## Introduction

Bridgepoint Education, Inc. ("Bridgepoint") was created as the result of the purchase of a small religious college in 2005, and now offers primarily online 4-year degrees. Bridgepoint has experienced some of the most dramatic increases in student enrollment, Federal funds, and profit of any company examined. Along with this rapid growth, have come rapid increases in student withdrawal rates (the student withdrawal rates for the Associate programs is the highest of any company analyzed), student loan defaults, and spending on marketing and executive compensation. These outcomes call into question whether Bridgepoint’s students are receiving an education that affords them to the ability to repay the loan debt they incurred.

## Company Overview

Bridgepoint Education, Inc. is a publicly traded company with its headquarters in San Diego, CA. The company operates two brands, Ashford University and University of the Rockies. While each brand has one physical campus, approximately 99 percent of Bridgepoint students attend class exclusively online. Bridgepoint notes that it enrolls students in every State.

Through its Ashford University brand the company offers Bachelor’s and Associate degrees in business, healthcare, education, IT and social sciences. Through its University of the Rockies brand the company offers Master’s and Doctoral degrees in psychology, organizational leadership, and human services. As of the end of 2011, 73.8 percent of students were enrolled in Bachelor’s programs, 13.4 percent in Associate, 11.3 percent in Master’s, and 0.9 percent in Doctoral.

Bridgepoint Education, was formed in 2003 with the backing of Warburg Pincus, a Wall Street private equity firm. In 2005, the company purchased The Franciscan University of the Prairies in Clinton, IA. Franciscan University was a small regionally accredited non-profit college facing serious financial troubles because of low enrollment. At the time of purchase, Franciscan University enrolled 312 students. Bridgepoint acquired the Colorado School of Professional Psychology in 2007 and renamed it University of the Rockies. At the time of acquisition, the school had 75 students and did not offer any online courses or programs.

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1172 On March 10, 2011, the committee held its fourth hearing, “Bridgepoint Education, Inc.: A Case study in For-Profit Education and Oversight.” The hearing took an in-depth look at Bridgepoint-owned Ashford University, and the 4-year transformation of a 312-student non-profit college into a 77,000-student publicly traded for-profit education company that received $496.6 million in Federal financial aid in 1 year and paid chief executive officer Andrew Clark $20.5 million. In 1990, during the Senate Permanent Subcommittee on Investigation’s probe of proprietary schools, a similar case study hearing was held focusing on American Career Training Corporation (ACT), a company that operated a travel and a secretarial school in Florida. The schools opened in 1983, and became eligible for Federal financial aid in 1985. In 1983, the company enrolled 1,000 students and charged tuition of $1,295. But between 1985 and 1989, the school received revenue from 62,368 separate loans totaling $153 million (more than 90 percent of its revenue), and charged $2,195 for tuition.

1173 Bridgepoint Education, Inc. Form 10-K (3/7/2012).

1174 Until 2003, the school had previously been known as Mt. St. Clare College.


1176 Id.
Bridgepoint had its Initial Public Offering (IPO) on the New York Stock Exchange in 2009. Warburg Pincus, provided not only the initial capital to form the company but continues to own about two-thirds of the outstanding stock in the company. Warburg Pincus holds two seats on the seven-person board of Bridgepoint, with a third occupied by a director who previously worked at Warburg Pincus. In July 2011 Warburg Pincus announced that it may, in the next 36 months, sell its entire share of the company. At the company’s average share price over the past 12 months, Warburg would stand to earn $773.1 million from selling its holdings.

The chief executive officer of Bridgepoint is Andrew Clark. Clark began his career at the University of Phoenix in 1992 as a recruiter. In 1996 he became a vice president and campus director for that company, where he generated the highest combined enrollments and profits of any campus in the system. In 1999 he became the regional vice president for the Mid-West Region. He then joined the upper management of American Continental University part of Career Education Corporation in 2001, where he served as the divisional vice president of operations. Dan Devine serves as Bridgepoint’s chief financial officer (CFO). Mr. Clark brought on Rocky Sheng, the chief administrative officer, and Jane McAuliffe, the current chief academic officer, and Dan Devine, the chief financial officer, before the company’s purchase of the Franciscan University. Mr. Sheng previously worked for University of Phoenix, where, among other roles, he handled marketing and recruiting for 12 Southern California campuses. Ms. McAuliffe served as president of Education Management Corporation’s Argosy University, Sarasota, FL campus and before that in academic roles at Career Education Corporation and the University of Phoenix.

Given its rapid growth, in early 2011 the Chairman decided to hold a hearing that was a case study of Bridgepoint and to invite CEO Andrew Clark to provide testimony. Bridgepoint Chief Executive Officer Andrew Clark was invited to appear at the hearing. Attorneys for the company were notified in early January 2011 that the committee planned to hold the hearing in mid-February and intended to invite Mr. Clark. Attorneys for the company raised concerns about the timing of the testimony, given that the Department of Education Inspector General had recently issued a Final Audit Report on Bridgepoint regarding its management of Federal student aid funds and its recruiting policies and practices. Mr. Clark’s representatives insisted that it was imperative that the company have the opportunity to meet with the Department of Education Office of Federal Student Aid (FSA) staff, who would ultimately be responsible for determining the penalty based on the Final Audit Report’s findings before he could appear at a public hearing. The committee agreed to move the hearing to March 10 to accommodate the concerns. That meeting occurred and both the Department of Education and the inspector general’s office made clear they had no concerns with the committee having Mr. Clark as a witness. Nevertheless, Mr. Clark, through counsel, declined to appear, and thus declined the opportunity to give his perspective on the issues regarding accountability and compliance with Federal law and regulation raised in the Final Audit Report and elsewhere. The hearing was held on March 10 with testimony received from the inspector general; the President of the Higher Learning Commission, Ashford University’s accreditor; a retired official from the Iowa Department of Education, where Ashford is based, and a respected expert in higher education policy but without representatives of Bridgepoint in attendance.

