

# **MEDIA COVERAGE OF PRIVATE SECTOR SCHOOLS: Impact on Regulatory Policy**

**Presented by:**

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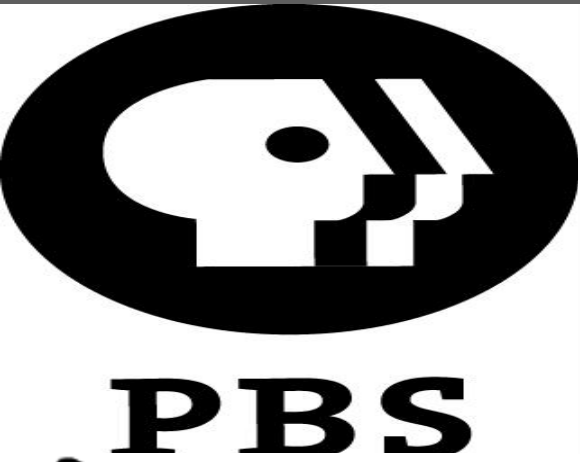
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**CCST Conference  
October 7, 2011**

# Role of Media



# The Forces Driving the Media

U.S Government

Private  
Sector  
Colleges  
and  
Universities

U.S. Senate

U.S.  
Department of  
Education

U.S.  
Government  
Accountability  
Office



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# The Forces Driving the Media

**U.S Government**

**Short-sellers**

Private Sector  
Colleges  
and  
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U.S.  
Department  
of Education

U.S.  
Government  
Accountability  
Office

**NP  
Organ-  
izations**

Financial  
Analysts



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# Study Results:

## November 2008 to April 2010

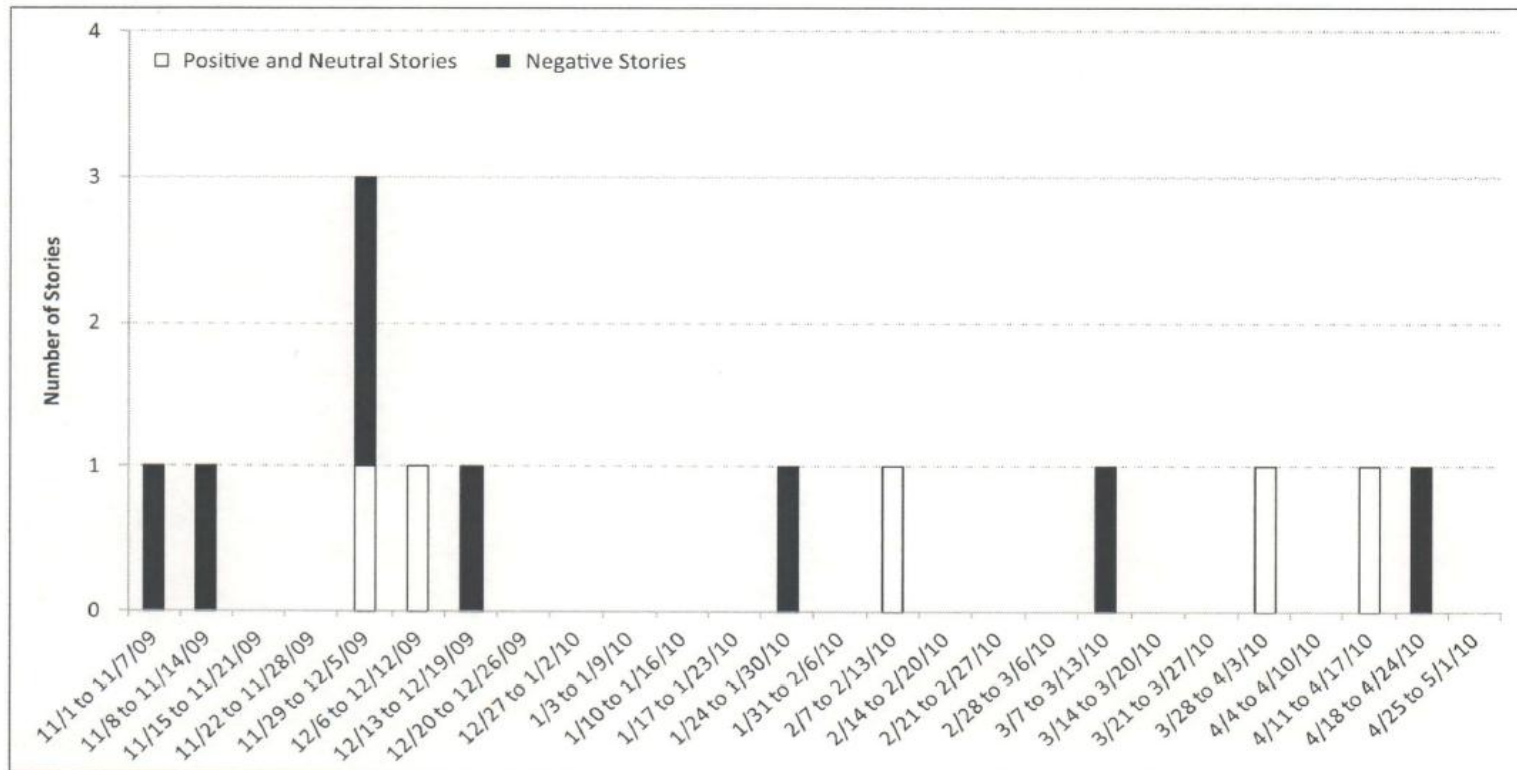


Figure 3. Weekly news coverage of for-profits from November 2009 through April 2010

T. Gramling, All-Out War: A Case Study in Media Coverage of For-Profit Higher Education (June 2011)



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# Study Results:

