The Failings of Online For-profit Colleges: Findings from Student Borrower Focus Groups

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B | Economic Studies
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ACKNOWLEDGEMENTS

STATEMENT OF INDEPENDENCE

ABSTRACT

This report addresses the trend of for-profit colleges going exclusively online or contracting with nonprofit (mostly public) colleges to run their online programs. Using results from focus groups of for-profit student borrowers, we explore the risks that this rapid shift entails for students already vulnerable to poor outcomes. The Department of Education is seeking to weaken accountability for distance education (online) providers that enroll students across wide geographies. This approach will increase risks for students and the federal student loan program. The Department of Education should increase oversight, and states should also act to protect consumers that are enrolled in online college programs, particularly those that are for-profit, irrespective of the home state of the online program provider.

SUMMARY OF FINDINGS

- For-profits colleges enroll an outsized share of students that take only online courses: 22 percent of *online-only* undergraduate students and 27 percent of all *online-only* graduate students. (For-profit colleges enroll only 5.4 percent of *all* undergraduates and 8.9 percent of *all* graduates.)
- The online-only student enrollments of for-profit colleges are 80 percent *out-of-state* for undergraduates and 85 percent *out-of-state* for graduates. Oversight and accountability

for distance education offered across multiple state lines is both inadequate and in flux, leaving students vulnerable to substandard educational offerings.

- Like for-profit enrollment generally, primarily online for-profit institutions focus their marketing and recruiting on African Americans, women, and adult students (25 or older) as reflected in the outsized enrollment shares of these students.

- In contrast to the high enrollment share of African Americans in for-profit online institutions, Latinos and whites are underrepresented. Latinos in particular have low enrollment shares in distance education institutions overall, irrespective of whether these institutions are for-profit, private nonprofit, or public.

- A nascent literature shows that outcomes for an online-only for-profit student are particularly poor in terms of completion and earnings after leaving school.

- CRL's focus group research shows that students that enroll in for-profit online programs are attracted by easy enrollment and assistance in procuring student financial aid, but are subsequently disappointed with the poor quality of education provided. Their hopes of improved financial stability through the pursuit of higher education meet head on with disappointing labor market outcomes and unsustainable levels of student debt.

The Evolution of For-profit Colleges and Online Education

Until 2010, for-profit institutions constituted the fastest growing sector in higher education.[1] Coinciding with this growth, online college courses and programs expanded rapidly, driven initially by the adoption of online technologies by huge for-profit institutions like the University of Phoenix, Grand Canyon University, and Walden University. The business model for the online component of these schools was characterized by institutional cost savings and user convenience generated by the scalable delivery of instructional material over the Internet.[2] Through the ability to market and offer courses exclusively online at low marginal costs per student, for-profit institutions were no longer tied to place and served large numbers of students across the country from a remote location.

More recently, as the for-profit sector has been plagued by a series of investigations, closures and consolidations[3], competition for online students has emerged from other sources including private nonprofit institutions such as Western Governors University, Liberty University, and Southern New Hampshire University and public institutions such as University of Maryland – University College and Arizona State University-Skysong.[4] These institutions are now driving much of the continued growth in online higher education. However, they differ in the populations they serve as discussed below under Recent Enrollment Trends of For-profit Colleges and Online Programs**.

For-profit online programs are known to target and recruit students that are low-income, African Americans, veterans, and female heads of households.[5] These students often qualify for substantial need-based federal financial aid, otherwise known as Title IV aid.[6] For-profit colleges

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[1] From 2000 to 2009, the fraction of fall enrollments in for-profit Title IV-eligible higher education institutions increased from 4.3% to 10.7%. See: Deming, David J., Claudia Goldin, and Lawrence F. Katz. "The For-Profit Postsecondary School Sector: Nimble Critters or Agile Predators?" *Journal of Economic Perspectives* 26, no. 1 (2012): 139-164.

[2] McPherson, Michael S., and Lawrence S. Bacow. "Online Higher Education: Beyond the Hype Cycle." *Journal of Economic Perspectives* 29, no. 4 (2015): 135-154.

[3] These investigations include congressional hearings, investigative reporting, and Government Accountability Office (GAO) audits as well as numerous law enforcement actions by state AG's.

[4] See: https://onlinelearningsurvey.com/reports/gradeincrease.pdf.

[5] See Jillian Berman, Plagued by Scandal, For-profit Colleges Target Single Mothers, Marketwatch (September 11, 2017), available at https://www.marketwatch.com/story/plagued-by-scandal-for-profit-colleges-target-single-mothers-2017-09-07.

[6] Title IV Federal Aid administered by the U.S. Department of Education represents approximately half of student aid awarded annually in the U.S. and includes federal grants (Pell, FSEOG, and others), federal Direct Loans (subsidized, unsubsidized, plus, and

rely heavily on the Title IV aid that their students bring, with 10 of the largest 11 for-profit colleges receiving around 70 percent or more of their revenues from this source.[7] When including military student aid (Department of Defense (DoD) and Department of Veterans Affairs (VA) aid/dollars), revenue shares from federal aid sources for five of these schools rises to 90 percent or more. Prior to 1998, no more than half of students in a Title IV eligible institution could be enrolled in distance education.[8] However, in 1998, under the reauthorization of the Higher Education Act by the Congress, waivers were given to higher education institutions as a means of promoting advances in education technology.[9] Spurred by regulatory easing by the Department of Education and an appealing business model, online education has increasingly dominated the offerings of the for-profit sector, even as the sector itself has contracted.[10]

In the last few years, many for-profits have thrown all of their resources into expanding their online education model, typically through the closure of brick-and-mortar campuses in favor of an exclusively online presence. These new models have tested the regulatory limits of "home state" and "main campus," when such designations potentially determine which state's regulatory agencies can grant the operating approvals that leads to federal student aid availability.[11] A recent example of testing these limits is the for-profit Ashford University's establishment of a 2,454 square foot "main campus" in 2017 that housed only a small portion of Ashford's employees and offered no classes. Notably, Ashford's parent company Bridgepoint Education sought to establish Ashford's "main campus" in Arizona, a state notoriously lacking in regulations around online education and home to supportive regulators from the company's perspective.[12] The move of Ashford to Arizona followed financial and legal difficulties for Bridgeport, including a

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consolidation) and work-study. Title IV of the Higher Education Act of 1965 and multiple later amendments specify both the administrative structure of federal student aid programs and requirements for institutions accepting Title IV aid. These requirements include maintaining recognized accreditation and the reporting of institutional quality and operations.

[7] Kelchen, Robert. "How much do for-profit colleges rely on federal funds?" Brookings Institution (January 11, 2017) available at https://www.brookings.edu/blog/brown-center-chalkboard/2017/01/11/how-much-do-for-profit-collegesrely-on-federal-funds/.

[8] Deming, David J., Claudia Goldin, and Lawrence F. Katz. "The For-Profit Postsecondary School Sector: Nimble Critters or Agile Predators?" *Journal of Economic Perspectives* 26, no. 1 (2012): 139-164.

[9] Id.

[10] An exception to this regulatory easing was the finalization of the State Authorization Rules by the Obama administration in 2016. The status of these rules is discussed below in ***Protections for Students that attend Online For-profit Colleges.***

[11] Vasquez, Michael. 2017. "Inside the Scramble to Save Ashford U." *The Chronicle of Higher Education*, November 10, 2017. https://www.chronicle.com/article/Inside-the-Scramble-to-Save/241747.

[12]Id. The investigative report by Michael Vasquez found that Ashford University had close allies in the office of Arizona's Governor Doug Ducey, working with Ducey's staffers to establish a headquarters in Arizona as a means of maintaining federal funding from the GI Bill.

