Alta Colleges, Inc.

Introduction

Alta Colleges, Inc. ("Alta") is a medium-sized privately held for-profit education company and is one of the most expensive schools examined by the committee. Like many for-profit education companies, Alta has experienced significant growth in student enrollment, Federal funds collected, and profit realized in recent years. While the company's performance, measured by student withdrawal is better than many companies examined, default rates are higher than most.

Witness testimony, investigations by the Department of Education and Colorado attorney general, and internal company documents indicate that the company aggressively recruited students with sometimes misleading and deceptive tactics. It is unclear whether the Federal investment taxpayers are making in the company should go to support these practices.

Company Overview

Alta is a privately held for-profit education company based in Denver, CO. The company is principally owned by a Boston private equity firm, Housatonic Partners. Alta Colleges operates 18 campuses under the Westwood Colleges brand, including an online campus, and one campus under the Redstone College brand.[777] Three of those campuses, all in Texas, suspended enrolling new students in late 2011 following actions by the Texas Workforce Commission, the State agency with jurisdiction over the campuses, and by the Veterans Administration, which oversees the educational benefits of student veterans attending those campuses.

Alta Colleges, Inc. was founded in 1953 in Denver, CO. Originally known as the Radio and Television Repair Institute, the school's identity underwent several significant transformations since its founding.[778] The school changed its name to the National Electronics Institute (NEI) in 1958, as it adapted and expanded the curriculum.[779] NEI was acquired by the Denver Institute of Technology, Inc. in 1974, which was in turn acquired by the founders of Alta in 1987.[780] In 1997, Denver Institute of Technology changed its name to Westwood College. Housatonic partners became a shareholder in 2002.

The company's Westwood College brand offers Certificate programs and Associate, Bachelor's, and Master's degree programs across a range of disciplines, including information technology, business administration, criminal justice, design, and medical assisting, among other subjects. The largest programs by enrollment are: criminal justice (31 percent), design (28 percent) and information technology (18 percent).[781] Westwood College campuses are nationally accredited by the Accrediting

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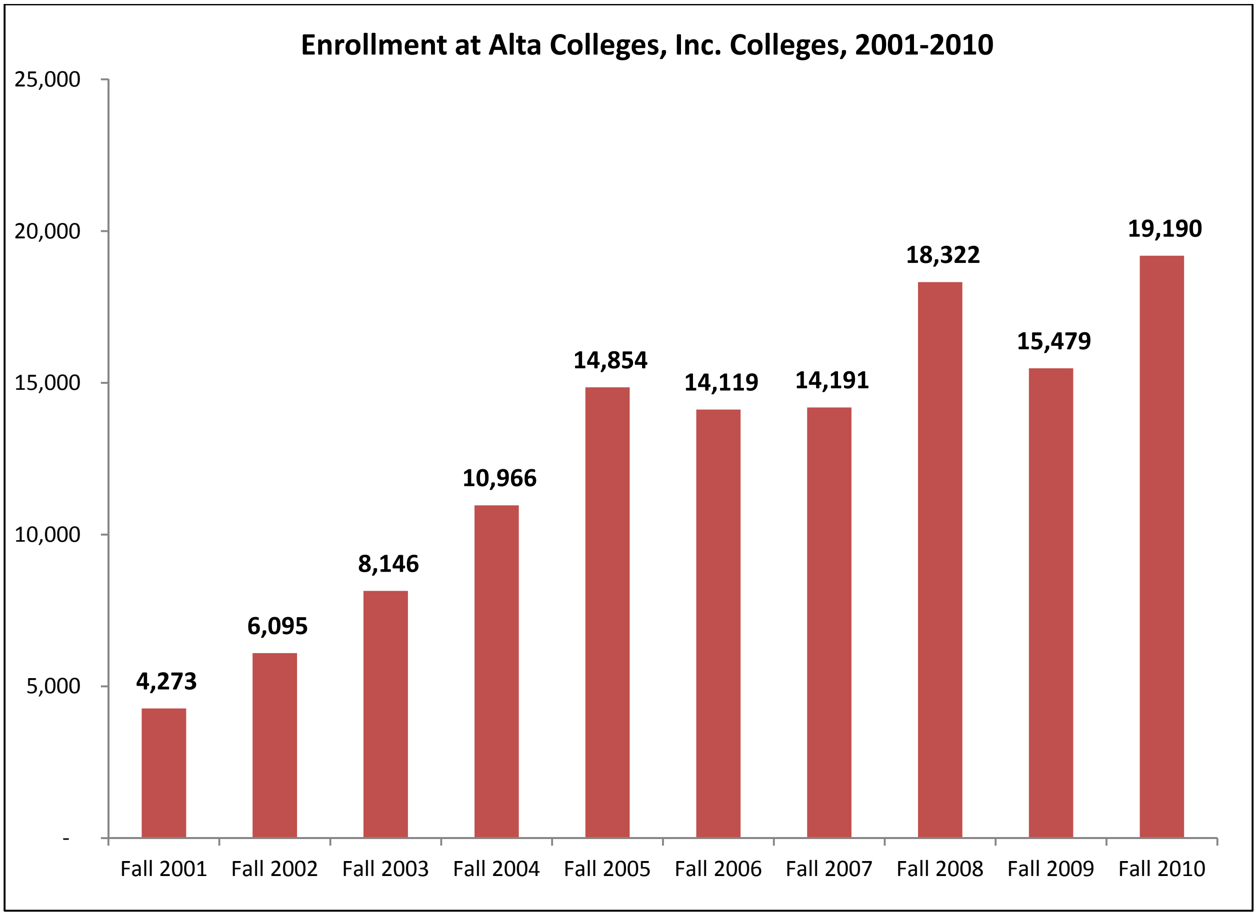
[777] Westwood College, Inc. is a holding company through which Alta owns five smaller corporations that in turn own and operate 18 Westwood College campuses. Redstone College is operated through Alta Colleges, Inc.'s Paris Management Corporation subsidiary.
[778] See Westwood College, 2012 Academic Catalog: California/Colorado/Georgia/Virginia (2011).
[779] See id.
[780] See Terry Wilson, "Riedinger, Turner head the class with Alta College," *Denver Business Journal* , June 23, 2002, http://www.bizjournals.com/denver/stories/2002/06/24/focus1.html?page=all (accessed June 6, 2012).
[781] Alta, February 2010, *Program Portfolio Review* (HELP-ALTA-000167).

Council for Independent Colleges and Schools (ACICS). Approximately 26 percent of its students are enrolled in online programs.

The current president and chief executive officer of Alta is Dean Gouin. George Burnett, who formerly served in management positions at Qwest Communications, stepped down as CEO in late 2011 following a number of problems involving the college's accreditation and certification as well as lawsuits brought by former students.[782] Eric Goodman, Alta's Chief Academic Officer, also left and moved to ECPI University, a Virginia-based for-profit education company.[783] He was replaced by John Keim.



Alta's enrollment more than quadrupled in 10 years, growing from approximately 4,300 students at the end of 2001 to 19,190 in 2010.[784] This growth in enrollment led to growth in revenue. Revenue at Alta grew steadily from approximately $269 million in 2006 to $380 million in 2009.[785]

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[782] Business Briefs, "Chief of Alta Colleges tenders resignation," *Denver Post*, September 27, 2011. http://www.denverpost.com/business/ci_18983399 (accessed June 13, 2012).
[783] Eric Goodman, *LinkedIn profile*. http://www.linkedin.com/pub/eric-goodman/1/699/b0a (accessed May 23, 2012).
[784] Enrollment is calculated using fall enrollment for all unit identifications controlled by the company for each year from the Department of Education 's Integrated Postsecondary Data System (hereinafter IPEDS). See Appendix 7. The most current enrollment data from the Department of Education measures enrollment in fall 2010. In 2011 and 2012, news accounts and SEC filings indicated that many for-profit education companies experienced a drop in new student enrollment. This has also led to a decrease in revenue and profit at some companies.
[785] *See* Deloitte & Touche LLP, *Alta Colleges, Inc. and Subsidiaries, Consolidated Financial Statements as of and for the Years Ended September 30, 2009 and 2008, Supplemental Schedules as of and for the Years Ended September 30, 2009 and 2008, and Independent Auditor's Report 6*,2009 (on file with committee). Revenue figures for publicly traded companies are

Federal Revenue

Nearly all for-profit education companies derive the majority of their revenue from Federal financial aid programs. Between 2001 and 2010, the share of title IV Federal financial aid funds flowing to for-profit colleges increased from 12.2 to 24.8 percent and from $5.4 to $32.2 billion.[786] Together, the 30 companies the committee examined derived 79 percent of their revenue from title IV Federal financial aid programs in 2010, up from 69 percent in 2006.[787]

In 2010, Alta reported 83.9 percent of revenue from title IV Federal financial aid programs.[788] However, this amount does not include revenue received from the Departments of Defense and Veterans Affairs education programs or revenue the company was allowed to temporarily discount pursuant to the Ensuring Continued Access to Student Loans Act (ECASLA).[789] The committee estimates that Alta discounted approximately 6.4 percent of revenue, or $24.5 million, pursuant to ECASLA. Department of Defense Tuition Assistance and post-9/11 GI bill funds accounted for approximately 4.6 percent

of Alta's revenue, or $17.5 million.[790] With funds from the Departments of Defense and Veterans Affairs included, 88.5 percent of Alta's total revenue was comprised of Federal education funds.[791]

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from Securities and Exchange Commission annual 10-K filings. Revenue figures for privately held companies are taken from the company financial statements produced to the committee. See Appendix 18.

786 "Federal financial aid funds" as used in this report means funds made available through Title IV of the Higher Education Act, including subsidized and unsubsidized Stafford loans, Pell grants, PLUS loans and multiple other small loan and grant programs. See 20 U.S.C. §1070 et seq. Senate HELP Committee staff analysis of U.S. Department of Education, Federal Student Aid Data Center, *Title IV Program Volume Reports by School*, http://federalstudentaid.ed.gov/datacenter/programmatic.html, 2001-2 and 2010-11. Figures for 2000-1 calculated using data provided to the committee by the U.S. Department of Education.