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1178 The average closing share price from July 11, 2011 to July 10, 2012 was $22.35; Warburg owns 34,589,220 shares of Bridgepoint stock.
1180 Letter of March 9, 2011 from Department of Education Office of Federal Student Aid COO William Taggert to Chairman Harkin.
Since 2005, enrollment at Bridgepoint has grown over 7,800 percent from 968 (including both Ashford and University of the Rockies) students that year to 77,179 students in 2010. Unlike many other for-profit education companies, Bridgepoint has not seen the same decrease in its 2011 and 2012 enrollment, and as of March 2012, the company enrolled approximately 95,000 students.

Despite its radical reinvention as a giant, for-profit, overwhelmingly online institution, Bridgepoint markets itself as a long-standing, traditional 4-year institution. The company routinely describes Ashford as: “Founded in 1918, Ashford University is committed to providing accessible, affordable, innovative, high quality degree programs to its campus, online, and accelerated students.”

Bridgepoint has expanded its staff and facilities rapidly in the past few years and has added offices in Clinton, IA and Colorado Springs, CO. In April 2011 the company leased office space in Denver and hired about 750 employees for the new space.

The growth in enrollment has led to growth in revenue. Over the past 3 years, from $85.7 million in fiscal year 2007 to $713.2 million in 2010.

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Enrollment is calculated using the Securities and Exchange Commission quarterly or annual filing for the August-October period each year. See Appendix 7. In 2005, Bridgepoint only owned Ashford University, which enrolled 312 students at the time of purchase in March 2005.


Federal Revenue

Nearly all for-profit education companies derive the majority of revenues from Federal financial aid funds.1185 Between 2001 and 2010, the share of Federal financial aid flowing to for-profit colleges has increased from 12.2 to 24.8 percent and from $5.4 to $32.2 billion.1186 Together, the 30 companies investigated by the committee derived 79 percent of revenues from Federal student aid funds in 2010, up from 69 percent in 2006.1187

In 2010, Bridgepoint reported that 85.1 percent of its revenues, equal to $496.6 million, came from Federal financial aid programs.1188 However, this amount does not include the Departments of Defense and Veteran Affairs education programs. With these funds included, Bridgepoint derived 93.7 percent of funds from Federal programs. Approximately 8.7 percent of Bridgepoint’s total revenue, or $50.4 million, was collected from Department of Defense Tuition Assistance or post 9/11 GI bill funds.1189

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1184 Revenue figures for publicly traded companies are 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. Bridgepoint’s revenue increased to $933 million in 2011.

1185 “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.


1187 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. “Federal education funds” as used in this report means Federal financial aid funds combined with estimated Federal funds received from Department of Defense and Department of Veterans Affairs military education benefit programs.

1188 Senate HELP Committee staff analysis of fiscal 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. 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. However, the company opted not to take advantage of the provision, and did not exclude any Federal financial aid from the calculation of Federal revenues during this period.

1189 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.
The Pell grant program, the most substantial Federal program to assist economically disadvantaged students with college costs, is a significant source of revenue for for-profit colleges. 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 the total Pell program that for-profit colleges collected increased from 14 to 25 percent.\textsuperscript{1190} 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.

\textsuperscript{1190} Senate HELP Committee staff analysis of U.S. Department of Education, Federal Student Aid Data Center, \textit{Title IV Pell Grant Program Volume Reports by School}, 2001-2 and 2010-11, \url{http://federalstudentaid.ed.gov/datacenter/programmatic.html}.
Bridgepoint collected $171.3 million in Pell funds in 2010, an increase of 1,800 percent from 3 years earlier when the company collected just $8.9 million. For 2011, the company increased the amount of Pell funds it collects by 70 percent to $290.8 million.

**Spending**

While the Federal student aid programs are intended to provide educational opportunities for students, for-profit education companies use much of their revenues for marketing and recruiting new students and for profits. On average, among the 15 publicly traded education companies, 86 percent of revenues came from Federal taxpayers in fiscal year 2009. During the same period the companies spent 23 percent of revenues on marketing and recruiting ($3.7 billion), and 19.7 percent on profit ($3.2 billion). These 15 companies spent a total of $6.9 billion on marketing, recruiting and profit in fiscal year 2009.

1191 Pell disbursements are reported by the Department of Education’s student aid “award year,” other revenue figures are reported on the company’s fiscal 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 and 2009-10, http://federalstudentaid.ed.gov/datacenter/programmatic.html. See Appendix 13.