$7.25 million settlement in Iowa in response to student complaints, $23.5 million in student re-funds, and loan forgiveness as part of a consent order by the CFPB.[13] These difficulties led to the closure of their Iowa campus and jeopardized GI Bill payments that financed the attendance of approximately 25 percent of Ashford's students nationwide.[14] Ashford's maneuvering was re-warded when Arizona quickly issued the license necessary for Ashford to accept GI Bill student aid. This license allowed Ashford to preserve a substantial portion of its revenues as it opened GI Bill availability not just for Arizona-based Ashford students, but Ashford students across the country. However, the VA subsequently ruled that Arizona could not be considered the home of Ashford's main campus and asked Ashford to receive approval from the California veterans' edu-cation authority based on its longtime headquarters in San Diego. Citing litigation initiated by the California Attorney General's Office into allegedly fraudulent business activities by Ashford in its advertising, the California authority has elected not to act on this request for approval as of this writing, leaving Ashford's future ability to receive GI Bill student aid in doubt.[15]

Ashford is not alone in moving away from physical campuses. The impact of regulatory crack-downs, increasing competition, and bad publicity has elicited widespread campus closures and sell-offs throughout the for-profit industry, while often the for-profit online presence remains.[16] The ability of for-profit online colleges to continue operating has rested in part on their ability to engage in the type of regulatory arbitrage described in the prior paragraph, where colleges are able to seek out a lenient state as home base, obtain a license or certification in that state, and then have full access to federal student financial aid for students residing in every state, even those with much stricter regulatory regimes.[17]

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[13] Id. Additional actions at the state level include the California AG suit against Bridgeport brought in 2017, and on-going investiga-tions by AG's in New York and North Carolina. See: https://www.latimes.com/local/education/la-me-edu-becerra-lawsuit-20171129-story.html.

[14] Id.

[15] Stratford, Michael. 2019. "Trump Administration Threatens California in for-profit college dispute." POLITICO Pro, January 19, 2019. https://subscriber.politicopro.com/education/article/2019/01/trump-administration-threatens-california-in-for-profit-col-lege-dispute-1092539. For the letter the California Department of Veteran Affairs sent to the United States Department of Veterans Affairs outlining its reasoning, see: https://www.republicreport.org/wp-content/uploads/2019/01/01.15.19-CSAAVE-to-VA.pdf.

[16] Fain, Paul. 2015. "Vanishing Profit, and Campuses." *Inside Higher Ed*, May 7, 2015. https://www.insidehigh-ered.com/news/2015/05/07/profit-chains-announce-new-wave-closures-and-sell-offs.

[17] Another example of the attraction of Arizona's favorable treatment of for-profit colleges can be found in the origins of The Univer-sity of Phoenix and the statement of founder John Sperling as reported in a 2017 article in the Phoenix New Times. "Sperling's enter-prise was initially born as a series of adult education courses in San Francisco. After a California accreditor began to scrutinize his program, Sperling moved to Phoenix, in part, because, as he told the *Arizona Republic*, Arizona "had never gotten around to writing any regulations."" https://www.phoenixnewtimes.com/news/phoenix-americas-for-profit-education-capital-9709371 .

For-profit colleges have also moved into private contracting in the role of online program managers (OPMs), providing a wide range of online education services to affiliated colleges and universities. The majority of American public colleges and universities rely on external companies for online educational programming. OPMs incur the upfront technology development costs associated with online education, allowing a number of public colleges to cheaply expand their online student population and educational offerings.[18] While cost-effective and efficient for the public higher education institution, OPMs are private, profit-seeking entities lacking the motivation and responsibility to provide a quality of education that meets the standards of public higher education institutions. Furthermore, students are often unaware of the involvement of these external companies, wrongly assuming that an OPM contractor is created and managed by the public institution.[19]

Purdue University's purchase of for-profit Kaplan University is an example of this type of arrangement. With the purchase, Purdue and Kaplan formed a new publicly charted online-only institution, named Purdue Global that has a 30-year contractual service relationship with Kaplan as a for-profit OPM.[20] While the new entity has been cloaked in a mission of inclusion and educational access for students, experts in higher education have expressed concern that this relationship ignores Kaplan's history of problematic practices in the distance education space.[21] Additionally, the new institution is a public benefit corporation, a hybrid form combining aspects of both nonprofit and for-profit control, which is not held to the same transparency standards that regulate most nonprofit higher education institutions.[22] For example, Purdue Global will not have to file an annual Form 990 tax form which includes information about the university's compensation, revenue, and expenses.[23] While the regulatory and legal ramifications of Purdue Global, as well as how educational quality will be assessed and monitored, are still being determined, this new institutional arrangement is a further step towards blurring the distinction between for-profit and public/private online education providers.

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[18] Mattes, Margaret. 2017. "The Private Side of Public Higher Education." *The Century Foundation*. August 7, 2017. https://tcf.org/content/report/private-side-public-higher-education/.

[19] Id.

[20] Fain, Paul. 2017. "Fine Print and Tough Questions for the Purdue-Kaplan Deal." May 30, 2017. https://www.insidehighered.com/news/2017/05/30/regulators-and-accreditor-begin-review-purdues-boundary-testing-deal-kaplan.

[21] Shireman, Robert. 2017. "There's a Reason the Purdue-Kaplan Deal Sounds Too Good to Be True". *The Chronicle of Higher Education*. April 30, 2017. https://www.chronicle.com/article/There-s-a-Reason-the/239954

[22] Fain, Paul. 2017. "Fine Print and Tough Questions for the Purdue-Kaplan Deal." May 30, 2017. https://www.insidehighered.com/news/2017/05/30/regulators-and-accreditor-begin-review-purdues-boundary-testing-deal-kaplan.

[23] Id.

For-profit Online Student Outcomes in Previous Studies

Due to their flexibility in both geography and time, online courses and programs have the potential to redefine educational opportunity, especially for non-traditional students.[24] However, the quality of these distance education programs must be monitored to ensure students experience meaningful outcomes, particularly in the for-profit realm.

Recent research underscores the negative impacts online education in *for-profit* settings can have on students, particularly those least well-prepared for educational instruction.[25] By comparing student performance in online and in-person courses offered through DeVry University, a large, for-profit institution, Bettinger and Loeb found students in online courses perform substantially worse than students in traditional in-person courses. Students enrolled in online courses experienced an increased probability of separating from the program and were likely to perform worse in future coursework than students enrolled in identical in-person courses.[26] These negative impacts were most strongly felt by students with a lower prior GPA.

Further evidence of weak student outcomes comes from research by Cellini and Turner that explored labor market outcomes of students who attended for-profit institutions compared to students that attended public institutions.[27] These authors merged data obtained from the U.S. Department of Education that included all certificate-seeking students funded by a federal loan who exited a postsecondary institution between 2006 and 2008 with tax data from the Internal Revenue Service in order to examine the actual labor market outcomes of these students (rather than relying on self-reported data). Matching the students across the sectors on demographics (marital status, gender, number of children, age), prior earnings, program of study, and location, the authors found that certificate-seeking students who attended for-profits experienced lower annual wages by about 11 percent, compared to their public-sector counterparts. These

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[24] Bettinger, Eric, and Susanna Loeb. "Promises and Pitfalls of Online Education." *Brookings Institution* Evidence Speaks Reports 2, no. 15 (2017).

[25] For a recent exhaustive review of the literature on online higher education outcomes generally, see: Protopsaltis, Spiros and Sandy Baum. "Does Online Education Live up to its Promise? A Look at the Evidence and Implications for Federal Policy." January 2019, available at: http://mason.gmu.edu/~sprotops/OnlineEd.pdf

[26] Bettinger, Eric, and Susanna Loeb. "Promises and Pitfalls of Online Education." *Brookings Institution* Evidence Speaks Reports 2, no. 15 (2017).

[27] Stephanie R. Cellini and Nicholas Turner, "Gainfully employed? Assessing the Employment and Earnings of For-Profit College Students Using Administrative Data," Journal of Human Resources (2018), doi: 1016_8302R1.

wage differences were substantially worse for female students and notably for this paper, *more than doubled for those enrolled in online for-profit programs.*

Finally, Baker et al. examined the question of biased response rates by instructors in an online college environment by certain race and gender combinations among students. In a field experiment involving 124 massive open online courses, the authors found that instructors are 94 percent more likely to respond to white male students (as indicated by fictive names evocative of certain races and genders) than other race/gender combinations.[28] This finding has implications for the for-profit online sector, as both African-American and female students are more heavily represented in for-profit online colleges when compared to public and private nonprofit schools (see Figures 1 and 2 below).