## May 2010 to August 14, 2010

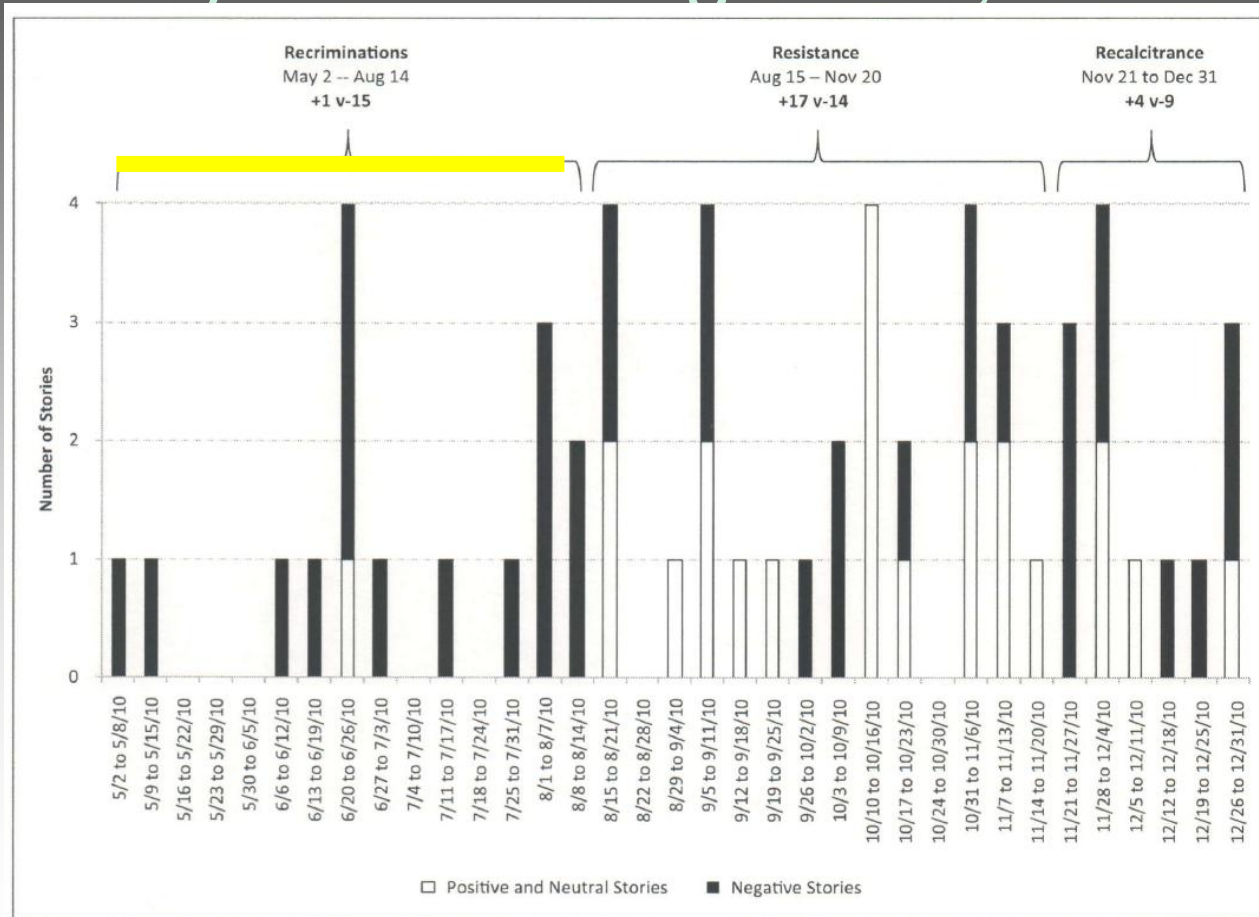


Figure 4. Weekly news coverage of for-profits from May 2010 through December 2010

T. Gramling, All-Out War: A Case Study in Media Coverage of For-Profit Higher Education (June 2011)



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# May 4, 2010: PBS Airs Frontline's "College, Inc."

The screenshot shows the PBS Frontline website interface. At the top, there is a navigation bar with links for PBS HOME, PROGRAMS A-Z, TV SCHEDULES, WATCH VIDEO, SUPPORT PBS, SHOP PBS, and SEARCH PBS. Below this is a red banner with a search bar and the text "FRONTLINE". The main content area features a large image of students with price tags on their backs, ranging from -\$8,000 to -\$31,000. The title "COLLEGE INC." is displayed in a chalk-like font. Below the title is a short description: "Investigating how Wall Street and a new breed of for-profit universities are transforming the way we think about college in America...". To the right of the main image is a red box with the text "Watch the Full Program Online" and a small image of a "WALL ST" sign. At the bottom, there are three sections: "Join the Discussion" with the text "Your thoughts on this new kind of American education?", "Interviews" listing names like Michael Clifford, Mark DeFusco, Barmak Nassirian, Jeff Silber, Gail Mellow, Daniel Golden, and Brian Mueller, and "Responses from the Colleges" with the text "...and other interesting readings and links".



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## May 26, 2010: Short Seller, Michael Eisman, Delivers “Subprime Goes to College” Speech

*“Until recently, I thought that there would never again be an opportunity to be involved with an industry as socially destructive and morally bankrupt as the subprime mortgage industry. I was wrong. The For-Profit Education Industry has proven equal to the task.”*





# June 24, 2010: Senator Harkin Holds First Hearing on Proprietary Institutions

- Witnesses Stacked Against Proprietary Sector:
  - Eisman Redelivers “Subprime Goes to College Speech.”
  - Yasmine Issa, former student of proprietary school with substantial debt and unemployed
  - Margaret Reiter, plaintiffs’ attorney who sues for-profits
  - Kathleen Tighe, ED Inspector General
  - Sharon Thomas Parrot, Senior VP for DeVry, Inc.
- Senator Al Franken: *“Well, we have a job here, and part of it is to look out for Ms. Issa, look out for the taxpayer, and I’ll be damned if I’m going to be a Senator and not do that job.”*



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# Study Results:

## May 2, 2010 to August. 14, 2010

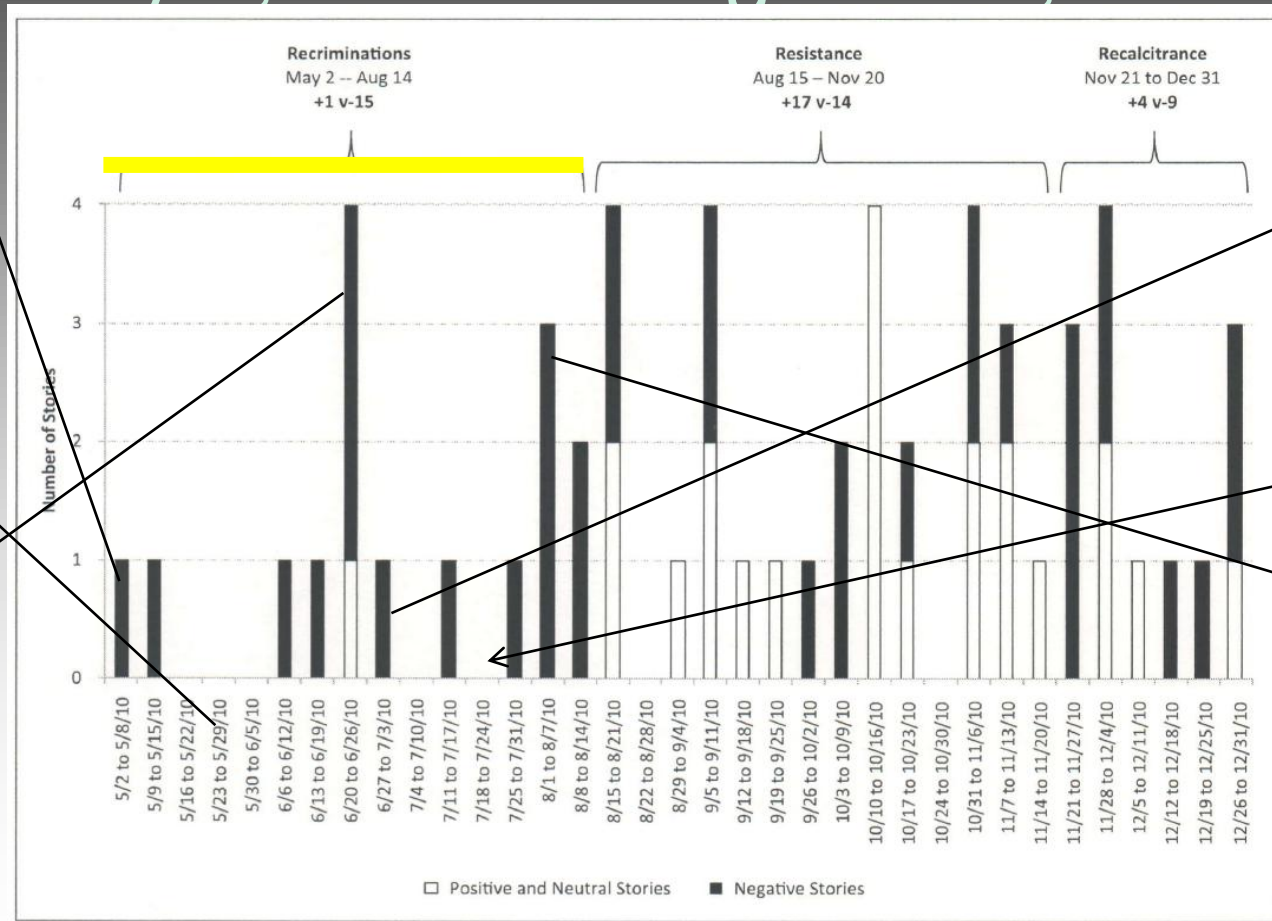


Figure 4. Weekly news coverage of for-profits from May 2010 through December 2010

5/4/11: PBS  
Airs "College,  
Inc."

