

Table 1: Fraudulent Actions Encouraged by For-Profit Colleges

Location	Certification Sought and Course of Study	Type of College	Fraudulent Behavior Encouraged
CA	Certificate - Computer Aided Drafting	Less than 2-year, privately owned	<ul style="list-style-type: none"> Undercover applicant was encouraged by a financial aid representative to change the FAFSA to falsely increase the number of dependents in the household in order to qualify for Pell Grants. The undercover applicant suggested to the representative that by the time the college would be required by Education to verify any information about the applicant, the applicant would have already graduated from the 7-month program. The representative acknowledged that this was true. This undercover applicant indicated to the financial aid representative that he had \$250,000 in the bank, and was therefore capable of paying the program's \$15,000 cost. The fraud would have made the applicant eligible for grants and subsidized loans.
FL	Associate's Degree - Radiologic Technology	2-year, privately owned	<ul style="list-style-type: none"> Admissions representative suggested to the undercover applicant that he not report \$250,000 in savings reported on the FAFSA. The representative told the applicant to come back once the fraudulent financial information changes had been processed. This change would not have made the applicant eligible for grants because his income would have been too high, but it would have made him eligible for loans subsidized by the government. However, this undercover applicant indicated that he had \$250,000 in savings—more than enough to pay for the program's \$39,000 costs.
PA	Certificate - Web Page Design	Less than 2-year, privately owned	<ul style="list-style-type: none"> Financial aid representative told the undercover applicant that he should have answered "zero" when asked about money he had in savings—the applicant had reported a \$250,000 inheritance. The financial aid representative told the undercover applicant that she would "correct" his FAFSA form by reducing the reported assets to zero. She later confirmed by email and voicemail that she had made the change. This change would not have made the applicant eligible for grants, but it would have made him eligible for loans subsidized by the government. However, this applicant indicated that he had about \$250,000 in savings—more than enough to pay for the program's \$21,000 costs.
TX	Bachelor's Degree - Construction Management	4-year, privately owned	<ul style="list-style-type: none"> Admissions representative encouraged applicant to change the FAFSA to falsely add dependents in order to qualify for Pell Grants. Admissions representative assured the undercover applicant that he did not have to identify anything about the dependents, such as their Social Security numbers, nor did he have to prove to the college with a tax return that he had previously claimed them as dependents. Financial aid representative told the undercover applicant that he should not report the \$250,000 in cash he had in savings. This applicant indicated to the financial aid representative that he had \$250,000 in the bank, and was therefore capable of paying the program's \$68,000 cost. The fraud would have made the undercover applicant eligible for more than \$2,000 in grants per year.

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Deceptive or Questionable Statements

Admissions or financial aid representatives at all 15 for-profit colleges provided our undercover applicants with deceptive or otherwise questionable statements. These deceptive and questionable statements included information about the college's accreditation, graduation rates and its student's prospective employment and salary qualifications, duration and cost of the program, or financial aid. Representatives at schools also employed hard-sell sales and marketing techniques to encourage students to enroll.

Accreditation Information

Admissions representatives at four colleges either misidentified or failed to identify their colleges' accrediting organizations. While all the for-profit colleges we visited were accredited according to information available from Education, federal regulations state that institutions may not provide students with false, erroneous, or misleading statements concerning the particular type, specific source, or the nature and extent of its accreditation. Examples include:

- A representative at a college in Florida owned by a publicly traded company told an undercover applicant that the college was accredited by the same organization that accredits Harvard and the University of Florida when in fact it was not. The representative told the undercover applicant: "It's the top accrediting agency—Harvard, University of Florida—they all use that accrediting agency....All schools are the same; you never read the papers from the schools."
- A representative of a small beauty college in Washington, D.C. told an undercover applicant that the college was accredited by "an agency affiliated with the government," but did not specifically name the accrediting body. Federal and state government agencies do not accredit educational institutions.
- A representative of a college in California owned by a private corporation told an undercover applicant that this college was the only one to receive its accrediting organization's "School of Excellence" award. The accrediting organization's Web site listed 35 colleges as having received that award.

