

Contents

WASHINGTON PERSPECTIVE

How Did We Get Into This Student Loan Crisis?

Sharon Bob's comprehensive chronicle of the evolution of the student loan crisis details the events, the players and forces that have combined to produce a serious challenge to student access of postsecondary education. p.1

A Silver Lining From the Credit Crunch

This highly critical article maintains that if there is a silver lining to the credit crunch, it is that for-profit colleges and loan companies, like Sallie Mae, are being forced to think twice before pushing high-risk borrowers to take on expensive private loan debt that they have little hope of ever paying back. p.9

The Washington Post Gets the Story Wrong

According to Stephen Burd of *Higher Ed Watch*, there is no loan crisis for the majority of students despite press reports. Only for-profit schools with "terrible track records" are in danger of losing access to private loans. p.10

The Real Credit Crunch Culprit

Behind the rising panic over the student loan crunch is an effort to get Congress to revisit lender subsidy cuts it made last fall. p.12

Blind-Sided at Sallie Mae?

Financial analysts have long raised red flags about Sallie Mae's private lending practices, with special interest on the "sweetheart" deals with for-profit chains. p.14



The Career College Information Source

The *Career Education Review* is a copyrighted and trademarked publication of The Baxandall Co., Inc., d/b/a Workforce Communications

Michael J. CooneyEditor
Terry L. StaerckelProduction Manager
Stacy L. SchomburgProduction Designer
Cheryl HentzStaff Writer
Sean P. JohnsonStaff Writer
Barbara SchmitzStaff Writer

WORKFORCE COMMUNICATIONS

627 Bay Shore Drive, Suite 100, Oshkosh, WI 54901
 920-231-9950 • 1-800-558-8250 • Fax 920-231-9977

Web site: www.workforce-com.com
 Email: mcooney@workforce-com.com

Editorial Advisory Board:

- ❖ **Chairman**
Stephen B. Friedheim
Education Systems & Solutions, Dallas, TX
- ❖ Richard W. Ashley, President
Enrollment Management Innovations, Fort Myers, FL
- ❖ Richard R. Dumaresq, Executive Director
PAPSA, Harrisburg, PA
- ❖ Jan Griffin, President
Griffin Marketing Group, Indianapolis, IN
- ❖ John B. Lee, Ed.D., President
JBL Associates, Inc., Bethesda, MD
- ❖ Robert L. Martin, President
Imagine America Foundation
- ❖ Tom E. Netting, Vice-President
Jefferson Government Relations, Washington, DC
- ❖ Harry Weber, President
Weber & Associates, Greenville, SC

▶ The *Career Education Review* is archived by the University of California, Los Angeles (UCLA).

© 2008 The Baxandall Co., Inc.

A Student Loan Credit Crunch— But for Whom?

The CCA Policy Forum, held in Washington, DC, March 10–12, is reported on in detail in this *Inside Education* article. p.16

CCA’s Policy Forum and Hill Day 2008 a Resounding Success

Representative Jason Altmire (D-PA) and Assistant Secretary for Postsecondary Education Diane Auer Jones, as well as congressional staff, were featured speakers at this annual CCA event. p.19

Most Career Colleges Worried About Loan Access, Association Says

The CCA survey revealed that most respondents were concerned about student access to FFEL program, Direct Loan program and private loans. p.20

STUDENT LOAN ISSUES

Defaulted Student Loan Collections Market at \$974 Million According to Kaulkin Media Study

The Department of Education’s portfolio of defaulted student loans now stands at \$40 billion. p.21

Class Action Lawsuit Challenges Sallie Mae’s Subprime Lending Practices

The company is facing a potential series of class action lawsuits from angry investors who believe the company misled them about the amount of risk the company was taking on in pushing high-cost private loans on subprime borrowers attending poor-performing trade schools. p.22

SLM CEO Does Well

CEO Albert Lord was paid more than \$1.6 million last year. Thomas J. Fitzpatrick received \$27.1 million before stepping down as CEO. p.22

IN THE STATES— TENNESSEE

TAICS Offers Help to Displaced Students

The association is working proactively and collaboratively with neighboring and member institutions to help relocate students from

Tennessee Career College, which closed March 3, 2008. p.23

For-Profits’ Tuitions Often Vary Widely *Degrees can cost much more than public schools’*

