

For-Profit College: Costly Lesson

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Are you interested in a new career? Are you looking for specialized training and a high-paying job in computers, fashion or health care?

Well, a lot of people must be, because companies selling that dream, the for-profit career colleges, are one of the fastest growing area in the field of education.

It's a multi-billion dollar business with most of the revenues guaranteed by the federal government, and until recently the industry was the darling of Wall Street.

Now, it's under scrutiny, with one of the biggest players facing allegations that it deceived investors, the federal government, and students, who say they've been taught a very expensive lesson. **Correspondent Steve Kroft** reports.

If you've ever watched daytime TV, you've probably seen one of Career Education Corporation's ads offering students a brand-new life.

"Ever think you could be part of this? With the right training, you can!"

That one was for the Katharine Gibbs schools, which were bought by Career Education Corporation in 1997, and make up just a small part of its scholastic empire.

A year ago, CEC was one the hottest stocks on the NASDAQ exchange, with five years of record growth and \$1 billion in annual revenue. It comes from nearly 100,000 students at 82 different campuses, taking classes in everything from computer animation to the culinary arts.

Brooks College in Long Beach, Calif., offers training in fashion and design, but its graduates have a special nickname for their alma mater: "Crooks College."

Why?

"Cuz they robbed us," says one graduate.

"Everything was a lie," says another.

What was the biggest lie?

"Job placement -- 98 percent job placement," several graduates said. "They said, like, starting \$30,000 a year, \$30,000 or more."

Brooke Shoelberg, Chanee Thurston, and Amanda Harris enrolled to study fashion merchandising after the school signed them up for tens of thousands of dollars in student loans, and showed them videos promising to help them get jobs with companies like Giorgio Armani.

Did Brooks College find any of them a job? No, they said.

Did it make an attempt to find them a job? Again, they said no.

The school declined to comment, but **60 Minutes** knows that all three women graduated near the top of their classes. A year later, none had been able to find the kind of job she was supposedly trained for.

Brooke was managing a telephone store; Amanda was unemployed; and Chanee was selling T-shirts. All of them went heavily into debt to get a two-year degree they now believe has little value.

“The school has no credibility with the fashion industry, whatsoever,” says Thurston.

Complaints, laid out in a number of lawsuits against CEC by former students, investors, and employees, are now under investigation by the Justice Department and the Securities and Exchange Commission.

The lawsuits and the investigations were cited by CEC as the reason for declining a request by **60 Minutes** for an on-camera interview.

But there were plenty of other people willing to talk on-camera. One man, who wore sunglasses and a visor, said, “I am completely embarrassed that I ever worked at Brooks College or for CEC.”

This man, along with two of his former colleagues, Barry Ross and Eric Shannon, used to work at Brooks College. They say there were some dedicated teachers there, but that the administration was more interested in making money than in educating students.

Ross’ title was admissions representative. But Shannon says “we were really sales people.”

“Selling the dream, basically,” says Ross.

“We’re selling you that you’re gonna have a 95 percent chance that you are gonna have a job paying \$35,000 to \$40,000 a year by the time they are done in 18 months,” says Shannon. “We later found out it’s not true at all.”

“Yeah, it wasn’t true at all,” says Ross.

According to an evaluation report from the Western Association of Schools and Colleges, “Only about 38 percent of Brooks students ever finish the program,” and the average starting salary for all graduates is “less than \$11 dollars per hour.”

The admission counselors told **60 Minutes** they were expected to enroll three high school graduates a week, regardless of their ability to complete the coursework. And if they didn’t meet those quotas, they were out of a job, which is what the man in sunglasses says happened to him. They all say the pressure produced some very aggressive sales tactics.

“In that way, the job was a lot like a used-car lot, because if I couldn’t close you, my boss would come in, try to close you,” says Shannon.

The enrollment fee was \$50. “You need three things,” says the man in sunglasses. “You need \$50, a pulse, and you’ve got to be able to sign your name. That’s about it.”

You have to sign your name to a government loan form. The government-backed student loans are crucial to the entire industry.

In 2003, they made up nearly 60 percent of CEC’s revenues. And in order to be eligible for that money, CEC is required to provide students with accurate information about job placement.

Would CEC exist if it weren’t for government loans?

"I don't believe that they would be a \$1 billion company in 10 years, if it weren't for the federal government loan programs," says Tami Hanson, who was once the national manager in charge of student placement for all of Career Education Corporation's campuses in the United States.

Hanson, who was fired a few months ago, was one of more than 50 current or former employees with whom **60 Minutes** spoke at more than a dozen schools. All had variations of the same story.

What was the corporate culture like?

"All about the numbers, all about the numbers," says Hanson. "Getting students enrolled, getting students in the seats. Keeping students in the seats, getting them passed enough to graduate, and then trying to get them any job we could."

But getting students any job they could did not necessarily mean getting them jobs they were trained for. And she says a job placement could mean just about almost anything.

"It may be that, you know, they end up placing them folding T-shirts at the Gap at a fashion, as a fashion grad -- which is fine, but not what they were promised in the beginning," says Hanson.