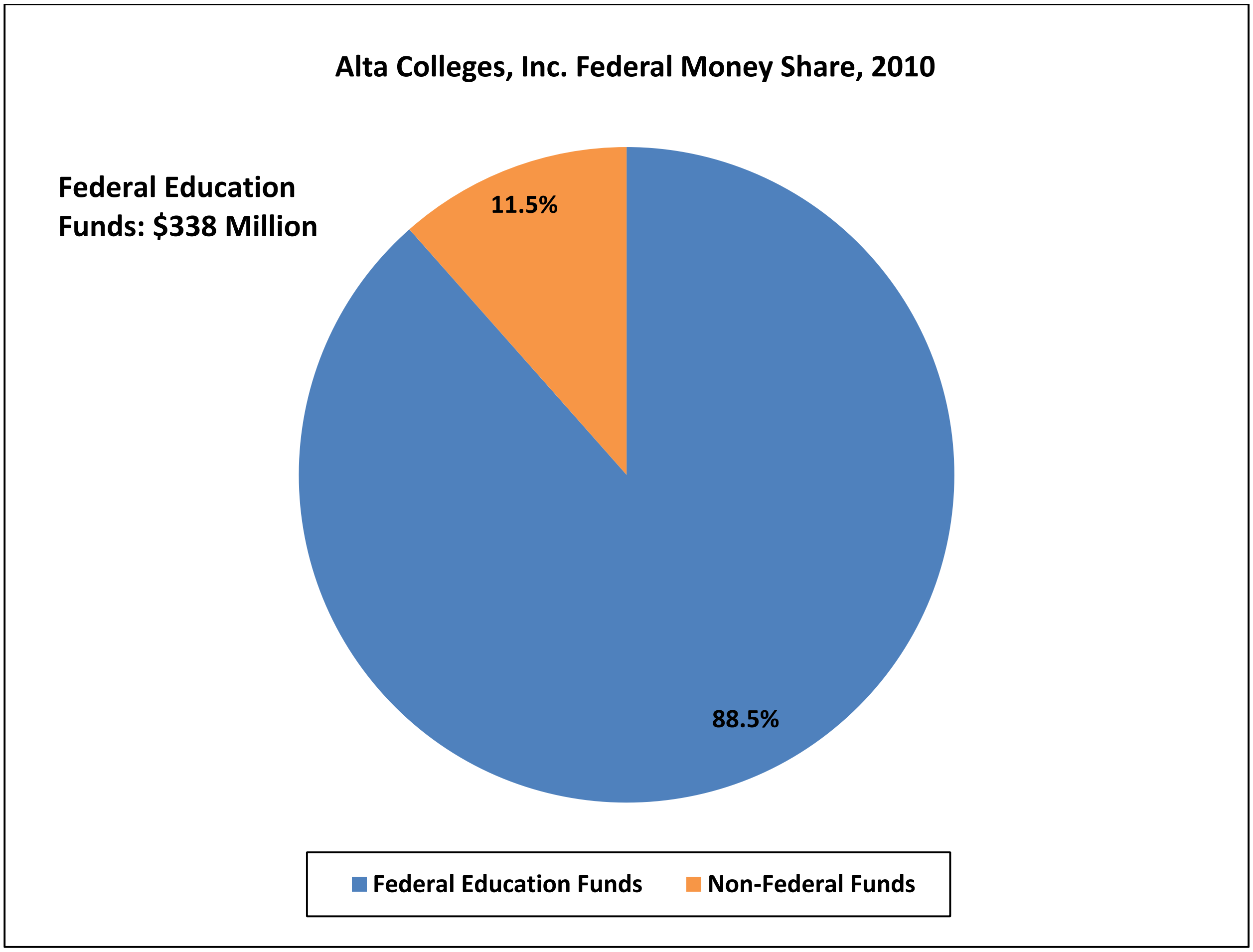
787 Senate HELP Committee staff analysis of Proprietary School 90/10 numerator and denominator figures for each OPEID provided to the U.S. Department of Education pursuant to section 487(d)(4) of the Higher Education Act of 1965. Data for fiscal year 2006 provided to the committee by each company; data for fiscal year 2010 provided by the Department of Education on October 14, 2011. See Appendix 9.

788 Senate HELP Committee staff analysis of fiscal year 2010 Proprietary School 90/10 numerator and denominator figures for each OPEID provided to the U.S. Department of Education pursuant to section 487(d)(4) of the Higher Education Act of 1965. Data provided by the Department of Education on October 14, 2011. See Appendix 9.

789 The Ensuring Continued Access to Student Loan Act (ECASLA) increased Stafford loan amounts by up to $2,000 per student. The bill also allowed for-profit education companies to exclude the increased amounts of loan eligibility from the calculation of Federal revenues (the 90/10 calculation) during fiscal years 2009 and 2010.

790 Post-9/11 GI bill disbursements for August 1, 2009-July 31, 2010 provided to the committee from the Department of Veterans Affairs on November 5, 2010; post-9/11 GI bill disbursements for August 1, 2009 June 15, 2011 provided to the committee from the Senate Committee on Veterans' Affairs via the Department of Veterans Affairs on July 18, 2011; Department of Defense Tuition Assistance disbursements and MyCAA disbursements for fiscal years 2009-11 provided (by branch) by the Department of Defense on December 19, 2011. Committee staff calculated the average monthly amount of benefits collected from VA and DOD for each company, and estimated the amount of benefits received during the company's 2010 fiscal year. See Appendix 11 and 12.

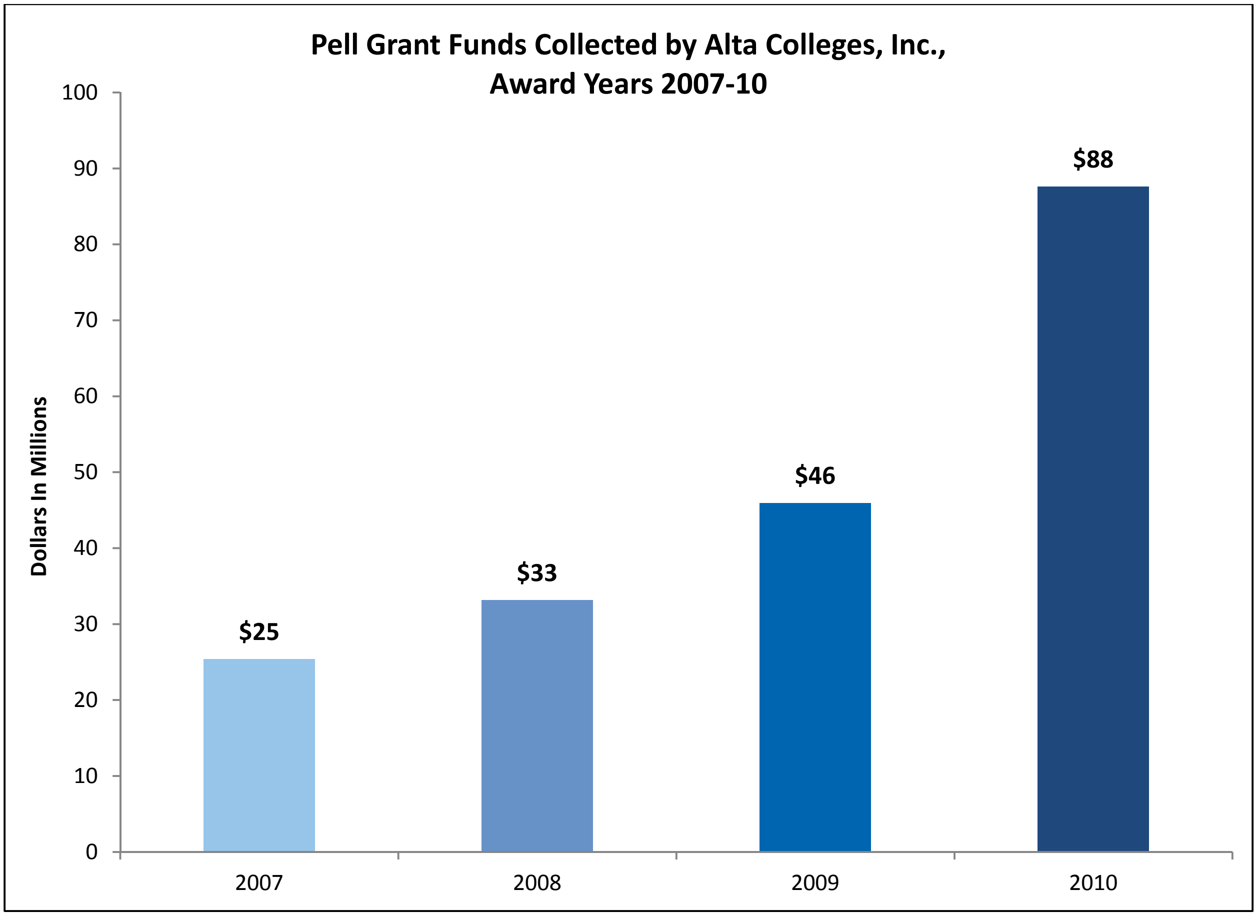
791 See Appendix 10.



Over the past 10 years, the amount of Pell grant funds collected by for-profit colleges as a whole increased from $1.4 billion to $8.8 billion; the share of total Pell disbursements that for-profit colleges collected increased from 14 to 25 percent.[792]

Part of the reason for this increase is that Congress has repeatedly increased the amount of Pell grant dollars available to a student over the past 4 years, and, for the 2009–10 and 2010–11 academic years, allowed students attending year-round to receive two Pell awards in 1 year. Poor economic conditions have also played a role in increasing the number of Pell eligible students enrolling in for-profit colleges.

[792] Senate HELP Committee staff analysis of U.S. Department of Education, Federal Student Aid Data Center, *Title IV Pell Grant Program Volume Reports by School*, 2001-2 and 2010-11, http://federalstudentaid.ed.gov/datacenter/programmatic.html.



Alta more than tripled the amount of Pell grant funds it collected, from $25.4 million in 2007 to $87.6 million in 2010.[793] Internal company documents reviewed by the committee indicate that Alta executives looked for ways to structure the colleges' programs so that the company was able to collect as much Federal money as possible. A 2009 pricing strategy document recommended that the company "restructure terms to 3 trimesters/year or quarter time (so that we can grab more of the students' Stafford)." [794]

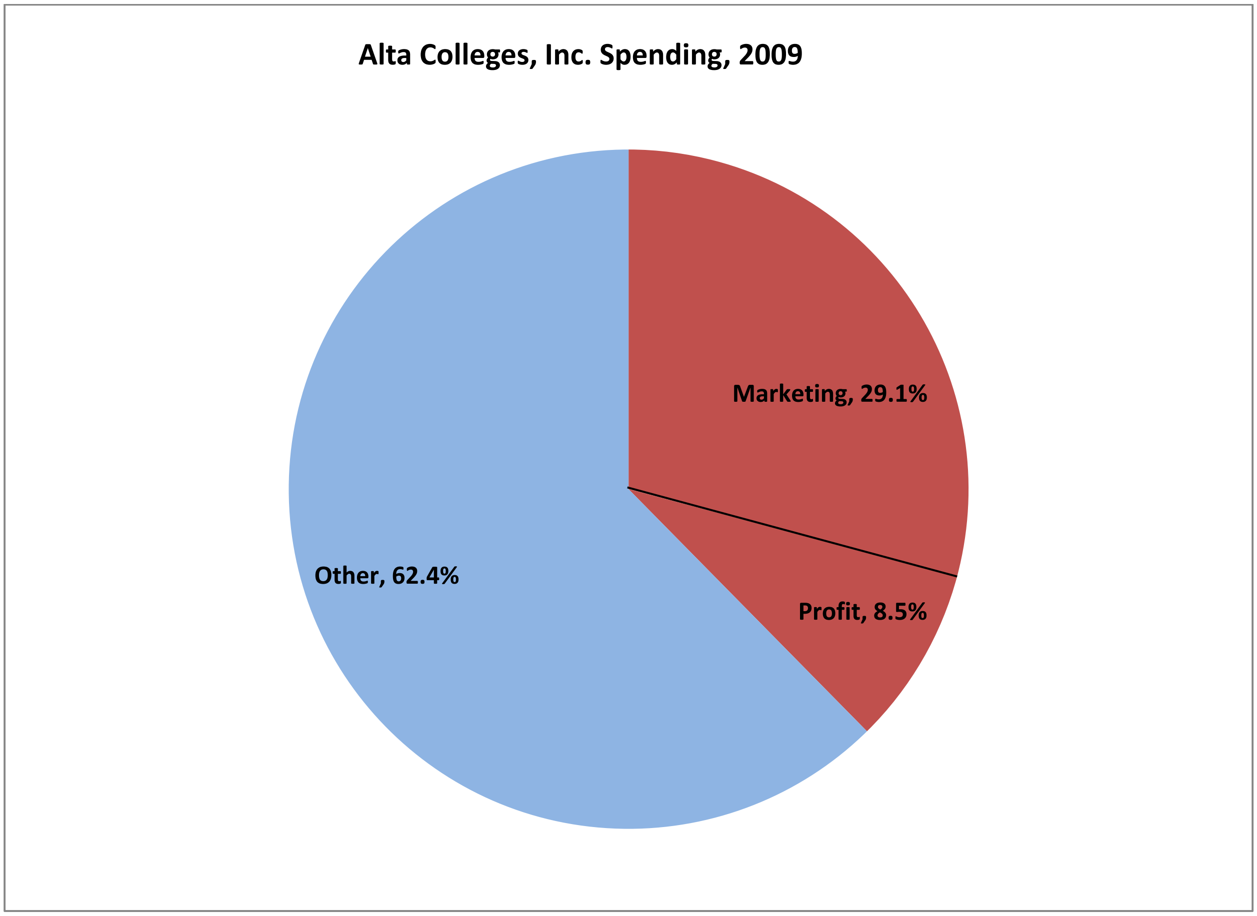
Spending

While the Federal student aid programs are intended to support educational opportunities for students, for-profit education companies direct much of the revenue derived from these programs to marketing and recruiting new students, and to profit. On average, among the 15 publicly traded education companies, 86 percent of revenue came from Federal taxpayers in fiscal year 2009.[795] During the same period the companies spent 23 percent of revenue on marketing and recruiting ($3.7 billion),

