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Vocational Schools : Poor Being Taken for a 'Bad Ride'

First of two parts

June 16, 1988 | HENRY WEINSTEIN | Times Labor Writer

CHICAGO — When the commercial for the beauty school interrupted the "Oprah Winfrey Show," Nancy Konczal listened carefully: It was the stuff dreams are made of.

A waitress and mother of two, Konczal had wanted for years to become a hair stylist. The commercial for D'Or Beauty College promised professional training leading to a good-paying job. Classes could be financed with a government-backed loan. Enrollees would receive a "diamond" pendant just for signing up.

In December, 1984, Konczal quit her waitress job and signed up for an 1,800-hour, \$5,000 D'Or course, to be financed by a \$2,500 federally guaranteed student loan and a \$2,500 government grant.

The pendant turned out to be a cheap piece of costume jewelry. But, according to lawsuits filed later, the school was worse: unaccredited, frequently absent teachers, equipment that did not work, out-of-date textbooks, dilapidated facilities and uninterested administrators. After six months--about a third of the way through the course--Konczal dropped out. Her dream had turned into a nightmare and, three years later, it hasn't ended.

Today, Konczal is being dogged by collection agencies seeking to retrieve the \$2,995, including interest, that she still owes on the student loan, even though she did not get the education she was promised and the school refused to honor its pledge to refund part of her tuition. She faces the prospect of the government attaching her income tax refunds, and her credit rating has been damaged.

"It's been terrible, after waiting that long to do something I always wanted to do," Konczal said in an interview. "I've been taken for a bad ride." She still hopes to become a licensed cosmetologist. But she cannot afford to pay for another course and cannot get another student loan until the first one is paid off.

Increasing Frequency

What befell Konczal is happening with increasing frequency to other vocational school students throughout the country, an investigation by The Times shows. These students, many recruited outside welfare and unemployment offices, are left with little for their trouble but debts they cannot afford to repay.

American taxpayers are also victimized by unscrupulous school operators; more than \$1 billion in uncollectable government-guaranteed student loans are outstanding.

"The problem is everywhere," said Elena Ackel, a Legal Aid Foundation lawyer in Los Angeles who has helped numerous students with grievances against the schools. "There is a whole segment of our population that went to high school and wasn't ready to learn. Now they're in their 20s and ready to learn and they have no idea where to learn. They look at these recruiters at the welfare office as their salvation."

She said the students are treated as "throwaway people. The schools use them as ciphers to get government money and then they're thrown away."

Education Secretary William J. Bennett told a Senate committee earlier this year that abuses at such schools are "an outrage perpetrated not only upon the American taxpayer but, more tragically, upon some of the most disadvantaged and most vulnerable members of our society."

A Department of Education study released in February found that in addition to thousands of students who drop out because they are unable to do the work or become disenchanted with poor teaching, placement rates for students who do complete the programs are poor.

Most Called Honest

To be sure, experts say most of the nation's profit-making vocational schools operate honestly. Good schools serve a critical function for people who want to work but lack training, according to experts.

"The good schools give kids a second chance," said Wellford W. Wilms, assistant dean of UCLA's graduate school of education, adding that thousands of vocational school students are eager learners who performed poorly in high school.

And, representatives of trade school associations said, the institutions serve more women, more minorities and more older students than any other type of school in the nation's higher-education system.

William Clohan, a Washington attorney who is general counsel for the Assn. of Independent Colleges and Schools, one of the nation's largest vocational school trade organizations, said the criticisms of the schools were overblown.

'Meeting Market Demands'

"I think the state of private career schools is very good," he said. He asserted that most of the schools are "meeting market demands" and that their importance would grow in coming years because they are training people for the types of jobs, such as word processing, that will be in demand between now and the end of the century, according to government studies.

There are more than 6,100 profit-making vocational schools in the United States. They will enroll about 1.2 million students this year, according to federal officials, and range from mom-and-pop storefronts to huge interstate companies with shares traded on the New York Stock Exchange. They teach, or purport to teach, skills ranging from cooking to cosmetology, key punch to photography, truck driving to zoo-keeping.

There were 159 accredited business and technical schools in California five years ago. Today there are 308, according to state officials. There are 381 accredited cosmetology and barbering schools, up from 300 five years ago.