5/26/11:  
Eisman  
Delivers  
"Subprime  
Goes to  
College"

6/24/10:  
First Harkin  
Hearing

6/30/11  
Durbin  
delivers  
speech  
at NPC

7/23/11 ED  
publishes  
proposed  
GE rules

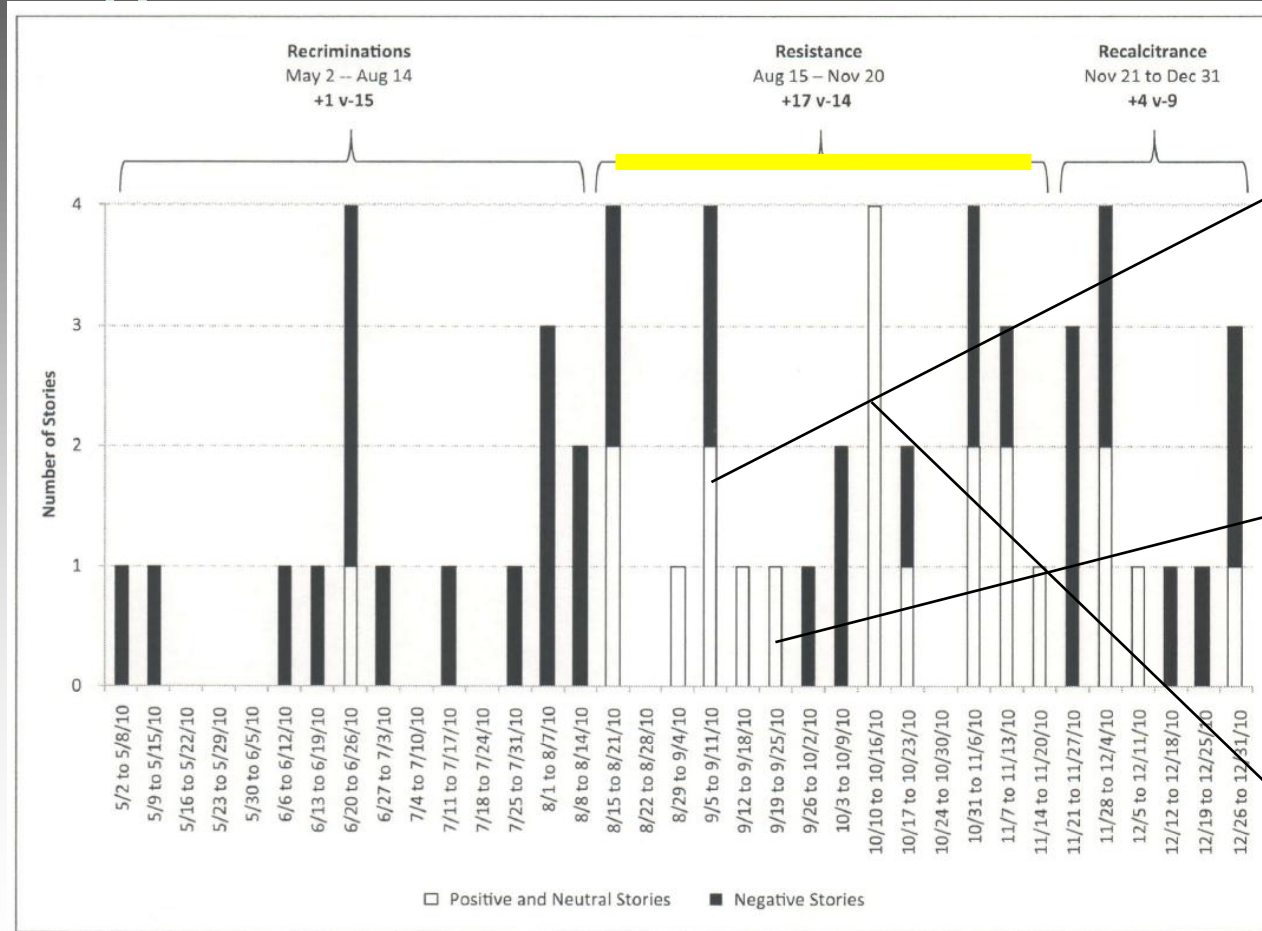
8/4/10:  
GAO Issues  
Report on  
Recruitment  
at Harkin  
Hearing

T. Gramling, All-Out War: A Case Study in Media Coverage of For-Profit Higher Education (June 2011)



# Study Results

## Aug. 14 to Nov. 20: Resistance



9/9/10  
Comments  
to GE Rules  
Deadline

9/24/10: ED  
announces  
delay in  
release of GE  
rules

10/10:  
Emails  
released  
showing  
Eisman's  
contacts to  
ED re GE

Figure 4. Weekly news coverage of for-profits from May 2010 through December 2010



# Study Results: Nov. 21 to Dec. 31

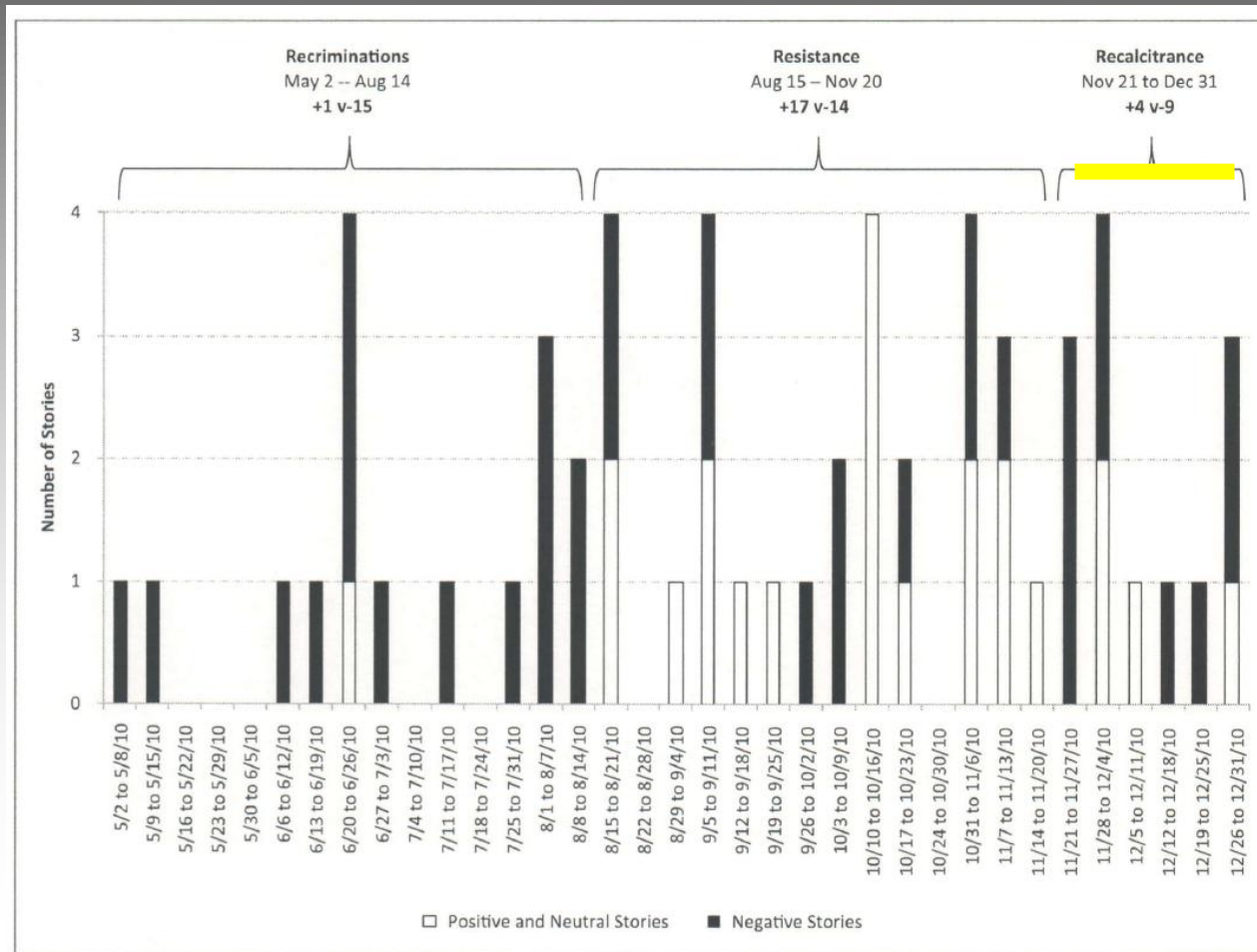


Figure 4. Weekly news coverage of for-profits from May 2010 through December 2010