[793] Pell disbursements are reported according to the Department of Education's student aid "award year," which runs from July 1 through June 30 each year. Senate HELP Committee staff analysis of U.S. Department of Education, Federal Student Aid Data Center, *Title IV Pell Grant Program Volume Reports by School*, 2006-7 through 2009-10, http://federalstudentaid.ed.gov/datacenter/programmatic.html. See Appendix 13.
[794] Alta, February 2009, *Pricing Manager Business Case*, (HELP-ALTA-000153, at HELP-ALTA-000159).
[795] Senate HELP Committee staff analysis of fiscal year 2009 Proprietary School 90/10 numerator and denominator figures plus all additional Federal revenues received in fiscal year 2009 provided to the committee by each company pursuant to the committee document request of August 5, 2010.

and 19.7 percent on profit ($3.2 billion).[796] These 15 companies spent a total of $6.9 billion on marketing, recruiting and profit in fiscal year 2009.[797]

In 2009, Alta allocated 29.1 percent of its revenue, or $110.8 million, to marketing and recruiting and 8.5 percent, or $32.4 million, to profit.[798]



The company posted an operating loss of about $1.8 million in 2007 before posting a profit of $19.1 million in 2008, growing to $32.4 million in 2009.[799]

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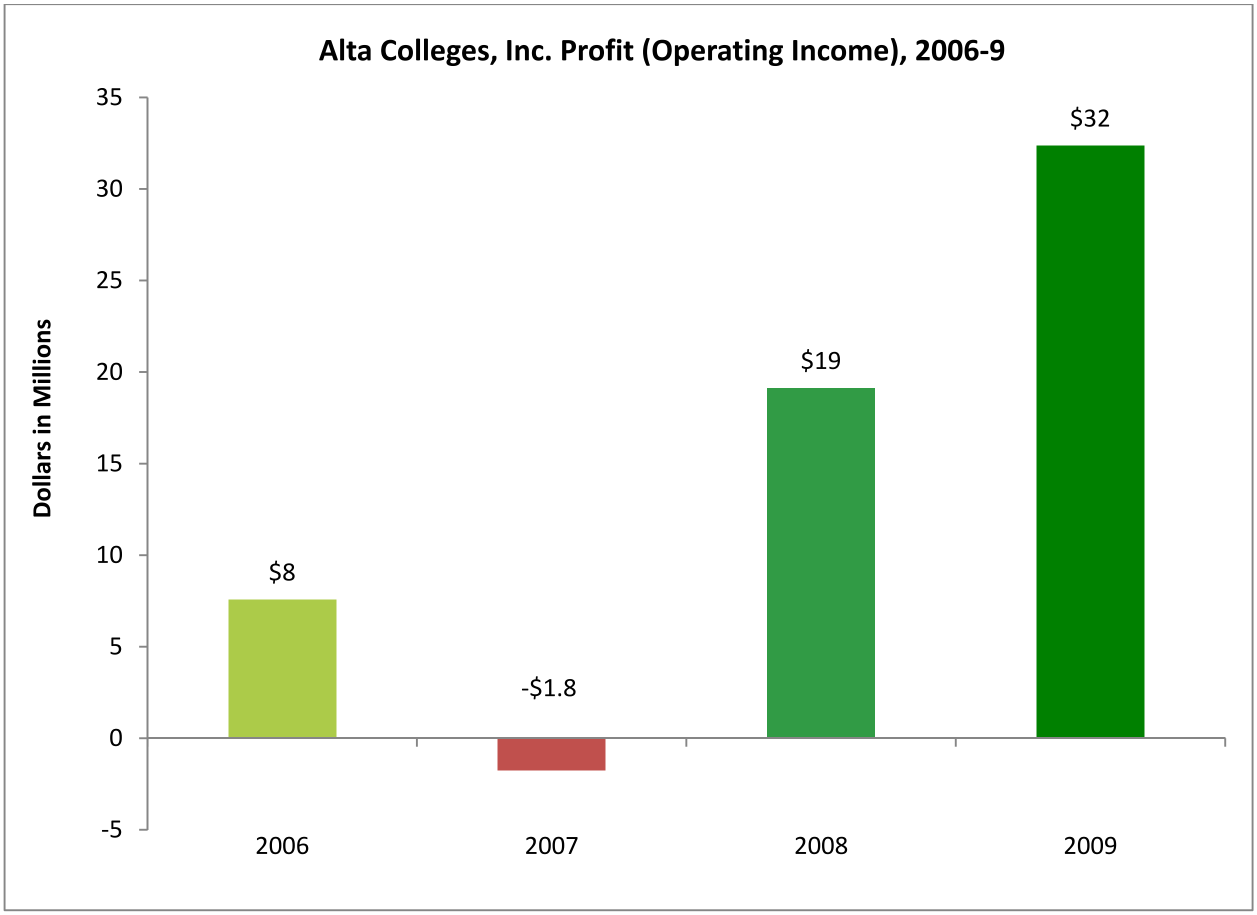
[796] Senate HELP Committee staff analysis of fiscal year 2009 financial statements (on file with committee). Marketing and recruiting includes all spending on marketing, advertising, admissions and enrollment personnel. Profit figures represent operating income before tax and other non-operating expenses including depreciation. See Appendix 19.
[797] Id.
[798] The "other" category includes administration, instruction, executive compensation, student services, physical plant, maintenance and other expenditures. On average, the 30 for-profit schools examined spent 22.7 percent of revenue on marketing and 19.4 percent on profit.
[799] Senate HELP Committee staff analysis. See Appendix 18.



A former Westwood instructor, who filed a lawsuit against Westwood that was unsealed in late 2011, wrote to Chairman Harkin expressing her concern with the way that the school was run; she wrote, "It is my opinion that this system is similar to a pyramid scheme in that it has allowed the shareholders at the top to profit greatly at the expense of others." [800] The money the company spends on marketing and recruiting pays for the salaries of its recruiters, as well as advertising space and "leads" from third-party telemarketing and internet firms. Alta's "Book of Operations" notes that the company "utilizes an aggressive marketing plan to produce media leads [contacts of prospective students] from a variety of sources including television and internet." [801]

Executive Compensation

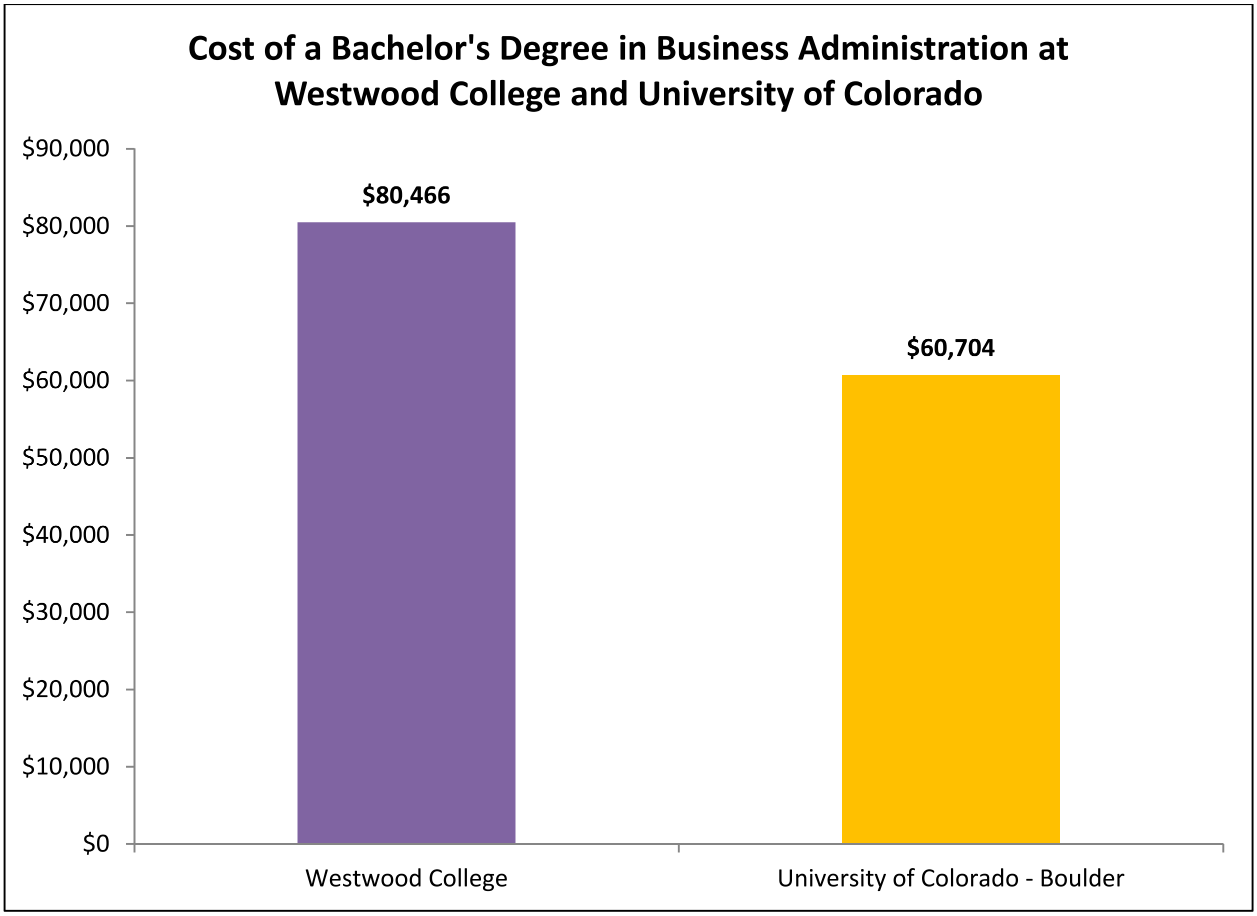
As a privately held company, Alta is not obligated to release executive compensation figures.