1192 Senate HELP Committee staff analysis of fiscal year 2009 Securities and Exchange Commission annual 10-K filings. 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.
In 2010, Bridgepoint allocated 30.3 percent of its revenue, $216.4 million to profit and 29.7 percent of its revenue, $211.6 million, to marketing and recruiting.\textsuperscript{1193} Bridgepoint spent a higher proportion of its revenue on marketing than any other publicly traded education company.\textsuperscript{1194}

\textsuperscript{1193} Id. On average, the 30 for-profit schools examined spent 23 percent of revenue on marketing and 19.4 percent on profit.\textsuperscript{1194} Based on 2009 marketing and recruiting spending for all publicly traded education companies, and the 2010 marketing and recruiting spending for publicly traded education companies that report their spending publicly.
The amount of profit Bridgepoint generated has also grown extremely rapidly. In 2007, Bridgepoint reported a profit of $4 million and by 2010 that profit had grown to $216 million, an increase of 5,300 percent.\footnote{Senate HELP Committee staff analysis. See Appendix 18. Bridgepoint’s profit increased to $273 million in 2011.}

**Executive Compensation**

Executives at Bridgepoint, like most for-profit executives are also more generously compensated than leaders of public and non-profit colleges and universities.\footnote{Senate HELP Committee staff analysis of fiscal year 2009 Securities and Exchange Commission annual proxy filings and Chief Executive salary surveys published by the Chronicle of Higher Education for the 2008-9 school year. See Appendix 17a and Appendix 17b.} Despite poor student outcomes the committee found that executive compensation across the for-profit sector drastically outpaces both compensation at public and non-profit colleges and universities. In 2009, Bridgepoint CEO Andrew Clark received $20.5 million in total compensation, including $1.1 million in salary and cash bonus, and $19.4 million in stock options.\footnote{The stock options contained in Clark’s 2009 compensation package were the result of the companies 2009 IPO. His compensation in 2010 was $2.2 million} This is over 33 times as much as president of the University of Iowa, who received $610,234 in total compensation for 2009-10.
The chief executive officers of the large publicly traded for-profit education companies took home, on average, $7.3 million in fiscal year 2009. Clark’s large compensation package is noteworthy given that 66.8 percent of the company’s students who enrolled that year left by mid-2010, and 19.8 percent of students had defaulted on their student loans within 3 years.

**Tuition and Other Academic Charges**

Compared to public colleges offering the same programs, the price of tuition is higher at Bridgepoint. Tuition for an Associate degree in business at Ashford University Online costs $30,574. The same degree at Eastern Iowa Community College in Davenport, IA costs $7,936. A Bachelor’s degree in business administration at Ashford University Online costs $53,680. The same degree at the University of Iowa costs $43,816.

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<th>Executive</th>
<th>Title</th>
<th>2009 Compensation</th>
<th>2010 Compensation</th>
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<tr>
<td>Andrew S. Clark</td>
<td>CEO and President</td>
<td>$20,532,304</td>
<td>$2,233,826</td>
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<td>Rodney T. Sheng</td>
<td>Executive VP and Chief Administrative Officer</td>
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<td>$960,455</td>
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<td>Christopher L. Spohn</td>
<td>Former Senior VP and Chief Admissions Officer</td>
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<td>Ross L. Woodard</td>
<td>Senior VP/Chief Marketing Officer</td>
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<td>Daniel J. Devine</td>
<td>Executive VP and CFO</td>
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<td>Jane McAuliffe</td>
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1198 Senate HELP Committee staff analysis of fiscal year 2009 and 2010 Securities and Exchange Commission annual proxy filings. Information analyzed includes figures for named executive officers. See Appendix 17b.
1201 See Appendix 14; and see, University of Iowa, *University of Iowa*, [http://www.uiowa.edu](http://www.uiowa.edu) (accessed July 12, 2012).
Although it is more expansive than many public institutions, Bridgepoint’s Ashford University is one of the lowest cost operators among for-profit education companies. Bridgepoint’s executives tout their low tuition, in large part because students can pay for the entire cost of a degree with Federal student aid. Internal Bridgepoint documents demonstrate the school’s deliberate approach to matching charges to the broadly available title IV student aid. In February 2009, Bridgepoint created a new fee for most courses, called the “Course Digital Materials” fee, pushing the total cost of attendance approximately $400 above the $9,500 Stafford first-year loan limit. Bridgepoint’s CEO, Andrew Clark, learned of this $400 difference, which the company described internally as a “shortfall” of money the student would have to provide, and emailed the CFO, Dan Devine, saying:

> The tuition increase for bachelor degree students is going to cause a $400 short fall!!! People are talking about crazy stuff like alternative financing. You told me there would be no short fall! You need to follow up with Sheng [the vice president for operations] immediately and then follow up with me.

Both Ashford University and University of Rockies charge a “Technology Services Fee,” unique among the for-profit colleges examined by the committee because of its size and the fact that the entire fee is charged at a single point in time after a student enrolls. At Ashford the fee is $1,290, raised from $990 in 2011, and is charged to students in the sixth week of enrollment, which is the first week of students’ second course. At Rockies, the fee is $250 and is charged to students on the seventh week. This fee allows Bridgepoint to collect a significant amount of money soon after a student enrolls, meaning that if a student later withdraws the company can keep the funds.

