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For-profit colleges getting larger share of students
By Chuck Green

One day, on his way home from work a number of months ago, John Verbovsky spotted a billboard promoting classes at South University. At the time, Verbovsky, a freelance animator, illustrator and logo designer with a bachelor's degree in fine arts, had his sights on continuing his education and perhaps eventually starting his own business.

Talk about serendipity.

After investigating the curriculum at South, among other local institutions, the soon-to-be 23-year-old settled on South, a private, for-profit school that opened a campus last fall in Novi.

"It just had a good feeling to it," he said.

Mostly, Verbovsky was lured by South's comparatively smaller size and 8-to-1 student-to-faculty ratio. "They pay personal attention to each student."

The trend toward private, for-profit universities is growing in metro Detroit and Michigan, as well as nationally.

They've increased their market share over time, according to data compiled by the American Federation of Teachers, AFL-CIO. The percentage of all undergraduates enrolled in the for-profit sector increased from 2 percent in 1990 to 5 percent in 2000 and 8 percent in 2007.

Data released this year show that their market share has bumped up even more: For-profit colleges enrolled a total of 3.2 million students, or 11.8 percent of the nearly 27.4 million students who studied at all institutions in 2008-09.

According to the National Center for Education Statistics' Digest of Education Statistics, in Michigan the total enrollment in private for-profit degree-granting institutions in 2009 was 9,643, up from 3,101 in 2000. The number of institutions jumped from four in 2000 to

"Obviously, for-profit colleges have grown exponentially over the last decade," said Craig Smith, deputy director of higher education for the teachers union.

William Bradford, South University president, said he believes one reason an increasing number of prospective students would be attracted to the school, which has a spring quarter enrollment of 88 students, is that its programs reflect what employers in growing industries, such as health care, are seeking.

However, Smith said the federation is concerned about the amount of debt students incur in these programs and whether they are gaining skills that lead to jobs that will allow them to manage that debt.

Last summer, he said, the U.S. Department of Education proposed new regulations to ensure students are getting what they are supposed to when they borrow large amounts to pay for programs meant to lead to "gainful employment."

As a small, new campus, South polls its students to learn their thoughts, which help shape the development of the class schedule for an upcoming quarter, Bradford said.

For his part, Verbovsky is confident that his experience at South will help him achieve his professional objectives.

"Not only am I getting a higher education, but by learning the business aspects of the markets and world I can use it to incorporate into my art and media and make a successful business," he said.

The federation contends that a number of students who participate in such programs are unable to repay loans, which can irreparably damage their financial histories, Smith said.

He pointed out that private student loans are becoming increasingly popular as tuition outpaces the amount of federal aid students are able to borrow.

Forty-three percent of for-profit college students took out private, non-federally subsidized loans in 2007-08, up from 15 percent in 2003-04, he said.

Over the same period, the proportion of students at for-profit colleges borrowing at least \$40,000 nearly tripled to 30 percent, according to federation data.

Those loans are largely unregulated, have uncapped, variable interest rates that are very high for low-income borrowers, and are impossible to discharge in bankruptcy.

Additionally, private for-profit colleges account for roughly 25 percent of all federal student loans and account for 50 percent of all defaults -- because they go after low-income prospects that can attain the highest amounts of student loans, observers say.

"These are students who supposedly have gone out into the workforce but simply aren't earning an income that is sufficient enough to pay off their loans," Smith said.

South University provides financial aid services to all interested

students and comprehensively evaluates the financial options of each, said Bradford.

Regulations dictate that schools inform students eligible for federal aid what's available to them, and prohibit academic institutions from limiting how much students borrow, he said. Consequently, students might seek more than their cost of tuition.

Bradford said he believes another primary factor behind South University's appeal is that its campus culture is geared to accommodate students who typically aren't first-time, full-time freshmen. He described some of those students as "career changers," or those who need colleges to be more flexible and creative in developing programs and schedules that fit into their lives.

Smith also expressed reservations over the lead generation process by which he said some for-profits recruit "large numbers" of students, a disproportionate number of whom are low-income and minority students.

Instead of honing in on those mulling a career and considering a handful of schools in their area, he said for-profits use lead generation primarily to reach potential students who merely click on leads through Internet ads, contacting them at a "heavy rate, literally minutes" after they click on lead generators.

As a result, students are "heavily recruited into programs they might not know a lot about," he said.

While noting he can't speak for the recruiting practices used throughout higher education or the for-profit sector specifically, South University has no incentive to enroll a student in a program he or she doesn't know a lot about, Bradford said.

"Our programs are the incentive for students because they're looking to accomplish something specific with their careers," he said. South's programs are geared toward professional outcomes in areas like criminal justice and health care, and the school operates ethically, providing access to data, policies and issues that students looking at college should know about, Bradford said.

Additionally, during orientation, he tells students "don't start unless you intend to finish." South University is not vested in simply enrolling students but in creating graduates, Bradford said.

Faculty among for-profits also stirs federation concern, Smith said. "Almost all" for-profit institutions rely solely on part-time teaching forces, he said, which often are unconnected to the institutions in any way. These institutions are "less concerned" about engaging faculty in curriculum development, staying current in the field and connecting with community needs, he added.

Bradford said South does its utmost to recruit and hire faculty who bring a combination of industry experience and academic credentials to the classroom.

Verbovsky has no complaints. "(My counselor) was very attentive to my needs, and I got great feedback for all the questions I had and concerns and thoughts on my career desire and whether the biz school was a good fit for me."