DeVry, Inc.

Introduction

DeVry, Inc. is the third largest for-profit education company. Like many for-profit education companies, DeVry has experienced significant growth in student enrollment, Federal funds collected, and profit realized. However, the company's performance, measured by student withdrawal and default rates, closely tracks the sector average, and is a cause for concern. Nevertheless, the leadership of DeVry has demonstrated a commitment to investing in students and student services, and in engaging in a dialogue to improve, steps which distinguish the company from others in the sector.

Company Profile

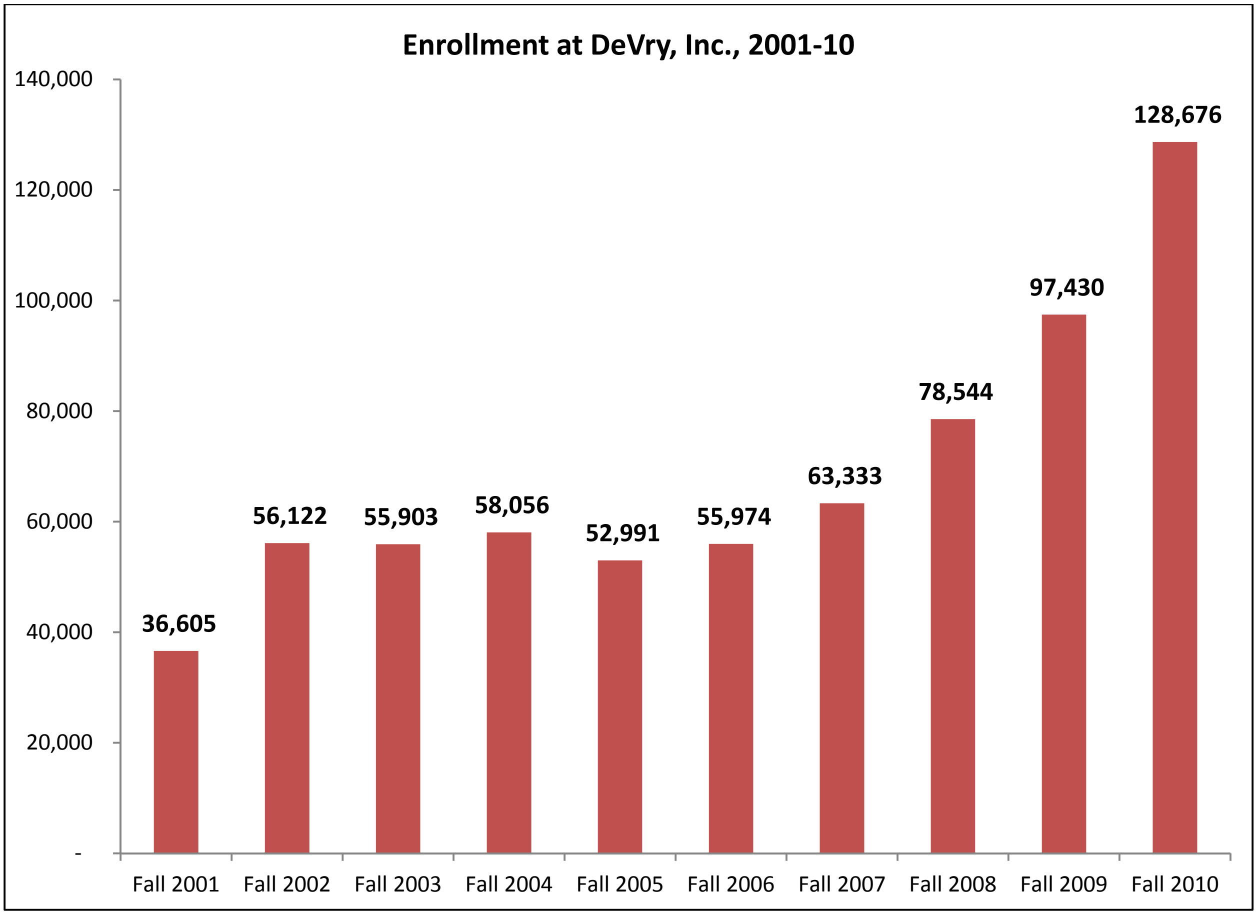
DeVry, Incorporated ("DeVry") is a publicly traded, for-profit education company headquartered in Downers Grove, IL. DeVry operates a total of 96 campuses, along with an online division, and offers Certificate, Associate, Bachelors and Graduate level programs focusing primarily on business, technology, and healthcare.[1631] Business students make up almost half of DeVry's enrollment, with technology students comprising 27 percent and healthcare students 26 percent.[1632] Compared to others in the sector, DeVry places more emphasis in training students for high demand fields, like nursing, that are more expensive to offer but that are more responsive to workforce needs. Just over half the company's students are enrolled in Bachelor's programs.[1633]

Brands
Carrington Colleges Group
Chamberlain College of Nursing
DeVry University
Keller Graduate School of Management

Like more than half of the regionally accredited brands the committee examined, DeVry University, the Keller Graduate School of Management, and the Chamberlain College of Nursing are regionally accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools (HLC). Carrington College California is regionally accredited by the Accrediting Commission for Community and Junior Colleges of the Western Association of Schools and Colleges (WASC). Carrington College is nationally accredited by the Accrediting Council for Independent Colleges and Schools (ACICS).

[1631] See DeVry, Inc. *DeVry University Locations*. http://www.devry.edu/locations/search_locations.jsp (accessed June 19,2012), DeVry, Inc., *Keller Graduate School of Management of DeVry University: Campus Locations*, http://www.keller.edu/graduate-school-campus-locations (accessed June 19, 2012), DeVry, Inc., Carrington Part of the DeVry Education Family: Campus Locations, http://carrington.edu/cc/schools/ (accessed June 19, 2012), DeVry, Inc., *Chamberlain College of Nursing*, http://www.chamberlain.edu/ (accessed May 8, 2012).
[1632] DeVry, Inc., Feb 16, 2011, Deutsche Bank Securities Inc. Small and Mid Cap Conference.
[1633] DeVry, Inc., May 11, 2011, Barclays Capital Inc. Global Services Conference.

DeVry was founded in 1973 and has been publicly traded on the New York Stock Exchange since its 1991 initial public offering. The current chief executive officer of DeVry is Daniel Hamburger. Hamburger joined DeVry in 2002 as executive vice president responsible for DeVry's online operations and Becker Professional Education. He was named president and chief operating officer in 2004, and CEO in 2006.



In the fall of 2010, 128,676 students were enrolled at DeVry, which constituted a 250 percent increase over its fall 2000 enrollment.[1634] This growth in enrollment led to growth in revenue. Revenue more than doubled from $933 million in 2007 to $1.9 billion in 2010.[1635]

Federal Revenue

Nearly all for-profit education companies derive the majority of revenues 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.[1636] Together, the 30

[1634] Enrollment is calculated using the Securities and Exchange Commission quarterly or annual filing for the August-October period each year. See Appendix 7.

[1635] 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. DeVry's revenue increased to $2.2 billion in 2011.