Recent Enrollment Trends of For-profit Colleges and Online Programs

For-profit college enrollment has fallen in recent years due to market forces, enforcement actions due to abusive practices and other factors.

For-profit college enrollment peaked in 2010 and declined by almost 40 percent between 2012 and 2016 for undergraduates and just over 10 percent for graduate degree students (Table 1). During the same period, overall undergrad enrollment (all school types) declined slightly (-5 percent) while overall graduate enrollment grew by 2 percent. Some of the decline in for-profit enrollment was due to an improving economy and the attendant reduction in the appeal of career training programs, such as those that dominate for-profit college offerings. However, as mentioned above, for-profit college enrollment has also suffered differentially from a series of scandals covered extensively in the media as well as law enforcement actions at both the state and federal level. These actions have resulted in sanctions and closures of some of the worst actors, including Corinthian Colleges and ITT Tech.[29] Additionally, a number of for-profits have sought to mitigate reputational damage and further scrutiny by changing corporate form over

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28 Baker, R., Dee, T., Evans, B., & John, J. (2018). Bias in Online Classes: Evidence from a Field Experiment (CEPA Working Paper No.18-03). Retrieved from Stanford Center for Education Policy Analysis: http://cepa.stanford.edu/wp18-03.

29 Puzzanghera, Jim and Ronald D. White. 2016. "Closing of ITT Tech and other for-profit schools leaves thousands of students in limbo". *The LA Times*, September 12, 2016. https://www.latimes.com/business/la-fi-for-profit-schools-20160912-snap-story.html.

this period and subsequently report new results as either a private nonprofit or public institution.[30]

For-profit colleges continue to play an outsized role in online higher education, particularly for graduate program enrollment.

During the same time period, overall enrollment (all college types) in *online-only* undergraduate degree programs increased 7.7 percent to almost 2.2 million students while graduate program *online-only* enrollment increased by a substantial 28 percent to almost 819,000 (Table 1). By 2016, 27.5 percent of graduate program students were online-only compared to a 12.8 percent online-only share for all undergraduate students. For both undergraduate and graduate online-only education, for-profit colleges continue to play an outsized role with combined enrollment of almost 700,000 in 2016. For-profits enrolled 22 percent of all online undergraduate students and 27 percent of all online graduate students, despite enrolling only 5.4 percent of all undergraduates and 8.9 percent of all graduates.[31]

For-profit colleges enroll most of their students beyond the borders of their home state.

Table 1 also shows that the vast majority of for-profit online enrollments both undergraduate (80 percent) and graduate (85 percent) are in states other than the home state of the for-profit college.[32] Because public colleges tend to enroll the majority of their online students in their own home states, for-profit colleges represent 49 percent of all online, out-of-state undergraduates, and 43 percent of all online, out-of-state graduates. Of the 10 colleges with the largest out-of-state online enrollment for 2016-2017, six were for-profit, enrolling a total of 315,436 students beyond their home state borders.[33]

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[30] Shireman, Robert. 2018. "These Colleges Say They're Nonprofit—But Are They?" *The Century Foundation*. August 23, 2018. https://tcf.org/content/commentary/colleges-say-theyre-nonprofit/.

[31] CRL calculations from data presented in Table 1: 2016 Undergrad online for-profit enrollment of 477,146 is 22% of 2016 undergrad online enrollment of 2,154,040. Graduate online for-profit enrollment of 221,344 is 27% of 2016 graduate for-profit enrollment of 818,575.

[32] CRL calculations from data presented in Table 1: 2016 Undergrad online for-profit out-of-state enrollment of 381,714 is 80% of 2016 undergrad for-profit enrollment of 477,146. Graduate online for-profit out-of-state enrollment of 187,139 is 85% of 2016 graduate for-profit enrollment of 221,344.

[33] As voluntarily reported to NC SARA (see: http://nc-sara.org/downloads). These for-profit colleges were University of Phoenix, American Public University System, Ashworth College, Grand Canyon University, Capella University, and Kaplan University.

NOTE: Degree-granting institutions only, offering associate's or higher degrees, and participating in Title IV federal financial aid programs. Out-of-state refers to state of residence for student compared to school location.

	Fall 2012	% 2012 Share	Fall 2016	% 2016 Share	% change 2012-2016
Undergraduate					
Total	**17,732,431**	100.0%	**16,869,212**	100.0%	-4.9%
For-profit	1,513,613	8.5%	915,357	5.4%	-39.5%
Online Only Total	**1,999,310**	11.3%	**2,154,040**	12.8%	7.7%
Online Only For-profit	697,152	3.9%	477,146	2.8%	-31.6%
Online Only Total Out-of-state	823,255	4.6%	773,561	4.6%	-6.0%
Online Only For-profit Out-of-state	586,036	3.3%	381,714	2.3%	-34.9%
Graduate					
Total	**2,910,388**	100.0%	**2,971,802**	100.0%	2.1%
For-profit	295,285	10.1%	264,888	8.9%	-10.3%
Online Only Total	**639,343**	22.0%	**818,575**	27.5%	28.0%
Online Only For-profit	226,013	7.8%	221,344	7.4%	-2.1%
Online Only Total Out-of-state	352,754	12.1%	440,082	14.8%	24.8%
Online Only For-profit Out-of-state	191,145	6.6%	187,139	6.3%	-2.1%

SOURCE: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Spring 2013 and Spring 2017, Fall Enrollment component.

African-American students are disproportionately enrolled in for-profit online colleges.

Figures 1 and 2 reflect the large disparity by race and ethnicity in enrollment in institutions that are deemed "primarily distance ed (DE)" by the Department of Education (those that report that 90 percent or greater of their students are enrolled in programs that are *exclusively* online).[34] Note that these institutions do not capture all exclusively online *students*, as many, *not* primarily DE institutions (designated "Other" in Figure 2) also have students enrolled in programs that are exclusively online, but not to the same extent by share of all their students. The primarily DE

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[34] See IPEDs Definitions for Race and Ethnicity Categories: https://nces.ed.gov/ipeds/report-your-data/race-ethnicity-definitions. The *text* of this report uses "African American" to refer to the "Black or African American" data in IPEDS and "Latino" to refer to the "Hispanic or Latino" data in IPEDS, although Figures 1 and 2 use the IPEDS labels.

designation is the best proxy researchers have for describing the characteristics of all online students at this point in terms of data available from the Department of Education.[35] (Figure 1 compares enrollment shares within the "primarily distance ed" category by college type: public, private and for-profit. Figure 2 compares enrollment shares for primarily DE institutions with Other institutions, combining public, private and for-profit enrollment for each.)

In 2016, African-American students represented 24 percent of enrollment in *for-profit* primarily DE institutions compared to 18 percent of similarly-designated private institutions and 9 percent of similar public institutions.[36] This relationship is reversed for white and Latino students that represent a much higher share of *public* primarily DE institutions compared to both private and for-profit institutions. These results are consistent with the high prevalence of African-American student enrollment in for-profit colleges generally, a phenomenon that is not entirely understood but is influenced by lower family wealth and targeting through the advertising and recruiting of for-profit colleges.

The other observation from the data presented in Figure 2 is that Latinos are much less likely to enroll in *any* type of primarily DE institution, compared to their enrollment in Other Institutions. Latinos represent only 8 percent of primarily DE institutional overall enrollment, but 18% of Other institutional overall enrollment. This may be a function of high Latino enrollment in community colleges that would rarely, if ever meet the primarily DE institution criteria. It may also be due to a greater comfort with face-to-face educational formats to the extent that English language fluency is a factor.[37] Further study along these lines is warranted.

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[35] The enrollment in the ten largest of primarily DE institutions represented 54 percent of enrollment of the ten largest institutions by number of exclusively online students for Fall 2016 Enrollment. These two lists shared 4 colleges: Western Governors, Walden, American Public University System, and Excelsior College. See this survey conducted by Babson: https://onlinelearningsurvey.com/reports/gradeincrease.pdf.