Graduation Rate, Employment and Expected Salaries

Representatives from 13 colleges gave our applicants deceptive or otherwise questionable information about graduation rates, guaranteed applicants jobs upon graduation, or exaggerated likely earnings. Federal statutes and regulations require that colleges disclose the graduation rate to applicants upon request, although this requirement can be satisfied by posting the information on their Web site. Thirteen colleges did not

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- A representative at one college in Florida owned by a publicly traded company advised our undercover applicant not to concern himself with loan repayment because his future salary—he was assured—would be sufficient to repay loans.
 - A representative at one college in Florida owned by a private company told our undercover applicant that student loans were not like car loans because “no one will come after you if you don’t pay.” In reality, students who cannot pay their loans face fees, may damage their credit, have difficulty taking out future loans, and in most cases, bankruptcy law prohibits a student borrower from discharging a student loan.
 - A representative at a college owned by a publicly traded corporation told our undercover applicant that she could take out the maximum amount of federal loans, even if she did not need all the money. She told the applicant she could put the extra money in a high-interest savings account. While subsidized loans do not accrue interest while a student is in college, unsubsidized loans do accrue interest. The representative did not disclose this distinction to the applicant when explaining that she could put the money in a savings account.
- Six colleges engaged in other questionable sales and marketing tactics such as employing hard-sell sales and marketing techniques and requiring enrolled students to pay monthly installments to the college during their education.
- At one Florida college owned by a publicly traded company, a representative told our undercover applicant she needed to answer 18 questions correctly on a 50 question test to be accepted to the college. The test proctor sat with her in the room and coached her during the test.
 - At two other colleges, our undercover applicants were allowed 20 minutes to complete a 12-minute test or took the test twice to get a higher score.
 - At the same Florida college, multiple representatives used high pressure marketing techniques, becoming argumentative, and scolding our undercover applicants for refusing to enroll before speaking with financial aid.
 - A representative at this Florida college encouraged our undercover applicant to sign an enrollment agreement while assuring her that the contract was not legally binding.

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Appendix I: Detailed Results of Undercover Tests

The following table provides details on each of the 15 for-profit colleges visited by undercover applicants. We visited each school twice, posing once as an applicant who was eligible to receive both grants and loans (Scenario 1), and once as an applicant with a salary and savings that would qualify the undercover applicant only for unsubsidized loans (Scenario 2).

College information and degree sought	Students receiving Pell Grants ^a	Students receiving federal loans ^b	Graduation rate ^c	Encouragement of fraud, and engagement in deceptive, or otherwise questionable behavior
1 AZ - 4-year, owned by publicly traded company Bachelor's – Education	27%	39%	15%	<p><u>Scenario 1</u></p> <ul style="list-style-type: none"> Admissions representative compares the college to the University of Arizona and Arizona State University. Admissions representative did not disclose the graduation rate after being directly asked. He provided information on how many students graduated. This information was available on the college's Web site; however, it required significant effort to find the college's graduation rate, and the college did not provide separate graduation rates for its multiple campuses nationwide. Admissions representative says that he does not know the job placement rate because a lot of students moved out of the area. Admissions representative encourages undercover applicant to continue on with a master's degree after finishing with the bachelor's. He stated that some countries pay teachers more than they do doctors and lawyers. <p><u>Scenario 2</u></p> <ul style="list-style-type: none"> Admissions representative said the bachelor's degree would take a maximum of 4 years to complete, but she provided a 1-year cost estimate equal to 1/5 of the required credit hours. According to the admissions representative the undercover applicant was qualified for \$9,500 in student loans, and the representative indicated that the applicant could take out the full amount even though the applicant indicated that he had \$250,000 in savings. Admissions representative told the undercover applicant that the graduation rate is 20 percent. Education reports that it is 15 percent.

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College information and degree sought	Students receiving Pell Grants ^a	Students receiving federal loans ^b	Graduation rate ^c	Encouragement of fraud, and engagement in deceptive, or otherwise questionable behavior
2 AZ - 4-year, owned by publicly traded company Associate's Degree – Paralegal	57%	83%	Not reported	<p><u>Scenario 2</u></p> <ul style="list-style-type: none"> Upon request by applicant, the financial aid representative estimated federal aid eligibility without the undercover applicant's reported \$250,000 in savings to see if applicant qualified for more financial aid. The representative informed the applicant he was ineligible for any grants. Admissions representative misrepresented the length of the program by telling the undercover applicant that the 96 credit hour program would take 2 years to complete. However, she only provided the applicant a first year cost estimate for 36 credit hours. At this rate it would take more than 2.5 years to complete
3 CA – less than 2-year, privately owned Certificate – Computer Aided Drafting	94%	96%	84%	<p><u>Scenario 1</u></p> <ul style="list-style-type: none"> College representative told the undercover applicant that if she failed to pass the college's required assessment test, she can continue to take different tests until she passes. The college representative did not tell the graduation rate when asked directly. The representative replied, "I think, pretty much, if you try and show up and you know, do the work, you're going to graduate. You're going to pass guaranteed." The college's Web site also did not provide the graduation rate. Undercover applicant was required to take a 12-minute admittance test but was given over 20 minutes because the test proctor was not monitoring the student. <p><u>Scenario 2</u></p> <ul style="list-style-type: none"> Undercover applicant was encouraged by a financial aid representative to change the FAFSA to falsely increase the number of dependents in the household in order to qualify for a Pell Grant. The financial aid representative was aware of the undercover applicant's inheritance and, addressing the applicant's expressed interest in loans, confirmed that he could take out the maximum in student loans. The career representative told the undercover applicant that getting a job is a "piece of cake" and then told the applicant that she has graduates making \$120,000 - \$130,000 a year. This is likely the exception; according to the BLS 90 percent of architectural and civil drafters make less than \$70,000 per year. She also stated that in the current economic environment, the applicant could expect a job with a likely starting salary of \$13-\$14 per hour or \$15 if the applicant was lucky.

