

CONSUMER ADVISORY

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A Lesson in For-Profit Colleges

One of the keys to getting a good job, a better job or even a raise in pay might be a better education. For-profit colleges, including technical schools, offer alternatives to traditional private, public and community colleges. Consumers seeking to further their education may find these alternatives appealing, as for-profit colleges with online degree programs are generally flexible for those who work, they're often focused on specific careers, and they may promise to open new doors.

But, as with any company that makes promises to consumers, prospective for-profit college students should do their homework before making the large financial commitment necessary to obtain a degree. According to a recent study by the National Bureau of Economic Research, for-profit school students end up with higher unemployment and "idleness" rates and lower earnings six years after entering programs than do comparable students from other schools. They also have far greater student debt burdens and default rates on their student loans. According to the U.S. Department of Education, students at for-profit institutions represent 12 percent of all higher education students, 26 percent of all student loans and 46 percent of all student loan dollars in default.

Before considering enrolling in a for-profit institution, research the college, its claims and its costs (tuition and fees):

Do the math! How much is tuition? Compare tuition at a for-profit college with tuition at a public university or community college. According to a 2010 Government Accounting Office (GAO) study, programs at the for-profit colleges GAO tested cost substantially more for associate's degrees and certificates than comparable degrees and certificates at public colleges nearby. And how do you plan to pay for that degree? Run the numbers and make sure you can repay your school debt. You'll find a loan calculator at www.finaid.org. Remember that government loans for school carry strict repayment obligations and are not dischargeable in bankruptcy. Defaulting on a student loan will affect you and your finances indefinitely. You can check a college's default rate, called a cohort default rate, through the U.S. Department of Education's website (go to www.ed.gov and in the search box, type "cohort default rates").

Is the school accredited? The goal of accreditation by an independent, outside organization is to ensure that education provided by institutions of higher learning meets acceptable levels of quality. There are many different accrediting bodies—both regional and national—and some types of accreditation are more widely accepted than others. The U.S. Department of Education (www.ed.gov) and the Council for Higher Education Accreditation (www.chea.org) maintain their own accreditation databases. Even more importantly, determine whether the specific program you want to major in is accredited in the field and will get you to your desired level.

If you earn a degree, then what? Ask the for-profit college you're considering for graduation rate information ("gainful employment" in a recognized occupation), and compare it to an area public university or community college. Ask the recruiter about your potential income after graduating, and ask about its job placement track record. How does it compare to other colleges? Call some employers and ask their human resources staff if they would hire someone with a degree from the college you're considering and their salary range. Ask recent graduates of the program you're considering what type of job success they've had. Are your potential benefits, if any, worth the cost? If a college recruiter *guarantees* you'll get a job, that's a red flag!

Be wary of pressure telemarketing, and don't be rushed into making a decision that has such high financial risk. Ask questions, gather information, and take all the time you need to make the right decision.