Tuition and Other Academic Charges

Compared to public colleges offering the same programs, the price of tuition is higher at Alta's campuses. A Bachelor's Degree in business administration costs $80,466.[802] The same degree at the

[800] Letter from Patti Howard to Senator Harkin, February 22, 2012. (After her tenure at Westwood, Ms. Howard filed a lawsuit against Westwood stemming from allegations that the company had engaged in fraud.)
[801] Alta, February 2009, *Admissions Support Book of Operations* (WP000036541, at WP000036576).
[802] See Appendix 14; see also, Westwood College, *Tuition Information for Colorado*, http://www.westwood.edu/media/files/pdf/catalogs/D6485b_CO_Addendum.pdf (accessed June 12, 2012).

University of Colorado at Boulder costs approximately $60,704.[803] An Associate degree in information technology at Westwood costs $48,194[804], while the same degree at the Community College of Denver cost $8,823.[805]



The higher tuition that Alta charges is reflected in the amount of money that Alta collects for each veteran that it enrolls. From 2009–11, Alta trained 1,894 veterans and received $34.8 million in post-9/11 GI bill benefits, averaging $18,354 per veteran. In contrast, public colleges collected an average of $4,642 per veteran trained in the same period. [806]

Westwood is one of the most expensive for-profit colleges the committee examined. "Cost of Education" was the primary factor that led students to withdraw, according to responses to Alta's surveys of students who withdrew.[807] Some "verbatim comments" made by surveyed students include, "Other schools offer the same courses that you do online and everything and are way cheaper than your school!" and "I found out that the tuition rate at Westwood was about $20,000.00 higher than other colleges and/or universities. I'm sorry but I'm not going to pay $60,000.00 for a bachelor's degree through Westwood, when I can pay about $20,000.00 less at another school. What makes Westwood so

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803 See Appendix 14; see also, University of Colorado Boulder, *University of Colorado Boulder*, http://www.colorado.edu/ (accessed June 12, 2012).
804 See Appendix 14; see also, Westwood College, *Tuition Information for Colorado*, http://www.westwood.edu/media/files/pdf/catalogs/D6485b_CO_Addendum.pdf (accessed June 12, 2012).
805 See Appendix 14; Community College of Denver, *Community College of Denver*, http://www.ccd.edu/ (accessed July 12, 2012.
806 See Appendix 11. Post-9/11 GI bill disbursements for August 1, 2009-June 15, 2011 provided to the committee from the Senate Committee on Veterans' Affairs via the Department of Veterans Affairs on July 18, 2011.
807 Westwood College, *Westwood Online Pricing Strategy* (WP000002798, at WP000002799).

special to where they feel they can charge so much more than other well-respected schools [sic]?" [808] Another student wrote, "Well to make a long story short . . . I ended up signing 2 different enrollment agreements, the 1st enrollment agreement said the cost of the entire education was $55,000, the 2nd one said it was $65,000, and then I got another one mailed to me that the cost was going to go up again in 2005 to $75,000!" [809]

In 2007 through 2009, Alta undertook a company-wide study of its tuition rates for different programs and campuses to assess whether it was pricing appropriately.[810] As part of the study, Alta sought to determine what effect the current high tuition had on efforts to recruit new students. Alta's recruiters indicated that high tuition prices were not a problem because they could convince prospective students to enroll anyway. "Generally, frontline sales leadership does not view current pricing as a growth impediment," one Westwood executive presentation about pricing strategy explained.[811] The presentation quotes the directors of admissions at three campuses: "Usually if pricing comes up as an issue it's because people are not sold on the program value," "Pricing is not a make it or break it issue," and "Pricing irrelevant. Sell the value of the education." [812]

Joshua Pruyn, a former recruiter for Westwood who testified at the committee's August 2010 hearing, told the committee that recruiters often obscured the full cost of tuition during the sales process.[813] He testified, "More often, representatives would tell the students the per term cost of approximately $4,800. And the student incorrectly assumed there were two or three terms per year, like most traditional colleges. There was actually five terms per year. I constantly overheard representatives promise that federal grants would cover almost the entire cost of education [sic]." [814] A former instructor, who also worked as an assistant to the dean at a Westwood campus wrote to the committee and expressed her concern with the efforts that recruiters made to obscure tuition cost: "One way the costs are covered up is by offering five terms a year rather than the traditional two semesters." [815] She explained, "In this way, Westwood can bill five times a year. Since most people are accustomed to the two-semester protocol, they are unaware that the tuition numbers they are shown for one term will multiple many times over." [816] An internal training manual obtained by the committee in late 2010 pursuant to a document request instructed recruiters to divulge the "cost per term" during the sales process.[817]

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[808] Id.
[809] Id.
[810] See Alta, September 2007, *Pricing Strategy Discussion Document* (WP000004122); Alta, June 2012, *Strategic Price Down 2009* (HELP-ALTA-000266).
[811] Alta, September 2007, *Pricing Strategy Discussion Document*, (WP000004122, at WP000004142).
[812] Id.
[813] Joshua Pruyn (former Admissions Representative, Alta College, Inc., Denver CO), Testimony before the Senate Committee on Health, Education, Labor and Pensions, *For-Profit Schools: The Student Recruitment Experience*, 112th Congress (2010). Mr. Pruyn testified regarding a number of misleading and deceptive tactics used by Westwood employees that called into question the integrity of recruiting practices at Westwood College. More than 4 months after his testimony, in December 2010, lawyers for Westwood contacted the committee and asserted that Mr. Pruyn's testimony regarding one point (whether his supervisors had contacted a military student who had changed his mind about enrolling) was not correct. While it is possible that Mr. Pruyn's recollection is not correct regarding this point, other parts of his testimony have been substantiated by internal documents produced to the committee and by a March 2012 complaint filed by the Colorado attorney general's office as part of a settlement reached with Westwood.
[814] Joshua Pruyn (former Admissions Representative, Alta College, Inc., Denver CO), Testimony before the Senate Committee on Health, Education, Labor and Pensions, *For-Profit Schools: The Student Recruitment Experience*, 111th Congress (2010).
[815] Letter from Patti Howard to Senator Harkin, February 22, 2012. (After her tenure at Westwood, Ms. Howard filed a lawsuit against Westwood stemming from allegations that the company had engaged in fraud.)
[816] Id.
[817] Westwood College. *Admissions New Hire Classroom Training*, January 2010 (WP000036036 at WP000036092).

Institutional Loans

Due to the high price of tuition, some students must rely on alternative financing in addition to Federal financial aid. This alternative financing includes institutional loans made directly by for-profit institutions. Institutional loan programs can also help the company meet a regulatory requirement that no more than 90 percent of its revenue come from title IV Federal financial aid dollars ("90/10").

Westwood operates an institutional loan program called APEX. Westwood indicates that about 30 percent of its students use APEX loans.[818] These loans do not accrue interest for students while in school, but carry an interest rate of 18 percent for students who withdraw or graduate.[819] If the student fails to make one in-school payment on the loan, the loan starts accruing interest at 18 percent. After scrutiny of the loan program resulting from a 2009 lawsuit, the company lowered the interest rate to 10 percent for new students.[820] Some versions of the loan agreement contain a 9 percent origination fee, which could amount to hundreds or thousands of dollars depending on how much the student borrows.[821] The origination fee on Federal Stafford direct loans is 1 percent.[822]

The loan agreement contains an arbitration clause that prevents students from pursuing relief in court.[823] A fee-shifting clause is also included and states, "We may hire an attorney to collect this Note if you do not pay, in which event, you will also be responsible for paying our attorneys' fees and legal expenses, whether or not there is a lawsuit. If any such fees and expenses are not paid upon our notice to you, they will also accrue interest at the rate of eighteen percent (18%) per annum until paid." [824] Like other consumer lending contracts, the loan also contains a so-called "acceleration" clause: if a student defaults, which is defined in the agreement as missing one or more payments, the loan contract says, "we may require you to pay the entire balance of the Loan, in full, without prior notice or demand ("Acceleration"). If Acceleration . . . and, if you do not pay the Loan in full within such 10-day period then … the principal balance, Origination Fee, Default Charges, and interest will be immediately due and payable." [825] Under the contract, the student must waive their right to notice if Alta determines the student is in default, and any notice that Alta does give is "effective when mailed to the last address that you provided to us." [826]

Joshua Pruyn, the Westwood recruiter and whistleblower, testified that students were often misled during enrollment about the terms of the loan. He said that recruiters "were told not to call [it] a loan." He testified that instead, they were supposed to call it "supplemental financing," and "to tell students if their financial aid didn't cover all the costs, Westwood would step in to help." Recruiters did not talk about the interest rate, but rather "told students all they'd have to do to cover the balance was

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[818] Westwood College, "Westwood College and Colorado Attorney General Agreement," www.westwood.edu/apexcredit (accessed May 22, 2012). See also National Consumer Law Center, "The Growth of Proprietary School Loans and the Consequences for Students," January 2011.

[819] APEX Educational Services, 2009, *Payment Agreement*, (WP000035120).

[820] National Consumer Law Center, "The Growth of Proprietary School Loans and the Consequences for Students," January 2011.

[821] APEX Educational Services, Promissory Note and Disclosure, (WP000035133). The agreement waives the origination fee if "Balance at Graduation is Paid in Full within 90 Days of Graduation" but does not specify whether the fee is waived for students who withdraw without graduating.

[822] Department of Education, Federal Student Aid, Direct Stafford Loans, http://studentaid.ed.gov/PORTALSWebApp/students/english/studentloans.jsp (accessed May 22, 2012).

[823] APEX Educational Services, 2009, Payment Agreement, (WP000035120).

[824] APEX Educational Services, Promissory Note and Disclosure, (WP000035133).

[825] Id.

[826] Id.

pay a maximum of $150 a month while they're in school."[827] Additionally, the Colorado attorney general uncovered similar evidence that "students complained that Westwood enrolled them into an APEX financing without their knowledge and consent."[828]

Apart from this evidence that students did not know they were signing up for a loan, the oppressive terms and deception regarding Alta's APEX institutional loan program led the Colorado attorney general to allege that the program violated Colorado consumer credit law and the Federal Truth in Lending Act.[829] The attorney general indicated that Westwood failed to disclose key terms of the loan arrangement, failed to notify students when delinquency fees were assessed, assessed fees that were higher than permitted by law, illegally accelerated unpaid balances without providing notice, and illegally charged students a default rate of interest and collection agency costs.[830] As part of the settlement with the attorney general, Westwood agreed to credit $2.5 million to former students who have APEX loans.

Recruiting

Enrollment growth is critical to the business success of for-profit education companies. In order to meet revenue and profit expectations, for-profit colleges recruit as many students as possible to sign up for their programs.