[1636] "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 companies the committee examined derived 79 percent of revenues from title IV Federal financial aid programs in 2010, up from 69 percent in 2006.[1637]

In 2010, DeVry reported 77.5 percent of revenue from title IV Federal financial aid programs.[1638] However, this amount does not include revenue received from the Departments of Defense and Veterans Affairs education programs.[1639] Department of Defense Tuition Assistance and post-9/11 GI bill funds accounted for approximately 3.4 percent of DeVry's revenue, or $53 million.[1640] With these funds included, 80.9 percent of DeVry's total revenue was comprised of Federal education funds.[1641]

Student Aid Data Center, *Title IV Program Volume Reports by School*, http://federalstudentaid.ed.gov/datacenter/programmatic.html, 2000-1 and 2009-10. Figures for 2000-1 calculated using data provided to the committee by the U.S. Department of Education.

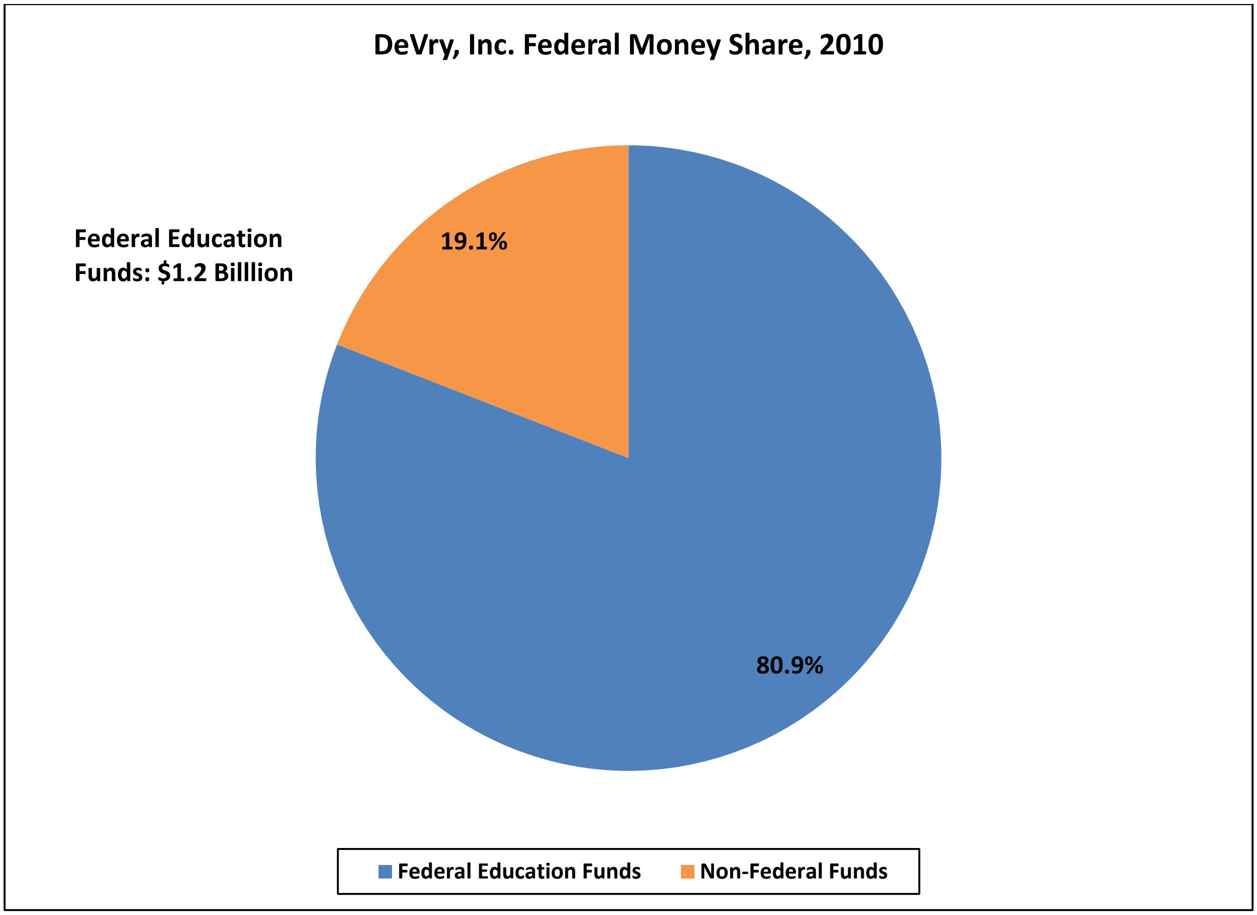
[1637] Senate HELP Committee staff analysis of Proprietary School 90/10 numerator and denominator figures for each OPEID provided to the U.S. Department of Education pursuant to section 487(d)(4) of the Higher Education Act of 1965. Data for fiscal year 2006 provided to the committee by each company; data for fiscal year 2010 provided by the Department of Education on October 14, 2011. See Appendix 9.

[1638] Id.

[1639] 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.

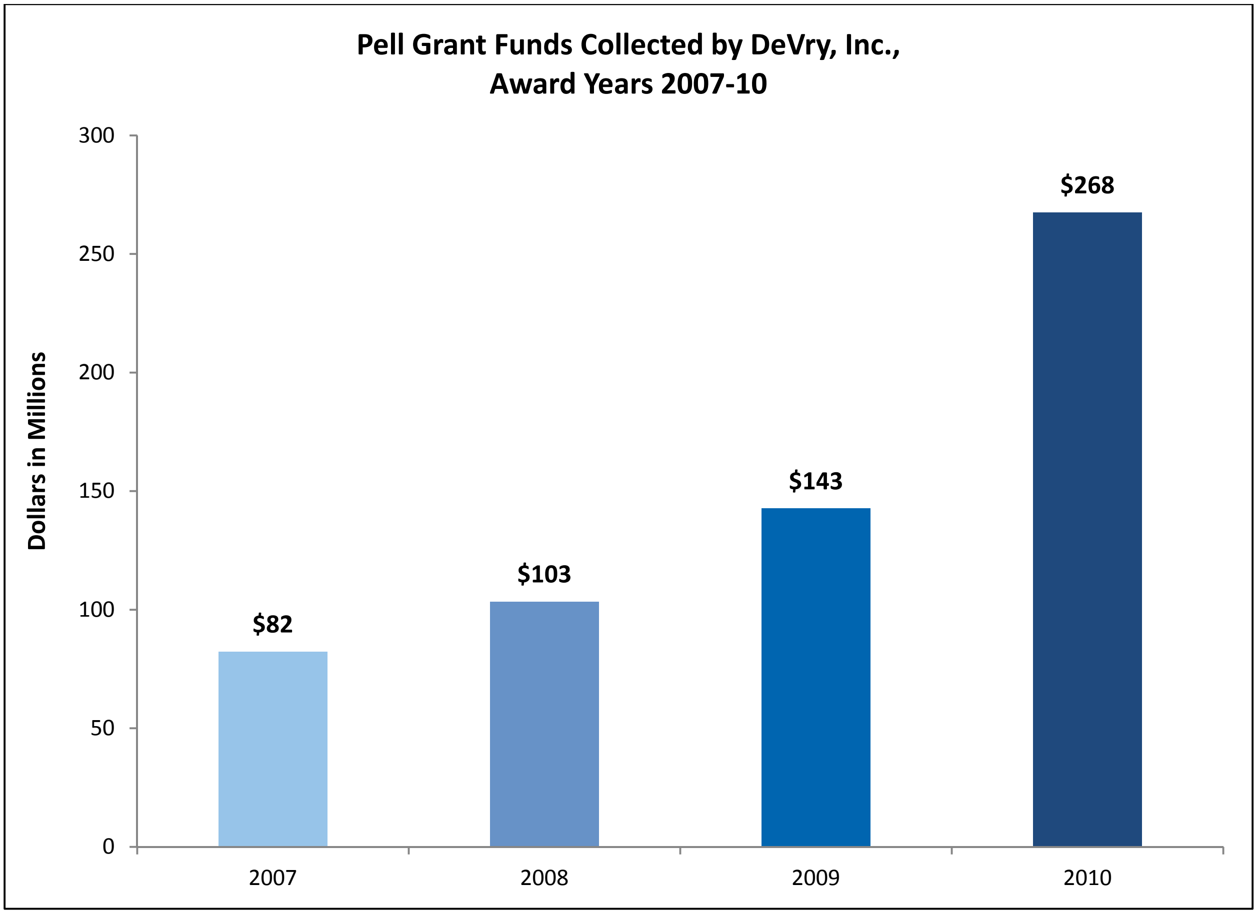
[1640] Post-9/11 GI bill disbursements for August 1, 2009-July 31, 2010 provided to the committee from the Department of Veterans Affairs on November 5, 2010; post-9/11 GI bill disbursements for August 1, 2009-June 15, 2011 provided to the committee from the Senate Committee on Veterans' Affairs via 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.

