



 COMMENTARY AFFIRMATIVE ACTION

The Four Ways Colleges Keep Fraud Hidden

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For at least the past decade, many for-profit colleges have been using lies and manipulation to recruit students. The victims are mostly from low-income neighborhoods, targeted because the federal government will provide the maximum amount of student loans and grants to those students. Seeking that money, these colleges set their tuition high, but only offer a low-quality education in return. Many students drop out, or, if they do graduate, are not prepared to compete for well-paying jobs—and all are saddled with troublesome levels of student debt.

Much of this scandalous abuse of students and taxpayers could have been avoided if regulators and law enforcement agencies were aware sooner of this exploitation. Why did it take so long for concrete evidence to surface?

As it turns out, these colleges use underhanded strategies to prevent student complaints and grievances from ever reaching the agencies that could do anything about them. The schools shield their bad behavior from view by steering complaints away from government officials, preventing students from going to court, requiring students to keep their complaints confidential, and prohibiting students from teaming up with their similarly exploited peers.

How do these schools sweep their predatory behavior under the rug? By burying clauses in the fine-print of contracts that students sign when they enroll, limiting or outright prohibiting them from seeking attention or restitution for these colleges' fraud.

1. No Complaining to Anyone but Us

“Agreement to submit to AIU’s Grievance Procedure: The Student agrees to submit any claim, dispute, or controversy that the Student may have arising out of or relating to his or her recruitment, enrollment, attendance, education, financial aid assistance, or career services assistance by AIU to AIU’s Grievance Procedure set forth in the AIU catalog. The parties agree to participate in good faith in AIU’s Grievance Procedure. Compliance with AIU’s Grievance Procedure is mandatory and is a condition of precedent to the Student commencing arbitration or otherwise pursuing his or her claim.”

– Excerpt from a from an enrollment agreement used by a for-profit school in the United States.

One of the most egregious provisions that these disreputable colleges have required students to sign is a requirement that students can complain to no one but the school itself. Every college has an office students can go to for help, but the excerpt above is not the usual, friendly notice about the school’s interest in hearing students’ concerns. Instead, the paragraph requires the student that has a complaint to take it to the school *and to no one else*: not the accrediting agency, not the state agency that licenses the school, and not the federal government that financed the education. This provision—which the student must agree to in order to enroll—allows the school to prevent any pattern of complaints from ever reaching the authorities.

When students do complain to government agencies, the schools accuse them of failing to comply with the contract they signed. For example, a veteran who complained to the Department of Veterans Affairs about his experience at ITT Technical Institute received a letter from the college in November chastising him for failing to use the complaint procedure that he had agreed to when he enrolled. Veterans Education Success, a veterans support group, reports that many veterans who had complained about ITT received the same letter.

2. No Judge or Jury Allowed

“Any controversy or claim arising out of, or relating to, this agreement, or breach thereof, no matter how pleaded or styled, shall be settled by arbitration in accordance with the Commercial Rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction.”

– Excerpt from a from an enrollment agreement used by a for-profit school in the United States.

A second strategy colleges use to hide fraud is to make sure that students do not have a right to go to court. Arbitration can be a reasonable way to solve disputes—when it is the chosen method of resolution by each party. However, clauses such as this one require students to give up the ability to choose the type of resolution. Additionally, when students sign up for school, they have no way of knowing what types of grievances they may later have. Colleges who require arbitration do so because it is usually rigged in their favor.

3. No Teaming Up with Others

“The arbitration shall not include any party other than the College and Student, and shall not be joined or consolidated with any other arbitration.”

– Excerpt from a from an enrollment agreement used by a for-profit school in the United States.

Teamwork is one of the most important lessons that students learn in college; whether in the workplace, the community, or in politics, there is strength in numbers. Disreputable colleges seek to guarantee that they will only have to deal with individual students, at their weakest. As a group, students who are wronged are more likely to have the confidence and persistence to insist that their complaints be addressed. In addition, groups of victims are more able to afford legal assistance. Colleges prohibit group action by requiring students, when they enroll, to sign a promise that they will not to team up with other parties to complain about the college.

4. Keep Quiet or We’ll Sue You

“All aspects of the arbitration proceeding, and any ruling, decision, or award by the arbitrator, shall be strictly confidential. The parties shall have the right to seek relief in the appropriate court to prevent any actual or threatened breach of this provision.”

– Excerpt from a from an enrollment agreement used by a for-profit school in the United States.

Requiring rigged arbitration and preventing group effort is a pretty effective way to prevent disputes from undermining a school’s profitability. But the college still faces the hazard that prior victims will share information with new victims, arming them to make better strategic use of the arbitration process. There’s a contract provision even for that, though, often included in the language of the settlements themselves, requiring the participants to stay mum about what happened. How do they enforce that? In the provision excerpted above, the school makes clear it will go to court, if it needs to, to silence the complaining student.

Students should not have to hire a lawyer to review the contracts they are being asked to sign when they enroll in college. This week, consumer groups are suggesting [a solution](#). The proposal, which is being submitted as part of a set of regulatory hearings sponsored by the U.S. Department of Education, would prohibit colleges from using underhanded methods to prevent students’ complaints from being addressed expeditiously and publicly. The change would help to prevent future abuses by college.

Please assist us in our research. The Century Foundation is seeking more information about the agreements that colleges and job training programs require students to sign in order to enroll at their institutions. Whether the agreements are tame, scandalous, or nonexistent, at a for-profit, nonprofit, or public school, we want to know about them. If you have information to share about this topic—such as your own experience with restrictions on complaint processes, or a copy of an enrollment agreement—please contact us at StudentRights@tcf.org.