Compensation and Awards Based on Student Enrollment

Alta's recruiters, before a 2011 ban on the practice, were paid according to the number of students they recruited. Joshua Pruyn testified, "It was [the student] start number that determined salary and promotions. It was all about the numbers. With high numbers, the most successful representatives could earn about three times their starting salary." Documents obtained pursuant to the committee's document request sent to Alta reflect this incentive compensation scale. The company's 2009 compensation plan detailed the number of points required to achieve a promotion and bump in pay level.[831] Students in different degree programs were worth different numbers of points in the pay scale.[832] Bachelor's degree students were worth 1.25 points, Associate degree students were worth 0.75

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[827] Joshua Pruyn (former Admissions Representative, Alta College, Inc., Denver CO), Testimony before the Senate Committee on Health, Education, Labor, and Pensions, *For-Profit Schools: The Student Recruitment Experience*, 111th Congress (2010). In May 2011, Mr. Pruyn was subpoenaed as a witness in Westwood College's defamation lawsuit filed against a Florida law firm, James, Hoyer, Newcomer & Smiljanich, PA. The law firm had filed a class action case against Westwood and had sought out the stories of students who had financial claims against the college, as well as former employees including Mr. Pruyn, who did not. Westwood filed the defamation case as part of an ongoing series of lawsuits between the company and the firm. The case was dismissed by the Colorado Supreme Court on November 17, 2011 as part of a settlement of all litigation between Alta (Westwood) and James, Hoyer, Newcomer & Smiljanich, but in July 2011 Mr. Pruyn, acting without counsel, produced documents pursuant to the subpoena that included email exchanges with HELP Committee staff during the preparation of his written testimony. Those documents were subsequently disclosed to a conservative online news outlet. As indicated in those emails, at Mr. Pruyn's request, a staff person with the James, Hoyer law firm assisted him with the preparation of his testimony, and staff for The Institute for College Access and Success were consulted on shortening the written testimony for oral presentation.

[828] Complaint, *State of Colorado v. Alta Colleges*, no case number, http://www.coloradoattorneygeneral.gov/sites/default/files/press_releases/2012/03/14/westwood_complaint.pdf (accessed June 12, 2012).

[829] Id.

[830] Id.

[831] Alta Colleges, Inc. May 2009, *Admissions Representative Compensation Plan Effective May 15, 2009* (HELP-ALTA-000001). *See also* Alta Colleges, Inc. May 2009, *Standards of Acceptable Performance* (HELP-ALTA-000261).

[832] Alta Colleges, Inc. May 2009, *Admissions Representative Compensation Plan Effective May 15, 2009* (HELP-ALTA-000001). Points in Alta's scale are called Prospective Graduate Equivalents, but the compensation plan does not indicate that

and “Medical and Other Diploma” were worth 0.50.[833] Campus-based “Admissions Representatives,” as Alta’s recruiters are called, who enrolled enough students to achieve 65 points per year were paid $28,000 to $40,000.[834] To achieve a bump in pay, a recruiter had to enroll 66–75 students.[835] The top-level recruiter, called an “Executive Admissions Representative III,” was paid $79,000 to $86,000, about three times the starting salary of a base-level Representative, and had to enroll enough students to achieve 162 points or more. In addition to pay, recruiters were honored with company awards based on the number of students they enrolled.[836] The top recruiters were rewarded with an invitation to an annual banquet.[837]

Mr. Pruyn testified that “the directors keep the teams in constant competition for prizes with one another. . . . Every time a team signed up a student, they’d set off their signature sound effect, bang a drum, ring a bell, or blow a whistle. An email was also sent out to the entire admissions department to announce their latest enrollment. All of this was designed to keep the energy high and the phones dialing.” Mr. Pruyn’s testimony was corroborated by internal company documents. Alta calls these competitions “local challenges” and specified that they can be used to “motivate or drive critical success metrics.” [838] The rules concerning local challenges permit taking winning teams out to dinner or awarding “gift cards in small amounts.” [839]

An internal document obtained by the committee indicates that recruiting managers listened into sales calls, and gave feedback to recruiters.[840] Directors of Admissions, the document states, “must average no less than one hour of live call observations per week with a minimum of three completed calls.” [841] The document continues, “while the above observation requirements are the absolute minimum requirement for effective coaching, it is vital that Directors of Admissions prioritize time to coach each Representative via observations on a consistent basis.” [842] Mr. Pruyn testified that “supervisors monitored a lot of calls. Everyone was recorded. And you’d match up with your supervisor at least once or twice a week to go over calls and so forth.” [843]

Calling Leads to Set Appointments

Alta’s recruiter training materials instructed recruiters to “make at least 75 dials per day” to prospective students, called leads.[844] The company spent about $150 per lead.[845] Leads may come in from browsing the colleges’ Web site, from seeing a TV commercial, being called by a telemarketer, walking in a campus directly, or calling a number on a direct mail brochure. Recruiters were trained in the psychology of each kind of lead. Direct mail leads, for example, were characterized as “introverted”

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the student need graduate for a recruiter to receive their salary. The salary range is determined purely by points, the exact salary within the range is determined based on “Merit and Quality” points.

[833] Id. at HELP-ALTA-000016.
[834] Id. at HELP-ALTA-000006.
[835] Id.
[836] Alta Colleges, Inc. 2010, *Recognition and Awards Guide.* (HELP-ALTA-000239).
[837] Id. at HELP-ALTA-000260)
[838] Westwood College, *Guidelines for Local Challenges*, April 2009, (HELP-ALTA-000042).
[839] Id.
[840] Westwood College, *Observation Requirements* (WP000037181).
[841] Id.
[842] Id.
[843] Joshua Pruyn (former Admissions Representative, Alta College, Inc., Denver CO), Testimony before the Senate Committee on Health, Education, Labor, and Pensions, *For-Profit Schools: The Student Recruitment Experience*, 111th Congress (2010).
[844] Alta Colleges Inc., *Lead Development, Maintaining High Conversion Rates*, April 2006, (HELP-ALTA-000123 at HELP-ALTA-000126).
[845] Id. at HELP-ALTA-000129.

and “procrastinators” that “may require more calls/contact prior to interviewing.” [846] Leads that were contacted by third-party telemarketers hired by Alta were characterized as “the most unmotivated of our lead types” that “have not done any work to receive our call.” [847] When contacting a lead that finds an Alta college on the internet, recruiters were told to “stress the urgency to set an appointment immediately” to come to the campus for an enrollment interview.[848]

The Sales Pitch

Alta’s recruiter training manual instructed recruiters in specific tactics to respond to questions and concerns that prospective students may raise.[849] It used the example question of “so what is the tuition at your school.” [850] Instead of answering with a price, the recruiter was told to respond by saying, “That’s an excellent question, I am going to write your question down, as I have a whole section on that which I will be covering a little later on in the interview.” [851] If a student raised the concern of not having $50 to pay the application fee, the recruiter was trained in a number of responses including, “I am confused. When we worked through the budget worksheet together you told me you had an available balance on your master card. We can put the application fee on that card.” [852] Other options include asking whether the prospects family could loan him or her the money, and asking the prospect, “what suggestions do you have for paying the application fee?” [853] If a prospective student objected to the price of the college, the manual gives a number of scripted responses, such as “College is a large investment. Let’s look at the reasons why you wanted to make that investment in yourself. . . .” [854] The training manual also provided scripted responses to overcome objections such as “I have to talk with my husband,” “I don’t have a job,” and “I do not have childcare.” [855]

“Closing” the sale is a term found throughout the recruiters’ training.[856] Recruiters were instructed to pepper “trial closes” during the “enrollment interview” to test the prospective student’s commitment and likelihood of signing an enrollment agreement.[857] Mr. Pruyn testified that “during training, admissions reps. learned sales techniques, a seven step sales process and the cookie close.” [858] A recruiter training document, obtained pursuant to a document request, outlined this seven-step process and contained a number of “trial closes.” [859] In fact, recruiters underwent a specific training module on closing.[860] The training tells recruiters, “Don’t hesitate or ask if it is OK to proceed” when selling a student.[861]

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[846] Id. at HELP-ALTA-000144.
[847] Id. at HELP-ALTA-000148.
[848] Id. at HELP-ALTA-000134.
[849] Westwood College. *Admissions New Hire Classroom Training*, January 2010 (WP000036036 at WP000036053).
[850] Id.
[851] Id.
[852] Id. at WP000036090.
[853] Id.
[854] Id. at WP000036092.
[855] Id.
[856] See for example, Alta Colleges Inc., *The Admissions Presentation Seven-Step Overview*, July 2008 (HELP-ALTA-000273).
[857] Id.
[858] Joshua Pruyn (former Admissions Representative, Alta College, Inc., Denver CO), Testimony before the Senate Committee on Health, Education, Labor, and Pensions, *For-Profit Schools: The Student Recruitment Experience*, 111th Congress (2010).
[859] Alta Colleges Inc., *The Admissions Presentation Seven-Step Overview*, July 2008 (HELP-ALTA-000273).
[860] Alta Colleges Inc., *Close and Affirmation, Writing an Applicant who will Graduate*, April 2006 (HELP-ALTA-000022)
[861] Id. at HELP-ALTA-000025

If a student raises an objection to signing an enrollment agreement, the training recommended six specific steps to secure the sale: "1) Listen, 2) Verify, 3) Isolate, 4) Resolve, 5) Gain Agreement, and 6) Re-Close." [862] Recruiters were told to "assume" the sale using scripted phrasing:

> Great, let's get started (pull out the Enrollment Paperwork and fill in name). What is your current address (fill in on application)? How would you like to take care of your application fee today? We accept cash, credit card, or check (accept payment). I will get you a receipt, and then we will meet with a Financial Aid Representative so they can go over your packet with you. Next, we will schedule you for testing, which is when you will bring in your completed financial aid forms, and your Proof of Graduation……….

After filling out the enrollment agreement, if the student expressed a concern with proceeding, the recruiter was instructed to dramatize the situation and make the prospective student feel awkward by "gather[ing] up the paperwork, pil[ing] it all together, and put[ting] it away" then saying to the prospective student, "My mistake. I thought you were ready to get started." According to the training, the prospective student will respond, "Wait, what are you doing? I am ready" and the representative was instructed to "look at them and start pulling the paperwork back out of the drawer." [863] Mr. Pruyn testified that these kinds of closing tactics were commonly employed. He testified that recruiters would use similar phrasing such as, "well I thought you wanted to make a change" if a prospective student objected to enrolling that day.

<u>GAO</u>

Undercover agents from the GAO visited Westwood's Dallas campus and made recordings of their experience with the recruiting sales process. During the visit, an agent posing as a prospective student asked about financial aid.[864] Westwood employees told the agent to lie on his Free Application for Federal Student Aid (FAFSA) form in order to secure more Federal student aid. A recruiter tells the agent that he should list his children as dependents on the application, even if they are grown and out of the house, because more dependents means more aid. In two separate parts of the visit, the agent shows Westwood employees that he listed assets of $250,000 from an inheritance, and both instances each employee tells him to remove it. One says, "You don't want to tell them how much money you got." [865] The other responds, "When FAFSA's asking how much cash you have on hand, frankly, in my opinion, it's none of their business." [866] In reality, the inheritance assets are supposed to be counted on FAFSA, and the suggestion by Westwood's staff to remove the number could have resulted in the student receiving more aid than he should have been eligible for. Alta apparently later terminated the staff member.

Outcomes

While aggressive recruiting and high cost programs might be less problematic if students were receiving promised educational outcomes, committee staff analysis showed that tremendous numbers of students are leaving for-profit colleges without a degree. Because 98 percent of students who enroll in a 2-year degree program at a for-profit college, and 96 percent who enroll in a 4-year degree program,

[862] Id. at HELP-ALTA-000029.
[863] Id. at HELP-ALTA-000039.
[864] Audio Recording: Undercover Recordings of Visits by GAO Agents to For-Profit Schools, School 13, Scenario 2 at 16:57.
[865] Id. at 29:57.
[866] Id. at 16:57.

take out loans, hundreds of thousands of students are leaving for-profit colleges with debt but no diploma or degree each year.[867]

Two metrics are key to assessing student outcomes: (1) retention rates based on information provided to the committee and (2) student loan "cohort default rates." These metrics indicate that many students who enroll at Alta are not achieving their educational and career goals.

