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Critics warn that some schools are misleading veterans, giving them expensive educations with little chance of a job or credit transfer.

July 16, 2012 | David Zucchino and Carla Rivera

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WASHINGTON — After Moses Maddox left the Marine Corps in 2006, he took a sales job with the for-profit University of Phoenix, making up to 100 calls a day to persuade veterans to enroll using their GI Bill benefits.

Only after he enrolled himself did the former corporal discover that the state university he wanted to attend didn't accept the nine course credits he'd earned at Phoenix.

"Basically, I wasted my GI Bill benefits -- just like a lot of other veterans I talk to," said Maddox, who until recently was a veterans benefits counselor at Palomar College in San Diego County.

Phoenix, a giant among for-profit colleges, says it's responding to the needs of the veteran workforce, offering practical training and skills.



"We cannot simply stand by while our service members and veterans..." (Alex Wong, Getty Images)

For The Record

Los Angeles Times Monday, July 30, 2012 Home Edition Main News Part A Page 4 News Desk 1 inches; 42 words Type of Material: Correction

For-profit colleges: A July 16 article in Section A about military veterans and for-profit colleges said Moses Maddox had a sales job with the University of Phoenix. Maddox worked for the Apollo Group, of which the University of Phoenix is a subsidiary.

But Congress, the White House and veterans groups -- spurred by complaints from thousands of veterans like Maddox -- are cracking down on for-profit schools that have raked in hundreds of millions of dollars in GI Bill benefits. They say the schools prey on veterans with misleading ads while selling expensive and woefully inadequate educations.

Since the Post-9/11 GI Bill took effect in 2009, eight of the 10 colleges collecting the most money from the program have been for-profit schools.

The companies earned 86% of their revenue from taxpayer dollars in 2009, mostly GI Bill payments, according to Congress, with the top 20 for-profit education companies receiving \$521 million in veterans' education funds in 2010.

Yet taxpayers spend more than twice as much to educate a veteran at a for-profit school than at a public university. Congressional investigators say for-profit schools have far higher drop-out rates and loan

interest and default rates than public universities, and credits earned at many for-profit schools don't always transfer to public schools.

Veterans' groups say for-profit schools snare unsuspecting veterans with aggressive marketing, high-pressure sales calls and ads that falsely imply that their schools are exclusively approved for GI Bill benefits.

"What veterans hear is the aggressive marketing that's selling a product that isn't real -- and pretty soon their benefits are gone," said Tom Tarantino, a veteran and GI Bill specialist with the Iraq and Afghanistan Veterans of America, or IAVA.

He acknowledges that some for-profit schools provide excellent educations and job training, but says many others don't. "These schools spend insane amounts of money on marketing but almost nothing on student services."

The Military Veterans Education and Reform Act, introduced in Congress in March, would require schools to disclose graduation rates and default rates to prospective students. It also would compel the Pentagon to set up a centralized complaints process to address allegations of fraud or abuse.

Another bill, the GI Educational Freedom Act, would require counseling for veterans who use educational benefits and would establish a tracking system to help ensure that schools provide quality educations.

In April, President Obama issued an executive order requiring the Department of Veterans Affairs to trademark the term "GI Bill" to help prevent uses that deceive veterans. The order requires the 6,000 colleges that receive GI Bill funds to offer veterans "Know Before You Owe" literature that reveals what their educations will cost.

Steve Gunderson, president of the Assn. of Private Sector Colleges and Universities, said that although some for-profit schools might be guilty of abusive marketing, most had been unjustly criticized. He said an industry task force was forming a self-regulating body to investigate allegations of abuse and to develop standards for educating veterans.

"I think we're reaching an appropriate consensus between our schools, veterans' service organizations and government agencies," Gunderson said.

The amount of taxpayer money at stake is enormous. The Pentagon will spend about \$9 billion this year to educate some 600,000 veterans. Since 2009, more than 1.1 million veterans have applied to use GI Bill benefits, which cover tuition at public schools and up to \$17,500 a year at private schools.

"We cannot simply stand by while our service members and veterans are being targeted and aggressively recruited by for-profit colleges just looking to make a quick buck," said Sen. Tom Harkin (D-Iowa), a veteran who chairs the Senate Health, Education, Labor and Pensions Committee.

For the last two years, the committee has investigated veterans' complaints against for-profit schools. Such schools are run by private companies in pursuit of profits; public schools receive state funds and are nonprofit. Among the committee's findings:

* For-profit schools account for 13% of all college students but receive 38% of GI Bill payments and account for 47% of all student loan defaults.

* Taxpayers paid \$4,642 to educate a typical veteran at a public college between 2009 and 2011, versus \$10,441 at a for-profit school.

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