

Credit Problem

Battle Over Academic Standards Weighs On For-Profit Colleges

Many Traditional Schools Don't Accept Degrees; Congress Ponders New Law

Mr. Pitts: '4 Years for Nothing'

By **JOHN HECHINGER**
 Staff Reporter of THE WALL STREET JOURNAL
 September 30, 2005; Page A1

TAMPA, Fla. -- For-profit colleges are booming. But a new fight between these upstarts and the education establishment raises a key question: How much are degrees from for-profits really worth?

Some angry graduates are suing for-profit colleges, claiming that they were misled into thinking their course work would be accepted elsewhere. Traditional colleges rarely recognize the work done by students at for-profits, arguing their academic standards aren't high enough. So these students often have to start over if they want to go elsewhere to complete or advance their studies.

Now Congress appears poised to pass legislation that favors the for-profits, a group of heavily marketed schools that are often owned by publicly traded companies. Traditional colleges -- the public and private nonprofit institutions from the Ivy League to state universities that long have formed the backbone of U.S. higher education -- are fighting the changes.

The traditional colleges question the rigor of many of these newer rivals, which offer degrees in such subjects as auto repair and massage therapy but have also branched out into business and other courses of study. The eight regional associations that have long set standards for traditional colleges recognize only a few of the thousands of for-profit colleges. These gatekeepers evaluate everything from the faculty's level of preparedness to the quality of libraries. Meanwhile, some for-profit graduates have been left with heavy debts and unfulfilled goals.



Terry Pitts

Terry Pitts dreamed of quitting his job as a prison guard and becoming a lawyer. So he enrolled at Florida Metropolitan University in Tampa for a bachelor's degree in criminal justice. [Corinthian Colleges Inc.](#), one of the nation's largest chains of for-profit colleges, owns FMU.

Before graduating from FMU with a nearly straight-A average in 2003, the Gulf War veteran says he was dismayed to discover local law schools wouldn't accept his degree. He says that three years earlier Dolly Brown, then FMU's dean of students, assured him that he would have no problem using his FMU degree to qualify for law school.

Now 35 years old and married with two children, Mr. Pitts works as a

[EMAIL](#) [PRINT](#)

Start a **FREE** trial of the **Online Journal**



Subscribe to **The Print Journal**



Free US Quotes:

Symbol

Name

Get **FREE E-Mail** by topic

Check Out our **Mobile & Wireless Services**

DIGEST OF EARNINGS

Details of the latest corporate earnings reported for FREE.

advertisement

COMPANIES

Dow Jones, Reuters

[Corinthian Colleges Inc. \(COCO\)](#)

PRICE	13.16
CHANGE	0.11
U.S. dollars	4:00p.m.

[Career Education Corp. \(CECO\)](#)

PRICE	35.00
CHANGE	0.07
U.S. dollars	4:00p.m.

[Apollo Group Inc. Cl A \(APOL\)](#)

PRICE	60.99
CHANGE	0.44
U.S. dollars	4:00p.m.

* At Market Close

Personalized Home Page Setup
 Put headlines on your homepage about the companies, industries and topics that interest you most.

construction foreman, lives in a mobile home and has \$56,000 in student loans from his FMU education. He says he can't afford the tuition for a recognized bachelor's degree from another college. "I spent four years for nothing," he says.

Across the country, former students of for-profit colleges have filed at least half a dozen lawsuits, alleging they were misled about whether other colleges would accept their course credits or degrees. FMU has faced four such suits, including one filed on behalf of Mr. Pitts and about 100 other former students. They say admissions officials, administrators and instructors told them repeatedly they could take their work to traditional colleges. Corinthian in a statement calls the complaints "baseless."

On its Web site, FMU says it is a "qualified institution of higher learning with approved programs of study." There is no mention course credits may not be transferable or that FMU degrees might not be accepted elsewhere.

But Corinthian, like many for-profit colleges, says it has told students in writing before enrollment that it doesn't guarantee credits will transfer. An independent arbitrator recently backed FMU's defense in a court case. Through a spokeswoman, Ms. Brown, now a regional manager at Corinthian, denies promising Mr. Pitts that other colleges would accept his work and says he may have misconstrued a discussion about a state system that makes certain credits easy to transfer.

Until recently, such disputes have had little impact on the success of for-profits, whose enrollment is growing four times as fast as that at traditional colleges. It now stands at 1.7 million students, up 42% from five years ago, and accounts for 9% of all U.S. college and graduate students, according to Eduventures Inc., a Boston research firm. Convenient campuses, flexible hours and online courses have spurred this success. But multiple lawsuits questioning the quality of the for-profits have weighed on the stock prices of onetime highfliers, including Corinthian, [Career Education Corp.](#) and [Apollo Group Inc.](#), which owns University of Phoenix.

With growing concern over the rejection of their students' work, the for-profit industry is pushing a bill that would make it more difficult for traditional colleges to reject course credits and degrees from their schools. It is now pending before Congress as part of broader higher-education legislation.