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1204 Bridgepoint Internal Email, February 2010, re: *Re: MAJOR ISSUE* (BPI-HELP_00048618).
This fee has caused consternation among students who stated that they were not informed of the fee at the time of enrollment. One Ashford student contacted the college saying: “no one ever informed me of the $990 technology fee, which by the way the other university that I almost chose, does not charge. Consequently it felt like your advisors took advantage of my naivete’s, and were less than forthcoming when it came to disclosing all the pertinent information [sic].” 1205 Another Ashford student wrote: “This 990 fee was not disclosed to me at anytime. . . . I did not receive any of the support included for this fee, I had no idea of half the things that were available to me. . . . I am not asking you to clear my tuition however, I think it is truly unfair to charge me the 990 fee for three (5 week) classes . . .” 1206 After Ashford representatives told the student that he or she assented to the fee when signing the enrollment agreement and the fee would not be waived, the student emailed all the other students in one of her courses and gathered 15 responses from other students saying that they had never been told about the fee.1207

Recruiting

Demonstrating enrollment growth is critical to the business success of for-profit education companies, particularly for publicly traded companies that are closely watched by Wall Street analysts. In order to meet revenue and profit expectations for-profit colleges must recruit as many students as possible to sign up for their programs.

During the period examined, prior to the current ban on paying recruiters based on the number of students enrolled that took effect in July 2011, Bridgepoint awarded raises and promotions to recruiters who hit its enrollment quotas. An audit by the Department of Education’s inspector general (IG) showed that 74 percent of the evaluation criteria of recruiters’ job performance was related to the number of students he or she enrolled.1208 A former recruiter wrote to Chairman Harkin to tell the story of the pressure put on her to enroll students.1209 She began work there in 2008, during the period that the IG investigated. In her letter she stated:

Ashford based our pay based on weekly enrollment numbers. I struggled in reaching these goals. I would make all the necessary calls, take all the necessary steps, but could not meet them. It came down to one thing, I cared about my students. Many of the prospective students were simply seeking out information, trying to see if an online university was the right fit for them. If a prospective student wasn’t ready, or wanted more time to think about it, I gave them that opportunity and made sure they had my information. When I explained my situation to my manager at the time, they told me to “get them in, make them fill out the application, get them started right away before they have a chance to think about it.” As you can imagine, I disagreed with this practice.

1205 Student email sent to Jane McAullife, February 22, 2008 (BPI-HELP_00026097); See also, Student email, March 30, 2010 (BPI-HELP_00027611).
1206 Student email sent to dispute resolution, January 17, 2009 (BPI-HELP_00028256).
1207 Id.
1208 U.S. Department of Education, Office of the Inspector General, Ashford University’s Administration of the Title IV, Higher Education Act Programs, Final Audit Report, January 2011. Despite this high percentage, the Inspector General found that Bridgepoint could not prove that it satisfied the so-called “safe-harbors” that the prior formulation of the incentive compensation ruled contained because the raises it gave to recruiters did not align with the compensation matrix. In other words, evidence indicated that Bridgepoint was not following its own internal pay scale in many cases.
She was terminated, despite the fact that, as she stated in her letter, the students she enrolled had a 100 percent retention rate.\footnote{Id.} Another recruiter discussed the compensation and prizes that were tied to enrollment numbers:

We are given a matrix that shows the numbers of students we are expected to enroll. We have daily projections, as a team we also have to meet our quotas . . . and these are high quotas. Turnover is high, most employees don’t last more than 6 months, their is fierce competition between employees and teams to meet sales numbers and we will say anything necessary to suck students in [sic]. Every 6 months we get a review that looks at how many students we enrolled and what percentage of them finished their first class. As long as they finish their first class we get full credit, and after that they are no longer our problem. Also, they don’t even have to pass the class for us to get credit. We just need to make sure they log In 2 separate days a week, 4 out of the 5 weeks of class. Whether they do any work doesn’t matter, they just need to log in . . . The first class is purposely designed to be super easy too . . . kinda like hooking someone on a drug [sic]. If we do well, our salaries go way up, if we don’t, our salaries can go back down again. There are people making over 100,000 a year who do well . . . Once our team got the most enrollments in a week competition [sic]. Our prize was a party at an arcade restaurant where we got food, alcoholic drinks, and game tokens all paid for on company time.\footnote{Comment sent to Department of Education by Brent Park pursuant to Gainful Employment rulemaking.}

He also described how in the call center he worked in managers monitored calls closely and made sure that each recruiter was making enough calls to prospective students.\footnote{Id.}

Like other education companies, Bridgepoint placed pressure on its recruiters to enroll as many students as possible through rewards and punishment. Recruiters who do not hit their enrollment quotas were chastised by managers. “You are still performing below expectations,” wrote one manager to a recruiter, “specifically, you need to focus on the following areas: Schedule a minimum of 3 appointments per day; [c]onduct a minimum of 8 appointments/interviews per week; [e]nroll a minimum of 4 students by November 24, 2008.”\footnote{Ashford University, Internal Memorandum, “Discussion Memo,” October 27, 2008 (BPI-HELP_00061793). See also Email from Jeff Cross to Ashford University Associate Director of Admissions, Re: DM approval, May 19, 2008 (BPI-HELP_00062747); Email from Jeff Cross to Ashford University Director of Admissions, Re: Term’s, December 10, 2008 (BPI-HELP_00063163).} He continued: “please make sure you are focusing on the activities that will enroll students: outbound phone calls, appointment setting, and conducting interviews.”

