

GI Bill Funds Still Flow to Troubled For-Profit Colleges

The Obama administration's crackdown on for-profit colleges has escaped the notice of one federal agency with an already poor management record: The Veterans Affairs Department takes little or no action when these colleges are punished by federal and state regulators for serious misdeeds, allowing them to continue reeling in millions in Post-9/11 GI Bill dollars. The VA has no formal process to track allegations or consider whether they warrant cutting off the flow of GI Bill dollars to the targeted schools. The VA told POLITICO that it's not an "investigative agency," and a VA official acknowledged that educational and financial forensics is a weakness. Some senators and veterans advocates have said the compliance reviews the VA oversees aren't even asking all the right questions.

Veterans Affairs hasn't even taken the opportunity to shame bad actors through a "Principles of Excellence" program [<https://www.whitehouse.gov/the-press-office/2012/04/27/executive-order>] rolled out by President Obama in 2012 to root out abuse and reward responsible colleges: The agency has never revoked the honor from an institution. Colleges that can still boast about this badge of excellence include campuses owned by EDMC, a chain that paid \$95.5 million to settle federal government claims that it ran a recruitment mill — signing up students with no computer for online programs, for example; campuses of ITT Tech, which is the subject of SEC fraud charges; and Ashford University, which agreed to a \$7.25 million settlement after the Iowa Attorney General accused it of "unconscionable sales practices."

When the VA does suspend a college from enrolling new GI Bill recipients, it doesn't always inform veterans who are current students — who may continue to sink their limited benefits and borrowed dollars into a shaky institution or a degree that won't advance their career. Meanwhile, the agency told POLITICO it has withdrawn 32 schools from GI Bill funding for erroneous, deceptive or misleading practices since 2010 — a tiny percentage of the 34,000 programs it oversees. But it refused to provide the names of those institutions, with the exception of one — the Washington, D.C.-based National Housing Corporation Learning Center — saying the records belong to the state agencies it contracts with.

Carrie Wofford, president of the nonprofit Veterans Education Success, said many of the 2,000 veterans her group helps every year were not aware their colleges faced legal or regulatory scrutiny. "Many of them are very upset with VA when they find out a school they are having a problem with is a school already being sued by state and federal law enforcement for the very thing that happened to the veteran," she said. "VA is putting its stamp of approval on colleges that law enforcement is investigating and suing. The veterans feel let down by the VA, like, why didn't the VA protect me and help?"

Curtis Coy, the VA's deputy undersecretary for economic opportunity, said that government agencies in recent years "have been working together in almost an unprecedented way" to communicate on cases involving for-profit schools, and the VA is taking advantage of that collaboration to improve its oversight. He said the VA works hard to help veterans make informed decisions, for example, by creating the GI Bill Comparison Tool, a website where veterans can look up metrics such as the number of GI Bill veterans attending the institution and the number of complaints veterans have filed against it [<https://www.vets.gov/gi-bill-comparison-tool>]. But that tool doesn't reveal many of the investigations or charges against colleges, and advocates for veterans say those who are already enrolled might not think to use it. Still, Coy maintained that the VA tries "very hard to make sure that our GI bill beneficiaries are good, informed consumers of their benefits."

Indeed, some critics say the VA has made some improvements to its oversight in recent years — but not nearly enough, given the stakes. The Post-9/11 GI Bill, with its promise to help a generation of Iraq and Afghanistan veterans build successful middle-class lives through education, has shelled out more than \$58 billion for 1.5 million veterans and their family members since 2009 — at an average cost of about \$14,000 annually per recipient. Along the way, it's been a bonanza for for-profit colleges. A Senate committee report in 2014 found that eight of the 10 institutions getting the most GI Bill dollars are for-profit colleges, which offer everything from certificates in automotive repair to degrees in criminology. And seven of the eight, the committee said, were facing either a state or federal investigation. Forty percent of GI Bill spending on tuition and fees goes to proprietary schools. As Iraq and Afghanistan veterans wind up their military service and enter the civilian world, the popularity of the benefit is only growing. The administration recently estimated that about 30,000 additional trainees would use the benefit next year.