[36] According to a survey conducted by Babson, of the top 10 primarily DE institutions by 2016 enrollment, 5 are for-profit, 2 are private, and 3 are public. See: https://onlinelearningsurvey.com/reports/gradeincrease.pdf.

[37] See: http://www.pewhispanic.org/2007/03/14/latinos-online/.

Figure 1: Percentage of Students (Undergraduate and Graduate) Enrolled at Degree-granting Institutions by Race/Ethnicity and Institution Type (Public, Private, For-profit), for Primarily Distance Education Institutions
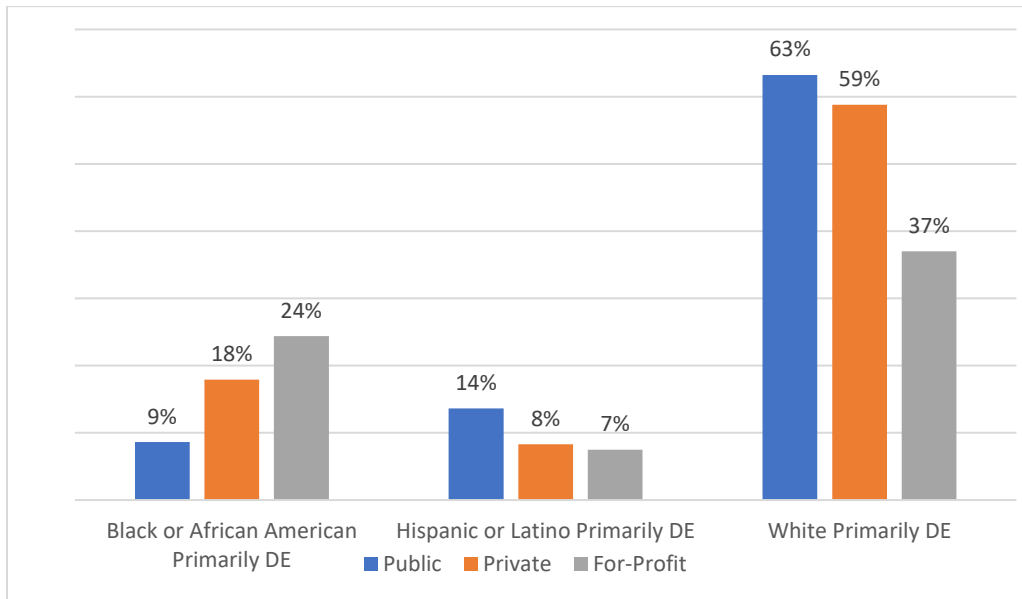
Source: NCES, IPEDS Fall Enrollment survey component, Fall 2016 (Provisional).
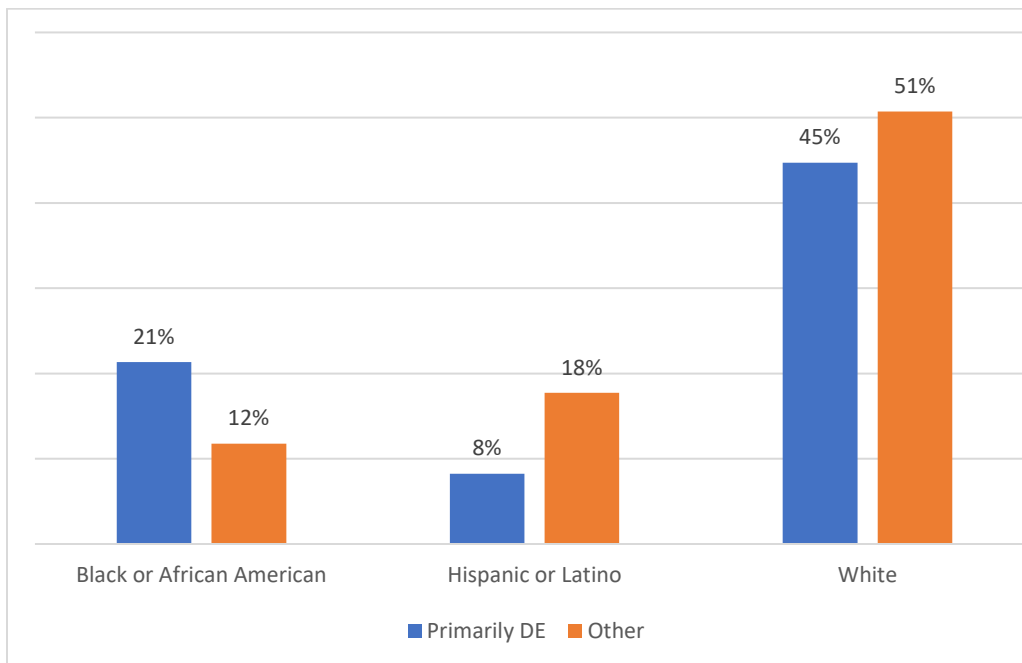
Figure 2: Percentage of Students (Undergraduate and Graduate) Enrolled at Degree-granting Institutions by Race/Ethnicity for all Primarily Distance Education Institutions (combined) and Other Institutions (combined)

Source: NCES, IPEDS Fall Enrollment survey component, Fall 2016 (Provisional).

The enrollment of online institutions is highly skewed towards adults aged 25 and older, regardless of public, private or for-profit corporate status.

Figures 3 and 4 below show the dramatic weighting of primarily DE students towards adults aged 25+, a finding that is consistent with our focus group findings that a student's ability to continue working through the flexibility of the online format is a key factor in choosing DE. (Note that undergraduates who are aged 25+ are generally considered independent for financial aid purposes and aren't required to include parental resources in determining eligibility for Title IV aid. Graduate students of any age are considered independent. Adults aged 25+ are hereafter referred to as "independent adults".) Figure 3 shows that both public and for-profit primarily DE enrollments are 63 percent independent adults, with the equivalent private enrollment slightly lower at 53 percent. These shares are over twice that of independent students enrolled in Other institutions, which is 25 percent as shown in Figure 4. (Figure 3 compares enrollment shares within the "primarily distance ed" category by college type: public, private, for-profit. Figure 4 compares enrollment shares for primarily DE institutions with Other institutions, combining public, private and for-profit enrollment for each.)

Women and part-time students are also more likely to be enrolled in online institutions.

Women are overrepresented both in Primarily DE institutions overall (Figure 4) and in for-profit DE institutions in particular (Figure 3), constituting 66 percent of for-profit Primarily DE enrollment compared to 55 percent of public Primarily DE enrollment. Part-time students are slightly more likely to be enrolled in Primarily DE institutions (43 percent) versus Other institutions (39 percent) as shown in Figure 4, but within the Primarily DE category (Figure 3), public enrollment shares are dramatically higher at 75 percent compared to 38 percent and 40 percent for private and for-profit Primarily DE schools respectively. This phenomenon regarding part-time students is also not well-understood. Private and for-profit colleges may encourage full-time attendance for distance education programs to maximize financial aid receipts per student per year. Public online universities may hold more appeal for part-time students because of their lower cost relative to private and for-profit colleges, as part-time students must also cover their living expenses over a prolonged program length.

