

# ***Are Current Policy Changes Closing the Door to College for Students of Color?***

New scholarly analyses of present and proposed policy changes

## The Impact of the PROSPER Act on Under-represented Students in For-profit Colleges

Brian Pusser & Matt Ericson<sup>1</sup>

### Executive Summary

One striking aspect of the pending GOP-sponsored PROSPER Act is the degree to which it would roll back reforms instituted over the past three decades that have provided essential protections for students enrolled in for-profit universities, their families and their communities. We focus attention here on for-profit 4-year institutions and summarize an array of scholarly research and evidence about this sector. Research demonstrates that, by such essential measures as completion rates, student indebtedness, student loan delinquency, student loan default, and the public cost of for-profit institutional failure, for-profit 4-year colleges produce less effective outcomes for America's students, their families, communities and our higher education system than do nonprofit colleges.

### Demographics and Outcomes

Student demographics at for-profit institutions are distinctly different from those at public and private non-profit institutions, and the outcomes for-profit colleges produce significantly impact Black, Hispanic, and other traditionally underrepresented students in higher education.

- For-profit 4-year institutions enrolled approximately 717,000 students in 2016.<sup>2</sup>
- In 2016, 46% of students enrolled in 4-year for-profit universities were Black or Hispanic students.<sup>3</sup>
- Graduation rates at 4-year for-profit colleges are significantly lower than those at both public and private non-profit institutions.
- For all students who began at a 4-year for-profit college in 2009, less than one-fourth (22.7%) had completed a baccalaureate degree by 2015. Over the same period, 66% of all students in 4-year private nonprofit universities completed a baccalaureate degree, and 59% of students in public universities completed a baccalaureate degree.<sup>4</sup>
- For Black students who began in 4-year for-profit universities in 2009, only 15.5% had completed a baccalaureate degree in six years. This was considerably less than half the six-year graduation rate for Black students who began in 4-year public universities in 2009 (40.4%), and just over one-third of the six-year graduation rate for Black students who began in 4-year private nonprofit universities in 2009 (43.5%)<sup>5</sup>
- For Hispanic students who began in 4-year for-profit universities in 2009, only 28.7% had completed a baccalaureate degree in six years. This was far below the six-year

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<sup>1</sup> Brian Pusser is an Associate Professor in the Higher Education program of the Curry School of Education, University of Virginia. Matt Ericson is a doctoral student in the Higher Education program at the Curry School of Education, University of Virginia.

<sup>2</sup> *Digest of Education Statistics* NCES Table 306.50 Total fall enrollment in degree-granting postsecondary institutions, by control and classification of institution, level of enrollment, and race/ethnicity of student: 2016

<sup>3</sup> U.S. Department of Education, Fall Enrollment component. See *Digest of Education Statistics 2017*, [table 306.50](#).

<sup>4</sup> *Digest of Education Statistics* NCES Table 326.10.(2016). Graduation rate from first institution attended for first-time, full-time bachelor's degree-seeking students at 4-year postsecondary institutions, by race/ethnicity, time to completion, sex, control of institution, and acceptance rate: Selected cohort entry years, 1996 through 2009.

<sup>5</sup> *Ibid.*

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graduation rate for Hispanic students in public universities (52.8%), and less than half the graduation rate for Hispanic students in private nonprofit universities (61.1%).<sup>6</sup>

- Students at for-profit institutions use a disproportionate amount of federal aid. They borrow, and default, at significantly higher rates than students at non-profit institutions.
- In 2014, approximately 580,000 students defaulted on their student loans after two years. Of those, just over 190,000 (32%) had been enrolled in the for-profit sector, which enrolled approximately 10% of all students in postsecondary education.<sup>7</sup>
- For borrowers who entered repayment in 2011-2012, the rate of default for students in for-profit 4-year institutions, two years after beginning repayment, was twice as high as for students in public nonprofits, and more than 2.5 times higher when comparing for-profits to private nonprofits.<sup>8</sup>
- After five years, 47% of the 2009 cohort of student borrowers in for-profit institutions had defaulted on federal student loans.<sup>9</sup>

### Recommendations

Reauthorization should include greater regulation of the for-profit sector and a shift in resources and support to those institutions with the most effective outcomes for students--America's nonprofit private and public colleges.

- Preserve the existing gainful employment and cohort default rate provisions in order to increase accountability--through federal collection and analysis of data on labor market outcomes for students in for-profit colleges and their ability to repay loans incurred while enrolled.
- Return to the 85/15 rule in place under earlier reauthorizations.
- Restore restrictions on incentive payments for generating enrollments.
- Restore the borrower defense rules and add additional protections for students against institutional fraud.
- Restore income-contingent repayment plans and develop new, evidence-based plans to ease loan repayment.
- Create financial and other incentives for institutions of all types to increase student completion.

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<sup>6</sup> Ibid.

<sup>7</sup> Comparison of FY 2014 Official National Cohort Default Rates to Prior Two Official Cohort Default Rates Calculated August 5, 2017. Federal Student Aid – An Office of the U.S. Department of Education.

<sup>8</sup> Adam Looney and Constantine Yanellis. The Crisis in Student Loans? How Changes in the Characteristics of Borrowers and in the Institutions they Attended Contributed to Rising Loan Defaults. Abstract, and Comment by Karen Pence. Brookings Paper on Economic Activity. Fall 2015.

<sup>9</sup> Ibid.