Retention Rates

Information Alta provided to the committee indicates that of the 14,571 students who enrolled at Alta in 2008-9, 56 percent, or 8,157 students, withdrew by mid-2010.[868] Fifty-seven percent of Bachelor's degree students, who make up the bulk of Alta's students, withdrew, a rate slightly worse compared to 54.3 Bachelor's withdrawal rate among the 30 schools examined by the committee.[869]

Status of Students Enrolled in Alta Colleges, Inc. in 2008-9, as of 2010						
Degree Level	**Enrollment**	**Percent Completed**	**Percent Still Enrolled**	**Percent Withdrawn**	**Number Withdrawn**	**Median Days**
Associate Degree	2,541	17.0%	25.5%	57.6%	1,463	133
Bachelor's Degree	10,923	0.4%	42.5%	57.1%	6,237	134
Certificate	1,107	54.8%	3.9%	41.3%	457	125
All Students	14,571	7.4%	36.6%	56.0%	8,157	133

The dataset does not capture some students who withdraw and subsequently return, which is one of the advantages of the for-profit education model. The analysis also does not account for students who withdraw after mid-2010 when the data were produced.

Internal Alta documents reviewed by the committee bear out these retention statistics. An executive presentation states that, overall, 33 percent of students graduate, meaning that 67 percent withdraw before graduating.[870] The presentation breaks down the graduation rates by program area: 29.4 percent for School of Business students, 36.8 percent for School of Technology, and 32.7 for School of Justice.[871]

[867] Patricia Steele and Sandy Baum, "How Much Are College Students Borrowing?," *College Board Policy Brief*, August 2009, http://advocacy.collegeboard.org/sites/default/files/09b_552_PolicyBrief_WEB_090730.pdf.
[868] Senate HELP Committee staff analysis. See Appendix 15. Rates track students who enrolled between July 1, 2008 and June 30, 2009. For-profit education companies use different internal definitions of whether students are "active" or "withdrawn." The date a student is considered "withdrawn" varies from 10 to 90 days from date of last attendance. Two companies provided amended data to properly account for students that had transferred within programs. Committee staff note that the data request instructed companies to provide a unique student identifier for each student, thus allowing accurate accounting of students who re-entered or transferred programs within the school. The dataset is current as of mid-2010, students who withdrew within the cohort period and re-entered afterward are not counted. Some students counted as withdrawals may have transferred to other institutions. Enrollment is calculated using fall enrollment for all unit identifications controlled by the company for each year from the Department of Education 's Integrated Postsecondary Data System (hereinafter IPEDS). See Appendix 7.
[869] It is not possible to compare student retention or withdrawal rates at public or non-profit institutions because this data was provided to the committee directly by the companies. While the Department of Education tracks student retention and outcomes for all colleges, because students who have previously attended college are excluded from the data set, it fails to provide an accurate picture of student outcomes or an accurate means of comparing for-profit and non-profit and public colleges.
[870] Westwood College, *Impact on Revenue From Enhanced Course Structure*, March 17, 2009 (HELP-ALTA-000043).
[871] Id.

In 2005, Alta sent a survey to its Westwood online students who had withdrawn asking a number of questions about why and when they had withdrawn.[872] In 2006, Alta sent a similar survey to its brick-and-mortar students.[873] The survey indicated that the primary reason students withdrew was "cost of education was too high" followed by "dissatisfied with Westwood for other reasons" and "Dissatisfied with the quality of instruction." [874] The survey results stated that, "Even where students can afford tuition beyond paying for food and rent, the perceived value (program content, quality of instructors, credit transfers etc.) is not in line with the tuition costs.[875] The results of the online student survey showed that, again, high cost was the primary reason that students withdrew, followed by financial aid staff "was not helpful," "other reasons," and "dissatisfied with customer service." [876] Student complaints reviewed by the committee indicate that high cost caused them to withdraw. In September 2006 a student at Westwood College's Chicago location dropped out and filed a complaint citing concerns about cost.[877] Specifically, the student "felt that she was never given proper answers to her questions from Financial Aid, [and] … that she was not well informed of her loan package and wished that she would have know what her payments would have been sooner [sic]." [878] The information provided to the committee does not note whether Alta representatives acted to address the student's concerns, only that ultimately "she could not afford any month payment and dropped [sic]." [879]

Online vs. Brick and Mortar Retention

An analysis of withdrawal rates among the 11 companies that provided disaggregated data indicates that students enrolled in online programs had higher withdrawal rates than students enrolled in campus based programs. Alta's online retention goes against the industry trend: Alta online Bachelor's degree students, withdraw at a lower rate (47.1 percent) than their brick and mortar counterparts (63.4 percent).

Status of Online Students Enrolled at Westwood in 2008-9, as of 2010							
Degree Type	Enrollment	Students Completed	Completed	Students Still Enrolled	Still Enrolled	Students Withdrawn	Withdrawn
Bachelor's	4,202	3	0.1%	2,221	52.9%	1,981	47.1%

Status of Brick & Mortar Students Enrolled at Westwood in 2008-9, as of 2010							
Degree Type	Enrollment	Students Completed	Completed	Students Still Enrolled	Still Enrolled	Students Withdrawn	Withdrawn
Bachelor's	6,721	37	0.6%	2,425	36.1%	4,259	63.4%

872 Westwood College, *WOL Attrition Survey*, October 2005 (HELP-ALTA-000304).
873 Westwood College, *Campus Attrition Survey Results*, April 13, 2006 (HELP-ALTA-000288).
874 Id. at HELP-ALTA-000294.
875 Id. at HELP-ALTA-000301.
876 Id. at HELP-ALTA-000319.
877 Westwood College, September 2010, *Student Complaint Log FY 05*-06, (WP000034025 at WP000034030).
878 Id.
879 Id.

Student Loan Defaults

The number of students leaving Alta's colleges with no degree correlates with the high rates of student loan defaults by the colleges' students. The Department of Education tracks and reports the number of students who default on student loans (meaning that the student does not make payments for 360 days) within 3 years of entering repayment, which usually begins 6 months after leaving college.[880]

Slightly more than 1 in 5 students who attended a for-profit college, (22 percent) defaulted on a student loan, according to the most recent data.[881] In contrast, 1 student in 11 at public and non-profit schools defaulted within the same period.[882] On the whole, students who attended for-profit schools default at nearly three times the rate of students who attended other types of institutions.[883] The consequence of this higher rate is that almost half of all student loans defaults nationwide are held by students who attended for-profit colleges.[884]

The average default rate across all companies examined increased each fiscal year between 2005 and 2008, from 17.1 percent to 22.6 percent. This change represents a 32.6 percent increase over 4 years.[885] Alta's default rate has not followed this trend. The company's consolidated default increased from 24.3 percent to 26.1 percent between 2005 and 2006, then decreased in 2007 and 2008. The company's most recent rate, for students entering repayment in 2008, is 23.8 percent.

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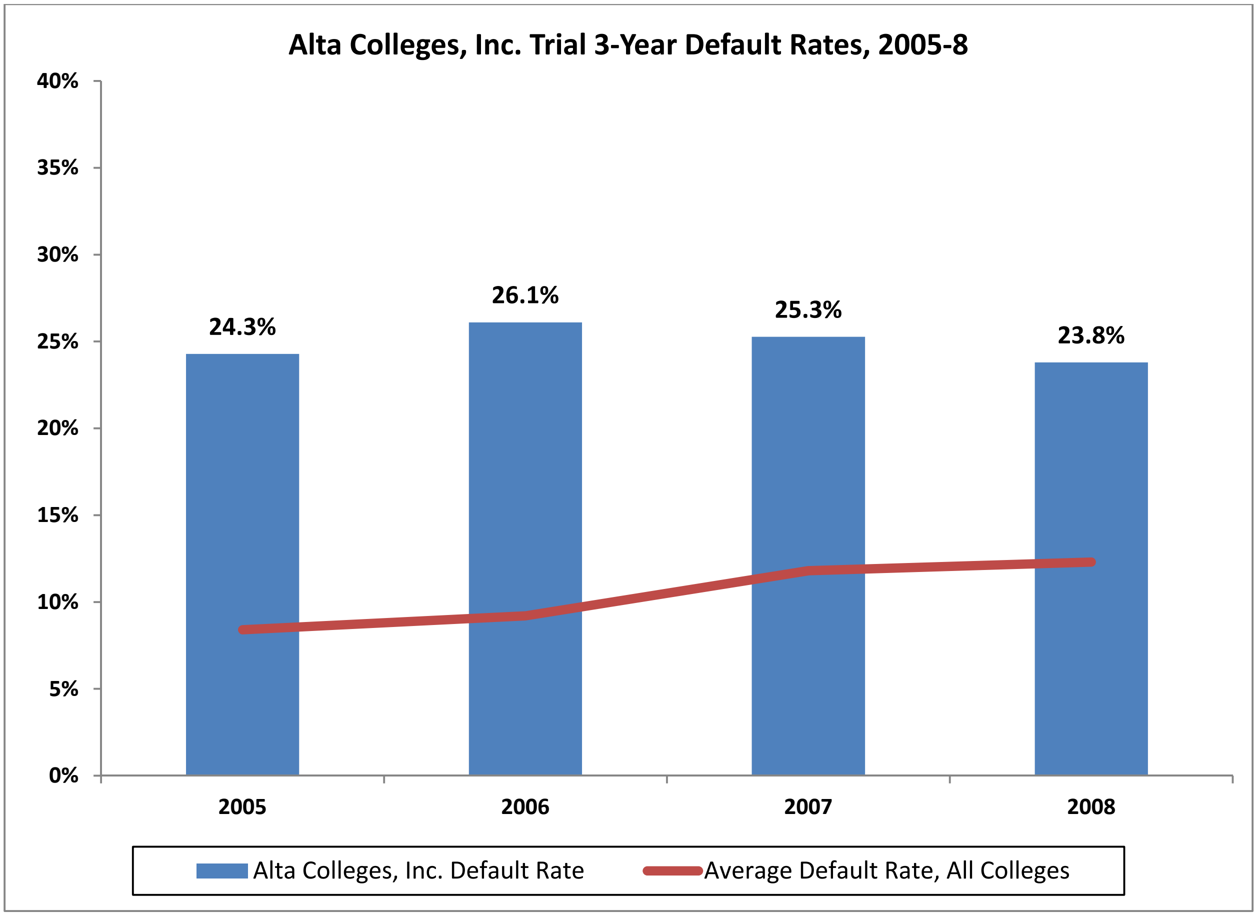
880 Direct Loan default rates, 34 CFR 668.183(c).
881 Senate HELP Committee staff analysis of U.S. Department of Education Trial Cohort Default Rates fiscal year 2005–08, http://federalstudentaid.ed.gov/datacenter/cohort.html. Default rates calculated by cumulating number of students entered into repayment and default by sector.
882 Id.
883 Id.
884 Id.
885 Senate HELP Committee staff analysis of U.S. Department of Education Trial Cohort Default Rates fiscal year 2005-2008, http://federalstudentaid.ed.gov/datacenter/cohort.html. Default rates calculated by cumulating number of students entered into repayment and default for all OPEID numbers controlled by the company in each fiscal year. See Appendix 16.



The proportion of students defaulting at certain campuses ranged from 17.2 percent for students who attended Redstone College to 27.6 percent of students who attended Westwood's main Los Angeles campus and branch campuses.