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College information and degree sought	Students receiving Pell Grants ^a	Students receiving federal loans ^b	Graduation rate ^c	Encouragement of fraud, and engagement in deceptive, or otherwise questionable behavior
4 CA - 2-year, owned by publicly traded company Certificate – Massage Therapy	73%	83%	66%	<p><u>Scenario 1</u></p> <ul style="list-style-type: none"> The financial aid representative would not discuss the undercover applicant's eligibility for grants and loans and required the applicant to return on another day. <p><u>Scenario 2</u></p> <ul style="list-style-type: none"> While one school representative indicated to the undercover applicant that he could earn up to \$ 30 an hour as a massage therapist, another representative told the applicant that the school's massage instructors and directors can earn \$150-200 an hour. While this may be possible, according to the BLS, 90 percent of all massage therapists in California make less than \$34 per hour.
5 DC - 4-year, privately owned Bachelor's Degree – Business Information Systems	34%	66%	71%	<p><u>Scenario 1</u></p> <ul style="list-style-type: none"> Admissions representative explains to the undercover applicant that although community college might be a less expensive place to get a degree, community colleges make students spend money on classes that they do not need for their career. However, this school also requires students to take at least 36 credit hours of non-business general education courses. Admissions representative did not disclose the graduation rate after being directly asked. He told the undercover applicant that it is a "good" graduation rate. The college's Web site also did not provide the graduation rate. Admissions representative encouraged the undercover applicant to enroll by asking her to envision graduation day. He stated, "Let me ask you this, if you could walk across the stage in a black cap and gown. And walk with the rest of the graduating class and take a degree from the president's hand, how would that make you feel?" <p><u>Scenario 2</u></p> <ul style="list-style-type: none"> Admissions representative said the bachelor's degree would take 3.5 to 4 years to complete. He gave the applicant the cost per 12 hours semester, the amount per credit, the total number of credits required for graduation, and the number of credits for the first year. When asked if the figure he gave multiplied by four would be the cost of the program, the representative said yes, although the actual tuition would have amounted to some \$12,000 more. Admissions representative required the undercover applicant to apply to the college before he could talk to someone in financial aid. Admissions representative told the undercover applicant that almost all of the graduates get jobs. Flyer provided to undercover applicant stated that the average income for business management professionals in 2004 was \$77,000-\$118,000. When asked more directly about likely starting salaries, the admissions representative said that it was between \$40,000 and \$50,000.

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College information and degree sought	Students receiving Pell Grants ^a	Students receiving federal loans ^b	Graduation rate ^c	Encouragement of fraud, and engagement in deceptive, or otherwise questionable behavior
6 DC – less than 2-year, Privately owned Certificate – Cosmetology, Barber	74%	74%	Not reported	<p><u>Scenario 1</u></p> <ul style="list-style-type: none"> Admissions representative told the undercover applicant that the college was accredited by “an agency affiliated with the government,” but did not specifically name the accrediting body. Admissions representative <u>suggested to</u> the undercover applicant that all graduates get jobs. <u>Specifically he told the applicant that if he had not found a job by the time he graduated from the school, the owner of the school would personally find the applicant a job himself.</u> <p><u>Scenario 2</u></p> <ul style="list-style-type: none"> Admissions representative told our undercover applicant that barbers can earn \$150,000 to \$250,000 a year, though that would be extremely unusual. The BLS reports that 90 percent of barbers make less than \$43,000 a year. In Washington, D.C., 90 percent of barbers make less than \$17,000 per year. He said, “The money you can make, the potential is astronomical.”