[1641] "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.



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.[1642] 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.

[1642] 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*, 20012 and 2010-11, http://Federalstudentaid.ed.gov/datacenter/programmatic.html.



DeVry more than tripled the amount of Pell grant funds it collected in just 3 years, from $82 million in 2007 to $268 million in 2010.[1643]

Spending

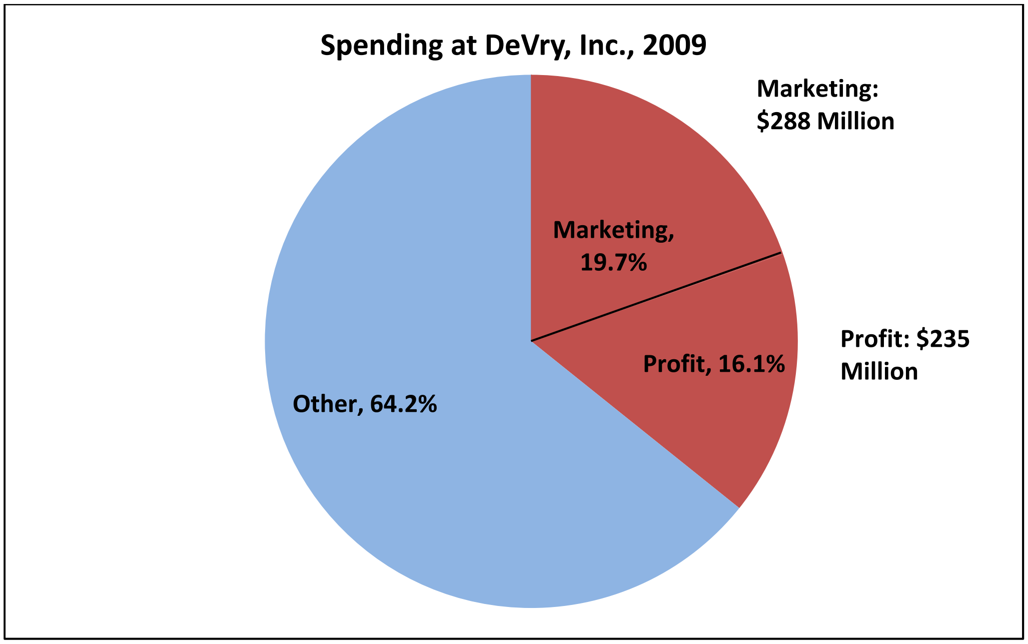
While the Federal student aid programs are intended to support educational opportunities for students, for-profit education companies direct much of the revenue derived from these programs to marketing and recruiting new students and to profit. On average, among the 15 publicly traded education companies, 86 percent of revenue came from Federal taxpayers in fiscal year 2009.[1644] During the same period those companies spent 23 percent of revenue on marketing and recruiting ($3.7 billion) and 19.7 percent on profit ($3.2 billion).[1645] These 15 companies spent a total of $6.9 billion on marketing, recruiting and profit in fiscal year 2009.

[1643] 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.

[1644] 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.

[1645] Senate HELP Committee staff analysis of fiscal year 2009 Securities and Exchange Commission annual 10-K filings and information provided to the committee by the company pursuant to the committee document request of August 5, 2010. Profit figures represent operating income before tax and other non-operating expenses including depreciation as reported in

In 2009, DeVry allocated 19.7 percent of its revenue, or $287.6 million, to marketing and recruiting and 16.1 percent, or $234.8 million, to profit.[1646]



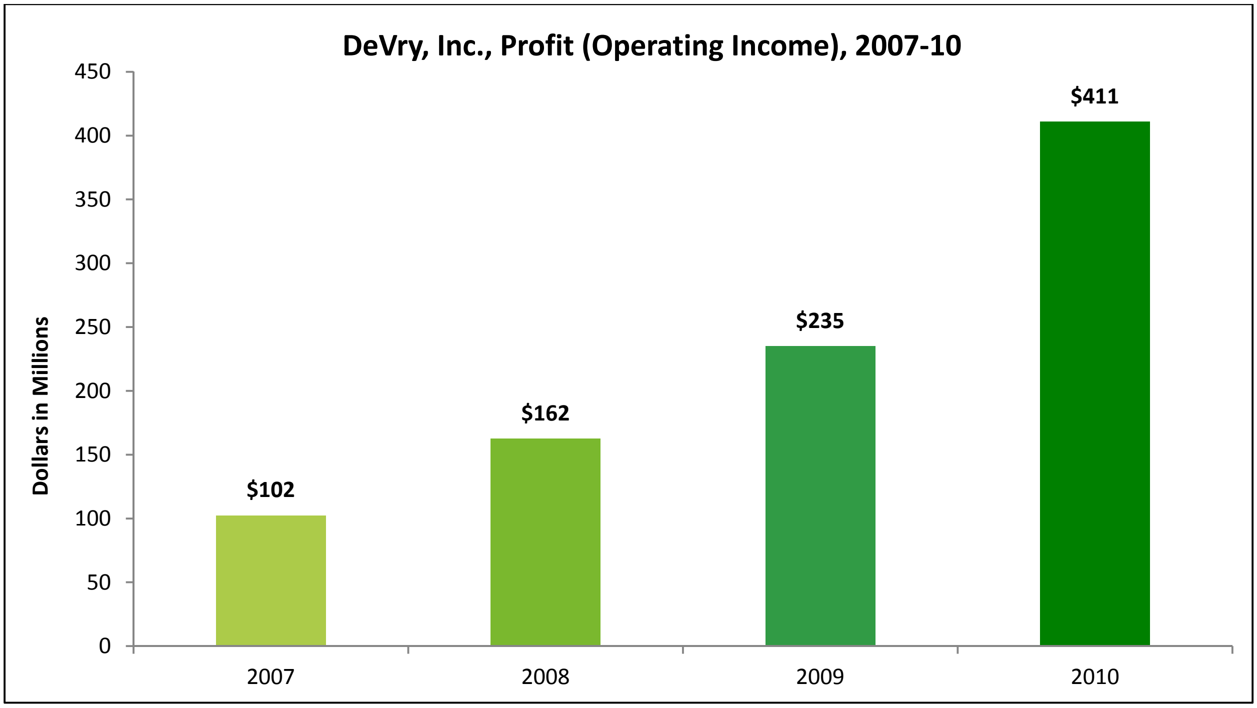
DeVry devoted a total of $522.4 million to marketing, recruiting, and profit in fiscal year 2009.[1647] The amount of profit DeVry generated also increased rapidly, quadrupling from $102.3 million in 2007 to $410.9 million in 2010.[1648]