It is likely that the default rates reported by some for-profit colleges significantly undercount the number of students who ultimately face default, because of companies' efforts to place students in deferments and forbearances. In order to minimize loan defaults that show up in their reported rate, for-profit colleges invest a great deal of resources into default management. Default management is the practice in which the for-profit colleges employ staff (usually through an outside contractor) who are paid to counsel students into repayment options that ensure that students default within the 2-year (now 3-year) statutory window. While assisting delinquent students to avoid default is a sound goal, however, the committee's investigation has revealed that many for-profit schools are deploying tactics to delay student loan defaults, not to protect the student, but rather to protect the college so that they do not lose access to Federal taxpayer-funded student aid dollars. Evidence suggests that some colleges simply induce students to sign up for forbearance and deferment because it is the easiest option for the college. However, for many students forbearance and deferment serve only to delay default beyond the 3-year measurement period the Department of Education uses to track defaults.

In a 2009 management presentation, Alta indicated that its historical approach to default management was to contact students and "work with them to apply for a forbearance or deferment." [886] "Typically, one successful contact and forbearance request was all that was necessary to exclude the

[886] Alta Colleges Inc., *Board of Directors Appendix*, August 20, 2009 (WP000000439 at WP000000452).

student from the default rate calculation," the presentation stated.[887] The presentation identified that "the vast majority of these students [behind on their payments] were drops, rather than graduates." [888] Another Alta training document for default management employees indicates that the company prioritized deferment and forbearance over actual student loan counseling.[889] The training discusses deferment and forbearance as the answer to preventing default, but does not mention alternative repayment options.[890]

In 2009, when the shift to a 3-year measurement window was apparent, the company indicated that it needed to shift its strategy to "become less reliant on waivers and forbearances." [891] The company proposed positive changes, including training employees on" repayment of student loans" so that the default management team could "steer delinquent or dropped borrowers into repayment rather than only offering assistance in the forbearance and deferment areas." [892]

A 2009 default management plan indicates the company increased the number of staff members assigned to its default management department; expanded the space housing the department (dubbed the "Default Management suite"); and implemented a series of procedural reforms designed to improve monitoring of and communications with students at increased risk of default.[893] The plan states that Alta:

> has made a commitment to dedicate a large effort to default prevention internally. We have a department staffed with Student Loan Specialists who were hired to assist our students in helping to manage their loan(s), making them aware of the options available to them. … Although we find some students to be a little harder to reach, we try several different ways to make contact with a borrower. Specialists mail out monthly letters, send post cards, reference letters, send emails, make calls and that's just to name a few.[894]

Instruction and Academics

The quality of any college's academics is difficult to quantify. However, the amount that a school spends on instruction per student compared to other spending and what students say about their experience are two useful measures.

Alta spent $6,389 per student on instruction in 2009, compared to $9,306 per student on marketing and $2,719 per student on profit.[895] Alta spends the most per student on instruction compared to other privately held education companies: the amount that these education companies examined by

[887] Id. at WP000000449.
[888] Id. at WP000000452.
[889] Alta Colleges, *Default Management*, (WP000033945).
[890] Id.
[891] Alta Colleges Inc., *Board of Directors Appendix*, August 20, 2009 (WP000000439 at WP000000454).
[892] Alta Colleges, Inc. *Default Management Plans* (HELP-ALTA-000327).
[893] Westwood College, *Default Management Plan*, (WP000033931).
[894] Id. at WP00033934-35
[895] Senate HELP Committee staff analysis. See Appendix 20, Appendix 21, and Appendix 22. Marketing and profit figures provided by company or Securities and Exchange filings, instruction figure from IPEDS. IPEDs data for instruction spending based on instructional cost provided by the company to the Department of Education. According to IPEDS, instruction cost is composed of "general academic instruction, occupational and vocational instruction, special session instruction, community education, preparatory and adult basic education, and remedial and tutorial instruction conducted by the teaching faculty for the institution's students." Denominator is IPEDS "full-time equivalent" enrollment.

the committee spend on instruction ranges from $1,118 to $6,389 per student per year. In contrast, public and non-profit schools, generally spend a higher amount per student on instruction while community colleges spend a comparable amount but charge far lower tuition than for-profit colleges. Instructional spending at other Colorado-based colleges was, on a per student basis, $10,365 at the University of Colorado, $2,402 at Community College of Denver, and $13,954 at the non-profit University of Denver.[896]

A large portion of the faculty at many for-profit colleges is composed of part-time and adjunct faculty. While a large number of part-time and adjunct faculty is an important factor in a low-cost education delivery model, it also raises questions regarding the academic independence they are able to exercise to balance the colleges' business interests. Among the 30 schools investigated by the committee, 80 percent of the faculty is part-time, higher in some companies.[897] In 2010, Alta had a similar ratio; the company employed 339 full-time and 1,332 part-time faculty.[898]

A former instructor, who also worked as an assistant to the dean at a Westwood campus who wrote to the committee said that academic quality was compromised by the quest for profit.[899] "There was a constant focus on recruiting and turning a profit rather than on educating," she said.[900] "Members of the admissions team were treated to higher salaries, bonuses and better office accommodations than members of the academic team." [901] "Special education students are welcomed in and then the very accommodations that they need to succeed are withheld from them, causing them to fail. . . . Computer labs and facilities are inadequate and computers and other media devices are routinely out of order." [902]

In 2010, the company introduced "foundational courses" for Westwood students who struggled with college-level academic work. The addition of these remedial courses is a valuable step in improving the college's retention rates and student success.[903]

Staffing

While for-profit education companies employed large numbers of recruiters to enroll new students, the same companies frequently employ far less staff to provide tutoring, remedial services or career counseling and placement. In 2009, with 15,479 students, Alta employed 691 recruiters, 119

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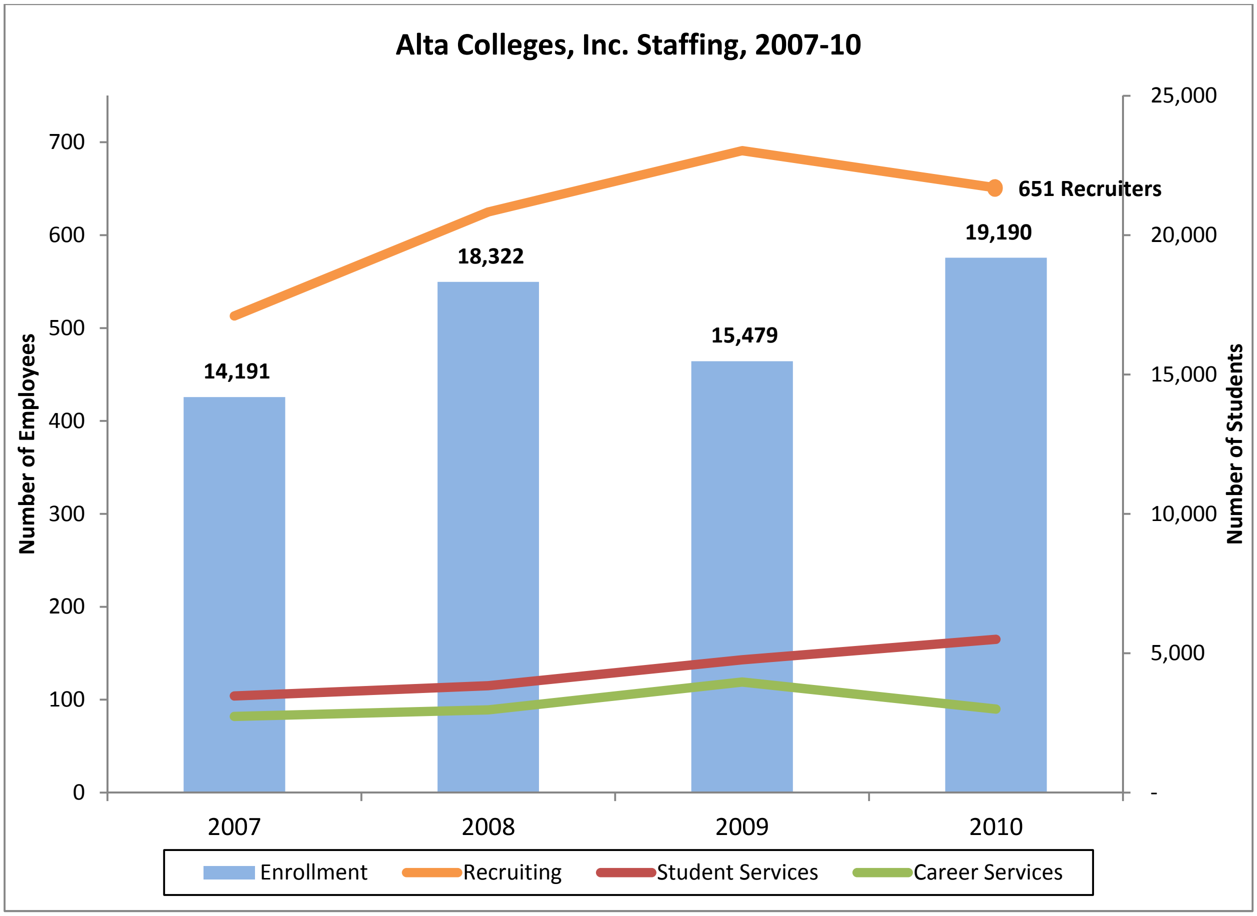
[896] Senate HELP Committee staff analysis. See Appendix 23. Many for-profit colleges enroll a significant number of students in online programs. In some cases, the lower delivery costs of online classes – which do not include construction, leasing and maintenance of physical buildings – are not passed on to students, who pay the same or higher tuition for online courses.
[897] Senate HELP Committee staff analysis of information provided to the committee by the company pursuant to the committee document request of August 5, 2010. See Appendix 24.
[898] Id.
[899] Letter from Patti Howard to Senator Harkin, February 22, 2012. (After her tenure at Westwood, Ms. Howard filed a lawsuit against Westwood stemming from allegations that the company had engaged in fraud.)
[900] Id.
[901] Id.
[902] Id.
[903] However, for some students, these courses add to the length and cost of their programs and increase their debt loads. In an internal presentation the company considered charging a lower tuition, or no tuition, for these courses, but noted that doing so would mean an "up-front hit to revenue across all students." Alta currently charges full tuition for these extra courses. Alta, March 2009, *Impact on Revenue from Enhanced Course Structure* (with alternative option) (HELP-ALTA-000097); Westwood, "2012 Westwood Course Catalog," http://www.westwood.edu/programs/course-catalogs (accessed June 12, 2012).

career services employees, and 143 student services employees.[904] That means each career counselor was responsible for 130 students and each student services staffer was responsible for 108 students. Meanwhile, the company employed one recruiter for every 22 students.



The former instructor wrote to the committee about her concerns with job placement services:

> One example of such fraudulent activities involved Career Services falsifying student job placement rates. My campus received credit for being the campus with the highest career placement numbers, boasting a 91% success rate for students employed in their field. In fact, that number was only in the 45% range. The campus president even accepted a "prestigious person" award for achieving this feat. This is important because those career placement numbers are used for many different things. First and foremost, they are reported to the accrediting body for the purpose of maintaining accreditation. They are also used to attract and retain students.[905]

[904] Senate HELP Committee staff analysis of information provided to the committee by the company pursuant to the committee document request of August 5, 2010. See Appendix 7 and Appendix 24.
[905] Letter from Patti Howard to Senator Harkin, February 22, 2012. (After her tenure at Westwood, Ms. Howard filed a lawsuit against Westwood stemming from allegations that the company had engaged in fraud.)

