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## Recruiting the Growing Minority: Latino Enrollment Practices in For-profit Colleges and Universities

Enrique Soto, 2011–12 CHCI Higher Education Graduate Fellow

### ABSTRACT

Latinos are the fastest growing minority in the U.S., and there is correspondingly an increase in Hispanic enrollment at institutions of higher education. With limited enrollment space at many public colleges and universities, Latino student enrollment at for-profit institutions is a growing trend. While for-profit institutions are capable of serving the increasingly diverse population, this brief will focus on the recruitment practices and educational outcomes of Hispanic students enrolling at these institutions. For-profit institutions can aid in providing historically underrepresented Hispanic students an opportunity for attainment of a four-year degree. This brief analyses the growing enrollment at for-profit institutions and the current rate of completion. This paper provides policy recommendations that can aid students making informed decisions and hold institutions accountable.

### Introduction

If the U.S. is to reach President Obama's goal to regain the nation's standing as the global leader in higher educational attainment by the year 2020,<sup>1</sup> efforts from various stakeholders need to be taken immediately to address the United States' current 40% completion rate.<sup>2</sup> With a diversifying America, particularly the rapidly growing Hispanic<sup>3</sup> population, attention needs to be focused on how to ensure completion efforts ad-

dress the needs of the 21st century multifaceted student population. To ensure global economic competitiveness, all institutions should aid in meeting the President's goal, as graduation rates currently remain lower than fifteen other countries.<sup>4</sup> In the midst of a global recession, public funding for institutions of higher education in the U.S. has consistently been reduced, leading to limited enrollment capacity and decreased course offerings.<sup>5</sup> Simultaneously, there has been a growth in private for-profit institutions with enrollment rising by over 225% between 1998 and 2008 in the U.S.<sup>6</sup>

For-profit institutions increase access to higher education by offering innovative and flexible means to students not enrolled in traditional non-profit institutions — particularly Latinos and other minorities.<sup>7</sup> However, in 2009, Latinos' completion of an associate's or bachelor's degree was at 18% in comparison to 40% for the general population.<sup>8</sup> As the Latino population continues to grow, so does the Latino enrollment at institutions of higher education — both nonprofit and for-profit institutions.<sup>9</sup> While traditional not-for-profit public and private institutions are struggling to graduate students nationally, the for-profit sector is significantly graduating students at a significantly lower rate than nonprofit institutions.

This brief outlines data on Latinos at four-year degree granting for-profit institutions and how those institutions can serve as an option for Hispanic students

to partake in the President's completion goal. The commentary addresses four primary topics: recruitment practices, cost of attendance, completion rates and legislative opportunities for Congress.

### Background

#### Changing demographics

America's diverse population continues to change at a rapid pace and Latinos are the largest and youngest ethnic minority group in the United States, representing 16% of the total U.S. population.<sup>10</sup> With over 50 million Latinos, the new generation of children and youth are changing the demographics within the American education system. However, while the Latino population continues to grow, young Hispanics have made little progress in educational attainment over the past 20 years in comparison to other ethnic groups.<sup>11</sup> High school graduation rates for Latinos are lower than any other population group, and correspondingly, college degree attainment remains the same. In 2009, the Census Bureau reported that 33% of Latinos ages 18 to 24 are enrolled in school, compared with 42% of all young adults ages 18 to 24.<sup>12</sup> In 2007, 13% of Hispanics age 25 and older earned a bachelor's degree or higher, compared to 19% of blacks and 32% of whites.<sup>13</sup> Data continuously demonstrates that Latinos continue to be underrepresented in both college enrollment and completion.