SEC filings. Marketing and recruiting includes all spending on marketing, advertising, admissions and enrollment personnel as reported to the committee. See Appendix 19.

[1646] Id. On average, the 30 for-profit schools examined spent 22.7 percent of revenue on marketing and 19.4 percent on profit.

[1647] Id. "Other" category includes administration, instruction, executive compensation, faculty salary, student services, facilities, maintenance, lobbying, and other expenditures.

[1648] Senate HELP Committee staff analysis. See Appendix 18. DeVry's profit increased to $494 million in 2011.



Executive Compensation

Executives at DeVry, like most for-profit executives, are more generously compensated than leaders of public and non-profit colleges and universities. Executive compensation across the for-profit sector drastically outpaces both compensation at public and non-profit colleges and universities, despite poor student outcomes at many for-profit institutions.[1649] In 2009, DeVry CEO Daniel Hamburger received $6.3 million in compensation, more than 46 times as much as the president of the University of Illinois at Urbana-Champaign who received $137,850 in total compensation for 2009-10.[1650]

[1649] 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.
[1650] Id.

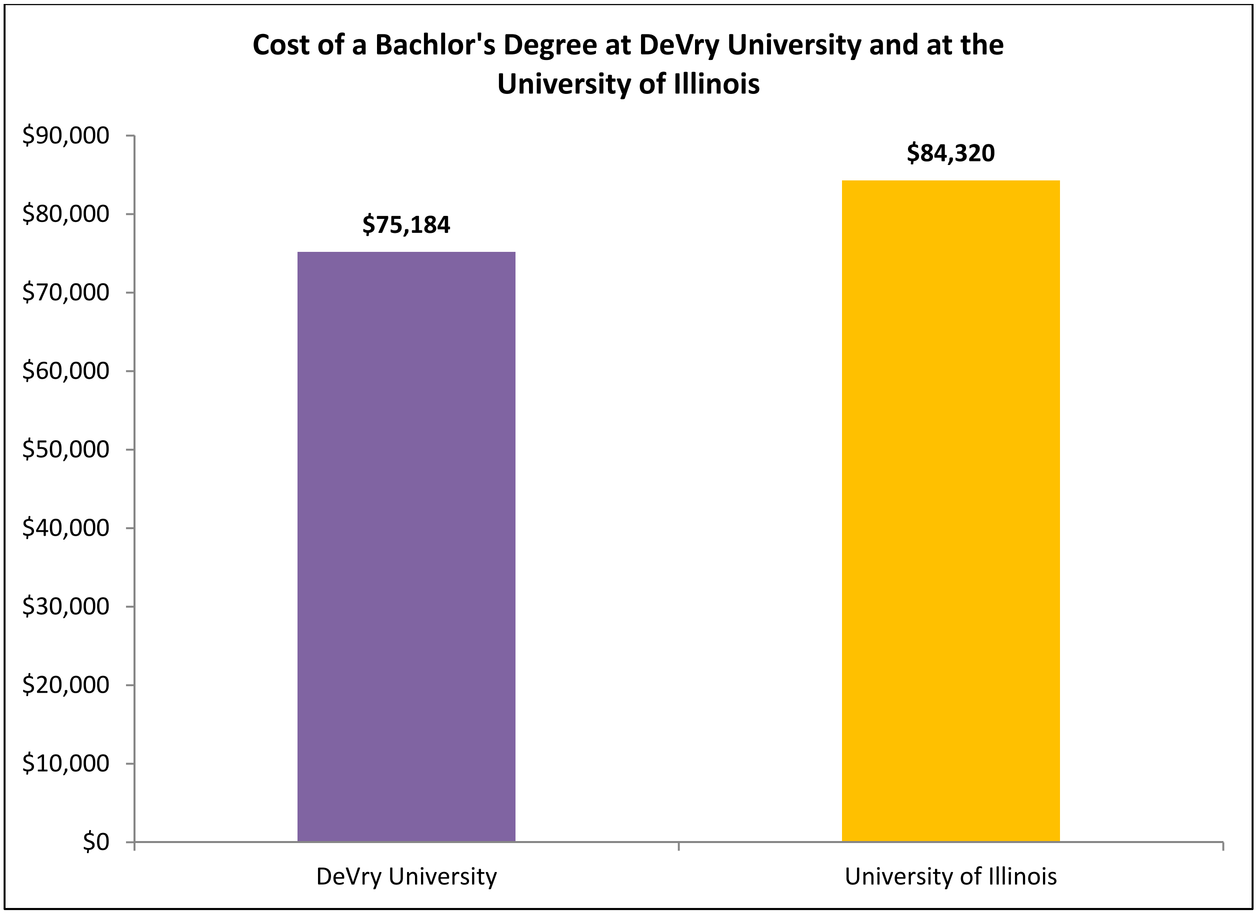
Executive	Title	2009 Compensation	2010 Compensation
Daniel Hamburger	CEO and President	$6,387,081	$6,058,205
David J. Pauldine	President, DeVry University	$1,401,553	$1,565,349
Richard M. Gunst	CFO and Treasuer	$1,234,842	$1,447,317
Steven Riehs	President, DeVry Online Services	$895,755	$976,980
Thomas C. Shepherd	President, Ross University	$714,688	n/a
William B. Hughson	President, Healthcare Group	n/a	$874,794
Total		$10,633,919	$10,922,645[1651]

The chief executive officers of the large publicly traded, for-profit education companies took home, on average, $7.3 million in fiscal year 2009.[1652] Hamburger's $6.3 million compensation package for 2009 is slightly below average for publicly traded education companies. However, it is still noteworthy given that more than half of the company's students who enrolled that year left by mid-2010 and almost a fifth of DeVry students 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 for an Associate degree is higher at DeVry. An Associate of Science in Medical Assisting from DeVry's Carrington College in California costs $30,781.[1653] The same degree at San Jose City College, cost $3,116.[1654] However, the cost of tuition for a Bachelor of Science in Business Administration at DeVry's Chicago, IL campus is $75,184,[1655] considerably less than same program at the costly University of Illinois, at costs $84,320.[1656]