# November 2010: ABC Airs Segment Critical of For-Profit Recruitment



# Education Trust Publishes: Subprime Opportunity

**Table 1: Six-Year Graduation Rates in Four-Year Institutions**

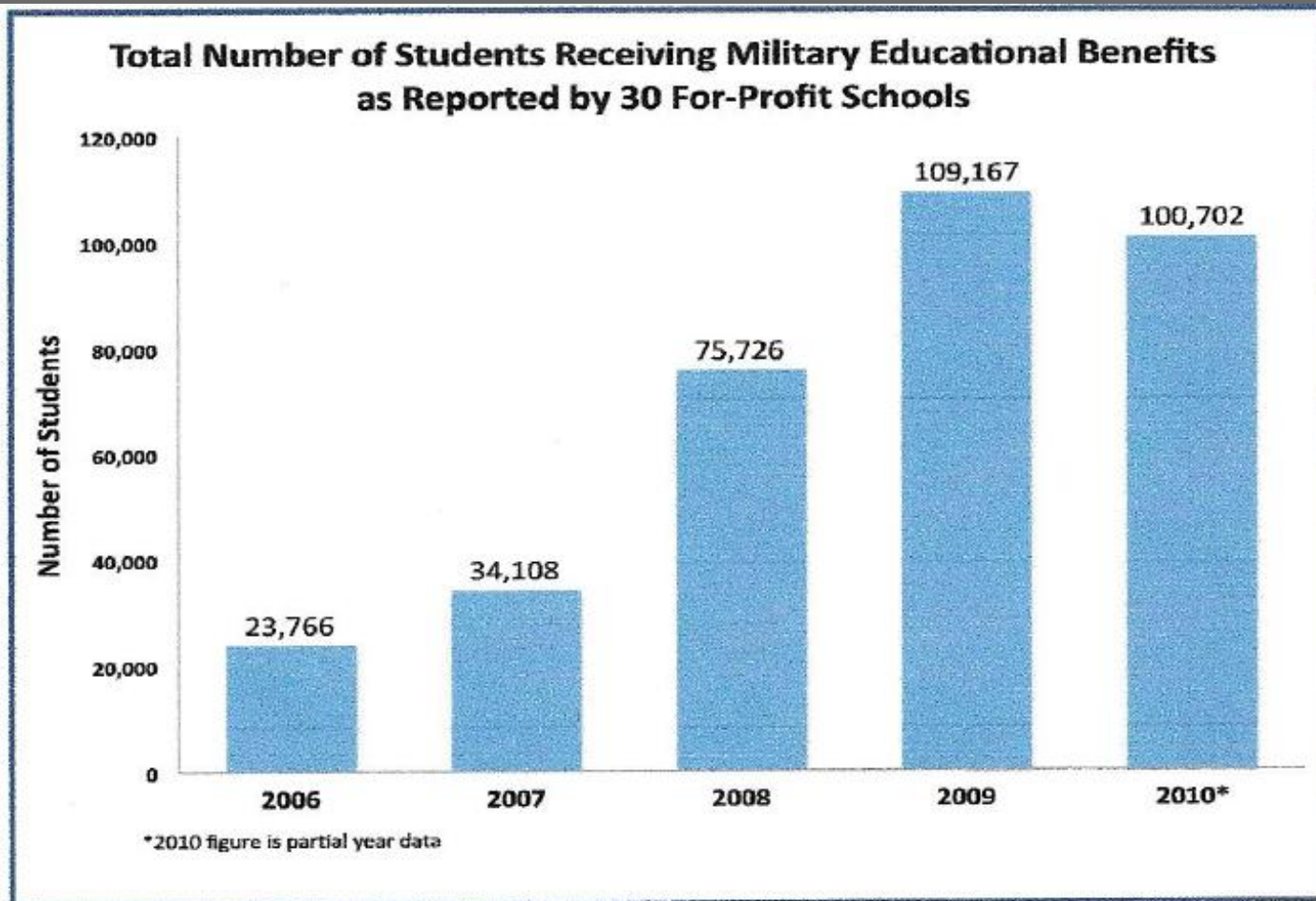
	Public	Private Nonprofit	For-Profit
<b>Percentage of Total Applicants Admitted</b>			
100%	31%	36%	11%
75-99.99%	51%	57%	31%
50-74.99%	58%	60%	54%
0-49.99%	62%	78%	43%
<b>Percentage of Freshmen Receiving Pell Grants</b>			
67-100%	33%	27%	32%
34-66%	41%	45%	21%
0-33%	59%	70%	31%

Source: Education Trust analysis of College Results Online, 2008



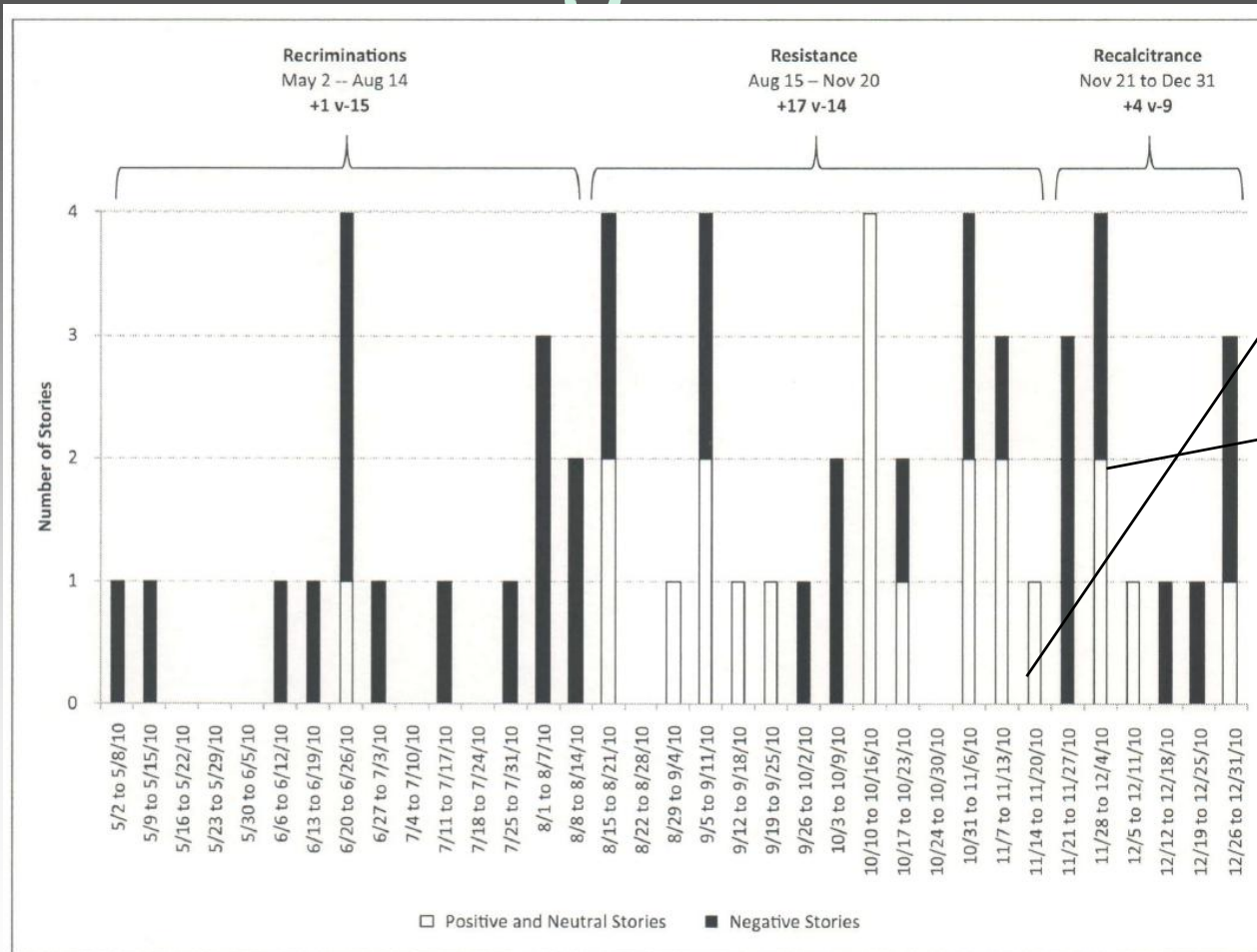
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# GI Bill Controversy