Regulatory Strategies

For-profit education companies are subject to two key regulatory provisions: that no more than 90 percent of revenues come from title IV Federal financial aid programs and that no more than 25 percent of students default within 2 years of entering loan repayment. As discussed above, some companies including Alta lower their reported default rates by placing students in forbearances and deferments to delay default. Moreover, many schools employ a variety of tactics to meet the requirement that no more than 90 percent of their revenues come from title IV Federal financial aid programs.

Alta has focused on collecting post 9/11 GI bill funds to assist in complying with the 90/10 rule. Military funding is not counted as federally sourced revenue for the purpose of 90/10. In 2009–11, Alta Colleges, Inc. enrolled 1,894 veterans at a cost of $34.8 million. Some veterans indicate that they felt misled. One veteran reported being told that her GI bill benefits would cover the cost of her education, only to find out after she enrolled that the college had packaged her for a loan:

> I was told that the GI Bill would cover the entire enrollment if I attended half time. During the enrollment process I was told that I had to fill out financial aid forms even if I was not going to use financial aid. I began class with the understanding that my GI Bill would cover the cost of the classes. Then I received a letter from Sallie Mae to sign for a $7500 loan, I was very confused as I [was] adamant throughout the enrollment process that I was not interested in taking a loan—I told this to every person I talked to and was assured the GI Bill would cover the classes in full. Turned out that this information was incorrect.[906]

After withdrawing and filing a complaint, the school forgave the balance she owed. The former instructor, who also worked as an assistant to the dean and at a Westwood campus wrote to the committee that "military vets [were] misinformed that their full cost of tuition is going to be covered, including books." [907] The attorney general of Colorado found evidence that "Active and former military students . . . complain that they were led to believe that their military benefits available under the GI Bill would . . . cover 100 percent of all costs to attend Westwood when that was not the case." [908]

Enforcement and Accreditation

Westwood has faced three major consumer-protection investigations and lawsuits with State and Federal agencies in the past 3 years. In 2012, the attorney general of Colorado filed a complaint against Westwood stemming from an investigation into the college's business and recruiting practices.[909] The investigation revealed that "Westwood misrepresented and inflated its job-placement rates," "admissions recruiters also misled prospective students about the average wages of graduates, the transferability of course credits, and the total cost of Westwood degrees," "Westwood also misled veterans to believe that

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[906] Westwood College, September 2009, *Student Complaint Log, FY 2007*, (WP000034152, at WP000034155).
[907] Letter from Patti Howard to Senator Harkin, February 22, 2012. (After her tenure at Westwood, Ms. Howard filed a lawsuit against Westwood stemming from allegations that the company had engaged in fraud.)
[908] Complaint, *State of Colorado vs. Alta Colleges*, no case number, http://www.coloradoattorneygeneral.gov /sites/default/files/press_releases/2012/03/14/westwood_complaint.pdf (accessed June 12, 2012).
[909] Attorney General, Colorado Department of Law, "Attorney General announces $4.5 million settlement with Westwood College to address deceptive business practices," March 14, 2012. http://www.coloradoattorneygeneral. gov/press/news/2012/03/14/attorney_general_announces_45_million_settlement_westwood_college_address_dece (accessed May 20, 2012).

the GI bill covered the cost of their studies when it often did not" and "Westwood failed to disclose the terms of its student financing, charged improper finance fees and failed to maintain records as required by Colorado's Uniform Consumer Credit Code." The attorney general's complaint alleged that, as discussed above, many students did not know that they were signing up for an interest-bearing loan. Westwood and the attorney general reached a $4.5 million settlement to address the allegations. Under the terms of the settlement, "Westwood must submit for three years to monitoring by the attorney general of the school's admissions interviews, and to yearly audits of the data underlying Westwood's graduate employment statistics."[910]

In January 2012 the attorney General of Illinois filed a complaint against Westwood stemming from misrepresentations made by recruiters to prospective students regarding their ability to obtain employment after graduating.[911]

In 2009, a Department of Education investigation of three Texas Westwood College campuses uncovered a pattern of noncompliance with both State and Federal regulations.[912] Specifically, Alta officials at the Dallas, Fort Worth, and Houston Westwood campuses allegedly engaged in misrepresentation in order to obtain a license to operate in Texas. Among the prerequisites for receipt of Federal financial aid dollars is a mandate that educational institutions meet applicable State licensing requirements. Whistleblowers alleged that Alta misrepresented their campuses' compliance with Texas job-placement reporting requirements, as well as the extent to which the interior design programs offered by the schools complied with professional licensing requirements. Ultimately, the company agreed to a $7 million civil settlement in order to resolve these allegations in 2009.[913] The Texas campuses were also fined $41,000 by the Texas Workforce Commission and placed on probation for high-pressure marketing and recruitment practices, as well as failures to file changes of ownership with the State and to notify the Commission of four lawsuits pending against the school.[914] According to the Commission, the $41,000 penalty included "$1,000 for coaching a prospective student … to make false statements in order to qualify for financial aid, $24,000 for failing to file changes of ownership …, and $16,000 for failing to notify [the Commission] of four pending lawsuits against the school." [915]

More recently, the U.S. Department of Veterans Affairs pulled funding from the same three Texas Westwood locations. After the release of the Government Accountability Office's report documenting questionable recruitment practices at 15 for-profit institutions, including Westwood, the Texas Veterans Commission withdrew the campuses' eligibility for funds available through the GI bill.[916] The Commission, which evaluates Texas schools on behalf of the VA, cited concerns about

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910 Id.

[911] Complaint, *Illinois v. Alta Coll., Inc.*, et. al., No. 12CH01587 (Ill. Cir. Ct., Cook CtyJan. 18, 2012), http://illinoisattorneygeneral.gov/pressroom/2012_01/WESTWOOD_Complaint_11812.pdf (accessed May 21, 2012)

[912] Chronicle of Higher Education, "Proprietary College to Pay $7-Million to Settle Federal Student-Aid Charges," April 20, 2009. http://chronicle.com/article/Proprietary-College-to-Pay-/42773/ (accessed May 21, 2012).

[913] See, Press Release, U.S. Dep't of Justice, *Alta Colleges to Pay U.S. $7 Million to Resolve False Claims Act Allegations*, April 20, 2009, http://www.justice.gov/opa/pr/2009/April/09-civ-367.html (accessed June 14, 2012). Under the terms of the settlement agreement, Alta Colleges, Inc. paid $7 million to the United States. "The whistleblowers who initiated the lawsuit will receive $1.19 million." Id.

[914] See Press Release, Texas Workforce Commission, *Westwood College Texas Campuses Fined and Placed on Probation*, December 16, 2010, http://www.twc.state.tx.us/news/press/2010/121610press.pdf (accessed June 14, 2012).

[915] Id.

[916] The Texas Veterans Commission is among a group of State approving agencies that contract with the U.S. Department of Veterans Affairs to evaluate and certify the continued suitability of educational institutions receiving GI Bill benefits. *See* Alex Horton, *For-Profit School Deceives Vets, VA Pulls GI Bill Funds*, VAntage Point: Dispatches from the U.S. Department of Veterans Affairs, Mar. 8, 2011, http://www.blogs.va.gov/VAntage/ (accessed January 11, 2012); Lindsay Wise, "VA pulls GI Bill funding for Westwood College", *Houston Chronicle*, Mar. 9, 2011, http://www.chron.com/news/houston-texas/article/VA-pulls-GI-Bill-funding-for-Westwood-College-1685900.php (accessed January 11, 2012).

misplaced incentives in support of its decision. In a statement to the Houston Chronicle, the Commission's director of veterans education said:

> Because of the money that veterans are now bringing in with the new Post-9/11 GI Bill—the fees are completely covered and the money goes directly to the school—the schools have a big incentive to enroll veterans. There's a lot of money available, and something they're finding in general about for-profit schools is they don't always have the graduation rates that they promote, as well as the job prospects.[917]

The Dallas, Fort Worth, and Houston South Campuses continue to operate under conditional certificates of approval pursuant to the Texas Workforce Commission's probation order, and are to date not currently enrolling new students.[918]

The scrutiny of Alta's recruitment tactics is not limited to the company's Texas locations. In September 2010, the Accrediting Commission of Career Schools and Colleges, a national accreditor, placed one of Westwood College's Denver campuses on probation, citing a need to "properly demonstrate student achievement, show that it has proper management and administrative procedures, provide its policy for handling complaints, comply with standards for student recruiting and demonstrate it has the administration capacity and procedures to meet accreditation requirements," as well as ongoing lawsuits over deceptive recruiting practices.[919] Under Colorado law, once an institution has been placed on probation by an accrediting agency State officials may revoke the institution's authorization to operate, and in December 2010 the Colorado Commission on Higher Education (CCHE) followed the accreditor's lead. The CCHE placed the Colorado Westwood campus on probation, citing consumer protection concerns, and explained that the company had an obligation to disclose its accreditation status and ongoing legal disputes to its students.[920] The company took action to correct deficiencies identified by the accreditor and the CCHE, and in March 2011 both the accreditor and the State of Colorado lifted the probation.[921]

The problems and misrepresentations revealed by these investigations and actions are indicative of a culture preoccupied with protecting a revenue stream over providing a quality education. However, largely as a result of this scrutiny, Westwood has put in place significant reforms that should help to ensure that, at a minimum, students have a more accurate understanding of what they can expect to pay for, and to achieve with, a Westwood degree.

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[917] See id.

[918] See Westwood Locations – Texas, http://www.westwood.edu/locations/texas/ (accessed January 11, 2012) ("Westwood is not currently enrolling students at its Texas campuses.").

[919] "Wednesday churn: Westwood on probation," *Education News Colorado*, December 15, 2010, http://www.ednewscolorado.org/2010/12/15/11521-wednesday-churn-state-workers-dinged-again (last accessed Jan. 11, 2012).

[920] See Allison Sherry, "Westwood College placed on state probation," *Denver Post*, Dec. 15, 2010, http://www.denverpost.com/news/ci_16860773 (last accessed Jan. 11, 2012); see also Deb Stanley, "State Puts Westwood College On Probation: Action Comes After National Accreditation Agency Makes Similar Decision," *7News*, Dec. 17, 2010, http://www.thedenverchannel.com/news/26178103/detail.html (last accessed Jan. 11, 2012) ("Under the spirit of consumer protection, the Colorado Commission on Higher Education decided to put Westwood College under probation," according to CCHE spokesman Chad Marturano.).

[921] See Yesenia Robles, "Accreditation restored to for-profit Westwood College," *Denver Post*, Mar. 3, 2011, http://www.denverpost.com/breakingnews/ci_17541572 (last accessed Jan. 11, 2012).

Conclusion

While Alta is striving to implement serious reforms, the company remains one of the most expensive schools examined by the committee. Although new policies are in place, according to evidence gathered by multiple State and Federal law enforcement agencies, Alta previously engaged in practices designed to mislead and deceive students. Tactics included obscuring the true cost of programs, providing inaccurate graduation and job placement rates and placing students in private loans without their knowledge. While the 56 percent of students withdrawing from the company is approximately the same as the sector average, Alta also has a high rate of student loan default, with 24 percent of students defaulting within 3 years. This likely reflects an inability on the part of some students to find jobs that allow them to repay the debt they incur. Taken together, these issues cast serious doubt on the notion that Alta's students are receiving an education that affords them adequate value relative to the cost, and calls into question the hundreds of millions of dollars American taxpayers invest in the company.