About 45% Accredited

Accreditation, even though it is frequently criticized as slack and ineffectual, virtually makes schools automatically eligible for federal aid. About 45% of all vocational schools nationwide, including most of the big ones, are accredited.

In fiscal 1987, the latest year for which statistics are available, these profit-making businesses collected \$889.9 million in federal grants through their students, nearly triple the \$309.7 million received in fiscal 1982. The proprietary schools' share of federal grants jumped from 13.5% in fiscal 1982 to 25.5% in 1987.

In addition, the federal government guaranteed hundreds of millions of dollars in student loans given by banks. Exactly how much is not known because the government does not keep centralized records.

The loans, jointly issued to the students and the schools, are used for tuition, and students are supposed to repay the money after graduation. Students who drop out are still liable for the loan, although the federal government will repay the banks and other lending agencies in the event of default. The government then seeks repayment from the former student, sometimes attaching income tax refunds.

Federal Loan Program

This federal largess has fueled the growth of the industry. Many of the schools would simply not exist if not for federal loan programs. Most profit-making vocational schools derive more than 75% of their revenues from federal money. And the schools get to keep federal funds even in cases where 60% or more of their students default on loans.

Moreover, because the federal government must pay off vocational school loans out of the same government fund used by students at four-year colleges and reputable vocational schools, defaults cut back on the loans available to other students.

Exacerbating the problem is the fact that the federal government, despite its huge financial stake in making sure the schools operate honestly, allocates far too few resources to make sure they do, according to legal aid lawyers and education officials throughout the country.

Schools do not have to demonstrate any record of success in either the number of students who graduate or the number who get jobs to qualify for federal grants and loans. "The way the system operates is an incentive for businessmen to set up shoddy schools," contends Assemblywoman Maxine Waters (D-Los Angeles), who was prompted by constituent complaints to investigate the issue.

The problem is evident in lawsuits and public protests throughout the nation:

In Chicago, Konczal and 25 other former students, represented by the Legal Assistance Foundation, have filed two class-action suits against D'Or Beauty College, alleging fraud and other illegal acts.

In 1985, only eight of the school's 400 graduates were able to pass the state's cosmetology examination, a prerequisite for getting a license and a job, according to Illinois officials. The Illinois attorney general's consumer-fraud unit has also sued the school. D'Or is fighting these cases in court, but in an unusual move the National Assn. of Accredited Cosmetology Schools revoked D'Or's accreditation last summer. D'Or's owner declined to return calls from The Times asking for comment.

In New York, four students, represented by South Brooklyn Legal Services, filed a federal class-action suit against Adelphi Institute Inc., a nationwide chain of vocational schools, in 1987, alleging that they were provided no education and were left with substantial debts they could not afford to pay. The chain later declared bankruptcy, leaving thousands of students in the lurch and millions of dollars unaccounted for. The New York suit is pending, as is an investigation by the inspector general's office of the Department of Education. The school's owner said he would not comment.

In Pacoima, 15 Southeast Asian immigrants, represented by San Fernando Valley Neighborhood Legal Services, sued in 1987, alleging that they were defrauded by National Technical College, a dental technology school where their lack of fluency in English was clearly an impediment to getting any educational benefits. National Technical College has denied the allegations.

In Boston, the Massachusetts attorney general sued the owners of Wilfred Academy, a large beauty school chain that includes campuses in Los Angeles, alleging fraud. The school settled the case without admitting wrongdoing but agreed to change a number of its practices. In a separate action, seven Wilfred employees pleaded guilty to federal criminal charges of causing students to submit false financial-aid

applications.

In Cleveland, several women are fighting income tax refund intercepts levied against them last year stemming from their attendance at Whiting Business College more than a decade ago. In 1974, there was a court decision that the school had engaged in illegal practices and had not provided the education students paid for. Whiting later declared bankruptcy and shut down, but students remained liable for their loans.

Also in Cleveland, a mentally retarded young man was admitted to a medical assistant course that, according to other education officials, was clearly beyond his ability. He could not do the work but became so enamored with the idea of the job that he walked into area hospitals wearing a doctor's jacket and carrying a stethoscope and began talking to patients.