Internal documents indicate that recruiters were instructed to call prospective student “leads” eight times in the first 7 days after Bridgepoint acquires the lead.\footnote{Ashford University, Leaving Effective Messages, April 13, 2009 (BPI-HELP_00032345).} Recruiters were also told to send two emails and leave two voice messages. Recruiters “created urgency” to encourage prospective students to enroll right away by repeating scripted “Words of Wisdom” such as “if you wait for all the lights to be green, you will never reach your goals because the lights will never be all green,” and “it doesn’t get any better later, it just gets later.”\footnote{Bridgepoint Education Inc., Creating Urgency (BPI-HELP_00005972).}

Recruiters were taught a sales technique known as “overcoming objections.”\footnote{Ashford University, Overcoming Objections (BPI-HELP_00005921).} If a student presented an “objection” to enrolling, recruiters were instructed to think of this as a “buying signal” that
tells the recruiter “the student is still paying attention and the ‘sale’ is still alive!” If a student objected
that the cost of attending is too high, the recruiter was taught to respond with questions such as,
“Investing in yourself . . . You’re worth it right?,” and “how much more will you make once you have
your degree?,” and by discussing how “financing options [are] available for those who qualify.” If a
student raised the “credibility/reputation” of Ashford, recruiters were taught to recite promotional
statements about how the college was “established in 1918,” discuss the “traditional 4-year campus with
sports teams, dormitories,” and how the college has been “regionally accredited since 1950.” In fact,
Ashford University, as discussed above, is an entirely different institution than the small religious
college that Bridgepoint purchased in 2005. Ninety-nine percent of students do not attend the small
Iowa 4-year campus.

One recruiter said, “We are trained specifically on how to work the angle of psychology . . . we
tell students this is the right thing to do, it will make their parents proud, it will make them a role model
for their kids, it will help them fulfill lifelong goals. If we don’t have a degree they want, we are
supposed to convince them that one of ours will work for them anyway [sic].”

“Oneovercoming objections” and “creating urgency” were central parts of the sales training: internal
documents show that managers often “coached” recruiters in these practices if they were failing to enroll
enough students. In these coaching sessions, managers gave individual trainings in these areas and
admonished that if they did not begin enrolling more students they could be terminated. Managers also
monitored sales calls and “gave feedback” to recruiters on these areas.

A number of students who went through the sales recruiting process felt misled. One student
filed a complaint with the Better Business Bureau (BBB) stating:

I have to say that I have been misled and lied to by this university since the beginning. [Name redacted], the academic advisor sold me on transferring; I told him my main issues were my credits and the financial aid that was already approved with the other school. He called someone from Financial Aid [name redacted] who told me not to worry about financial aid.

Ashford told him that he could not continue with school unless he made payments in cash because his financial aid was being held up due to his transfer status. “I have been trying to fix this issue for years now,” he told the BBB.

Another student, a military veteran, was repeatedly told by recruiters that his post-9/11 GI bill
benefits would cover the entire cost of his degree, only to find out after he was enrolled that he would
owe approximately $11,000 to Ashford that his benefits did not cover. “I was extremely disappointed, confused and angry,” he wrote. The student continued, “I feel that I have been misled, deceived or even outright lied to in an effort to gain my contractual agreement . . . . The [recruiter’s] motive for this initial disinformation is not known, or understood, however it has the perceptual
appearances of meeting a specific enrollment quota or with malicious intent to deceive me into signing a contract.”  

Another student was told he would be able to receive his teaching license from Ashford. He found out a year later, right before his scheduled graduation, that Ashford was not allowed by the State of Iowa to award teacher licenses, so he would have to attend online a “cooperating school” in Arizona for a year. He states, “I was really blown away to find out that I had spent so much time and money at a College that I was not going to be able to obtain my teacher’s license from.”

Another student entered Ashford intending to become a licensed dental assistant. His letter states that recruiters told him that he could achieve this goal at Ashford. After becoming suspicious about the lack of dental classes 1 year in, he raised it with his academic advisor who told him Ashford would not lead to a dental assistant license and that “she didn’t really have anything to say.” He was distraught, telling the school “I feel like I was completely and utterly lied to.” He is left with $9,000 in loans and $3,000 owed to the school.

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, and 96 percent who enroll in a 4-year degree program at a for-profit college take out loans, hundreds of thousands of students are leaving for-profit colleges with debt but no diploma or degree each year. 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.” An analysis of these metrics indicates that many people who enroll in a Bridgepoint college are withdrawing before completing a degree, and that Bridgepoint’s default rate is comparatively low but has increased significantly year-over-year.

Retention Rates

Information provided to the committee by Bridgepoint indicates that out of 48,797 undergraduate students who enrolled at Ashford University in 2008-9, 66.8 percent, or 32,589 people, had withdrawn by mid-2010. These withdrawn students were enrolled a median of 19 weeks. Over the same time

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1224 Id.
1225 Ashford University, Formal Complaint, August 23, 2010 (BPI-HELP_00026807).
1226 Id.
1227 Ashford University, Untitled Letter from student, March 17, 2010 (BPI-HELP_00027158).
1228 Id.
1229 Id.
1230 Id.
1232 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.
period, 5.1 percent of students completed their degree, and 28.1 percent were still enrolled. Overall, Bridgepoint’s retention rate exceeds the sector-wide rate withdrawal rate of 54 percent. Bridgepoint performed better in retaining Bachelor’s degree students, who withdrew at a rate of 63.4 percent, than Associate degree students, who withdrew at a rate of 84.4 percent. Bridgepoint’s Associate withdrawal rate was the worst of any company examined by the HELP Committee, more than 14 percent higher than the next highest college.\textsuperscript{1233} The company also has the fourth worst Bachelor’s degree withdrawal rate of any company examined.