Figure 3: Percentage of Students (Undergraduate and Graduate) Enrolled at Degree-granting Institutions by Sex, Part-time Status and Age over 25, by each Institution Type, for all Primarily Distance Education Institutions
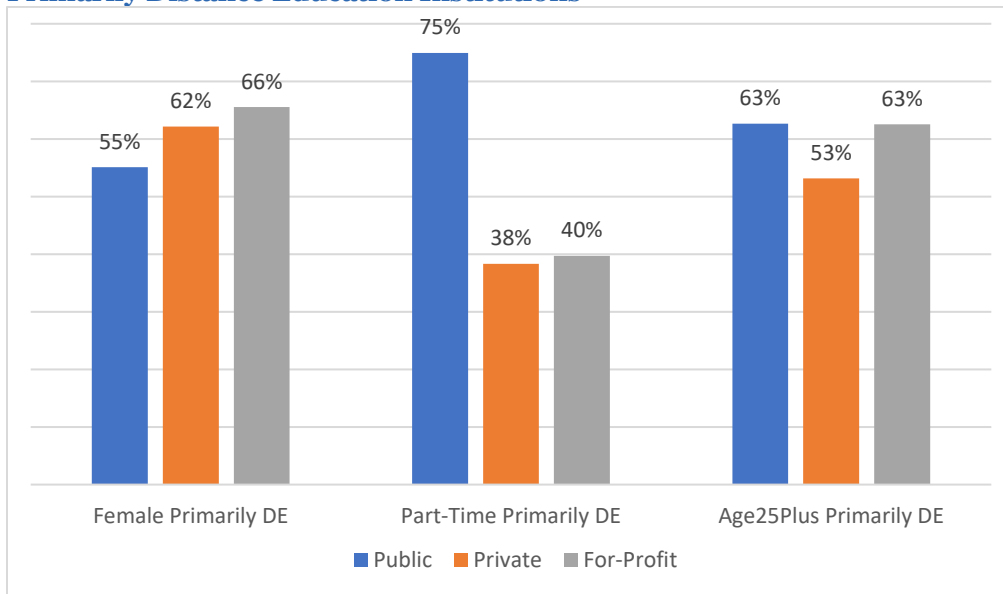
Source: NCES, IPEDS Fall Enrollment survey component, Fall 2016 (Provisional)

Figure 4: Percentage of Students (Undergraduate and Graduate) Enrolled at Degree-granting Institutions by Sex, Part-time Status and Age over 25, for all Primarily Distance Education Institutions (combined) and Other Institutions (combined)
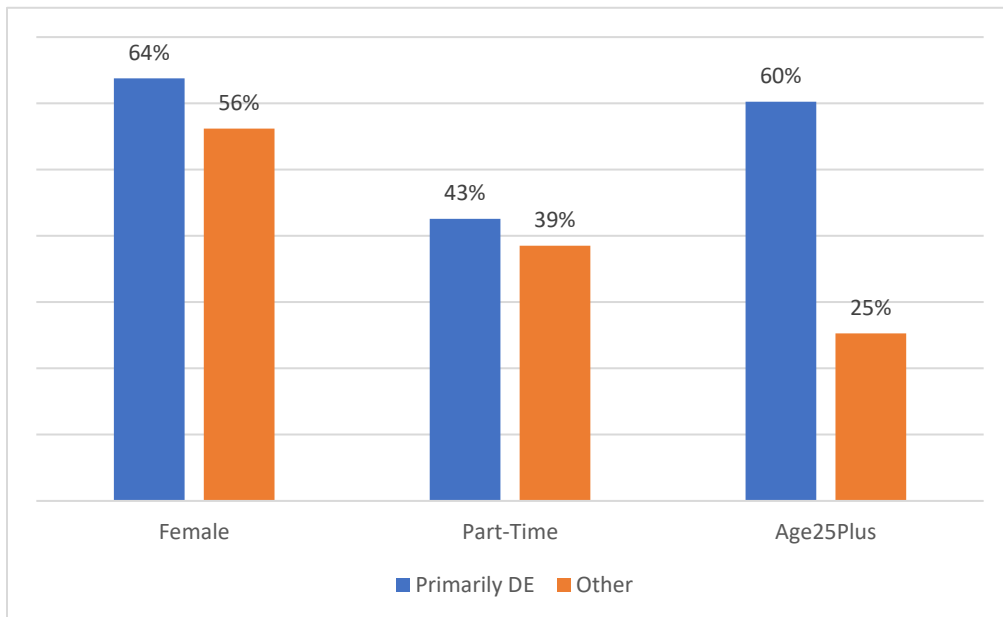
Source: NCES, IPEDS Fall Enrollment survey component, Fall 2016 (Provisional)

Motivation and Methodology of CRL Focus Group Research on For-profit Online Students

In the early summer of 2017, the Center for Responsible Lending (CRL) conducted focus groups in Orlando, Florida with 75 individuals who had attended for-profit colleges within the last ten years, borrowed to finance their education and except for one group of current students, left college at least 2 years prior.[38] Participants (also referred to as student borrowers) were chosen *without respect* to the amount of student debt incurred or satisfaction with their for-profit experience. The research sought to better understand the circumstances these individuals faced that led them to enroll in their respective schools and their experiences with choosing, enrolling, and attending the school; finding a job after leaving the program; and taking out and repaying their loans.

The research design included sorting participants into one of nine groups depending on certain self-identified characteristics to explore in-depth: attainment (one group each of completed, dropped-out, currently enrolled), race and ethnicity (one group each of African Americans and Latinos), program features (one group each of online only, medical allied arts programs, and cosmetology programs) and military status (one group of service-members/veterans).[39]

This paper primarily utilizes the results from the 11 members of the *online-only focus group* that, in addition to answering questions that were common to all groups, explored more specifically what attracted students to an online format and to reflect on the online educational experience itself. We also include a few responses from the additional 15 online-only participants and 18 hybrid program participants (half online) scattered among the other groups.

Demographically, the online-only focus group consisted of eight females and three males with an average reported age of the 40, ranging from 33 to 51. The breakdown by reported race and

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[38] These participants were recruited by a well-established third-party focus group company hired by CRL with existing panels of thousands of potential focus group participants to draw on.

[39] For further information about methodology, questions put to the focus group participants and the results of two short surveys (financial well-being and credit products/practices) that were administered to participants at the end of the focus groups, see: Howarth, Robin and Robert Lang. 2018. "Debt and Disillusionment: Stories of Former For-Profit College Students as Shared in Florida Focus Groups." *Center for Responsible Lending*. August 2018. https://www.responsiblelending.org/research-publication/debt-and-disillusionment-stories-former-profit-college-students-shared-florida.

ethnicity was seven African American, three white and one "other", which is over-weighted for African Americans relative to the 2016 enrollment shares reflected in Figure 1 above. When including the additional 15 online-only participants, the breakdown by race and ethnicity was 12 African American, seven white, five Hispanic and two Other (26 total), still over-weighted for African Americans, but less so.

The for-profit schools attended by the online-only focus group included: University of Phoenix, Everest University, Kaplan, Full Sail University, Capella University, U.S. Career Institute, and Strayer University. Many of the online-only students scattered through the other focus groups attended these schools as well, but also reported attending Ashford, Walden, Florida Technical College, and Herzing University.

Participant responses included below have been lightly edited for clarity and names changed to preserve anonymity. Bolded text within quotes are moderator's questions and comments.

What lead student borrowers to choose online for-profit colleges?

One factor above all dominated the decision to enroll in an online program: the ability to continue working. The online format allowed for flexible scheduling, no wasted time spent driving to an on-site location, and "alone time" after a hectic work day – just student and computer.

> *I wasn't looking for profit, nonprofit, this that or the other. I simply wanted to start with online because I needed to continue working full time and still go to school. To be quite honest, at the time, the number one school that came to mind was University of Phoenix. They are known for online...you have to be very disciplined when you are online. So, work all day, walk in, throw the purse and get right on a computer. The schedule when you are online is, in my opinion, much easier than when you are in an on-the-ground format because you don't have any traveling, back and forth. (Connie)*

> *I was very hesitant learning that it was a for-profit school.... What really drew me to them was the freedom of doing everything on my own time. I talked to other friends that did other online schools...and everything had a set date or time that you had to be online...and it didn't work with my life, with my work schedule...I can work at 3:00 in the morning if I want to. (Megan)*

Clyde, did you get all three of your degrees at the same school? *Yes.* ***And what school was it?*** *Everest.* ***Ok, so tell me, did you just know you were going to Everest?*** *Well actually I chose Everest, because I wanted to do all my school online. I go to work during the day and I deal with people all day, so I didn't want to go to class and have to deal with other people. But I can focus more if I am at home -- so I was able to all my studying at home. (Clyde)*

In addition to work commitments, participants cited the need to stay home with children as a compelling reason why on-campus programs were less attractive.