He was brought to a City Council hearing by his parents dressed in this manner. While there, he failed an examination he had allegedly passed earlier to gain admission to the school. The school, the Cambridge Technical Institute, then canceled the man's tuition fees, which had been paid through government-backed loans. Cambridge's president, Henry Whitesell, acknowledged that the student should not have been admitted, but asserted that he may have received assistance on the entrance exam from his sister.

In Brownsville and Laredo, Tex., the state attorney general, joined by the Texas Rural Legal Aid Society, filed two suits against a chain of four schools, North American Education Center, in 1987, alleging that the chain made many misrepresentations to students.

Subsequently, the federal government discovered improprieties in the way the chain certified student eligibility for federal loans and banned the school from the programs. The next day, the chain's five Texas campuses closed their doors, denying hundreds of students the chance to finish their classes, and they were stuck with \$260,000 in loan debts. In April, 1988, a judge in Brownsville fined North American and ordered the school to halt a number of practices the attorney general had complained about in the suit. The companion suit in Laredo is pending.

At the problem schools, the profit incentive is at work from the moment students are recruited off the streets or lured into enrolling by television commercials that punctuate daytime soap operas and game shows. Money is to be made not only in bringing in new students but, in some cases, encouraging the students to fail and refilling their empty seats with new recruits--and new loans.

Many of these places pay their recruiters like bounty-hunters, by the head.

Recruiters told The Times that they were specifically looking for poor people who would not ask a lot of questions.

"I was no better than a dope pusher," said James Stern, a Los Angeles man who said he made thousands of dollars as a vocational school recruiter before stopping because he felt guilty.

"I was pimping and prostituting those people for a dollar. . . . (Then) I watched those young people who trusted me come back to me with their stories."

Lack of Information

There is no law that requires schools to provide prospective students with adequate information about their placement rates or the average starting salary of graduates. And many schools offer none, according to numerous sources.

There are federal rules that require accredited schools to admit only students who have either a high school diploma or an equivalent general education degree or demonstrate an "ability to benefit" on an entrance exam. But, critics say, many students are coached on such exams, are given the answers, have their scores artificially inflated or are not required to take them at all.

"At our school, the motto of the admissions reps was, 'Asses in the classes,' " lamented Cora Robinson, a former teacher at the now-bankrupt Adelphi Business College campus in downtown Los Angeles.

Robinson said that when she showed up to teach her first class in "business communications," she discovered two of her students were deaf. Unable to keep up, they eventually dropped out, she said.

'Making Trouble'

When she asked about their admittance, Robinson said she was told by higher-ups that she was "making trouble."

Jim Moore, a former teacher at Adelphi's San Bernardino school, said he got a similar response when he asked his school's director how he was supposed to teach illiterates.

"The director looked at me like I was crazy," Moore said. Then, according to Moore, the chief of admissions at the school told him, "I bring them in, you teach them."

Adelphi's owner declined to answer questions about the school.

Poor instruction is a frequent complaint of disenchanted students.

Several students raised serious complaints about teachers at the controversial D'Or Beauty School in Chicago. Theresa Modelski said her teacher did little more than read the textbook to the class. Later, she discovered that the teacher was not certified to teach cosmetology in Illinois.

Nancy Konzal said that her "teachers" turned out to be students who had started at D'Or earlier than she had and that the books were "so outdated" they had 1940s hair styles.

'Different Teachers Every Day'

"One time we had a different teacher every day of the week who taught us the same chapter of the book," Konzal said.

As students become disenchanted or unable to follow the lessons and drop out, many profit-making vocational schools fill their empty spots with new students they get off the streets in a policy called "rolling admissions."

Such a system--admitting students at virtually any time and then mixing beginning and advanced students in the same class--is educationally dubious, according to numerous sources, including Marc Brenner, president of Diesel Technical Institute of Cleveland, a highly regarded school.

Dropouts are usually unable to regain anything but a fraction of their tuition fees, except through legal action. Typically, schools charge a student 25% of the cost of the courses even if he drops out after one day. Under federal law, as much as 75% of the tuition may be charged a student even if he or she drops out a third of the way through.