***Despite the low enrollment and attainment, Latinos demonstrate an understanding for the value and desire to obtain a post-secondary education. In a 2009 Hispanic Pew Research Survey, nearly 88% of Hispanics agree that a college degree is important for getting ahead in life.<sup>14</sup>***

Despite the low enrollment and attainment, Latinos demonstrate an understanding for the value and desire to obtain a post-secondary education. In a 2009 Hispanic Pew Research Survey, nearly 88% of Hispanics agree that a college degree is important for getting ahead in life.<sup>14</sup> Yet these values are not reflected in the current educational attainment statistics for Latinos. Efforts to recruit, enroll, and retain Latino students have been made at various levels, including the federal government. Such efforts have included the Department of Education's TRIO Programs, aimed at recruiting, preparing and enrolling historically underrepresented students into institutions of higher education; the Higher Education Opportunity Act, as amended in 2008, which provides financial aid to qualifying low-income students and families and; Title V which provides federal aid to degree-granting public or private nonprofit institutions that have an undergraduate enrollment of Hispanics that represent at least 25% of full-time equivalent students. Furthermore, the growing number of for-profit education institutions in the U.S. has provided students with alternative opportunities to enroll in a post-secondary institution. However, educational attainment statistics for Latinos do not reflect the values measured in the 2009 Hispanic Pew Research Survey. Efforts must continue to be made at all levels to understand and address such incongruity.

### **Difference in Institutions of Higher Education**

There are three major sets of institutions of higher education: public, private not-for-profit, and private for-profit (proprietary). Public colleges and universities are primarily funded through public funds. Tuition and fees charged to students are directly sourced back to the university and the university's endowment without an individual or group profiting; public universities tend

to have lower tuition fees than private universities. Prominent public universities include the University of California system, University of Virginia, and the Georgia Institute of Technology. Private not-for-profit universities function similarly to public institutions, the major difference being that they are not operated by government entities, but by charitable, religious or educational nonprofit organizations. While they cannot legally discriminate, private universities generally have more flexibility in admissions policies. Prominent private institutions include: Harvard University, Stanford University, Massachusetts Institute of Technology, and Brigham Young University. While tuition rates are generally higher at private not-for-profit institutions, fees generally go toward the philanthropic or charitable nonprofit mission of the institution. Proprietary colleges and universities are also private institutions; the major difference between for-profit (proprietary) and nonprofit is the involvement of investors and profit-seeking businesses where the college or university provides a service (education) in exchange for a fee, where profits go directly to investors. Like private government-operated institutions, private universities are eligible for educational accreditation, although some lack accreditation (primarily proprietary colleges). Colleges and universities that are accredited qualify for federal funding under the Higher Education Act of 1965 Title IV; funding comes in the form of federal student aid programs such as the Pell Grant, Supplemental Grants, and Federal student and parent loans.

### **For-Profit Institution Growth and Enrollment Trends**

While for-profit colleges in the U.S. can be traced to mid seventeenth century,<sup>15</sup> the industry has grown dramatically throughout the 21st century. Numbers of for-profit institutions have increased after the 1992

U.S. House of Representatives federal regulation referred as the "90-10 rule" that defines "institution of higher education" for federal-aid eligibility, where proprietary institutions were included. The rule requires schools to show that 10% of students enrolled pay fees without federal financial-aid assistance. Between 1998–99 and 2008–2009, enrollment at for-profit schools has increased by 236% in comparison to the 20% growth at other colleges and universities.<sup>16</sup> Through their quick expansion, proprietary institutions have been able to reach a more diverse student population. In 2007, students who are black, Hispanic, Asian or American Indian accounted for nearly 40% of total enrollment in for-profit schools, while the same groups accounted for only 31% and 25% of enrollment in public and private nonprofit universities, respectively.<sup>17</sup> The percentage of Hispanic students who started at a for-profit nearly tripled between 1995–1996 to 2003–2004 from 9% to 25% respectively.<sup>18</sup> The U.S. Department of Education reports that in 2007–2008, Hispanics were the second ethnic group with a higher enrollment percentage at for-profit institutions than nonprofit institutions.<sup>19</sup>

### **Cost of Attendance and Federal Funds**

While for-profit institutions do increase access to higher education to more students, the cost of attendance is greater than the cost of attendance in comparison to public institutions and most private institutions. In 2010, the cost of attendance at for-profit institutions for a bachelor's degree averaged at \$31,976. In comparison, private nonprofit schools average at \$34,110 and public institutions at \$18,062. At the two year level, for profits average at \$26,690 and public schools at \$11,660.<sup>20</sup> Since the 1992 "90–10 rule," for-profit institutions have benefited from students who qualify for federal aid. Currently, proprietary institutions receive close to 24% of all

