules that held the industry more closely accountable and made it easier for students who were cheated by unscrupulous schools to erase federal loan debt. In a letter this fall, for example, a coalition of veterans groups complained that the 90/10 rule had led to veterans being singled out for fraud.

Congress needs to stop the Education Department from dismantling rules that protect students generally, and veterans in particular, from exploitation. It should also close the loophole in the 90/10 rule to ensure that all federal funds are counted as such. That way schools would actually have to attract private money, as the original law intended.