[1651] 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.
[1652] Includes compensation information for 13 of 15 publicly traded for-profit education companies. Kaplan, owned by the Washington Post Company, does not disclose executive compensation for its executives. And National American University was not listed on a major stock exchange in 2009.
[1653] See Appendix 14; see also, DeVry, Inc., *Carrington Part of the DeVry Education Family: Medical Assisting Program*, http://carrington.edu/ccc/programs/medical-assisting/ (accessed June 20, 2012).
[1654] See Appendix 14; see also, San Jose City College, *San Jose City College*, http://www.sjcc.edu/ (accessed June 19, 2012).
[1655] See Appendix 14; see also, DeVry, Inc., *DeVry University: Gainful Employment Disclosures*, http://www.devry.edu/degree-programs/college-business-management/business-administration-consumer-info.jsp (accessed June 19, 2012).
[1656] See Appendix 14; see also, University of Illinois at Urbana Champaign, *University of Illinois*, http://illinois.edu/ (accessed June 20, 2012).



The high tuition that DeVry charges is reflected in the amount of money that DeVry collects for each veteran that it enrolls. From 2009 to 2011, DeVry trained 14,056 veterans and received $143 million in post-9/11 GI bill benefits, averaging $10,214 per veteran. In contrast, public colleges collected an average of $4,642 per veteran trained in the same period.[1657]

Historically, the company has increased tuition between 3 and 6 percent every year.[1658] DeVry appears to have given some thought to the idea of aggressive price increases as demonstrated in an internal presentation which states that "a compelling argument exists for implementing more aggressive price increases in the next five years." [1659] The presentation goes on to note, "higher priced players do not appear to have slower enrollment growth" [1660] and that "recent increases in federal loans may help offset the current credit environment and allow students to finance the increases." [1661]

An internal presentation regarding tuition at DeVry's Chamberlain College of Nursing recommended that Chamberlain "could take an aggressive price leadership position. So long as out-of-pocket expenses can remain minimal, significant price increases will likely create minimal

[1657] 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.
[1658] DeVry, Inc., May 11, 2011, Barclays Capital Inc. Global Services Conference.
[1659] DeVry, Inc., September 5, 2008, Developing Full Potential Pricing in Higher Education (DEVRY0036430, at DEVRY0036431).
[1660] Id.
[1661] Id. at DEVRY0036436

changes in demand." [1662] The presentation went on to note that "students seem total price agnostic [sic]." [1663]

However, the company appeared to be aware of the limitations of such an approach and ultimately, to the company's credit, decided not to pursue such a strategy. An internal email from the president of DeVry University named a number of "reasons to be careful about a strategy to more aggressively raise prices," including:

> -It appears pricing has some elasticity to it?
> -Congressional scrutiny
> -Is raising prices more aggressively really a strategy?[1664]

Another internal DeVry email discussed not announcing any price increases until the release of the gainful employment regulation since many of the company's programs could potentially have been in violation.[1665]

When potential students inquire about the cost of tuition at DeVry, recruiters are trained to respond that: "I understand how cost is a concern. Is cost the only concern that you have? Do you plan to make your decision about a school based on cost alone?" [1666]

Due to the high price of tuition, some students must rely on alternative financing in addition to Federal financial aid. Institutional loan programs can also help the company meet a regulatory requirement that no more than 90 percent of its revenue come from Federal financial aid dollars ("90/10"). DeVry operates an institutional loan program, under which the company itself lends money to students who cannot obtain alternative loans from private lenders. This source of revenue, too, allows the company to lower its 90/10 figure. The program is relatively small, with just $4.7 million lent out in 2010.[1667] The company charged students an interest rate of 12 percent.[1668]

Recruiting

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 recruit as many students as possible to sign up for their programs.

Although titled "enrollment advisors" or "enrollment counselors," an internal document makes the job function of these DeVry employees clear: "This is a sales position." [1669]

At DeVry, recruiters are encouraged to consider "how else do you think you can create urgency with a student?" [1670] Recruiting materials counsel recruiters to use tactics like "the Tie Down." [1671] The

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[1662] DeVry Inc., February 4, 2009, Net Promoter Score, Strategic Pricing, Brand Building (DEVRY0036668 at DEVRY0036696 (emphasis in original).
[1663] Id. at DEVRY0036698 [SIC].
[1664] DeVry Internal Email, September 8, 2010, *FW: pricing* (DEVRY0036666).
[1665] DeVry Internal Email, April 12, 2010, *USEdu Proposed Pricing* (DEVRY0034862).
[1666] DeVry, Inc., Chamberlain Online: RN to BSN Common Phone Objections (DEVRY0085118); See also DeVry Inc., Advance Advisor Academy & Certification: Overcoming Objections *(*DEVRY0085677).
[1667] DeVry, Inc., *DEVRY INC INSTITUTIONAL LOAN PROGRAMS* (DEVRY0037499, at DEVRY0037501). Document on file with committee.
[1668] Id.
[1669] DeVry, Inc., Chamberlain College of Nursing: New Hire Training (DEVRY0089835, at DEVRY0089928).

purpose of such a technique is "to get the prospect to say yes as many times as you possibly can throughout the call so that when you ask for the final yes it almost seems ridiculous that they would say no."[1672] Another similar tactic is "The Alternate of Choice."[1673] The stated rationale of this tactic "is to give the nurse the illusion of control while you actually maintain control. You give options with the purpose of getting them to make a decision."[1674]

One pervasive sales technique is to manipulate a prospective student's emotions as a strategy to sell an enrollment contract. "A true sales person knows that before you fix it you want the person to feel the pain of the problem. That is why we keep going deeper … What implications does this problem have on this nurse, on her family on her finances? This is where we really start to make the nurse feel the pain of her situation."[1675]

Yet students have little opportunity for recourse; DeVry like many other for-profit education companies includes a binding arbitration clause in its standard enrollment agreement.[1676] While company executives have indicated an intent to revise the agreement, this clause can severely limit the ability of students to have their complaints heard in court, especially in cases in which students with similar complaints seek redress as a group.

Military Specific Lead Generators

DeVry contracts with QuinStreet, Inc., a publicly traded corporation that aggressively targets servicemembers and manages Web sites that initially appear to provide information of general interest to service members, with domain names such as: GIBill.com, Military-Net.com and MilitaryGIBill.com.[1677] Some of these QuinStreet sites use layouts and logos similar to official military Web sites, but do not inform users that the purpose of the site is to collect contact information on behalf of paying for-profit clients such as DeVry.