I decided to go to University of Phoenix online, because our daughter -- she has Asperger's. And I was going to be staying at home with her, to work with her. So, I decided why don't I just go to school while I am at home? I got my master's degree at the University of Phoenix, that was a Master of Arts in education and then I picked up a year later and started into their doctoral program. (Jackie)

Many of our student borrowers also felt that the online format was more targeted to adults and in some cases appreciated the anonymity of the experience.

I went to check out Valencia Community College before I did University of Phoenix. And what you were saying, I felt that way about Valencia, because I'm a lot older. And so, I felt so out of place at Valencia. So that's why I did online classes. ***It made it more appealing****. Because nobody knew how old I was or anything like that. However, after the first several courses, you could tell.* ***What could you tell?*** *Somewhat of their ages, of how they, maturity****.*** *You could start seeing that. (Rhonda)*

I already had a Masters, so -- and I didn't want to do in a classroom situation. And being in education I already knew the forum of that learning was not going to be computerized. So that's what I did. And it was a fast track, I couldn't wait to sit there with everybody else to catch up on stuff like that. So, the fact that it was online was the main, the "why." (Wanda)

Participants generally felt that similar degrees at public schools required more of a commitment

not just for travel, class attendance and homework, but also in the logistics, specifically navigating course enrollment and financial aid. Although some had misgivings about the for-profit nature of the school, the convenience and ease of enrollment and especially applying for financial aid, was difficult to resist. Signing up was easy – "everything is done for you." Irrespective of when students enrolled, they were usually pressured to start right away, leaving little time for second thoughts.

> ***Were you thinking of any other school when you chose University of Phoenix?*** *Yes.* ***And what was it?*** *Valencia (community college).* ***And why did you pick U of Phoenix?*** *Because like I said, the scheduling at Valencia, you have to dedicate a lot more time... (Katie)*

> ***How...did you hear that they had a stigma associated with it?*** *Well if you google it, I mean, you can just google the school and it says, you know a lot of people say the degree is a rip off or whatever. I saw that a lot before I went. So, it did make me not want to go, but I knew I needed to do online, because I was going to school full time and it was just so easy to get in there and involved and jump in. (Dallas)*

> *To be honest, at UCF (4-year public) you kind of had to do everything on your own. And I looked at it, I wanted to do an online school and I wanted something that was super easy. Because at the time I was -- I had a 1 year old. So, I wanted everything kind of done for me. University of Phoenix completely did your whole schedule for you for 2 years, and they did all of your finances, and you didn't have to drive to a campus. It was all aligned for you. (Melissa)*

> *...I was pushed to finish enrollment very quickly and start as soon as possible. That was when it really kicked into high gear. Requesting information, getting information, making a decision was pretty leisurely. The moment I said okay and started the process of enrolling in the school and then going through all my financial aid, federal student loans, for whatever I had left... that was a very motivated process and I was getting calls a couple of times a week and e-mailed and follow up phone calls.* ***Who's motivated, you or them?*** *Oh no, the financial aid people. No -- I was like whenever, I will get around to it. And they were very motivated to get everything signed off and ready*

to go for the next month. If I could have started that week, they would have done it. (Dallas)

Sometimes, however, the attempt to juggle family, work and online college proved to be too much.

> *I went to University of Phoenix from 2006 to 2007, and then I transferred to Ashford from 2007 until the beginning of 2009. I'm an insurance agent. And life just got busy. I have 2 boys and I just didn't finish. **And you were studying?** Business administration. (Olivia)*

How did participants feel about the educational experience of their online for-profit program?

Many of the online-only participants expressed serious doubts about the quality of the education they received, ultimately wondering if it was worth the time and energy invested. More than a few borrowers questioned the commitment of the instructors or preparation of their fellow students – and sometimes the quality of their own work. They concluded that the schools were far more concerned with financial aid eligibility than learning outcomes.

> *Even though we had an instructor and they'd be there to quote "help" us, it was more…. It was more about teaching yourself. And even the materials they gave us -- and I leave this feedback all the time at the end of the class: you need something more interactive…And just trying to learn everything by myself because I didn't really have anybody there to teach me. (Rosa)*

> *"They let anyone in too, though. You don't have to have a certain GPA before from high school. It's like, you want to get in? Here you go, you are in." (Melissa)*

> *"There were some people I was in a group with that I felt like they shouldn't be in college. They couldn't even do a complete sentence. It was frustrating at times. When you had a team assignment that had to be done and everybody had a section or subject and it had to be combined, you would basically have to re-do their work. Because it just wasn't acceptable." (Dallas)*

I had some internal bias about it, I don't know. I just didn't feel great about it. And honestly all through that experience I didn't feel great about it. But I just got through it, and got it done and got the paper and moved on. (Jake)

Participants reflected that coursework participation – through online posts and responses – was evaluated by the superficial criteria of frequency and length, not content. They expected guided learning from the instructors but were often left to figure it out on their own.

"You had to have numbers, you had to post certain numbers every week. I posted some BS just to meet the number you have to have for the week and plus you also have to respond to another person's discussion posts. So, I just threw something in there – because I realized that it wasn't the professor that was checking it, it was a computer to make sure you input something. So, I wasn't getting – I wasn't learning – anything out of the online." (Hank)

"I feel like at Phoenix it was quantity over quality… I turned in some garbage papers that met the word count. I might have turned in a paper that was a couple [of] words short, and I might have got a 75 or a C on that paper. And then I got an A on a paper that was just trash, but it met the 10,000-word count, so it's on point." It felt like it was more focused on "make these eight posts" than it was on actually learning the information. I want to get the tools that I need to be successful in my field and not just participate just to get a diploma. I want to learn something. And for me, University of Phoenix, it wasn't providing that for me. (Eric)

And then you have some people who really want to learn, but it's not for you to get taught. It's for you to do the syllabus and do what you have to do when you don't have a teacher that is going to teach you. And like Rita (who) had a weakness in math, I had to hire a tutor. My teacher did not teach me algebra -- I hired a tutor. It's like they are there to instruct you and give you your syllabus and say this needs to be done. And it's not for you to learn. (Katie)

Although school personnel were very hands on during enrollment and the application for financial aid, once students began classes, they were often adversely affected by turnover. As staff contact was only online or by phone, the sense of disconnection was more profound.

> *Maybe (the) first thing that kind of made me question, was that I know one selling point that they had told me about was that I would always talk to the same person every time I called them. I would have one advisor. But I think similar to Deloris, if I remember correctly, every time I would call it would be someone new and they would say "oh this person quit. I am your new advisor." I never talked to the same person more than once.* **Why did you have to call?** *If I was calling about books or I was calling about financial aid or if I was calling about changing a class, just anything -- anything that I needed to call for I was supposed to go to one person. But I never talked to the same person. (Gabe)*

In addition to concerns around learning and staff continuity, some participants pointed out other trade-offs to taking online for-profit courses versus in-person courses at community colleges or elsewhere such as the importance of socialization.

> *...I definitely did start there right after I got out (of high school).* **In person?** *Yeah, in person at the community college. And I think that it was very good to start there, because some of the things that I learned -- it's not as much academic, it's more so social. Especially when you are online where you are in an environment where you can't really see each other but you have to work in a group. It is best to start in person to learn how to do that, and then you can move over to the dynamic of not seeing each other (but) being in an online environment. That's more important to learn those social skills, that's really important in life, and in (**a job**) a career as well, so. (Starr)*

> *I think being in the classroom you get more of a higher quality, because like you said you get to actually interface with them -- so you get to see how people really act. Anybody could be anybody behind a computer screen... so I think in school is a better quality, of teacher and student. (Paula)*

How did the participants pay for their online for-profit program?

Students were largely independent adults when they enrolled at the for-profit college or colleges and often had little to no savings or disposable income to draw on. They reported heavy borrowing for both tuition and living expenses, often with misgivings, but always with the hope that the debt would be manageable based on the promise of higher earnings. More often than not, employment outcomes fell far short of what was necessary to handle the amount of debt taken on.