The Republican leadership and Bush administration support the legislation, including the credit-transfer provision and others that would provide more financial-aid dollars to these institutions. Mr. Bush has generally supported private initiatives in education, such as government-funded vouchers that grade-school children can use to attend private schools. Supporters say the for-profit colleges are providing a valuable service to students, many of them low-income, who need skills and training they aren't getting from traditional colleges.

The Senate is considering similar legislation, which is expected to pass by early next year. Traditional state and private colleges could still reject credits and degrees from for-profits, but they would have to provide more detailed reasons for rejecting the credits.

Traditional schools say it would be too expensive to evaluate each transcript from a for-profit school to see if it passes muster. So they argue that a rule against blanket rejection of degrees and coursework from such schools would end up diluting the value of college degrees. For-profit schools, which are heavy contributors to congressional campaigns, "are buying legislation for their otherwise suspect goods," says Barmak Nassirian, associate executive director of the American Association of Collegiate Registrars and Admissions Officers.

At the center of the debate is the little-known system for ensuring quality control in U.S. higher education. Traditional colleges receive stamps of approval from eight regional accrediting commissions, whose charters typically date to the 19th century. These agencies are voluntary

outfits supported by dues from schools. They evaluate colleges on measures such as the degrees held by faculty, professor-to-student ratios and the number of volumes in school libraries. While 3,000 traditional colleges have this accreditation, only about 90 for-profit colleges do.

Instead, more than 3,000 for-profits get their seals of approval from newer so-called national accrediting bodies. Many of these groups were created in the 1970s to certify trade schools. In their reviews, the newer agencies focus more on schools' job-placement records than on academic credentials, officials say. Corinthian says 80% of its graduates get jobs related to their fields of interest.

'Costly and Anticompetitive'

In Congressional testimony last year, Corinthian Chairman David Moore called the traditional colleges' rejection of credits issued by for-profit schools "unfair, costly and anticompetitive." Only 18% of schools without regional accreditation had their course credits accepted by traditional institutions, according to a 2001 study by the Career Training Foundation, which is funded by for-profits.

The U.S. Department of Education recognizes both the traditional and the newer accreditation systems in providing government backing for loans and other aid to students attending colleges. Schools with the newer accreditation often tell prospects they are "fully accredited."

But students such as Christopher Dacus, who studied automotive technology three years ago at for-profit Lincoln Technical Institute in Grand Prairie, Texas, find that their credentials can have drawbacks.

Mr. Dacus attended a 10-month program at the school, a unit of West Orange, N.J.-based Lincoln Educational Services Corp. Now 22, Mr. Dacus says that before he enrolled, he asked if he could apply his work toward a two-year associate's degree at a junior college. He says a Lincoln admissions counselor whose name he can't remember replied that he could. But he says some community colleges later turned down his Lincoln credits, citing the school's lack of accreditation from one of the traditional regional groups.

Mr. Dacus says he later got a job at an auto dealer that required no more than a high-school diploma. He and his family owe \$16,000 in government-backed student loans.

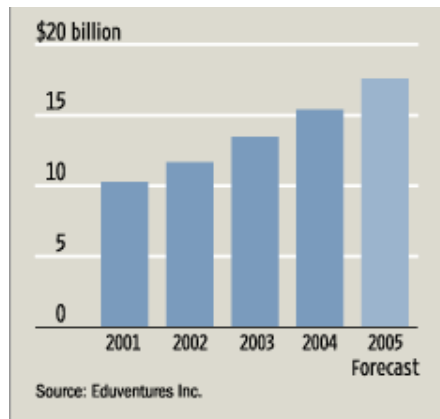
Scott Shaw, a Lincoln senior vice president, says Mr. Dacus initialed and received forms among his enrollment documents explaining that the transferability of his credits "may be limited."

In Tacoma, Wash., the for-profit Crown College faces two lawsuits from former students who claim the school misled them about whether coursework from the school, which is accredited by one of the newer bodies, would transfer. In a court declaration related to the suits, David H. Elder Jr., a Crown instructor from 1999 through 2001, says students complained to him about the transfer problem.

Mr. Elder says he asked John Wabel, Crown's owner, about the transfer problems in May 2001. Mr. Elder says Mr. Wabel told him to "forget about it" and said getting regional accreditation would be too expensive. Mr. Elder says he was asked to leave Crown over the dispute.

Mr. Wabel says the conversation never occurred, and the school denies the allegations in the suits, filed in Pierce County Superior Court in Tacoma. Mr. Wabel says Crown discloses in writing that it doesn't guarantee credits will transfer.

Few companies have faced as much controversy over transfers as Corinthian, founded in 1995. The Santa Ana, Calif., company, whose shares trade on the Nasdaq Stock Market, has 128 campuses in the U.S. and Canada.



Swelled by acquisitions of other colleges, Corinthian enrolls 66,000. In the year ended June 30, its revenue was \$964 million, up 21% from the previous year. But profit, which had tripled between 2001 and 2004, dropped 23%, to \$58 million. The company blamed high turnover among admissions officers for a slowing in new enrollments. From the company's initial public offering in 1999 until their peak last year, shares rose in value about 10 times. Since then, amid the lawsuits against Corinthian and other for-profits, as well as government investigations of the industry, shares have lost more than half their value.