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Pell Grant funds. In a ten-year comparison between 1998–99 and 2008–09, for-profit colleges have gone from receiving \$0.91 billion to \$4.31 billion plus an additional \$20 billion in federal student loans. The average for profit school derives 66% of its revenues from federal student aid. For-profits bring in revenue from Title IV and 15% of for-profit institutions receive 85-90% of their funding from federal student loans and grants.<sup>21</sup>

## **Findings**

### **Recruitment Practices**

Evidence suggests that for-profit institutions charge higher tuition than comparable public schools. A 2010 investigation by the Senate HELP Committee discovered that in order to drive enrollment growth, the largest for-profit schools spend heavily on television advertisements, billboards, phone solicitation, and web marketing. There is pressure on recruiters to enroll as many students as possible to account for students who are dropping out and not completing. In addition the 2011 investigation led by the Government Accountability Office discovered that there are deceiving practices used to enroll students by targeting emotionally vulnerable populations of students and families.<sup>22</sup> Such practices included misguiding information on cost of attendance, encouragement to provide fraudulent financial information to receive federal financial aid, and misleading information on potential earnings upon completion.

The 15 large publicly-traded for-profit education companies spent nearly \$13 billion a year on recruiting and marketing in 2010. By contrast, community colleges typically spend just one or two percent of their budgets on marketing.<sup>23</sup> Furthermore, recruitment practices at many for-profit institutions are deceptive and misleading. A 2010 Government Account-

ability Office investigation commissioned by the Senate Health, Education, Labor and Pensions Committee sent undercover investigators to report the recruitment practices at fifteen for-profit institutions.<sup>24</sup> The investigation found that four of the 15 for-profit colleges encouraged fraudulent practices, such as encouraging students to submit false information about their financial status. In addition all 15 colleges made some type of deceptive or otherwise questionable statement regarding accreditation, graduation rates, and post-completion employment salaries.<sup>25</sup>

While the 15 colleges are not representative of the entire for-profit sector, much criticism and media attention has been given to the for-profit sector, particularly after the GAO report made corrections to data involving the amount of G.I. Bill funding received.<sup>26</sup> While the report has received speculation and criticism, further investigations demonstrate that recruitment practices at for-profit institutions are targeted to vulnerable populations, relying on students' emotional instability to pressure students to enroll into the institutions. The Senate HELP Committee published a recruitment manual training document that focuses on asking the students eight questions that are centered around students' "pain" in order to assess whether "the prospect [has] enough pain to qualify for the next step?"<sup>27</sup> Recruitment personnel were trained to break down students and present education at the college as a solution to the "pain."<sup>28</sup> Another institution targeted potential students who "live in the moment and for the moment" and focused on students' emotion and pain to get students to make a quick enrollment decision. Recruitment training documents read "their decision to start, stay in school or quit school is based more on emotion than logic. Pain is the greater motivator in the short term."<sup>29</sup> While Latinos are not exclusively targeted within this model and

they do not encompass the Hispanic population as a whole, this deceptive practice was uncovered during investigation targeting students who may be vulnerable to being pressured into enrollment.

### **Completion Rates**

Proprietary institutions are serving a wider range of students and promoting higher education, yet there are major concerns with the outcomes and completion rates for many for-profit institutions. For example, in comparison to four-year public and nonprofit private schools, proprietary institutions have a significantly lower completion rate. In 2008, completion rates for private nonprofits, public, and proprietary institutions were 55%, 65% and 22% respectively.<sup>30</sup> A 2011 report by the National Center for Education Statistics shows that for a cohort starting at four-year institutions in 2003, Hispanics at for-profits completed at 25%, 60% at private nonprofits and 46% at public institutions<sup>31</sup>. Overall, graduation rates of first-time postsecondary students who started as full-time degree-seeking students were highest amongst private non-profit institutions.