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# Moderating New Stories



11/17/10:  
Senators  
ask ED to  
investigate  
GE leaks

11/30/10:  
GAO revises its  
report on for-  
profit recruitment

Figure 4. Weekly news coverage of for-profits from May 2010 through December 2010



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# Media Highlights of 2011

**Gainful  
Employment**

**High  
Tuition/  
Debt**

**Recruitment/  
Advertising**

**State  
Legislation/  
Enforcement/  
Litigation**

**Before Final  
Regulations  
Published**

**After Final  
Regulations  
Published**



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# Quality of Source



- Staff-Written Articles




- Newspaper Editorials



- Articles Authored by Non-Profits & Congressmen (Non-institutional advocates)



- Articles Authored by Investors/Financial Analysts



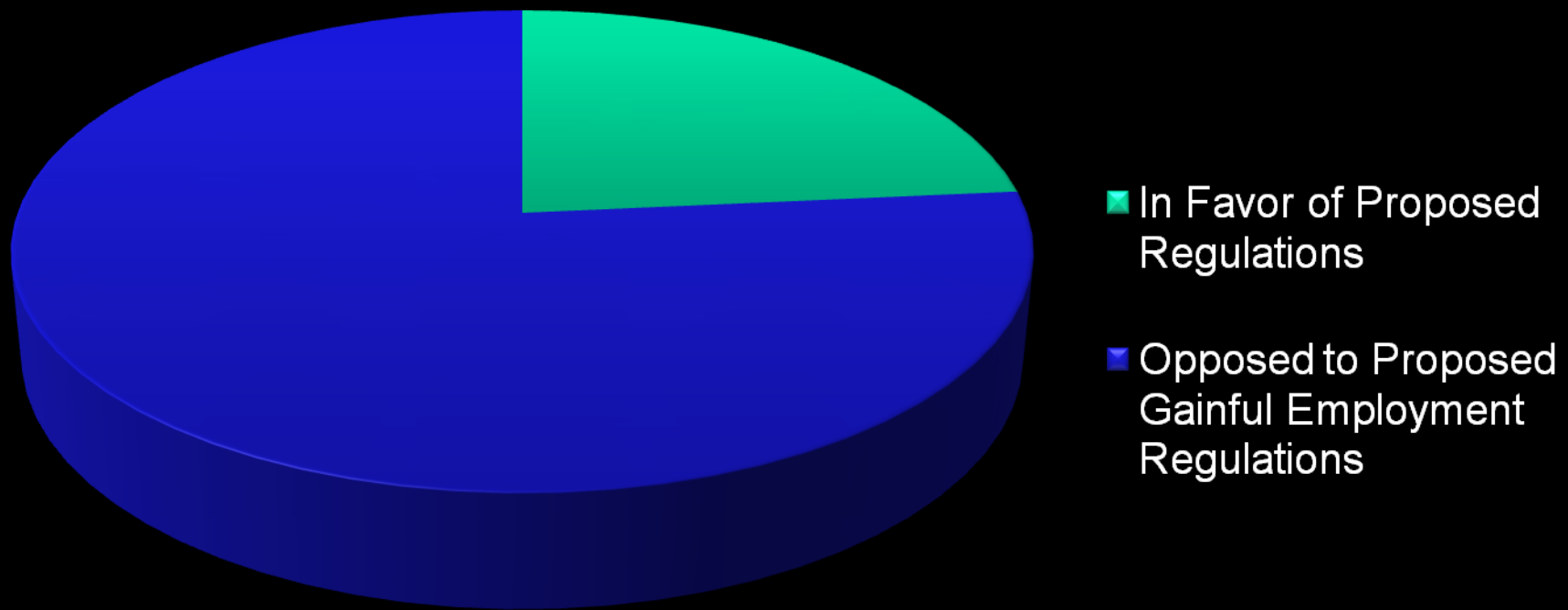
- Articles Authored by Institutional Representatives/APSCU/CES



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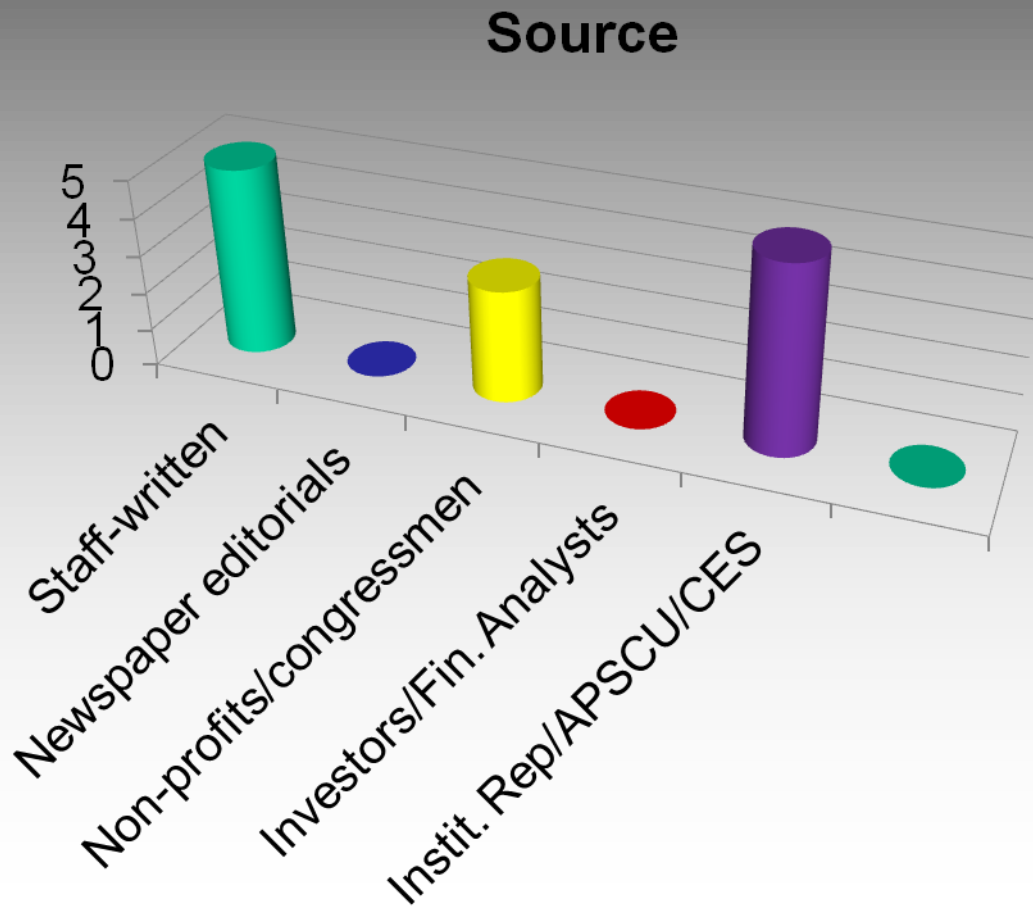
# Before GE Regulations Published