In Florida, many established institutions shun Corinthian's FMU, which has 10 campuses with more than 11,000 students. The Tampa campus consists of a two-story, blue-and-white building between a gas station and a self-storage outlet. Across the street is the Wild Nights Gentleman's Club.

In January 2002, FMU applied for membership to the Southern Association of Colleges and Schools, the traditional regional accreditor of institutions such as Duke University and the University of Florida. That August, Ann B. Chard, associate executive director of the regional association's accrediting commission, replied with a seven-page letter indicating FMU fell short, according to a copy filed as an exhibit in one of the court cases.

Ms. Chard's assessment cited FMU's "disproportionate number" of part-time faculty members -- 417 part-timers versus 134 full time. Ms. Chard also listed more than 50 faculty members who, in most cases, appeared "to lack the formal academic hours/degrees required." At FMU's Brandon location in suburban Tampa, one instructor had a nursing degree but taught medical law and ethics. The letter also questioned the size and staffing of the schools' libraries.

In March 2003, FMU withdrew its accreditation application to the Southern Association. Anna Marie Dunlap, Corinthian's senior vice president for investor relations, says Corinthian was concerned that the accrediting agency required it to freeze expansion during the review, which can take years.

Ms. Chard says FMU withdrew so early in the process that "no conclusions can be reached" about whether FMU could have gained membership.

Last September, many prospective FMU students received an anonymous email accusing the school of misleading students about accreditation and transferring credits, according to a lawsuit FMU filed against two former admissions reps and five "unnamed co-conspirators." The suit, filed in Hillsborough County Circuit Court in Tampa, accuses the former employees of theft of trade secrets and defamation.

The email said an FMU degree could be "a very expensive mistake," according to a copy filed in court. "You will have great difficulty finding another school that will accept any of the work that you have done here."

Stephen Backhus, a former FMU admissions rep named in the suit, says he wrote and sent the email. He says he felt guilty about enrolling students. "I couldn't take it anymore," he says. FMU fired Mr. Backhus in October last year for his role in contacting students.

Corinthian's Ms. Dunlap says the email was "filled with distortions and inaccuracies." While the company doesn't track numbers of those who have successfully transferred their credits, she provided names and details of seven students who transferred to schools with traditional regional accreditation. One was Dorian Matthews, 30, who received a bachelor's in accounting

from FMU in Tampa in 2000, then an MBA from the University of Tampa in 2002. In an interview, Ms. Matthews described the transition between the schools as "fine and dandy."

Grant Donaldson, director of public affairs at University of Tampa, says the school generally accepts credits only from regionally accredited schools and doesn't tend to accept coursework from FMU but has made exceptions for strong applicants.

Corinthian says it will "go to bat" to help students get their coursework accepted elsewhere and that those who fail to win over other schools may have weak grades or references. The company also says it provides students with enrollment papers and course catalogs that state the school "neither implies nor guarantees" its credits will be accepted elsewhere. In court, FMU has provided copies of these disclosures initiated by former students, including Mr. Pitts and others suing the school.

Corinthian also says students, when enrolling, agreed to submit to a private arbitration panel, rather than sue in court. In one case, filed in Broward County Circuit Court in Fort Lauderdale last year, the company succeeded in sending the dispute to a panel. In July, an arbitrator ruled in Corinthian's favor.

Mr. Backhus and former students say these disclosures were buried in the fine print. They say the language -- that credits aren't "guaranteed" to transfer -- understates the rarity of getting the work accepted elsewhere. Some former students, such as Mr. Pitts, say they don't remember signing such disclosures at all. They also contend conversations with school staff and others contradicted the written material.

'Automatic Response'



**Beverly James
Snyder**

Five years ago, Beverly James-Snyder, a student suing FMU, says she told the college before enrolling that she planned to go to law school. She asked whether she could transfer credits to University of South Florida, where she wanted to get her bachelor's degree. Edward Whittle, an instructor, told her local schools would "have to accept my credits without question," according to Ms. James-Snyder's sworn statement filed in court.

Through Corinthian's Ms. Dunlap, Mr. Whittle says he doesn't recall the conversation but says his "automatic response" to such questions is that "there is no guarantee credits can be transferred."

Ms. James-Snyder, now 40, completed her associate's degree in paralegal studies in 2002. But when she tried to enroll at University of South Florida that year, "they laughed me out of their office," she says. She now studies at University of Phoenix, a for-profit school with regional accreditation that accepted only a third of her FMU credits. She owes more than \$20,000 in loans for FMU.

On the wall of her home office, Ms. James-Snyder used to hang certificates she earned for making the FMU honor role, with her 4.0 grade-point average. She has taken them down. "This degree isn't worth the paper it's written on," she says.

Write to John Hechinger at john.hechinger@wsj.com

 [FORMAT FOR PRINTING](#)

Sponsored by

[Return To Top](#)