> ***Is that what you owe, $30,000? Are you completely done?*** *Close to it. Yeah, I'm completely done with the associate's degree that cost $30,000.* **Did you ever sit down and think, I'm getting this associate's, this is the job I'm going to get, this is what it's going to cost? Did you do some sort of weighing? How did it get there?** *I just think everybody thinks that when they go to school and they get a degree they are going to make more money. I just -- that's not always true, but they think that, the ultimate goal is when they get the degree, they will make more money. (Katie)*

> *...I'm a single mom. So, when I was doing my master's degree, he (her son) was in elementary school. So after-school care for him, food, rent, things like that was of course at the forefront. But like Dallas, I've wanted my degree, I've always wanted it, I knew that was something I wanted to achieve. So, the cost -- through the student loans, which I owe a lot of money for -- wasn't as important at that point. Now that I have been done for several years and deferments and the interest is building, now I'm like, oh my god. (Silvia)*

> *Strayer is like the University of Phoenix; the people do everything for you. They do the loans for you, they do all that for you... I didn't care how I was going to pay it back. You get this notion where you are going to go to school, and get this big degree, get this beautiful job...* **Where did you get that notion?** *It doesn't work like that! I don't know, just society -- you think I am going to get this degree and get this wonderful job and I will be able to pay everything, it doesn't work like that unfortunately. Because those loans are expensive. (Rita)*

How did participants cope with their debt upon leaving school?

Participants struggled mightily with repaying their student debts, often asking their student loan

servicers for deferments and/or forbearances to forestall the day of reckoning. Many of the participants were either not aware of, or chose not to take advantage of, income-based repayment options, despite the fact that their earnings shortfalls were not of a temporary nature. In some cases, participants ultimately defaulted, resulting in involuntary wage garnishment, tax offsets, and damaged credit.

> *To me, I am thinking $30,000 is a lot. I can see it is not (compared to the other participants). I'm, that's like a new car, a brand-new car.* **What did you expect you would see? What amount did you expect?** *Definitely not 30,000. I didn't know, but definitely not 30,000.* **And then what happened, did they tell you what your monthly was going to be?** *No, not at all. I never -- I never got a monthly amount yet. I always called them.* **Ok, is this pretty new for you?** *Uh-huh. I called them and was like, just tell them -- they have all these reasons you can take out forbearances, even if you have a job, if you are not making enough money for your bills to be able to afford another loan, they will be like... as long as you keep communicating with them, and fill out that paperwork, you are good. (Katie)*

> *My consolidated, my bachelors and my masters are roughly $90,000 with interest and everything... For me I can say that, from my base amount of my loan to where I am now, the interest is probably $20,000. Literally added on to my loan amount... I have deferred, I've deferred, I've deferred. Now I am in forbearance, but after so long, no more forbearance; four years is it. So, I had to do the income driven (reduction). That's what I did. My first bill was like $600 plus. I was like that's rent. I can't pay that and my rent and live. So, I had to call and do all the running around and everything... and get all that taken care of. But even as a forbearance, on my credit report, it has lowered my score. (Silvia)*

> *But mine (student debt) shows that it's paid off, but they won't take it off my credit... It's just sitting there, I have written letters to the school, I said here's my paid in full -- but it's just sitting there. My credit score is just stagnant and that's so aggravating. Because I paid this off years ago. And this is from 2006. We are in 2017, why is it still in my credit report? So that is very aggravating. It says paid in full... I have been disputing it. They are like, we have updated your information, so and so says it is paid in full. Show the letter. But they still won't take it off. So that's aggravating. (Paula, defaulted*

on student loans and with 4 years of involuntary tax offsets that repaid debt)

Another way that participants dealt with an inability to make student loan payments from their online for-profit education was to "double down" – enrolling in another, usually on-line degree program, often at the same for-profit school. This required taking on substantial amounts of new debt, but also enabled the borrower to gain a temporary reprieve in making payments on their existing federal student debt through an in-school deferment. The schools downplayed the increased financial risk of the additional student debt that was being taken on, taking advantage of student hopes that additional degrees would result in higher salaries, an improved ability to repay debt and financial stability.

> *I was scared to commit to that (an income-based repayment plan) and like she said you can't miss a payment... so me, I am thinking about going back because it's only an associate's... So, I need a master's. (Katie)*

> *Then from there I went to Capella online -- from 2005 to 2008 -- and started a doctoral program. Didn't get far. So, I stopped going, re-entered Capella in 2011 and finished in 2013 with another masters.* **So, we are full of perennial students here.** *I've got one more... I am currently at Grand Canyon University which is strictly online.* **Doing what?** *I am in another doctoral program, but I'm almost done. I might see the end this time. (Diana)*

> *Okay, so I'm 29. After I graduated from high school I started at SCC (community college) and actually had a kid at 17 right from high school. So, I had to work full time the entire time. So, SCC wasn't for me the traditional classroom setting. So, I went to the University of Phoenix and I got my associates and bachelors and I graduate with my masters in 5 weeks. (Rosa)*

> *I am 31, I have lived in Orlando all of my life. I have done 100% of my schooling online with the University of Phoenix. I've never been on campus for anything. I actually walk on Saturday for my BSB.* **Congratulations.** *Thank you. I just completed my first class towards my masters also with the University of Phoenix... (Megan)*

*What were participants' ultimate reflections of their for-profit online programs***?**

Despite having high hopes at the outset of their college education and for the most part working hard to achieve them despite all of their other obligations, many participants ultimately felt that the educational system was stacked against them. These participants reflected that enrolling in and borrowing for for-profit educations though initially appealing, was too easy in retrospect. They wished that they had been better informed about the impact of the debt burdens they had taken on and blamed the for-profit schools, "the system," and themselves for their financial instability. Although most still believed in the value of higher education, some cynicism crept in particularly when it came to giving advice to their children. Other participants wished they had chosen less expensive and higher quality options, such as community colleges and public four-years. A few individuals felt their online for-profit program paid off, but these tended to be individuals who had pursued for-profit credentials based on a partnership between their employers and the for-profit school. Under these arrangements the students received substantial employer tuition assistance, took on less debt, and received a promotion or pay bump upon completion.

I think if you don't ask, they (the schools) don't tell… they (the students) don't know what they are doing. My cut, they (the schools) are like, here you go, sign. You are like, okay. You have to educate yourself, like she said, you get all your information and then you go out and you apply it. (Silvia)

Yeah, I do think the for-profits are taking advantage, it's a problem, because like I say I had a lady in school -- she couldn't speak English. She's not passing these classes. But you are passing her along to get her money. And she's going through these courses -- she's not going to know anything, she's going to go to this field and she's not going to know anything. So, I'm like you don't care about me. I had people that I went to school with who couldn't even finish, because they maxed out. But you didn't tell them that in the beginning. They maxed out on their loans. Because when you go to undergraduate you get a certain amount and then it flips over when you go to graduate -- but if you get to that, you are done. Who can pay $35,000? What do they do once you have maxed out? They try to tell you to get a loan. I'm not going to put myself in even more financial damage for you. **Who told you get a loan***? Oh, the school!* **So, what did your friends do?** *Some of them had to stop, they had to quit, or find other avenues. Because they don't tell you that when you first go there. If I had to do it all over again, I'd probably go to Valencia (community college) take the five years to get the two-year degree, and be in less debt… They don't tell you that. They just want your money. (Rita)*

*Well I just want to add now that I have a son in college, and I have twins, they are in 11th grade going into their senior year***. Thinking about college.** *Thinking about college... And I think that back when I was younger, I was encouraged to go to college -- that was the best thing. I would recommend that my kids do look at college, but I am also recommending that that my kids look at technical schools. And I have one son he's ROTC and is going into the military, so that will help pay for his education. But I feel like, based on now in my life and just other people I've seen, I don't feel like a degree is for everybody. I honestly don't. I don't feel like that path is something that everybody should take. So, I'm not like you gotta go to college when you graduate. I want them to have a picture of other options. And that's something I have taken just from what I have to pay back now and different things. (Dallas)*

Well, our school district (participant's employer) works hand in hand with the University of Phoenix. So that's number one. That's how I heard about it. Plus, the fact that they (the school district) offer to pay a certain percentage of it... And it's helped me progress, including when I said I'm going to leave being a child psychologist and just bring it up a notch into the admin world down here. It has helped me a tremendous amount, because without the degree you can't do it and without my license, you have to pass the six and a half hour test. ***You needed it. But I didn't ask -- did you have to take out loans?*** *I took a very minimal amount, because the district I'm in pays. (Wanda)*

Protections for Students that Attend Online For-profit Colleges

There are three major governing bodies responsible for regulating colleges including for-profit online institutions: the federal government, state governments and accrediting bodies. This discussion primarily focuses on the federal and state government role in regulating distance education providers that operate across multiple state lines.