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College information and degree sought	Students receiving Pell Grants ^a	Students receiving federal loans ^b	Graduation rate ^c	Encouragement of fraud, and engagement in deceptive, or otherwise questionable behavior
7 FL - 2-year, privately owned Associate's Degree – Radiologic Therapy	86%	92%	78%	<p><u>Scenario 1</u></p> <ul style="list-style-type: none"> When asked by the undercover applicant for the graduation rate for two programs, the admissions representative did not answer directly. For example the representative stated that "I've seen it's a 80 to 90% graduation rate" for one of the programs but said for that information "I would have to talk to career services." She also said 16 or 17 students graduated from one of the programs, but couldn't say how many students had started the program. The college's Web site also did not provide the graduation rate. Admissions representative told our prospective undercover applicant that student loans were not like car loans because <u>student loans could be deferred in cases of economic hardship, saying "It's not like a car note where if you don't pay they're going to come after you. If you're in hardship and you're unable to find a job, you can defer it."</u> The representative did not explain the circumstances under which students might qualify for deferment. Borrowers who do not qualify for deferment or forbearance and who cannot pay their loans face fees, may damage their credit or have difficulty taking out future loans. Moreover, in most cases, bankruptcy law prohibits a student borrower from discharging a student loan. <p><u>Scenario 2</u></p> <ul style="list-style-type: none"> Admissions representative suggested to the undercover applicant that he not report \$250,000 in savings reported on the FAFSA. The representative told the applicant to come back once the fraudulent financial information changes had been processed. This change would not have made the undercover applicant eligible for grants because his income would have been too high, but it would have made him eligible for loans subsidized by the government.

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College information and degree sought	Students receiving Pell Grants ^a	Students receiving federal loans ^b	Graduation rate ^c	Encouragement of fraud, and engagement in deceptive, or otherwise questionable behavior
8 FL - 2-year, owned by publicly traded company Associate's Degree – Criminal Justice	Not Reported	Not Reported	Not Reported	<p><u>Scenario 1</u></p> <ul style="list-style-type: none"> Admissions representative falsely stated that the college was accredited by the same agency that accredits Harvard and the University of Florida. A test proctor sat in the test taking room with the undercover applicant and coached her during the test. The undercover applicant was not allowed to speak to a financial aid representative until she enrolled in the college. Applicant had to sign agreement saying she would pay \$50 per month toward her education while enrolled in college. On paying back loans, the representative said, "You gotta look at it...I owe \$85,000 to the University of Florida. Will I pay it back? Probably not...I look at life as tomorrow's never promised...Education is an investment, you're going to get paid back ten-fold, no matter what." Admissions representative suggested undercover applicant switch from criminal justice to the medical assistant certificate, where she could make up to \$68,000 per year. While this may be possible, BLS reports 90% of medical assistants make less than \$40,000 per year. <p><u>Scenario 2</u></p> <ul style="list-style-type: none"> When the applicant asked about financial aid, the 2 representatives would not answer but debated with him about his commitment level for the next 30 minutes. The <u>representative</u> said that student loans would absolutely cover all costs in this 2-year program. <u>The representative did not specify that federal student loans by themselves would not cover the entire cost of the program. While there are private loan programs available, they are normally based on an applicant passing a credit check, and typically carry higher interest rates than federal student loans</u> The representative said paying back loans should not be a concern because once he had his new job, repayment would not be an issue. The representatives used hard-sell marketing techniques; they became argumentative, called applicant afraid, and scolded applicant for not wanting to take out loans.

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College information and degree sought	Students receiving Pell Grants ^a	Students receiving federal loans ^b	Graduation rate ^c	Encouragement of fraud, and engagement in deceptive, or otherwise questionable behavior
9 IL - 2-year, privately owned Certificate – Medical Assistant	83%	80%	70%	<u>Scenario 2</u> <ul style="list-style-type: none"> Admissions representative initially provided misleading information to the undercover applicant about the transferability of the credit. First she told the applicant that the credits will transfer. Later, she correctly told the applicant that it depends on the college and what classes have been taken.
10 IL - 4-year, owned by publicly traded company Bachelor's Degree - Psychology	Not reported	Not reported	Not reported	<u>Scenario 1</u> <ul style="list-style-type: none"> Admissions representative said the bachelor's degree would take 3.5-4 years to complete, but only provided an annual cost estimate for 1/5 of the program. <u>Scenario 2</u> <ul style="list-style-type: none"> Admissions representative did not provide the graduation rate when directly asked. Instead she indicated that not everyone graduates.
11 PA - 4-year, owned by publicly traded company Bachelor's Degree – Business Administration	47%	58%	9%	<u>Scenario 1</u> <ul style="list-style-type: none"> Admissions representative told the undercover applicant that she could take out the maximum amount of federal loans, even if she did not need all the money. She told the applicant she could put the extra money in a high-interest savings account. While subsidized loans do not accrue interest while a student is in college, unsubsidized loans do accrue interest. The representative did not disclose this distinction to the applicant when explaining that she could put the money in a savings account. <u>Scenario 2</u> <ul style="list-style-type: none"> Admissions representative tells the undercover applicant that the college is regionally accredited but does not state the name of the accrediting agency. The college's Web site did provide specific information about the college's accreditation, however. Admissions representative said financial aid may be able to use what they call "professional judgment" to determine that the undercover applicant does not need to report over \$250,000 in savings on the FAFSA. Admissions representative did not disclose the graduation rate after being directly asked. He instead explained that all students that do the work graduate. This information was available on the college's Web site; however, it required significant effort to find the college's graduation rate, and the college did not provide separate graduation rates for its multiple campuses nationwide.