### **Tuition and debt**

Since the cost of many for-profit institutions is significantly higher than not-for-profit institutions student loans are a necessary means for students to pay for their education. When financial aid is taken into consideration, the expected family contribution will remain fairly similar regardless of the institution the student attends. This leaves low income students with approximately \$25,000 of unmet need, resulting in students taking out student loans to supplement the cost of attendance. The unmet need is highly disproportional between four-year for-profit and not-for-profit institutions for low income students due to institutional grant in aid (grants and

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scholarships provided by the institution to the student) that is often made available through the institution.<sup>32</sup> The median debt at graduation for students at for-profits is \$31,190 in comparison to near \$8,000 for those at public and \$17,000 for those at private not-for-profit institutions. The majority of students attending a for-profit have to borrow in order to finance their education — only 4% of students attending a for-profit bachelor program finish debt free. Meanwhile, 38% of students at a public and 28% at a nonprofit private institution will graduate debt free in 2010<sup>33</sup>.

Hispanics are less likely to borrow despite unmet need after financial aid.<sup>34</sup> For Latinos who ended up borrowing in 2007-2008, borrowed less in comparison to other racial and ethnic groups; 14 % of Hispanics borrowed \$30,500 or more for a bachelor's degree.<sup>35</sup> This is significantly lower in comparison to the 27% of black and 16% of whites borrowing what The College Board considers "high debt."<sup>36</sup> Overall, 54% of Latinos pursuing a bachelor's ended with debt less than \$30,500 and 33% had no debt. This is similar to 36% of whites and 40% of Asians.

However, Hispanics in for-profit institutions were more likely to borrow than Hispanics at other institutions. In 2007-2008 68% of Hispanic students at for profits borrowed in comparison to 41% at public four-year institutions. Those students who are not borrowing are more likely to work full time in order to supplement the rest of college costs.<sup>37</sup> Furthermore, Latino students and families have a concern for repayment of such student loans and some choose their institution based on their current economic situations. This raises concern in terms of the advertised sticker price at many institutions versus the actual cost of attendance after financial aid. Furthermore, for those students who are not borrowing and working full-time, they face higher chances of not completing

due to the competing personal responsibilities in addition to carrying a student class load. Complete College America has released the report "Time is the Enemy"<sup>38</sup> where it demonstrates that students are facing increasing responsibilities and the "traditional" college student is not the majority. Although the report does not break down statistics by race/ethnicity, it can be inferred that Hispanics and blacks who are not borrowing are part of the majority of students who are facing the danger of not completing college within the 6 year time frame. As the report indicates, the more time that passes, the more likely it is students will not complete their degree.

#### **Default**

While student loans are beneficial in providing students the opportunity to attend an institution of post-secondary education, there are daunting numbers of students who are dropping out of college and winding up with student loans that are out of their reach to repay. This has been the trend in many for-profit colleges and universities. The 2010 Education Trust report states that about 10% of for-profit students default on their federal loans within two years of entering repayment and more default the following year, totaling a 19% default rate.<sup>39</sup> The default rate at for-profit universities is twice the rate at both public and private not-for-profit institutions.<sup>40</sup> According to the Education Trust report, for-profits represent 43% of all federal student loan defaults, even though they make up only 12% of enrollments and 24% of federal loan dollars.<sup>41</sup> In addition, many of the for-profit institutions are doubling as banks and providing non-federal loans to students to cover the high cost of attendance.<sup>42</sup> If such institutions are aiding students in access to student loans, there must be some accountability to the practices taking place to ensure that students are able to pay

back their loans. Furthermore, many of the students who attend for profit institutions do not make sufficient income to pay off student loans and eliminate debt.<sup>43</sup> This has raised many questions in regards to gainful employment after completion of a degree from a for-profit institution.

#### **Policy Recommendations**

While for-profit institutions are growing and reaching a wider and more diverse population, there are concerns regarding the way in which these institutions are serving students. Due to the higher cost of attendance and the drop-out rates, institutions should be held accountable to informing students by providing accurate and non-deceitful information. For-profit institutions do provide more access to students and can be instrumental in ensuring that completion rates in the U.S. are increased. For-profits are serving Latinos and low-income students with alternatives to education. However, as an education institution, they must be able to provide students with the services that are appropriate for students to succeed and gain an educational experience that will allow students to succeed. The following policy recommendations are made to help inform students, hold institutions accountable and federally fund institutions appropriately.