John H. Keefe, the Department of Education's branch chief for guaranteed student loans in San Francisco, said the rules should be changed to a strict pro rata refund policy. "If you complete 1/6th of the program, you ought to get 5/6th of your money back."

High Fees

At the same time, many of the schools charge unrealistically high fees for short-term programs, frequently pegging their tuition not to the value of the courses they offer, but to the maximum amount federal grants or loans will allow them, according to the Department of Education study.

In fiscal 1985, according to federal figures, more than 600 profit-making vocational schools had student-default rates of 50% or more.

During the same period, only 33 four-year colleges and universities had default rates that high. Although a high default rate does not necessarily mean schools are defrauding their students, most experts believe it is a sign of significant problems.

There is a high degree of correlation between students not getting good jobs and being unable to pay off their loans, said Elizabeth Imholz, a South Brooklyn Legal Services lawyer representing many students with claims against vocational schools.

From 1979 to 1986, defaults on federally guaranteed student loans increased five-fold, forcing taxpayers to shoulder the burden of more than \$1 billion in bad debts and decreasing the pool of money available for other needy students.

Bank Reimbursements

By this year, nearly half of the \$3.6 billion budgeted by the Department of Education for guaranteed student loan expenditures will be used to reimburse banks and other lenders on defaulted loans, according to federal figures.

Snowballing defaults are a major factor in the federal government's recently expressed concern about the vocational school system.

In November, Education Secretary Bennett proposed that all schools that cannot bring their default rates under 20% by 1991 be excluded from the program.

But, Bennett's proposal faces opposition in Congress and in the higher-education community. Critics note that many community colleges, as well as vocational schools, exceed the 20% rate.

And trade school association spokesmen such as attorney Clohan say that even legitimate vocational schools often have high default rates because they enroll many poor and minority students. He and Prof. Wilms of UCLA called the proposal "elitist."

sh Application Reviews

In February, Bennett introduced a package of reforms he said would curb other abuses. He has asked Congress to give the Department of Education broader powers to review the accuracy of financial-aid applications and permission to set up a student loan data bank so that a lender or guarantee agency could check whether an applicant applying for a student loan had defaulted before.

Bennett also suggested lowering the reimbursement level for banks and other lenders on defaulted loans from 100% to 90%, giving lenders financial incentive to scrutinize applications more closely.

The secretary also advocated that federal aid be limited to high school graduates and students with an equivalent general education degree, excluding students admitted under the so-called "ability to benefit" provision. Bennett also called on Congress to continue for another four years the program that permits the Internal Revenue Service to intercept income tax refunds to satisfy debts on student loans.

School industry leaders consider the proposals too strong. "There are sufficient laws on the books to deal with problem schools," said Steffan Blair, president of the National Assn. of Trade and Technical Schools.

Inadequate Reforms

But critics, while welcoming federal attention to the problem, contend that the proposed reforms are inadequate and directed more toward recovering money than helping students.

They are particularly critical of the move to exempt students without high school diplomas or general education degrees from federal loans. "People without a high school diploma or GED will be deprived of an educational opportunity without having an alternative free or low-cost option in place for them," Imholz said.

In addition, Imholz and other consumer advocates are critical of the IRS tax refund intercept program, and she has filed a federal court suit challenging it on constitutional grounds.

Advocates of defrauded students point to a proposed reform law in Illinois as a potential model.

Under the Illinois plan, pending in the state Legislature, vocational schools would have to disclose to students in writing their graduation and job-placement rates. Students would also be advised of their consumer rights and would be eligible for tuition refunds based on how long they stay in school.

Possible Damages

Schools that committed fraud would be subject to treble damages.

Critics and industry leaders also argue that the Department of Education bears some of the responsibility for the problem of rogue schools.

For example, Blair pointed out that the number of program reviews the department conducted to monitor the way schools administer federal funds have dropped dramatically since 1981. In fiscal 1981, Department of Education officials said, 1,058 program reviews of profit-making vocational schools were conducted. By fiscal 1987 that had plummeted to 372.

"The Reagan Administration gutted the staff of the people responsible for managing, overseeing and reacting to abuses in the areas of policy, program review and audits," said Blair, who served 15 years in the Department of Education, including, from 1983 to 1985, as director of the department's division of policy and program development in the office of student financial aid.