## Media Coverage of Pending Gainful Employment Regulations



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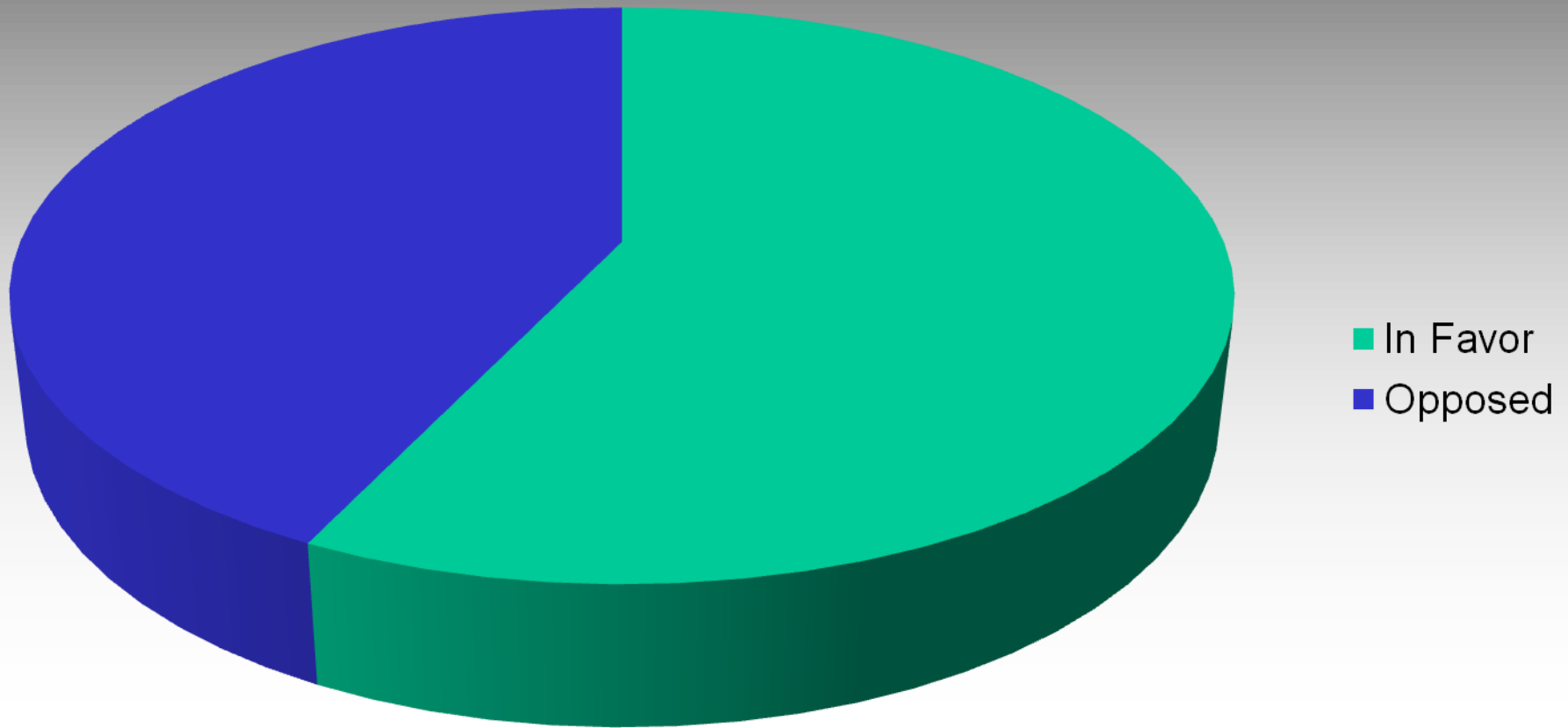
# Before GE Regulations Issued: Quality of Source of Stories in Opposition



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# After GE Regulations Published

Proportion of Pro Versus Con



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# Non-GE Coverage: Jan. 1 to Aug 31, 2011

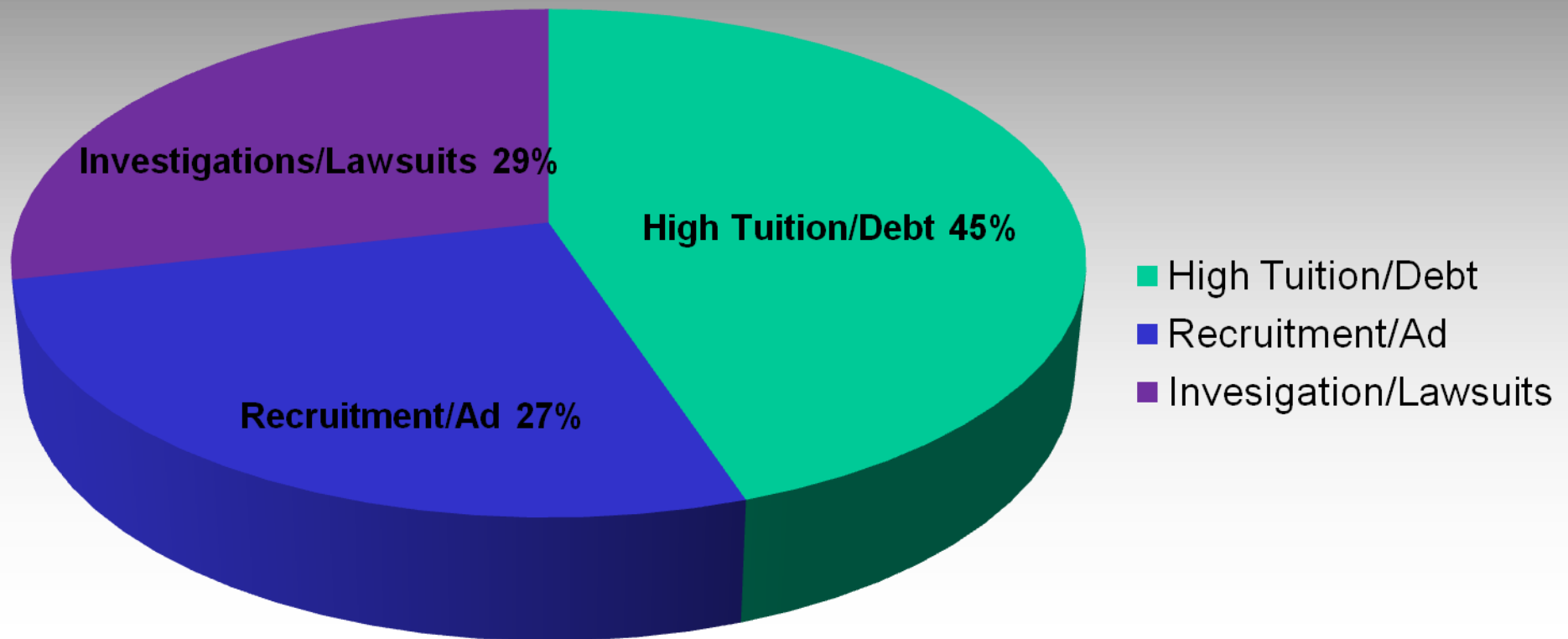


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# Breakdown of Negative Stories