The Tennessee legislature is considering a bill that would require for-profit schools to cap their tuition at 50 percent of the expected starting salary of a particular program. p.24

State Scrutinizes For-Profit Colleges *Students’ complaints result in move to tighten standards*

House Majority Leader Gary Odom is advocating greater disclosure by the schools and regional accreditation by 2012. p.25

Tell The Truth About Career Colleges

TAICS’ executive director, Donna Clarkin, responds to recent bad press and state legislative initiatives. p.27

Tennessee Legislative Update

TAICS reports progress in their legislative fight. p.29

CAREER COLLEGE UPDATES

Art of the Deal

*There’s big money in studying art...
if you own the school*

In a lengthy and detailed article, The Art Institute of Pittsburgh and EDMC are examined regarding cost, student outcomes, and the validity of the various programs given the schools’ high tuition. p.30

NEW CAMPUS LOCATIONS

DeVry University and its **Keller Graduate School of Management** will open a new center in Palmdale, California. p.37

PERSONNEL APPOINTMENTS AND PROMOTIONS

Robert E. Dowdell, current chairman of Career Education Corporation, won’t stand for re-election when his term expires in May, and will be succeeded by **Steven H. Lesnik**, **Edward A. Snyder** and **David**

Devonshire will also join CEC's board of directors. p.38

Manoj Kulkarni has joined Career Education Corporation as chief information officer. p.39

Deborah Lenart and **Ty Roberts** have joined Career Education Corporation as senior vice presidents of the newly-defined strategic business units. p.39

DeVry University has announced a new Southern California Metro executive management team that includes **Bill Van Zwol**, **Tom Donini** and **Scott Sand**. p.39

Capella Education Company has announced the promotions of **Scott Henkel** to senior vice president of operations and CIO, **Brad Frank** to vice president of marketing, and **Anne Core** to vice president of information technology. p.40

International Education Corporation has named **Fardad Fateri** as its chief executive officer. p.40

LEGAL AND REGULATORY ISSUES

Lying to Creditors Brings Year in Prison

Newark-based student loan company executive Andrew Yao has been sentenced to a year and a day in prison for lying to creditors during bankruptcy proceedings. A second federal trial is scheduled based on the operation of his Student Finance Corp. p.41

DeVry Institute Found at Fault for Identity Theft Case

The school was found responsible for failing to protect the personal information of a student whose identity was later stolen for possible fraudulent purposes. p.42

Three Ex-Staffers Accuse Kaplan University of Wrongdoing

In a whistle-blower action, a former dean and two department chairmen accused Kaplan of accepting unqualified students and pressuring faculty to grade leniently to keep students enrolled, so it could continue receiving hundreds of millions in student financial aid each year. The company called the lawsuit "a laundry list of unfounded allegations." p.43

Tucson College Must Refund Students

The school has been ordered to refund \$325,000 to settle a lawsuit alleging deceptive practices in connection with its criminal justice program. p.44

Class Action Suit Filed Against Corinthian Colleges, Inc.

The suit is on behalf of students who graduated from Bryman (now Everest) College's medical assistant training program. p.45

CORPORATE SCHOOL NEWS AND REPORTS

APEI American Public Education, Inc.

The company has reported its fourth quarter and year end 2007 results. Net course registrations increased 63 percent in the quarter. p.46

APOL Apollo Group, Inc.

The company reported fiscal 2008 second quarter results. Revenue increased approximately 14 percent year-over-year, total degreed enrollment increased 10.7 percent year-over-year, and the company reported a net loss of \$32.0 million. Analyst comments provided by Jeffrey M. Silber, BMO Capital Markets; and Trace Urdan and Jeff Lee, Signal Hill Capital Group. p.47

CPLA Capella Education Company

The company has announced the authorization to repurchase up to \$50 million of the company's common shares. p.49

EVCI EVCI Career Colleges Holding Corp.

The company has received a NASDAQ non-compliance letter for market value of publicly held shares. The company has also announced its intention to voluntarily delist and deregister stock. p.50

LINC Lincoln Educational Services Corporation

The company reported fourth quarter and 2007 year end results. Earnings per share for the fourth quarter was \$0.37, revenue grew 8.2 percent to \$90.3 million, and student starts increased by 7.7 percent for the quarter. Analyst comments provided by Jeffrey M. Silber, BMO Capital Markets. p.51