As previously highlighted, in 1998, the Department of Education reauthorized the Higher Education Act (HEA), creating waivers allowing institutions to exceed the then 50 percent limit on enrollment in distance education in order to access Title IV student aid. Within several years,

many national chains, most of them for-profit, had received waivers. In 2005, the distance education limit on enrollment share was removed, paving the way for any college to go all-in on distance education.[40]

Another aspect of the HEA was the requirement that institutions offering Title IV aid be authorized in each state where enrolled students resided. States have always had the authority to regulate educational institutions physically located within their boundaries. However, the explosive growth of distance learning made clear that states have inconsistent regulations, or in some instances, no regulations at all, on out-of-state online education providers.[41] (Regulatory capacity at the state level also suffered following the financial crisis, with cutbacks in funding to state departments and agencies tasked with the oversight of colleges.[42]) For online education providers, their complaint was not simply inconsistent regulations, but also the regulatory burden of having to deal with individual licensure in 50 states. The National Council for State Authorization Reciprocity Agreement (NC-SARA) was created in 2013 in response to the uneven regulations from state to state. NC-SARA works as an interstate compact with voluntary membership by states and distance education institutions with the stated purpose of providing these institutions with uniform regulations in all SARA member states.[43] It shifts principal oversight responsibilities from the state in which the distance education student resides to the "home state" of the institution offering the online instruction. As of November 2018, the District of Columbia and all

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[40] Deming, David J., Claudia Goldin, and Lawrence F. Katz. "The For-Profit Postsecondary School Sector: Nimble Critters or Agile Predators?" *Journal of Economic Perspectives* 26, no. 1 (2012): 139-164.

[41] See this 2015 National Consumers Law Center report showing that as of 2013, only nine states regulated degree- and nondegree-granting online schools that didn't have a physical presence in the state. Another 12 states engaged in some oversight for a subset of these schools. http://www.nclc.org/images/pdf/pr-reports/brief-ensure-ed-integrity-2015.pdf. The California legislature is currently considering a bill that would extend the state's Private Postsecondary Education Act of 2009 to out-of-state online schools with respect to a student they enroll in the state unless the school is explicitly exempted from a requirement or prohibition in that Act. See: AB 1344 (2019), http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201920200AB1344.

[42] Webber, Douglas. 2018. "Higher Ed, Lower Spending" *Education Next*. Summer 2018, 18, no. 3. https://www.education-next.org/higher-ed-lower-spending-as-states-cut-back-where-has-money-gone/.

Also, Fellmeth, Robert C. 2018. "Higher Education Irreparable Harm and Taxpayer Waste: A 50-State Study of Nonfeasance". *The Hill*. January 30, 2018. https://thehill.com/opinion/education/371264-higher-education-irreparable-harm-and-taxpayer-waste-a-50-state-study-of .

[43] Mattes, Margaret. 2016. "States 'Opt Out' of Online Higher Education Regulation, Leaving Students Behind." *The Century Foundation*. June 24, 2016. https://tcf.org/content/commentary/states-opt-online-higher-education-regulation-leaving-students-behind/.

states except California had joined NC-SARA, permitting over 1,800 participating colleges and universities to provide distance education services in any NC-SARA member state.[44] [45] NC-SARA offers consistency and a streamlined approval process for online schools that operate in multiple states, as the responsibility for protecting online students is shifted to the home state of any NC-SARA participating institution. Detractors point to the fact that joining NC-SARA is optional not only for states, but also schools, leaving those online schools that do not participate effectively unregulated in a majority of NC-SARA member states.[46] Detractors also argue that the uniform minimum standards established by NC-SARA fall short of the intended purpose of protecting students from predatory and low-quality online institutions, for-profit and otherwise, and may encourage institutions to seek the least stringent state in which to locate their home base (see previous reference to Ashford University). Finally, NC- SARA undermines the ability of participating states to seek legal action against out-of-state distance education providers on be-half of residents that have been harmed.[47] NC-SARA explicitly prevents enforcement of postsec-ondary-specific laws as to distance ed programs/schools except in the home state. It does have language regarding the retention of enforcement of general consumer protection laws, but states have found that language to be somewhat limiting.

Ultimately, the inadequacies of NC-SARA led to Department of Education involvement. In late 2016, the Department of Education released rules on state regulations and authorizations of dis-tance education programs (State Authorization Rules). These rules provided core protections to consumers and protected states' rights to enforce their own laws in two key areas. First, the rules set requirements for reciprocity agreements that would require compacts like NC-SARA to raise their minimum uniform standards and clarify that states must retain their rights to enforce postsecondary-specific laws with respect to out-of-state online programs and schools. Second, the rules establish specific consumer disclosure requirements around state authorization, how a

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[44] Ortega, Jennifer. 2017. "ED Issues Final State Authorization Regulations." *Educause Review*. January 20, 2017. https://er.edu-cause.edu/blogs/2017/1/ed-issues-final-state-authorization-regulations.

[45] See this presentation by NC-SARA: NC-SARA Reporting 2018 Findings Enrollment/Out Of State Learning Placements. http://nc-sara.org/files/docs/November-2018_NC-SARA_Reporting_Webinar.pdf.

[46] See: Mattes Margaret. 2016. "States 'Opt Out' of Online Higher Education Regulation, Leaving Students Behind." *The Century Foundation*. June 24, 2016. https://tcf.org/content/commentary/states-opt-online-higher-education-regulation-leaving-students-behind/.

[47] "Going the Distance: Consumer Protection for Students Who Attend College Online". TICAS, 2018. https://ticas.org/con-tent/pub/going-distance

student can make a complaint against a school and whether the online program meets certification/licensure requirements where the student resides.[48] These disclosures are meant to ensure that a student does not invest time and money, including that of taxpayers through federal financial student aid, completing an online program from a school that is based in one state, when that program fails to meet licensure/certification requirements in for example, nursing, in the state where the student resides and wishes to work.

Unfortunately, under new leadership at the Department of Education, the implementation of these rules has been delayed two years, with state authorization now the subject of a new negotiated rulemaking under the subcommittee moniker "Distance Learning and Educational Innovation."[49] Many in the higher education community fear that the new rulemaking will result in greatly watered-down protections for students enrolled in substandard, often for-profit, online programs.

Conclusion

Online education has become an increasingly dominant aspect of the offerings of for-profit colleges, operating as either stand-alone entities or as partners to other colleges. As the findings of this report show, this trend does not bode well for the economically vulnerable students who enroll in these programs. These students seek a convenient means of achieving a better financial future, but instead often end up with crushing debt relative to the earnings achieved after leaving college. Many focus group participants who attended for-profit online programs pointed to inflated job expectations, often as a result of college advertising, and poor instructional quality as major factors in these outcomes. While online higher education certainly has a role to play in the higher education firmament, too often the potential for abusive practices is downplayed by those who tout "innovation" in higher education and the cost savings that can be achieved through huge platforms that deliver courses online across multiple state borders. Not enough is being done by either the Department of Education or states, acting alone or in reciprocity compacts, to ensure that students are protected from costly, substandard online educations. As for-profit online institutions are largely financed by taxpayer dollars through Title IV and GI Bill

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[48] Ortega, Jennifer. 2017. "ED Issues Final State Authorization Regulations." *Educause Review*. January 20, 2017. https://er.educause.edu/blogs/2017/1/ed-issues-final-state-authorization-regulations.

[49] https://www2.ed.gov/policy/highered/reg/hearulemaking/2018/index.html

student aid, the risks of poor outcomes extend beyond students to the taxpayers, who will foot the bill if regulation and oversight are not improved.

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