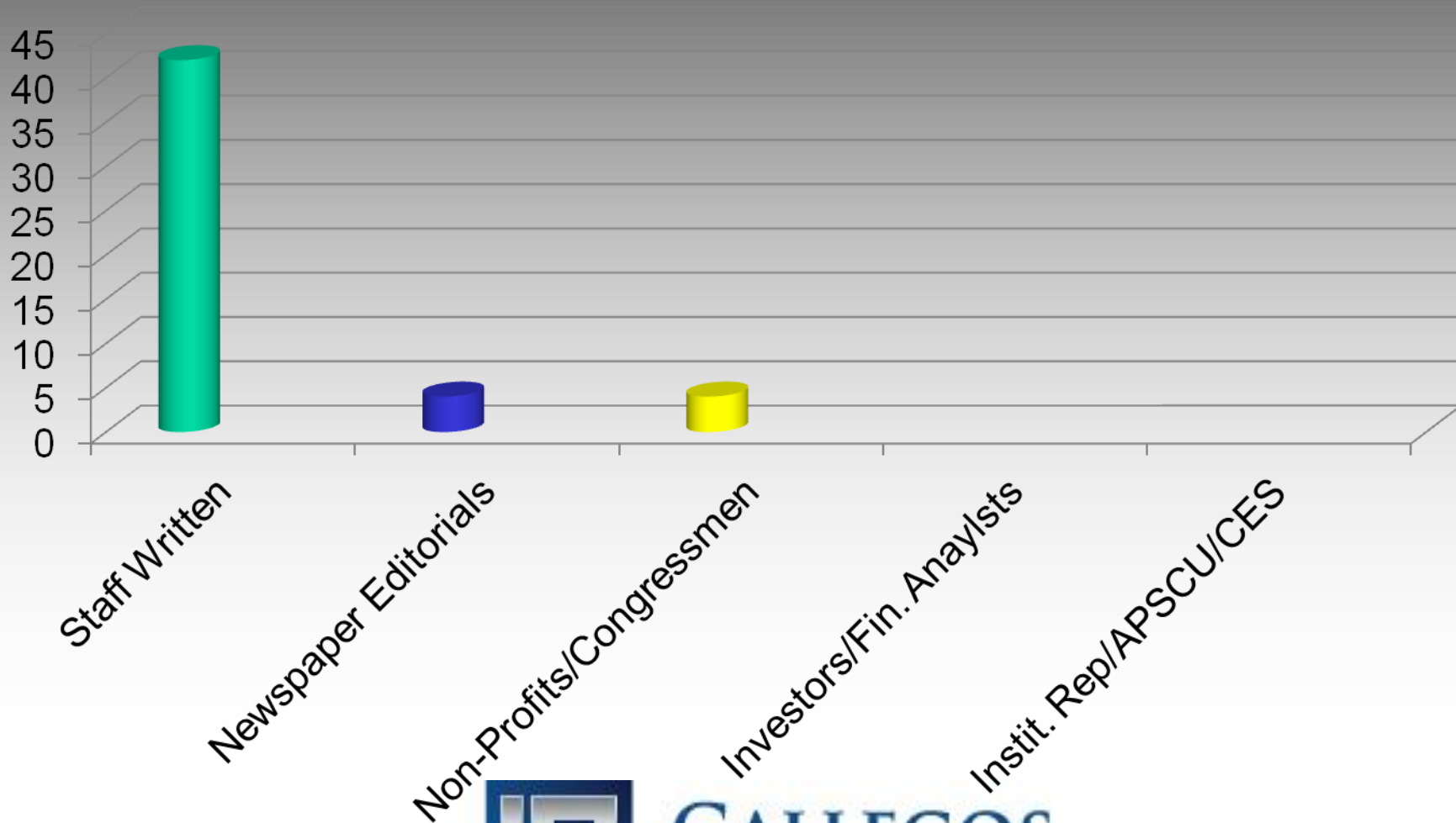
Jan. 1 to Aug. 31, 2011

Topic



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# Non-GE Coverage: Quality of Source (Negative) Jan. 1 to Aug. 31, 2011



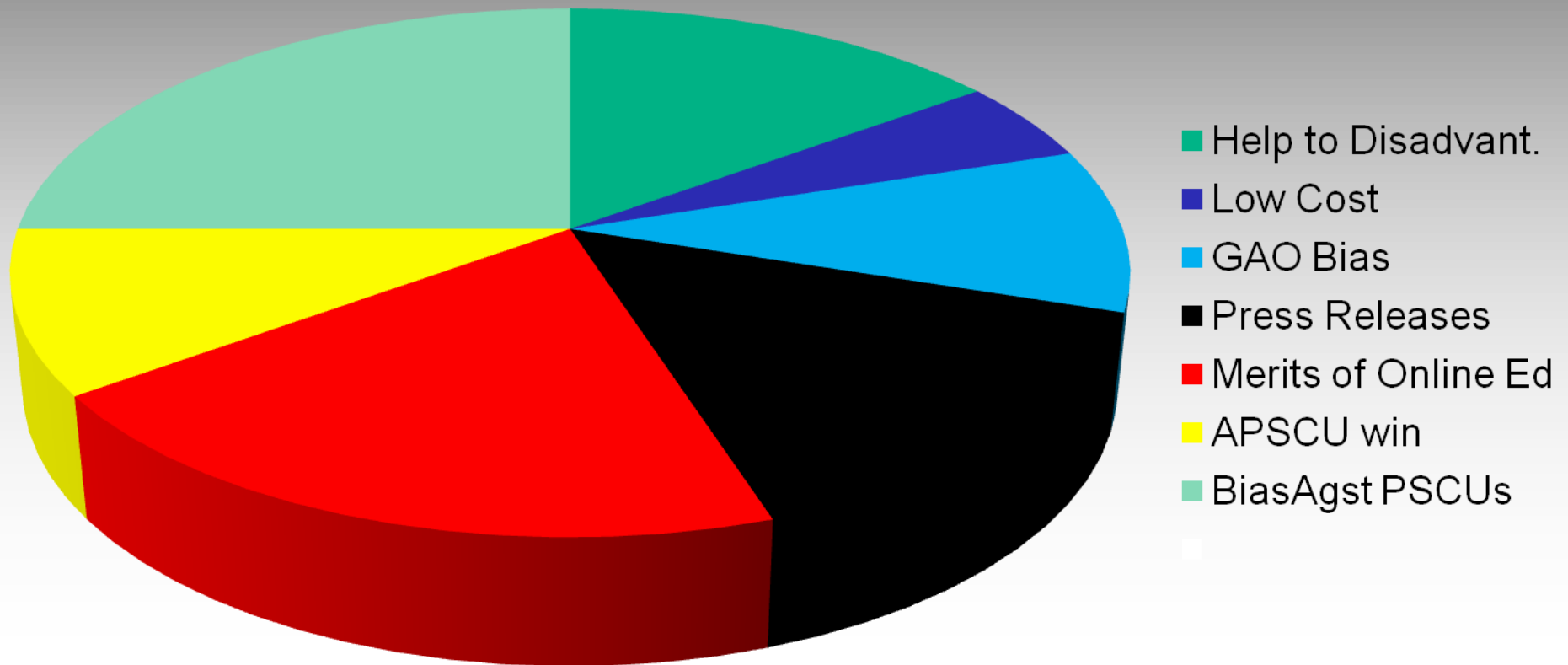
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# Breakdown of Positive Stories

