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For-Profit Colleges Receiving an Education in Government Enforcement



Reflecting a growing trend of civil enforcement actions taking aim at for-profit colleges, last month Iowa Attorney General Tom Miller reached a \$7.25 million [settlement](#) with a for-profit college accused of misleading students regarding its educational programs while pressuring them to enroll.

At least **four federal government agencies and 22 states' attorneys general** are investigating or seeking legal action against for-profit educational institutions. The state actions have focused on violations of state consumer protection or unfair and deceptive trade practices laws. Akin to the claims brought in the Iowa settlement, other for-profit colleges have also reached multi-million dollar settlements with state attorney generals following allegations that students were deceived as to the value or recognition of for-profit college's certifications for subjects such as psychology, law enforcement, and nursing. For-profit schools have not been ignored by regulators on the federal level, with the [Consumer Financial Protection Bureau](#) (CFPB) pursuing for-profit colleges under authority from the Consumer Financial Protection Act of 2010 and the Truth in Lending Act. The CFPB is currently in the midst of investigations of at least two companies which it alleges engage in unfair, deceptive, or abusive practices that pressure students into predatory loans and mislead students with regard to job prospects. Adding yet another layer of scrutiny, for-profit colleges are also facing [newly proposed federal regulations](#) which aim to apply a "gainful employment" rule to for-profit schools. The rule would prohibit students from using federal aid to attend for-profit colleges whose graduates fail to meet [debt to earnings ratios and student loan default rates](#). U.S. Secretary of Education Arne Duncan stated that the proposed regulations are intended to address "growing concerns about unaffordable levels of loan debt for students enrolled in these programs by targeting the lowest-performing programs, while shining a light on best practices and giving all programs an opportunity to improve." While the regulations have not yet been enacted, the threat to for-profit schools may be a serious one, as many for-profit schools have already discovered in the face of more exacting regulatory standards. Earlier this year, a [California for-profit trade school](#) shut down mid-year after the Department of Education terminated student aid eligibility amid the school's ongoing financial problems.

According to the U.S. Department of Education, students at for-profit colleges represent only about 13 percent of the total higher education population, but about 31 percent of all student loans and nearly half of all loan

defaults.

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