<table>
<thead>
<tr>
<th>Degree Level</th>
<th>Enrollment</th>
<th>Percent Completed</th>
<th>Percent Still Enrolled</th>
<th>Percent Withdrawn</th>
<th>Number Withdrawn</th>
<th>Median Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associate Degree</td>
<td>7,931</td>
<td>1.2%</td>
<td>14.4%</td>
<td>84.4%</td>
<td>6,691</td>
<td>111</td>
</tr>
<tr>
<td>Bachelor’s Degree</td>
<td>40,866</td>
<td>5.9%</td>
<td>30.7%</td>
<td>63.4%</td>
<td>25,898</td>
<td>140</td>
</tr>
<tr>
<td>All Students</td>
<td>48,797</td>
<td>5.1%</td>
<td>28.1%</td>
<td>66.8%</td>
<td>32,589</td>
<td>134</td>
</tr>
</tbody>
</table>

Status of Students Enrolled in Bridgepoint Education, Inc. in 2008-9, as of 2010

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 withdrew after mid-2010 when the data were produced.

Student Loan Defaults and Repayment

Bridgepoint’s rapid enrollment growth and withdrawal rate correlates with the growing rates of student loan defaults by the company’s 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 at least 360 days) within 3 years of entering repayment, which usually begins 6 months after leaving college.\textsuperscript{1234}

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.\textsuperscript{1235} In contrast, 1 student in 11 at public and non-profit schools defaulted within the same period.\textsuperscript{1236} On the whole, students who attended for-profit schools default at nearly three times the rate of students who attended other types of institutions.\textsuperscript{1237} 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.\textsuperscript{1238}

The 3-year default rate across all 30 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.\textsuperscript{1239} Bridgepoint’s default rate has increased rapidly, growing from 8.6 percent for students entering repayment in 2005 to 19.8 percent for students entering repayment in 2008. Bridgepoint’s default rate has had the second highest year-over-year increase of any school examined by the

\textsuperscript{1233} 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.

\textsuperscript{1234} Direct Loan default rates, 34 CFR 668.183(c).


\textsuperscript{1236} Id.

\textsuperscript{1237} Id.

\textsuperscript{1238} Id.

\textsuperscript{1239} Id.
committee. Only Grand Canyon Education, Inc., which has common investor roots and a similar model as Bridgepoint, has had an even larger increase.

Default management

These reported default rate figures may undercount the long-term default rate given that, like many for-profit colleges, Bridgepoint has focused resources on finding ways to eliminate students from its reported default rates. Helping get delinquent students into repayment, deferment, or forbearance prior to default is encouraged by the Department of Education. However, many for-profit colleges appear to be investing in aggressive outreach for the sole purpose of ensuring that borrowers do not default within the 3-year regulatory window.

Default management is primarily accomplished by putting students who have not made payments on their student loans into temporary deferments or forbearances. Default management contractors are paid to counsel students into repayment options that ensure that students default outside the 2-year, soon to be 3-year, statutory window, in which the Department of Education monitors defaults.

Bridgepoint, like many other for-profit colleges, contracted with the General Revenue Corporation (GRC), a subsidiary of Sallie Mae, to “cure” students who are approaching default. Under the agreement, Bridgepoint pays GRC a fee of $34.00 to $38.00 per student borrower. In addition, Bridgepoint will pay GRC a bonus of 7.5 percent of the total fees if GRC succeeds in lowering

Bridgepoint’s default rate below a specified threshold. In practice, documents indicate that nearly all “cures” are accomplished by deferment or forbearance, not by students actually repaying their loans.

This practice is troubling for taxpayers. The cohort default rate is designed not just as a sanction but also as a key indicator of a school’s ability to serve its students and help them secure jobs. If schools actively work to place students in forbearance and deferment, that means taxpayers and policymakers fail to get an accurate assessment of repayment and default rates. A school that has large numbers of its students defaulting on their loans indicates problems with program quality, retention, student services, career services, and reputation in the employer community. Aggressive default management undermines the validity of the default rate indicator by masking the true number of students who end up defaulting on their loans. Critically, schools that would otherwise face penalties—including loss of access to further taxpayer funds—continue to operate because they are able to manipulate their default statistics.

Moreover, forbearances may not always be in the best interest of the student. This is because during forbearance of Federal loans, as well as during deferment of unsubsidized loans, interest still accrues. The additional interest accrued during the period of forbearance is added to the principal loan balance at the end of the forbearance, with the result that interest then accrues on an even larger balance. Thus, some students will end up paying much more over the life of their loan after a forbearance or deferment.

**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.1241 By looking at the instructional cost that all sectors of higher education report to the Department of Education, it is possible to compare spending on actual instruction.

Bridgepoint spent $1,212 per student on instruction in 2009, compared to $2,604 on marketing per student and $1,460 on profit per student.1242 The amount that publicly traded for-profit companies spend on instruction ranges from $892 to $3,969 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. Bridgepoint spent less on instruction compared to other Iowa-based colleges. On a per student basis, the University of Iowa spent $14,882 on instruction, Upper Iowa University spent $3,734 and Eastern Iowa Community College spent $3,866.1243

While per student instruction expenses should be expected to be lower in an exclusively or majority online program, the savings generated by these models do not appear to be passed on to students in lower tuition costs. Similarly, the higher per student instruction costs in public and non-profit colleges may reflect a failure to embrace online models or embrace more efficient spending. However, taken as a whole these numbers demonstrate that for-profit colleges spend significantly less on instruction than similar programs in other sectors.