#### **Know before you—Mandatory information sessions before enrolling**

A student's decision to pursue a post-secondary education degree should be well-informed. Institutions should be held accountable to provide clear, accurate and updated information to the public and the students it serves. Newly set regulations by the Department of Education require institutions to publicize data on cost of attendance, completion rates and gainful employment. To ensure that stu-

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dents have access to such information, and to ensure that students understand the data, students and families should acknowledge such data before they enroll in a for-profit institution. Information sessions, (on-line or in-person), can be made mandatory to ensure that students are well aware of the institutions that they are attending and whether it is an appropriate fit. Furthermore, this could prevent the high pressured enrollment tactics that are based on impulse and emotion.

**Provide federal funding to institutions based on completion rates**

At the alarming low rate of student completion, institutions of higher education (both for profit and not-for-profit) need to be held accountable for their completion rates and student satisfaction and gainful employment. Institutions are receiving millions of federal dollars through Pell Grants. As outlined in the Department of Education's gainful employment regulations released in 2011,<sup>44</sup> if for-profit institutions do not show significant improvement, for-profit institutions will be disqualified from receiving federal financial aid funding under Title IV. This would eliminate the funding institutions receive through Pell Grants and federal loans, thus eliminating much of the funding for-profits receive in federal dollars. While this regulation holds institutions accountable for the rate at which students are graduating and entering the workforce, new formulas for funding based on institutions' performance can help incentivize institutions to improve on successful practices that will further advance graduation rates throughout the country. Furthermore, tracking on such success can increase competition within for-profit institutions to ensure that enrollment does not remain the top priority and in turn aid students in completing and gaining employment upon graduation.

**Improve Institutional Student Aid Practices within For-Profit Institutions**

While the Pell Grant is at an all-time high, the cost of attendance at both for-profit and not-for-profit continues to increase. Students are taking out more student loans, particularly at for-profit institutions. In order to make education more accessible and affordable to students, a further increase in Pell Grants would help students directly and decrease their student loan amounts. While the funding may come directly from the government to students, other strategies can be implemented to ensure that education is still accessible for students. While the cost of for-profit institutions is higher than most public institutions, it is not the case for all private not-for-profit institutions. Yet, as pointed earlier, loan amounts are greater for students attending for profit institutions. This is a result of institutional aid that is provided directly to students and thus reducing the cost of attendance, particularly for low-income students. For-profits can adopt similar strategies that will provide direct aid to students in either grants, or tuition waivers for students coming from low-income households.

Since many Hispanic students and families are not borrowing as much in student loans as other groups, they often end up having to balance a full time job and school. Having institutional programs that would allow students to receive tuition waivers or aid from the institution can also significantly help in college completion rate for students who are not borrowing enough to cover the cost of tuition. Such aid can come in direct tuition waivers or work-study programs that will allow students to maintain a full course load while working with the institution to not only receive a tuition discount/waiver, but also gain experience that would be connected to the area of study. Not only would it provide students the financial relief and ability

to have less debt, but it would also help students have a better chance of completing their degree by working less hours. Furthermore, such programs would be beneficial in preparing students for the workforce and gaining employment upon graduation. It would help the institution meet government rules and regulations while helping students complete and gain employment. This would reduce the default rate for students who are not graduating, are not finding employment upon graduation, or are unable to make payments.

**Summary**

The for-profit education industry is on the rise and providing opportunities for students to pursue a degree of higher education. Yet, as enrollment and growth in the industry is on the rise, completion rates still remain low. This is particularly true for Latino students, who have historically been underrepresented in enrollment and completion within institutions of higher education. While the for-profit sector may provide further options for students, particular attention needs to be focused on ways in which students are recruited and supported throughout their educational trajectory. If students are bringing federal dollars through financial aid to institutions, there should be accountability in ensuring that students are well informed in their decision to enroll and the current completion trends at such institutions. Institutions needs to be held accountable to ensure that information is not misleading and ensuring that students are aware of the commitment they are signing on to. Current completion rates at for-profits fall lower than nonprofit institutions and there is a need to focus on how institutions can improve those rates to ensure that the for-profit sector can aid in completing the President's 2020 College Completion Agenda.

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