For-profit colleges say their schools are attractive to veterans because they offer flexible scheduling, online courses and career training in fields popular with veterans. "A lot of them are not looking for the traditional campus experience that you would find at a public four-year institution," said Michael Dakduk, an Iraq and Afghanistan veteran who is executive vice president with the Association of Private Sector Colleges and Universities. But the generosity of the benefit has led for-profits to recruit veterans aggressively. Several schools have been accused of using military insignia and recruitment materials to make it look like a school is Pentagon or VA recommended. Holly Petraeus, who oversees servicemember concerns at the CFPB, has testified about hearing of schools "tormenting" veterans until they enroll and even pressuring those recovering from traumatic brain injuries.

For veterans, many at risk for combat-related mental health issues and often juggling families, picking the wrong school can waste precious time and resources — not to mention taxpayer money. The benefit provides up to four years of tuition and fees along with a books and housing stipend.

Veterans only get one shot: They don't get their GI Bill dollars back if their school closes or they feel they were misled. The worst of the for-profit institutions "are killing these young men's and women's future and VA officials don't seem to be doing anything to push the envelope to go after these folks," said Richard Weidman, executive director for policy and government affairs with the Vietnam Veterans of America. Weidman said the oversight is done "poorly, if at all."

Coy said the VA must balance its watchdog role with its responsibility to help veterans continue on track toward a degree when possible, even if their institution faces scrutiny from authorities. And, he said, the VA's abilities are limited. "Keeping up with all the state attorney generals, keeping up with the Department of Justice, keeping up with [the Consumer Financial Protection Bureau] ... Justice, FTC, it's a huge challenge," Coy said. "Part of our challenge is we don't have the resources or the wherewithal in some cases to do, if you will, financial forensics of a school when we go do a compliance review."

The VA signed an agreement in NOV 2015 with the Federal Trade Commission under which the FTC will help the VA with investigations. Despite that arrangement, the VA didn't stop the flow of funds to DeVry University last month when the FTC sued the company for allegedly misleading students about their job and salary prospects. In the meantime, it placed a caution flag beside the college's name on its GI Bill Comparison Tool and said it was doing a review. (A spokesman for DeVry has defended it as an "honorable institution.")



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The VA also has had a close relationship for more than half a century with what are known as state approving agencies, or SAAs, which approve and monitor educational programs for GI Bill use in their state. Some have just one or two employees, and their budget nationwide has been a flat \$19 million dollars in recent years, even as the GI Bill has ballooned in popularity. Still, the state agencies in some cases have acted in isolated ways that could have saved veterans across the country from wasting their benefits. In August 2014, for example, the California Approving Agency cut off GI Bill funding approval for the California campuses of Corinthian Colleges

following an SEC filing in which Corinthian said it was “fiscally unstable.” But that triggered no broad action by the VA: Hundreds of veterans continued attending the colleges in other states.

When the entire chain collapsed spectacularly last April, GI Bill tuition and housing benefits were suddenly cut off, leaving many veterans without a degree or transferable credits. Rep. Mark Takano (D-CA) said that when Corinthian collapsed, he was appalled that the VA hadn’t been more aggressive in protecting veterans attending the schools. “If there is not just smoke, [if] there is definitely evidence that’s been gathered, damning evidence has been gathered by another entity,” then the VA needs to be more aggressive, Takano said. “Time is ticking away and the student’s time is being taken up.” Coy said the VA had no evidence that Corinthian was about to collapse. And typically, Coy said, the VA attempts to keep students enrolled even if a school has been suspended or withdrawn, to keep their education from being disrupted.

The VA does oversee about 5,000 formal compliance reviews each year, which are largely carried out by the state approving agencies. But the value of the reviews has been questioned. Joseph Wescott, executive director of the North Carolina State Approving Agency, who previously served as president of the National Association of State Approving Agencies, said the reviews simply aren’t designed to catch many of the deceptive marketing and recruiting practices that have become associated with many for-profit colleges. In a compliance review, SAA or VA staff review a set list of concerns, such as whether GI Bill recipients are charged the same or less than non-recipients and that the facility maintains accurate records for veteran students. There are additional checks for the “principles of excellence” schools with questions such as whether they are using “fraudulent and unduly aggressive recruiting.” The process sometimes includes interviews with students. “If you send in a typical VA auditor, guess what?” Wescott said. “They are going to look at the files and the finances, and guess what they are going to find in most of these schools that are for-profit? Spotless files.”