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 are an important factor in the educational systems that emphasize flexibility, it also raises questions regarding the commitment level of the faculty and the academic independence they are able to exercise. Among the 30 schools investigated by the committee, fully 80 percent of the faculty is part-time, with higher proportions at some companies.1244 Bridgepoint’s faculty composition was more heavily weighted towards part-time.1245 In 2010, 98 percent of Bridgepoint’s faculty, 2,977 out of 3,028, were part-time.1246

Students who gave feedback on course evaluations had mixed reviews of their experience. Many students had good things to say about their instructors. “The instructor was supportive, kind, and

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1242 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. Materials presented at the March 10, 2011 hearing, “Bridgepoint Education, Inc.: A Case study in For-Profit Education and Oversight” stated that Bridgepoint Education, Inc.’s Ashford University spent $700 per student on instruction in 2009; this amount was calculated using the enrollment figure of all students as reported to the SEC rather than the full-time equivalent enrollment reported to IPEDS. In order to create a complete comparison across all companies examined, this report uses the IPEDS full-time equivalent for the enrollment figure. The $700 figure previously reported continues to be accurate.1245

1243 Senate HELP Committee staff analysis. See Appendix 23.

1244 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.

1245 Id.

1246 Id.
responded [to] questions in [a] timely manner,” wrote one student in organizational management.\textsuperscript{1247} An MBA student commented, “[Professor] was extremely helpful and responsive to my needs and provided constructive feedback throughout the course.” However, other students did not have a positive academic experience. “The professor was obviously unqualified to teach at a university level and unfamiliar with the course. [T]he course itself was horrible written, assignments were ill conceived and comments were nonexistent [sic].”\textsuperscript{1248}

Teaching Program

Bridgepoint’s Ashford University offers programs in education that, according to the college’s Web site, is a “first step toward becoming a teacher.”\textsuperscript{1249} However, the program itself does not allow a graduate to apply for certification as a teacher in any State because the program is not approved by Iowa’s, nor any other States’, Department of Education. In order to become a teacher, Ashford has an agreement with a college in Tempe, AZ called Rio Salado which has an Arizona-approved teaching program. Under the arrangement, Rio Salado agrees to accept Ashford graduates into a post-Baccalaureate teacher certification program, which allows a student to apply for an Arizona teaching license. Then, depending on State law, a student may or may not be able to transfer that certification to the State of their residence.

Students are often not told about this arrangement, and enroll under the impression that the Ashford degree will allow them to become a teacher in their home State. Arlie Willems, a retired Iowa Department of Education employee specializing in teacher preparation, testified at the HELP Committee’s March 2011 hearing:

Ashford recruiters paid on a commission basis have led many prospective students to believe that the completion of an Ashford online program or the combination of the Ashford-Rio Salado programs would result in an Iowa teaching license. Students relying on this misinformation in good faith have found themselves in great debt and have not attained their goal of becoming teachers. The problem is that Ashford University, unable to meet Iowa’s requirements, reconfigured offerings within a new partnership [with Rio Salado] and then misrepresented their programs to prospective students driven by a business model where the bottom line is the bottom line.

One student wrote that he or she was told by the Ashford recruiter that an Ashford BA would transfer to Ohio. The student subsequently learned from the State of Ohio that neither the Ashford degree nor the Rio Salado Arizona license would allow him or her to teach there.\textsuperscript{1250} Another Ashford student was told at enrollment she would be able to get her Kansas teachers license through Ashford but was subsequently told she would have to attend Rio Salado.\textsuperscript{1251} Another student filed a complaint stating that she was told by the recruiter that enrolled her that she can get her Virginia teacher’s license after completing her Ashford degree.\textsuperscript{1252} The student approached the recruiter when she found out she would have to attend Rio Salado, and the recruiter again misled her that she would be able to attain her teaching license in 4 years. Afterward, the student called Rio Salado and learned the certification would

\textsuperscript{1247} Ashford University, \textit{End of Course Student Survey}, January 6, 2009 (BPI-HELP_00053393).
\textsuperscript{1248} Id.
\textsuperscript{1249} Ashford University, \textit{Bachelor of Arts in Education Studies}, 2012 http://ashford.edu/degrees/online/baedsummary.htm (accessed June 14, 2012).
\textsuperscript{1250} Ashford University, \textit{Formal Grievance}, July 29, 2010 (BPI-HELP_00026393).
\textsuperscript{1251} Ashford University, \textit{Formal Grievance}, August 23, 2010 (BPI-HELP_00026807).
\textsuperscript{1252} Ashford University, \textit{Enrollment Problem}, September 30, 2008 (BPI-HELP_00028844).
take an additional 12 to 18 months. Ashford agreed that the student had been misled and refunded the student’s tuition for one course.

Accreditation

Both Ashford University and University of the Rockies are accredited by the Higher Learning Commission (HLC), a regional accreditor that also accredits a significant number of other for-profit colleges. HLC, which accredited Franciscan University before its purchase by Bridgepoint, performed three reviews since the purchase: a 2005 change of control review, a 2006 comprehensive review, and a 2010 post-IPO change of control review. Following the 2006 comprehensive visit, HLC granted Ashford University full accreditation with 10 years until the next comprehensive visit. Documents that HLC reviewers had access to during the 2010 visit revealed the rapid enrollment growth and low retention rates since Bridgepoint’s purchase. An “Institutional Snapshot” that Ashford provided showed that the enrollment had increased 1,150 percent in the past 3 years. It also showed the percent of first-time new students the college enrolled and retained for 1 year was 41 percent. Documents provided by HLC indicate that the agency did not take issue with these problems and again re-affirmed Ashford’s full accreditation.