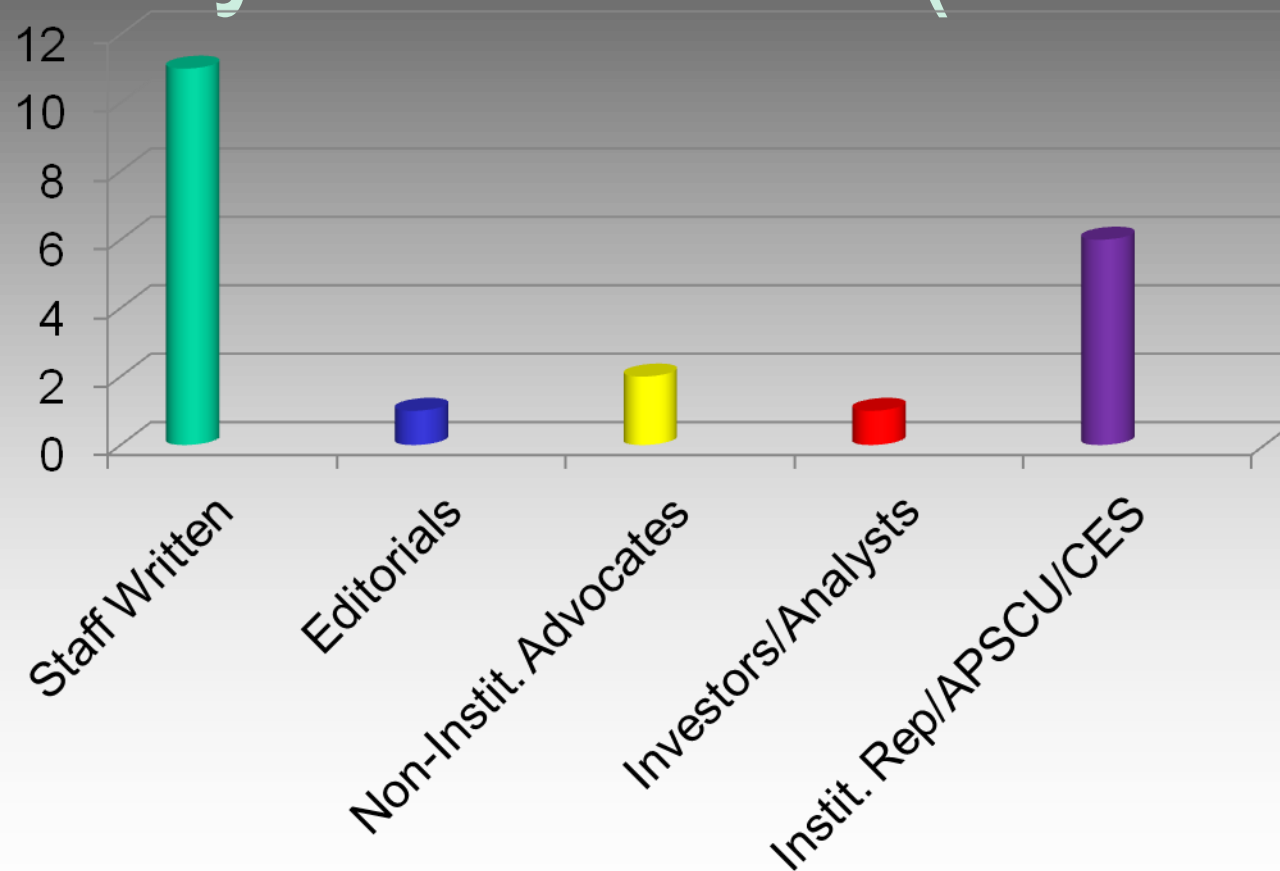
Jan. 1 to Aug. 31, 2011

Topics



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# Non-GE Coverage Quality of Source (Positive)



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# Unheard Narrative

world's **untold** stories

- **U.S. Government Policy That Encourages Excessive Student Indebtedness**
  - 90/10
  - Professional Judgment Limitations
- **How the Credit Crunch Has Contributed to Excessive Student Indebtedness**
- **Student Loan Fraud Related to Student Credit Balances**



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# Government Policy Encouraging Excessive Indebtedness

- **90/10**
  - Applies only to the proprietary sector
  - Compels increase in tuition to ensure receipt of non-Title IV funds
  - Difficulty of forcing cash payment from low-income demographic



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# Government Policy Encouraging Excessive Indebtedness

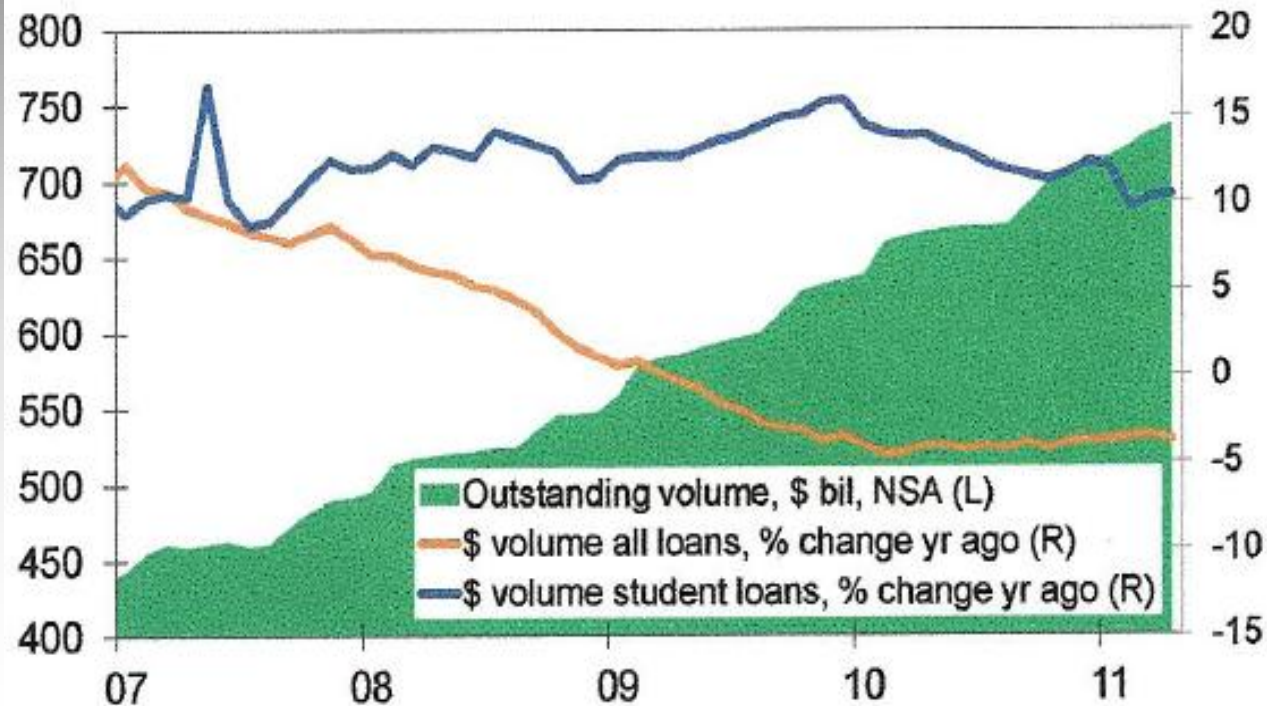
- **Professional Judgment Limitation:**
  - Determination on a case by case basis
  - Documentation of reason for the denial or reduction
  - Provision of reason for the denial or reduction in writing to the student
  - Not discriminatory on the basis of race, national origin, religion, sex, marital status, age, or disability status.

20 U.S.C. 1087tt(c)



# Credit Crunch Contribution to Excessive Indebtedness

Chart 1: Student Loans Balances Keep Growing



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# Student Fraud Factor



*“The Office of Inspector General ...has conducted numerous investigations of fraud involving distance education programs over the past six years. **The OIG’s inventory of these investigations has risen dramatically.**”*

Memorandum from J. Hamel (OIG) to J. Runcie(ED) (9/26/11)



# Legislative Efforts

- Federal:
  - Harkin, Carper & Webb will introduce legislation to:
    - Turn 90-10 to 85-15
    - Include military/veteran benefits in 85 side of calculation
    - Reinstate 50% rule
  - House Bill:
    - Eliminate Pell eligibility for less than ½ time students
    - Reduce Pell eligibility from 18 to 12 semesters (9 to 6 years)
    - Change AGI from \$30,000 to \$15,000 to qualify for “auto zero”
    - Eliminate Pell eligibility for ATB students
- State:
  - 23 states have introduced 54 bills aimed at proprietary sector to:
    - Limit state spending on sector
    - Increase oversight
    - Require more disclosures about costs and outcomes
    - Includes TX, CA, IL, OK, AL, ID, UT, IA, MA, ND, NY, MD, WV, OH



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# Efforts in Judiciary

- **Federal**
  - For the first time, US DOJ Intervenes in *Qui Tam* action against proprietary chain; MN, CA, FL, IL, and IN join suit
- **State**
  - KY AG has sued 3 proprietary chains
  - NC AG has initiated investigation
  - NY AG investigating 4 publicly traded proprietary chains
  - Publicly traded chain has agreed to \$40 million settlement in CA
  - TWC announced revocation of license of proprietary chain
  - Multi-state litigation effort



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# Executive Efforts

- **Department of Defense:**
  - 1/2012 DOD will require distance ed programs receiving military/vet tuition assistance programs to submit to MIVERs
- **Department of Education:**
  - 2012 Neg Reg:
    - Changes to total and permanent disability discharge requirements
    - Make Direct Loan regulations stand alone (w/o cross reference to FFEL)
    - Changes to IBR and ICR
    - Additional topics suggested by public at hearings:
      - Improvements of DL servicing
      - Simplify origination process
      - Change graduation rate formula
      - Carry out obligation to reduce regulatory burden
      - Remove rehabilitated loans from CDR calculation



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# Windows of Opportunity

- House Appropriations Committee Bill Defunds:
  - Gainful employment regulations
  - State authorization regulations
  - Regulations defining Credit Hour
- January 2011 Executive Order
  - Requires federal agency review of burdensome regulations



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# END

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