QuinStreet's 2010 initial public offering filing indicates that DeVry accounted for 19 percent of QuinStreet's net revenue for 2009 and 12 percent for the first half of 2010.[1678] However, in the same filing, QuinStreet also indicated that DeVry had retained an advertising agency and reduced its purchases of leads.[1679]

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

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[1670] Id., at DEVRY0089854.
[1671] Id., at DEVRY0089952.
[1672] Id.
[1673] Id., at DEVRY0089954.
[1674] Id.
[1675] Id., at DEVRY0089948.
[1676] DeVry, Inc., Summer 2010, Enrollment Agreement (DEVRY0094127).
[1677] In June 2012 QuinStreet reached a settlement with 20 State attorneys general under which the company will turn over the Web site GIBill.com to the Department of Veterans Affairs and pay a $2.5 million fine. Additionally, all QuinStreet military-related sites will have unavoidable, clear and conspicuous disclosures that clarify the site is not owned or operated by the U.S. Government.
[1678] DeVry, Inc., February 10, 2010, QuinStreet Prospectus.
[1679] Id.

2-year degree program at a for-profit college, and 96 percent who enroll in a 4-year degree program, take out loans, hundreds of thousands of students are leaving for-profit colleges with debt but no diploma or degree each year.[1680]

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 DeVry are not achieving their educational and career goals.

Retention Rates

Information DeVry provided to the committee indicates that of the 64,722 students who enrolled at DeVry in 2008-9, 52.2 percent, or 33,795 students, withdrew by mid-2010.[1681] These withdrawn students were enrolled a median of 3 ½ months.[1682] Overall, DeVry's retention rate closely tracks the sector-wide withdrawal rate of 54.1 percent. The majority of DeVry's students are enrolled in 4-year Bachelor's degrees. More than half of these students, or 23,215 people, withdrew by mid-2010. DeVry's Bachelor's degree withdrawal rate is the 11th highest of the companies analyzed.[1683] In contrast, with 54.3 percent of Associate students withdrawing in the period analyzed, DeVry performs significantly better than the sector average of 62.9 percent withdrawn.

Status of Students Enrolled in DeVry, Inc. in 2008-9, as of 2010						
Degree Level	**Enrollment**	**Percent Completed**	**Percent Still Enrolled**	**Percent Withdrawn**	**Number Withdrawn**	**Median Days**
Associate Degree	13,539	12.1%	33.5%	54.3%	7,358	112
Bachelor's Degree	41,177	6.9%	36.7%	56.4%	23,215	112
Certificate	10,006	65.8%	2.0%	32.2%	3,222	96
All Students	64,722	17.1%	30.7%	52.2%	33,795	110

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.

[1680] 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 (accessed June 18, 2012).

[1681] 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.

[1682] Id.

[1683] 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.

Online vs. Bricks and Mortar Outcomes

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. Students who attended DeVry online withdrew at a higher rate (57.9 percent) than students who attended its bricks and mortar campuses (49.4 percent). The difference is most significant at the Associate degree level, where online DeVry Associate degree students have a 7 percent higher withdrawal rate than their bricks and mortar counterparts.

Status of Online Students Enrolled in DeVry, Inc. in 2008-9, as of 2010							
Degree Type	**Enrollment**	**Students Completed**	**Completed**	**Students Still Enrolled**	**Still Enrolled**	**Students Withdrawn**	**Withdrawn**
Associate	5,045	151	3.0%	1,924	38.1%	2,970	58.9%
Bachelor's	16,808	1,546	9.2%	5,581	33.2%	9,681	57.6%
All	21,853	1,697	7.8%	7,505	34.3%	12,651	57.9%

Status of Bricks and Mortar Students Enrolled in DeVry, Inc. in 2008-9, as of 2010							
Degree Type	**Enrollment**	**Students Completed**	**Completed**	**Students Still Enrolled**	**Still Enrolled**	**Students Withdrawn**	**Withdrawn**
Associate	8,494	1,488	17.5%	2,618	30.8%	4,388	51.7%
Bachelor's	21,455	1,137	5.3%	8,191	38.2%	12,127	56.5%
All	39,955	9,211	23.1%	11,007	27.5%	19,737	49.4%

Student Loan Defaults

The number of students leaving DeVry with no degree correlates with the high rate of student loan defaults by students who attended DeVry. 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.[1684]

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.[1685] In contrast, 1 student in 11 at public and non-profit schools defaulted within the same period.[1686] On the whole, students who attended for-profit schools default at nearly three times the rate of students who attended other types of institutions.[1687] The consequence of this higher rate is that almost half of all student loan defaults nationwide are held by students who attended for-profit colleges.[1688]

[1684] Direct Loan Default Rates, 34 CFR § 668.183(c).

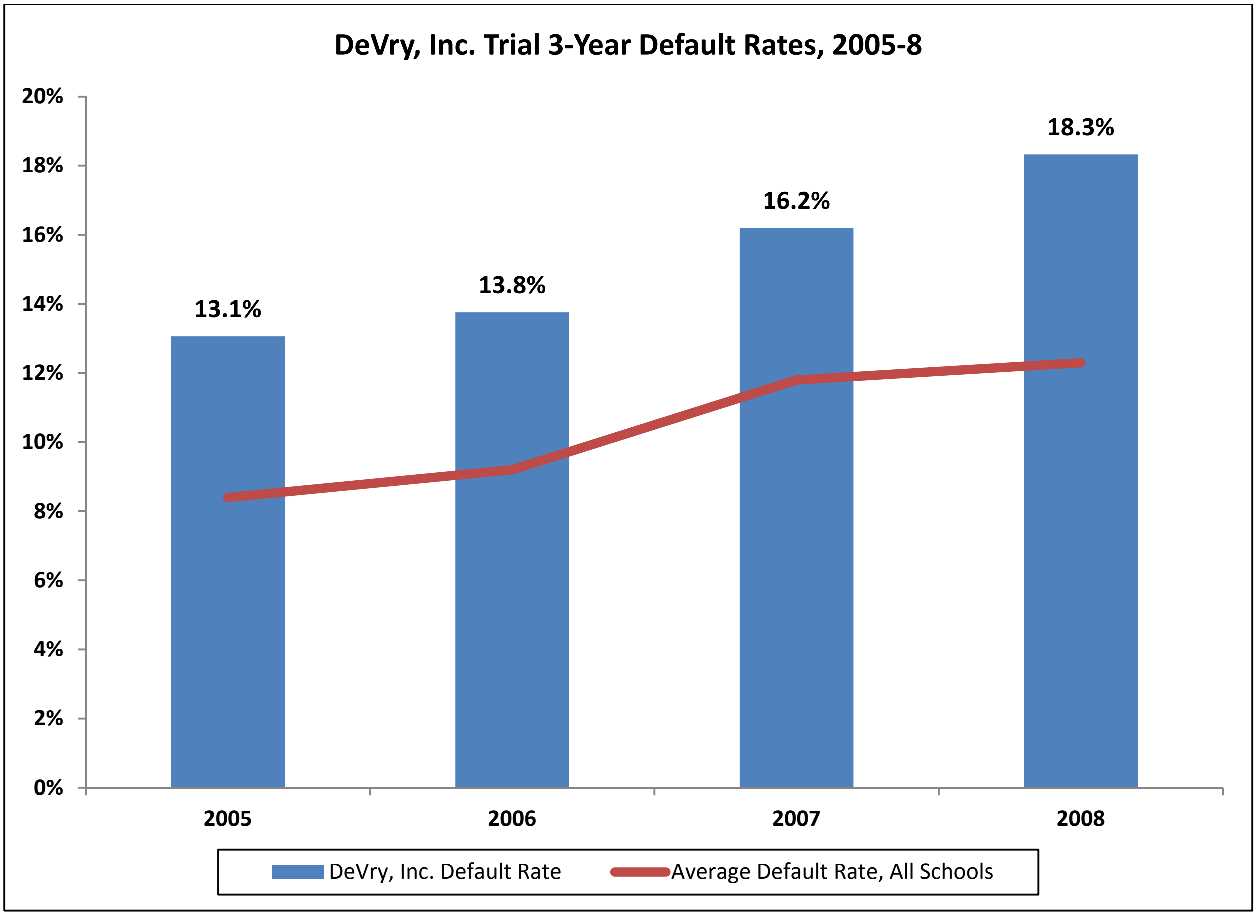
[1685] Senate HELP Committee staff analysis of U.S. Department of Education Trial Cohort Default Rates fiscal year 2005-8, http://federalstudentaid.ed.gov/datacenter/cohort.html. Default rates calculated by cumulating number of students entered into repayment and default by sector. See Appendix 16.