Bob Norton, a retired Army colonel who is deputy director of government relations at the MOAA, argued that the VA should be taking action when it learns another regulator has acted against a school. In such a case, he said, the VA should suspend the institution while it does a review. “This isn’t rocket science here,” he said. Democratic Sen. Dick Durbin, a long-time for-profit college critic, said the VA “should be far more aggressive and far more timely” with investigations, and a central database across all agencies to help track what regulators are doing would be enormously helpful. But he added that it’s unfair to single out the VA because other agencies should also be doing more. He said he will be pushing during efforts to update the Higher Education Act for Congress to provide more clear guidance to federal agencies on their oversight responsibilities.

But the VA doesn’t always take its cues from other federal agencies, either. Last October, the Defense Department placed the University of Phoenix — which gets more GI Bill dollars than any

other institution — on probation from its tuition assistance program for active duty military personnel, for alleged violations such as failing to get permission from education advisers before entering military bases. As it did with DeVry, the VA launched a review and placed a caution flag for the university on the GI Bill Comparison Tool, but didn't cut off funding to the institution. The flag was removed when the University of Phoenix was reinstated by the Defense Department after addressing the allegations, and the university's president, Timothy Slottow, said it is committed to "compliance, transparency and continuous improvement."

In the case of ITT Tech, the VA did act when the SEC charged the company and its CEO and CFO with fraud for allegedly hiding financial problems from investors. The VA asked its state approving agencies to review each ITT campus and it temporarily suspended 17 ITT schools in four states, Coy said. Yet it didn't tell vets attending those campuses that their institutions had been suspended. The suspensions were removed when ITT addressed the VA's compliance concerns, although the SEC lawsuit is ongoing. Coy noted the fraud charges do not involve the education ITT offers. ITT has vigorously denied the charges, and a spokeswoman said the company is always happy to work with the VA on compliance reviews.

A major settlement with the federal government doesn't necessarily lead to a restriction in the flow of GI Bill dollars to a college, either. The Justice Department accused EDMC, a large national chain that received \$156 million in GI Bill tuition and fees dollars in 2014, of "running a high pressure boiler room where admissions personnel were paid based purely on the number of students they enrolled." In addition to agreeing in November to pay the government \$95.5 million, EDMC said it would forgive the private loan debts of tens of thousands of former students but admitted no wrongdoing. Even though Attorney General Loretta Lynch said veterans were one of the groups the government wanted to protect in the case, Coy said the details of the settlement preclude the VA from taking further action against EDMC. But the VA should have acted against EDMC long before the settlement, according to Democratic Sens. Richard Blumenthal, Durbin, Elizabeth Warren and Sherrod Brown. In a letter to VA Secretary Robert McDonald in December, they expressed astonishment that VA "did not discover such illegal behavior through its compliance surveys and subsequently restrict access to Post-9/11 GI Bill funding."

We urge VA to "make any necessary reforms to ensure that the [compliance surveys] represent an accurate indication of a program's compliance with all GI Bill eligibility criteria, including the bans on misleading recruiting and advertising and incentive compensation," the senators said. In an interview, Brown said VA officials need to make a change in their mindset and begin to see their agency as a regulator and protector of the GI Bill benefit. He said the VA's leadership instead takes the same view it did in the post-World War II era, long before the rise of for-profit chains. "The for-profits are a whole 'nother animal and the VA's never had the history of this kind of oversight," Brown said. The VA doesn't "seem to be looking at evidence of malfeasance or of fraud or at other federal agencies doing investigations." Coy defends the agency's work. "We try

very hard to not say this school is a bad school and this school is a good school,” Coy said. “What we try to say very hard is 'Here’s the information that we have on this school, it’s important for you to do your own due diligence!’.”

[Source: POLITICO | Kimberly Hefling | February 25, 2016 ++]