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College information and degree sought	Students receiving Pell Grants ^a	Students receiving federal loans ^a	Graduation rate ^a	Encouragement of fraud, and engagement in deceptive, or otherwise questionable behavior
12 PA – less than 2-year, privately owned Certificate – Web Page Design	52%	69%	56%	<p><u>Scenario 1</u></p> <ul style="list-style-type: none"> Admissions representative told the undercover applicant that she has never seen a student decline to attend after speaking with financial aid. The admissions representative would not allow the applicant to speak with financial aid until she enrolls in the college. If the undercover applicant was able to get a friend to enroll in the college she could get an MP3 player and a rolling backpack. <u>As noted in the testimony, although this is not illegal, it is a marketing tactic.</u> <p><u>Scenario 2</u></p> <ul style="list-style-type: none"> Financial aid representative told the undercover applicant that he should have answered “zero” when asked about money he had in savings—the applicant had reported a \$250,000 inheritance. The financial aid representative told the undercover applicant that she would <u>change his FAFSA form by reducing the reported assets to zero.</u> She later confirmed by e-mail and voicemail that she had made the change. This change would not have made the undercover applicant eligible for grants, but it would have made him eligible for loans subsidized by the government.
13 TX - 4-year, privately owned Bachelor’s Degree – Construction Management; Visual Communications	81%	99%	54%	<p><u>Scenario 1</u></p> <ul style="list-style-type: none"> <u>Admissions representative said the program would cost between \$50,000 and \$75,000 instead of providing a specific number. <u>It was not until the admissions representative later brought the student to financial aid that specific costs of attendance were provided.</u></u> <p><u>Scenario 2</u></p> <ul style="list-style-type: none"> <u>Admissions representative did not disclose the graduation rate after being directly asked. The college’s Web site also did not provide the graduation rate.</u> Admissions representative encouraged undercover applicant to change the FAFSA to falsely add dependents in order to qualify for grants. This undercover applicant indicated to the financial aid representative that he had \$250,000 in the bank, and was therefore capable of paying the program’s \$68,000 cost. The fraud would have made the applicant eligible for \$2,000 in grants per year.

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College information and degree sought	Students receiving Pell Grants ^a	Students receiving federal loans ^a	Graduation rate ^a	Encouragement of fraud, and engagement in deceptive, or otherwise questionable behavior
14 TX - 2-year, owned by publicly traded company Associate's Degree – Business Administration	89%	92%	34%	<p><u>Scenario 1</u></p> <ul style="list-style-type: none"> Admissions representative said the program takes 18 to 24 months to complete, but provided a cost estimate that suggests the program takes more than 2.5 years to complete. ▼The college's Web site did not provide the graduation rate. <p><u>Scenario 2</u></p> <ul style="list-style-type: none"> Undercover applicant would be required to make a monthly payment to the college towards student loans while enrolled. Admissions representative guaranteed the undercover applicant that getting a degree would increase his salary.
15 TX - 2-year, privately owned Associate's Degree – Respiratory Therapy	100%	100%	70%	<p><u>Scenario 1</u></p> <ul style="list-style-type: none"> The undercover applicant was not allowed to speak to a financial aid representative until he enrolled in the college. <p><u>Scenario 2</u></p> <ul style="list-style-type: none"> Admissions representative misrepresented the length of time it would take to complete the degree. She said the degree would take 2 years to complete but provided a cost worksheet that spanned 3 years. ▼The undercover applicant was told he was not allowed to speak to a financial aid representative until he enrolled in the college. After refusing to sign an enrollment agreement the applicant was allowed to speak to someone in financial aid. Admissions representative told undercover applicant that monthly loan repayment would be lower than it actually would.

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Source: GAO undercover visits and Department of Education.

^aThis information was obtained from the Department of Education National Center for Education Statistics.