[1686] Id.

[1687] Id.

[1688] Id.

The default rate across all 30 companies examined increased each fiscal year between 2005 and 2008, from 17.1 percent to 22.6 percent.[1689] This change represents a 32.6 percent increase over 4 years.[1690] DeVry's 3-year default rate has similarly increased, growing from 13.1 percent for students entering repayment in 2005 to 18.3 percent for students entering repayment in 2008.



The default picture at some individual campuses is particularly dire. At DeVry's Carrington College of California campuses, 28 percent of students entering repayment in 2008 defaulted within 3 years.

It is likely that the reported default rates significantly undercount the number of students who ultimately face default, because of companies' efforts to place students in deferments and forbearances. DeVry hired the General Revenue Corporation (GRC), a subsidiary of Sallie Mae, to contact students and sign them up for temporary forbearances and deferments. GRC operates call centers with hundreds of employees trained to "cure" student defaults. Under the agreement, DeVry pays GRC a fee of $45.50 per student borrower.[1691] Unlike other companies, DeVry prioritizes repayment by paying GRC a bonus for students placed in repayments and certain deferments, but not for forbearances.[1692] When a student is in forbearance their loan balances continue to grow as the result of accumulating interest but default is

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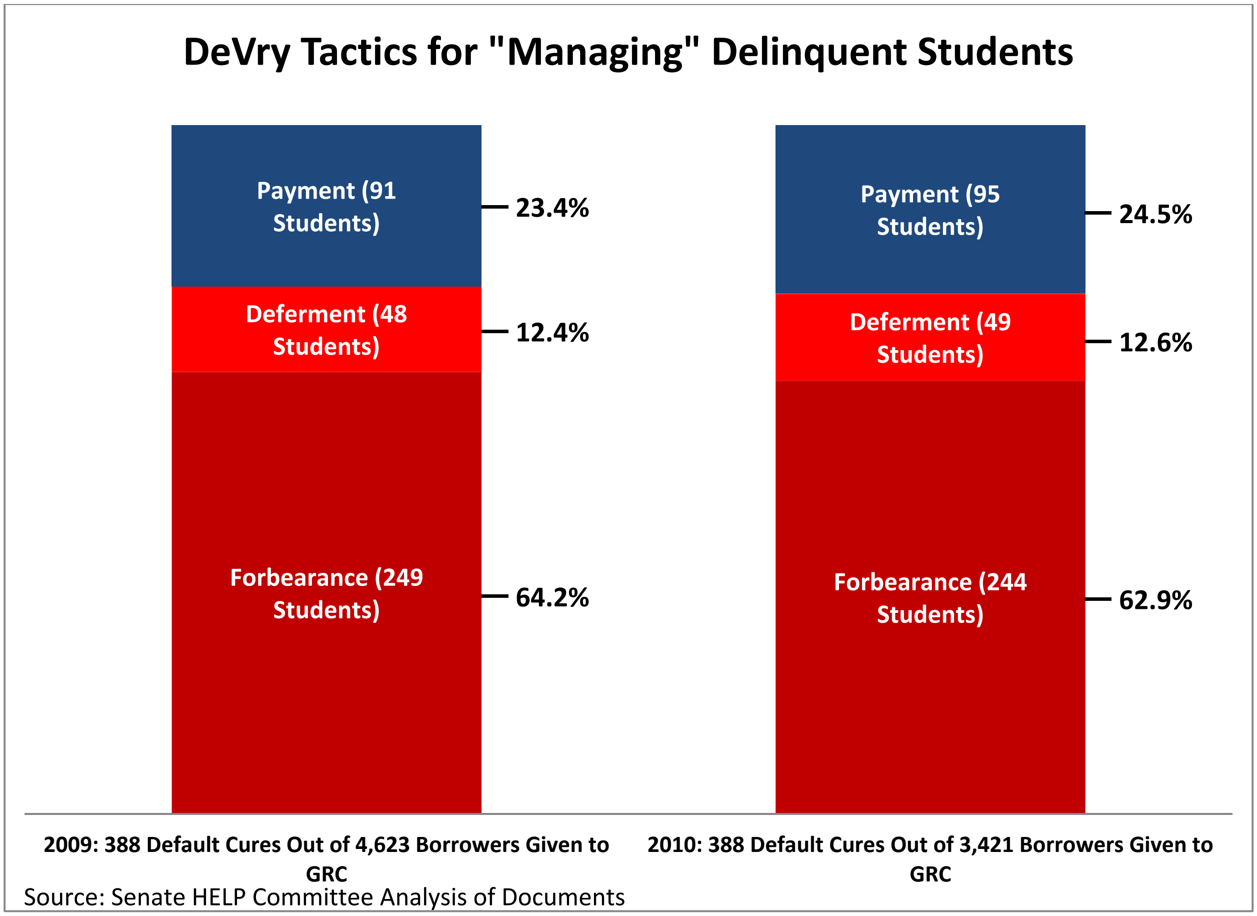
[1689] Senate HELP Committee staff analysis of U.S. Department of Education Trial Cohort Default Rates fiscal year 2005-2008, http://federalstudentaid.ed.gov/datacenter/cohort.html Default rates calculated by cumulating number of students entered into repayment and default for all OPEID numbers controlled by the company in each fiscal year. See Appendix 16.
[1690] Id.
[1691] DeVry, April 16, 2010, Cohort Default Management Agreement with GRC (DEVRY0037214, at DEVRY0037224).
[1692] DeVry, Inc., Services Agreement with Chaperone LLC (DEVRY0037204, at DEVRY0037212), DeVry, Inc., Default Management Update (DEVRY0037181).

averted both for the student and the company. 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 2010, 24.5 percent of DeVry students cured by GRC were cured because they made a payment on their loan.

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.