"And a job they could've gotten without paying \$15,000 or \$30,000," says Kroft.

Actually, it is more like \$30,000 \$60,000 and \$80,000 depending on the program, says Hanson.

Hanson says the quality of education varies from school to school, and that there are some very good programs and highly motivated students who find successful careers. But she says too many students simply don't have the aptitude or the skills necessary to succeed in class or the workplace.

"They were not prepared, but at the same time, the instructors were really pressured to pass them through that class to keep them in school," says Hanson.

So CEC could keep collecting the government money? "So they could keep the revenue," says Hanson.

CEC has denied these and other allegations in response to various lawsuits, and it says it's made compliance with government regulations and investigating complaints a top priority.

Chairman John Larson wrote **60 Minutes** saying, "We'll investigate the situations cited in your report and take appropriate corrective action as violations are identified."

And it did not take long to find a violation. To see how the admissions process works, **60 Minutes Associate Producer Jennifer MacDonald**, armed with a hidden camera, went to a number of CEC schools in the New York area.

At the Katharine Gibbs School, she began by asking about graduation rates. She was told that 89 percent graduated.

But that wasn't even close. According to the Department of Education's most recent figures from 2003, this school's graduation rate was 29 percent not 89 percent, a difference of 60 points. Federal regulations require that prospective students be given the official statistics in writing prior to enrollment and the admission representative seemed ready to sign MacDonald up.

When MacDonald wanted to know about a career in fashion, this is what she was told: "These jobs pay a lot of money. You're looking at, if you take this craft and be very serious about it, you can make anywhere from hundreds of thousands to if you go up to be a designer."

But not everything at Career Education Corporation is fashion or business. Its Sanford Brown Institutes prepare students for careers in health care; training ultrasound and cardiovascular technicians; and

medical and surgical assistants.

The admission representative told the associate producer that the school was highly selective. So MacDonald did everything she could to disqualify herself for admission to become a medical assistant, a nine-month program that costs almost \$13,000 prepares students for entry-level positions.

When lousy grades and prior drug use weren't enough to get her rejected, she tried a different approach. She told them she had a "problem with blood." The representative told her that "98 percent of our students have a problem with blood. The first day of the module, they don't hand you a syringe and say, 'Go for it.'"

The school did require the associate producer to take an admission test. She intentionally flunked it, getting just 7 out of 50 questions correct. But the school allowed her to take another test with different questions. This time, the admission representative said she had doubled her score to 14 out of 50, and that was just good enough to qualify for admission.

Although it was easy to get in, all the counselors told MacDonald she would have to work hard and attend class to complete the course. But Hanson says what CEC is most interested in is tuition.

"They want to say that the student comes first, but I think it becomes obvious to anybody that works in the school, that the student does not come first," says Hanson.

Where does the student come? "The student comes with how many dollar signs are attached to them. And anything after that is secondary," says Hanson.

CEC is not the only publicly traded career-school operator in trouble with the federal government. Last fall, the Department of Education handed out its largest fine ever -- \$9.8 million dollars to the Apollo Group and its University of Phoenix for admitting unqualified students to boost enrollment.

And a year ago, federal agents raided the headquarters and 10 campuses of ITT Educational Services, investigating charges of falsified grades and attendance records.

Nick Glakas is president of the Career College Association, a Washington lobbying group that represents 1,100 career colleges in the United States.

"This is not an industrywide problem. And let me address the whole question of being under investigation," says Glakas. "Allegations from a legal standpoint are not facts and are not evidence."

Glakas says career colleges are a passport into the middle class for millions of people, a gateway to the American dream.

"Twenty-five percent of our students are working adults. Fifty percent are minority. Seventy percent are the first in their family to go to college. This is an extraordinary success story," says Glakas.

Rep. Maxine Waters, who represents the poorest district in Los Angeles, isn't so sure. For the past 15 years, she's been the industry's most persistent critic.

"I have seen young person after young person who simply wanted to get trained for a trade, for a job, get ripped off," says Waters.

Why hasn't anything been done? "These private post-secondary schools are very sophisticated in its politics, and they actually have members of Congress who protect them," she says.

Over the past two years, career colleges and lending institutions that benefit from government-backed student loans handed out more than a million dollars in campaign contributions to members of the House Education Committee. Half of that money went to the committee's two ranking members: Chairman John Boehner of Ohio and Buck McKeon of California. Both declined requests for interviews.

As for the sales reps whom **60 Minutes** spoke with, Barry Ross has filed a discrimination lawsuit against CEC. Eric Shannon now works in finance, and the young man in the sunglasses is selling cars.

And the Brooks College graduates? They feel betrayed. They were sold the idea that an investment in education would change their lives. This investment did, but not in the way they were promised.

“My mother told me to declare bankruptcy and I'm only 21,” says Thurston. “She said it'll go away in 10 years so when I'm 31 I can start my life all over.”

“But we are all students that did everything we were supposed to, we gave it our all,” says Amanda Harris. “And we're still jobless. You know, like, it doesn't make sense.”