Along the same line, the department's office of inspector general, which is responsible for looking into problem schools, has audited only 65 profit-making schools for their administration of federal student aid programs.

More Staffing Sought

Bennett has asked for increased staffing in next year's budget.

Victoria B. Tripp, a special assistant in the Department of Education, said the number of program reviews will increase to 600 in the current fiscal year.

Kenneth Whitehead, acting assistant secretary for post-secondary education, blamed the staff shortage on Congress. He said Congress reduced funding for staff while not reducing the department's supervisory responsibilities.

Ackel and others said one overriding question remains: What should be done in situations where a school closes and the student does not get what he paid for, yet is left with a substantial debt.

California and several other states require schools to post an indemnity bond designed to cover costs that arise because of a shutdown or related problems. However, the bonds are quite low--\$25,000 is typical--and inadequate to handle major problems.

Policy to Remain

In any event, Bruce Carnes, deputy undersecretary of education for planning, budget and evaluation, said students are not excused from loan repayment in such situations and added that the department has no intention of changing the policy.

Attorneys representing defrauded students argue that this is unfair. Alan Alop, a lawyer with the Legal Assistance Foundation of Chicago, said he found it anomalous that he is defending D'Or Beauty Colleges dropouts who are being sued by the government for unpaid student loans even though the Illinois state's attorney's office has sued D'Or for fraud and the National Accrediting Commission of Cosmetology Arts and Sciences Agency revoked D'Or's accreditation last year.

Joe Price, director of the division of proprietary schools and veterans education for the Texas Education Agency, is trying to convince the Department of Education to forgive the loans of hundreds of students left without diplomas and owing \$260,000 in federally guaranteed loans when the North American Education Center chain shut down last year.

"If students were not afforded a quality education, we ought to be able to do something to help the students," he said. "Either the regulatory agencies were at fault for not closing them down (sooner) or the regulations were at fault for not allowing a closure. In either case, it's not the student's fault, it's the government's fault."

CHOOSING A PROPRIETARY VOCATIONAL SCHOOL

Here are some tips offered by knowledgeable people on what a potential student should look for when considering enrolling in a proprietary vocational school. Among those consulted were Diane L. Donnelly, director of the National Education Center's Skadron College

of Business in San Bernardino, Wellford W. Wilms, assistant dean of the graduate school of education at UCLA, and numerous lawyers who have represented vocational school students.

Prospective students ought to ask for:

Names and telephone numbers of current and former students and then call them to ask questions about the school.

A list of employers the school has placed students with and the name of a contact person at each company.

Information on the number of students who enrolled at the school, completed their course of study, placement rates and earnings of alumni.

Refund policies if the student decides to drop out.

Re-entry policies if the student has to leave school because of a prolonged illness, pregnancy or family problems.

A copy of the enrollment contract and a school catalogue that can be taken home and reviewed before enrollment.

A tour and examination of the school's equipment, such as computers and typewriters, to see if they're in good working order. Textbooks should also be examined.

Information on financial-aid programs and what agencies license and accredit the school.

Students should conduct their own survey: go to employment agencies and employers in the area and ask them if they hire graduates of the school and if not why not. And ask the agencies if they give any value to a trade school certificate.

Examine the school to see whether it's businesslike and orderly, assess the attitudes and abilities of teachers and administrators, and ask students whether they think they are getting real value out of the school.

If the school seems uninterested in enrolling you unless you sign up for financial aid, be careful.

Explore whether there are free or low-cost alternative courses at public community colleges or night schools.

Be honest with yourself. Be wary of getting assistance with entrance examinations. If a school helps you with the exam, you may find yourself in a course that is beyond your ability, which could result in your dropping out or being terminated but left with a debt.

In California, information on vocational schools can be obtained from the following sources:

The California Department of Education, private postsecondary education division, (213) 620-4257, Roy Steeves, assistant director.

California Student Aid Commission, (916) 445-0880, Greg Gollihur, director of legislation, research and public information.

California attorney general, consumer protection division, (213) 736-2304, Herschel T. Elkins, senior assistant attorney general.

Next: The rise and fall of one major vocational school chain.