DeVry spent $2,989 per student on instruction in 2009, compared to $4,054 per student on marketing and $2,890 per student on profit.[1693] 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 4-year colleges and universities, generally spend a higher amount per student on instruction while

[1693] Senate HELP Committee staff analysis. See Appendix 20, 21, and 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.

community colleges spend a comparable amount but charge far lower tuition than for-profit colleges. Other Illinois-based colleges spent, on a per student basis, $11,776 at the University of Illinois at Champagne, $10,018 at DePaul University and $4,603 at College of DuPage.[1694]

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 the committee examined, 80 percent of the faculty is part-time.[1695] In 2010, DeVry employed 1,476 full-time and 7,349 part-time faculty.[1696]

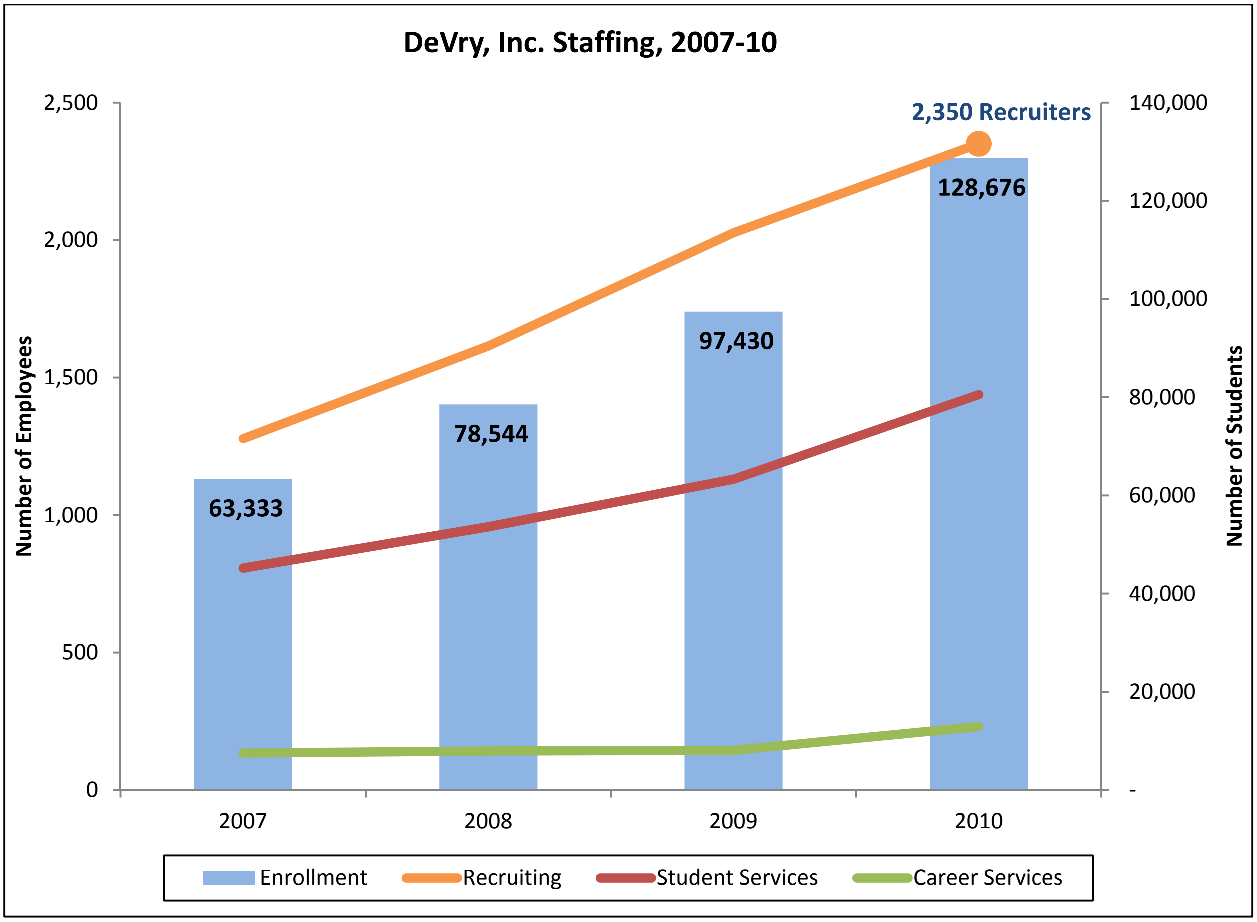
A DeVry presentation on improving academic quality details student concerns with the Chamberlain College of Nursing. One student wrote, "Clinicals are very disorganized. There is no communication between the clinical coordinator and the student when things are needed to compliant [sic]. Clinical experience has not been the best because I feel like I have learned nothing. Some of my instructors are not willing to help me or encourage me to be hands on and learn to my best benefit." [1697] Another student wrote, "I am afraid to go out in the real world – I am not getting what I need here." [1698] A different student wrote, "I don't feel that I can be a competent nurse based on what I am learning here … I am afraid that I am going to end of killing patients [sic]." [1699]

While student complaints may not be representative of the experience of the majority of students, these complaints do provide an important perspective on DeVry's academic quality.

Staffing

While for-profit education companies employ 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 2010, with 128,676 students, DeVry employed 2,350 recruiters, 231 career services employees and 1,438 student services employees.[1700] That means each career counselor was responsible for 557 students and each student services staffer was responsible for 89 students, but the company employed one recruiter for every 52 students.

[1694] 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.
[1695] 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.
[1696] Id.
[1697] DeVry Inc., February 4, 2009, Net Promoter Score, Strategic Pricing, Brand Building (DEVRY0036668, at DEVRY0036683).
[1698] Id.
[1699] Id.
[1700] 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.



Compared to the other large publicly traded companies examined, DeVry does provide its students with relatively robust career placement services. In her testimony before the committee, Sharon Thomas Parrott, DeVry's senior vice president of Government and Regulatory Affairs, outlined the company's efforts:

> Our 200-plus career services professionals support new graduates by connecting students with internship opportunities and facilitating student, graduate and employer interaction at career fairs and networking opportunities. Our career services professionals provide group and individual career advising sessions, career development courses, interview preparation and practice and resume and cover letter guidance.[1701]

Conclusion

Like other for-profit education companies of its size, DeVry's high tuition cost and low retention rates are issues of particular concern. DeVry has grown rapidly in recent years, crossing the $1 billion mark in Federal financial aid dollars and increasing the amount of Pell the company received to $268 million in 2010. However, compared to other for-profit education companies the committee examined, DeVry appears to have better controls on its recruiting practices and a more robust set of student services. Additionally, unlike most other large publicly traded companies, the committee received few complaints from employee whistleblowers and students. Although not conclusive, this dearth of

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1701 Sharon Thomas Parrot (Senior Vice President, Government and Regulatory Affairs & Chief Compliance Officer DeVry Education), Testimony before Senate Committee on Health, Education, Labor, and Pensions, 111th Congress (2010).

negative feedback demonstrates DeVry's stronger commitment to student services and its workplace based programs. More fundamentally, the leadership at DeVry exhibits an ongoing commitment to seeking solutions that better serve students, albeit without sacrificing healthy profits or limiting marketing. As CEO Daniel Hamburger said when he testified before the committee, "our organizational philosophy can be summed up as, 'Quality leads to growth.'" [1702]

[1702] Daniel Hamburger (President and CEO, DeVry Inc.) Written Statement for the Senate Committee on Health, Education, Labor, and Pensions. 112th Congress (2011).