



Highlights of [GAO-10-948T](#), a testimony before the Committee on Health, Education, Labor, and Pensions, U.S. Senate

### Why GAO Did This Study

Enrollment in for-profit colleges has grown from about 365,000 students to almost 1.8 million in the last several years. These colleges offer degrees and certifications in programs ranging from business administration to cosmetology. In 2009, students at for-profit colleges received more than \$4 billion in Pell Grants and more than \$20 billion in federal loans provided by the Department of Education (Education). GAO was asked to 1) conduct undercover testing to determine if for-profit colleges' representatives engaged in fraudulent, deceptive, or otherwise questionable marketing practices, and 2) compare the tuitions of the for-profit colleges tested with those of other colleges in the same geographic region.

To conduct this investigation, GAO investigators posing as prospective students applied for admissions at 15 for-profit colleges in 6 states and Washington, D.C.. The colleges were selected based on several factors, including those that the Department of Education reported received 89 percent or more of their revenue from federal student aid. GAO also entered information on four fictitious prospective students into education search Web sites to determine what type of follow-up contact resulted from an inquiry. GAO compared tuition for the 15 for-profit colleges tested with tuition for the same programs at other colleges located in the same geographic areas. Results of the undercover tests and tuition comparisons cannot be projected to all for-profit colleges.

[View GAO-10-948T](#) or [key components](#). For more information, contact Gregory Kutz at (202) 512-6722 or [kutzg@gao.gov](mailto:kutzg@gao.gov).

## FOR-PROFIT COLLEGES

### Undercover Testing Finds Colleges Encouraged Fraud and Engaged in Deceptive and Questionable Marketing Practices

#### What GAO Found

Undercover tests at 15 for-profit colleges found that 4 colleges encouraged fraudulent practices and that all 15 made deceptive or otherwise questionable statements to GAO's undercover applicants. Four undercover applicants were encouraged by college personnel to falsify their financial aid forms to qualify for federal aid—for example, one admissions representative told an applicant to fraudulently remove \$250,000 in savings. Other college representatives exaggerated undercover applicants' potential salary after graduation and failed to provide clear information about the college's program duration, costs, or graduation rate despite federal regulations requiring them to do so. For example, staff commonly told GAO's applicants they would attend classes for 12 months a year, but stated the annual cost of attendance for 9 months of classes, misleading applicants about the total cost of tuition. Admissions staff used other deceptive practices, such as pressuring applicants to sign a contract for enrollment before allowing them to speak to a financial advisor about program cost and financing options. However, in some instances, undercover applicants were provided accurate and helpful information by college personnel, such as not to borrow more money than necessary.

#### Fraudulent, Deceptive, and Otherwise Questionable Practices

Degree/certificate, location	Sales and Marketing Practice
Certificate Program – California	Undercover applicant was encouraged by a college representative to change federal aid forms to falsely increase the number of dependents in the household in order to qualify for grants.
Associate's Degree – Florida	Undercover applicant was falsely told that the college was accredited by the same organization that accredits Harvard and the University of Florida.
Certificate Program – Washington, D.C.	Admissions representative said that barbers can earn up to \$150,000 to \$250,000 a year, an exceptional figure for the industry. The Bureau of Labor Statistics reports that 90 percent of barbers make less than \$43,000 a year.
Certificate Program – Florida	Admission representative told an undercover applicant that student loans were not like a car payment and that no one would "come after" the applicant if she did not pay back her loans.

Source: GAO

In addition, GAO's four fictitious prospective students received numerous, repetitive calls from for-profit colleges attempting to recruit the students when they registered with Web sites designed to link for-profit colleges with prospective students. Once registered, GAO's prospective students began receiving calls within 5 minutes. One fictitious prospective student received more than 180 phone calls in a month. Calls were received at all hours of the day, as late as 11 p.m. To see video clips of undercover applications and to hear voicemail messages from for-profit college recruiters, see <http://www.gao.gov/products/GAO-10-948T>.

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. A student interested in a massage therapy certificate costing \$14,000 at a for-profit college was told that the program was a good value. However the same certificate from a local community college cost \$520. Costs at private nonprofit colleges were more comparable when similar degrees were offered.