Sylvia Manning, the president of HLC, testified at the committee’s March 2011 hearing that the agency should have had stronger policies in place and that the agency did not anticipate the explosive enrollment growth that occurred after the Bridgepoint purchase:

The story about Bridgepoint happened in 2005. I came to the commission in July of 2008. In all fairness to my predecessors, I don't think they were able to foresee what would happen. When I got there in 2008, it was quite possible to see what had happened and it was possible to see that because this thing was a new phenomenon on the face of the earth, we did not have the policy framework and we did not have the procedures to deal with it adequately. And so we set about changing those policies and changing our procedures. We've done a fair amount. Now, we have made five major policy changes. What happened in 2005 and then culminated in growth by 2009 simply could not happen today.

In recognition of the fact that Ashford’s online operations are primarily based in San Diego, CA HLC advised Ashford that it has until December 1, 2012 to demonstrate compliance with HLC’s new "substantial presence" requirement. Institutions of higher education based in California fall under the jurisdiction of the regional accrediting agency Western Association of Schools and Colleges (WASC). Ashford applied for eligibility to pursue WASC accreditation in spring 2011. On June 15, 2012, WASC denied Ashford University’s initial application for accreditation, citing its determination that the college was “not yet in substantial compliance with elements” of the Commission’s standards. The

1253 Id.
1255 Id.
1256 Id.
1257 Id.
thorough review by WASC stands in contrast to the relatively cursory change of control reviews by HLC. WASC’s peer review team consisted of 12 persons, including individuals with significant experience in online education. The Commission hired a major accounting firm to perform a pre-visit analysis of Bridgepoint’s financial information.\textsuperscript{1260} The Commission’s analysis identified problems with student retention, how the college spends its resources, the independence of the governance of Ashford University from Bridgepoint Education, Inc., and assurance of academic rigor.\textsuperscript{1261} The Commission’s letter notes that “nearly 128,000 students have withdrawn in the last 5 years, during which time 240,000 new students were enrolled. This level of attrition, on its face, is not acceptable” and that “historic spending patterns show relatively high funding for recruitment compared to resources to support academic quality and student success.”\textsuperscript{1262} Ashford has indicated its intent to appeal as well as re-apply for initial accreditation.

**Staffing**

![Bridgepoint Education, Inc. Staffing, 2006-7](image)

The committee found that while for-profit education companies employed large numbers of recruiters to enroll new students, the companies had far less staff to provide tutoring, remedial services or career counseling and placement. In 2010, with 77,179 students, Bridgepoint employed 1,703

\textsuperscript{1260} Western Association of Schools and Colleges, Commission Action Letter, July 3, 2012
\textsuperscript{1261} https://www.wascsenior.org/apps/institutions/ashford-university#zoom=15&lat=41.84998&lon=-90.19784&layers=FT0BT (accessed July 10, 2012).
\textsuperscript{1262} Id.
recruiters, 1 career services employee, and 386 student services employees. Each student services staffer was responsible for 200 students. Meanwhile, the company employed one recruiter for every 45 students. Bridgepoint has taken the position that it does not need to offer career services because “the vast majority of our Ashford University students (70%) are employed at the time of their enrollment at our institutions” and “data from our last two Ashford University Alumni Surveys show that nearly 85% of our alumni are employed.” However, most working adults enroll in a college, especially a career-oriented for-profit college, with the goal of either changing jobs or advancing in their current job. It is far-fetched that a student would spend years working on a degree and take on student loan debt to end up with the same job he or she had when first starting. Moreover, the fact that 15 percent of Ashford’s graduates – the survey does not cover the many students who withdraw – are unemployed does not compare favorably with the national unemployment rate of 8.2 percent.

Conclusion

As discussed in detail at the committee’s March 10, 2011 hearing, a group of investors used private equity capital to purchase a small religious college of just over 300 students, and transformed it into a massive online learning operation that, as of March 31, 2012, enrolled nearly 95,000 students. Along the way, Bridgepoint generated large profits and its executives were given substantial compensation packages. However, among the for-profit education companies examined by the committee, the company has the highest Associate degree withdrawal rate with 84 percent of students who enrolled in 2008-9 leaving by mid-2010, and the fourth highest Bachelor’s degree withdrawal rate with 63.4 percent withdrawing.

Employees and students of the company continue to contact the committee with their experiences of problematic recruiting practices and trouble getting the help they need. Student complaints document multiple examples of deceptive and misleading recruiting practices and students who felt that the quality of attention they received dropped once they were enrolled. Bridgepoint spends comparatively little on academic instruction. Moreover, the company provides no tutoring and no job placement services to any of the thousands of students who enroll. The one bright spot in picture of Bridgepoint is that it charges less for tuition and fees than many of its for-profit competitors, although it is still more expensive compared to attending many public institutions. Taken together, these issues cast serious doubt on the notion that Bridgepoint’s students are receiving an education that affords them adequate value, and calls into question the $1.2 billion investment American taxpayers made in the company in 2010.

1263 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.