

Vatterott Education Holdings, Inc.

Summary: 2012 U.S. Senate Committee Findings + 2015 Update

Overview

- Vatterott, a privately-held company headquartered in Missouri, operates Vatterott College, L'Ecole Culinaire, and the Court Reporting Institute
- It has 19 campuses and an online program that offers certificates and Associate degrees in home heating and cooling systems, computer aided drafting, and cosmetology
- 2010 enrollment of about 11,000 was nearly double 2008 enrollment, when a private equity firm bought the school
- A court awarded a \$13 million settlement in 2013 to a student over its misleading enrollment practices

Tuition

- Information Systems Security certificate is \$24,500 compared to \$4,383 at a nearby community college
- Increases tuition semi-annually; vice president of operations wrote that schools could not start charging high rates until June 1, 2010, noting, "if anyone were to enroll in the start after 6/21 in May, they would still get the old rate. Obviously try to avoid that."
- Like many companies examined, it prices its tuition so that it is difficult for students to finance the cost of tuition with federal student aid funds alone. Students must then find a way to pay for this gap, often using alternative loans if they cannot pay cash

Federal Revenue

- 88.1% (\$169 million) of its revenue was derived from federal student aid plus military and veterans educational benefits in 2010

Expenditure Priorities

- It allocated 18.8% (\$26.5 million) of revenue to profit and 12.6% (\$17.8 million) to marketing and recruiting in 2009, less than the averages for the 15 publicly traded schools examined
- Profit grew rapidly from about \$16.6 million in 2008, when it was acquired by a private equity firm, to over \$26.5 million in 2009
- As a privately held company, Vatterott is not obligated to release executive compensation figures

Recruiting

- It spent \$1,343 on marketing per student in 2009 compared to \$2,001 on profit and \$2,404 on instruction
- On the first day, recruiters must use a "blitz technique" in which they call until they get a live person. In general, recruiters must make 50 call per day. Vatterott also encourages competition among its recruiters. Executives send out weekly emails rewarding admissions "superstars" for the most enrollments that week
- Its recruiters are trained to target potential students' vulnerabilities, noting that it targets people who "live in the moment and for the moment," "their decision to start, stay in school or quit school is based more on emotion than logic," and "pain is the greater motivator in the short term." Furthermore, it characterized its students as "Welfare Mom w/Kids," "Pregnant Ladies," "Recent Incarceration," and "Drug Rehabilitation."
- Its enrollment agreement has a binding arbitration clause, preventing students from having their complaints heard in court
- In 2010, it employed 1 recruiter for every 96 students compared to 1 career counselor for 279 students and 1 student services staffer responsible for 54 students; it has a relatively robust student support structure compared to other schools studied
- Student complaints indicate that they were regularly given false expectations about the school's programs, such as failure to disclose full tuition until after enrollment

Academic Quality and Student Outcomes

- It spent \$2,404 annually on instruction in 2009 compared to \$5,034 at a nearby community college

- 43.4% of students who enrolled in 2008-09 had withdrawn by 2010, about 11% points lower than the average for the 30 schools examined; students withdrew after a median enrollment of 4 months
- Defaults increased from 20% for students entering repayment in 2005 to 26.6% in 2008; the latter is higher than the 22.6% average across the 30 companies examined
- It works with a contractor to encourage students at risk of default to seek deferments or forbearance, curing potential defaults but at a cost to students because interest continues to accrue on some of their loans
- It had about the same number of parttime and full time faculty in 2010, compared to an average of 80% part time faculty members at the 30 schools examined
- One student complained about a teacher not showing up for weeks at a time; another student stated “I believe I could receive a better education sitting at home reading the books and it would cost a lot less money....” Other students wrote “during the two months that I have been enrolled at the North Park campus, I have had no instruction on anything.” and “We had unqualified instructors, a poorly organized & weak curriculum, [and] labs that were poorly equipped.”

2015 Update

- A court awarded a \$13 million settlement to a student over its misleading enrollment practices in 2013; she wanted to become a nurse but was steered toward a medical assistants program, which she was told would eventually help her become a nurse; saddled with \$27,000 in loans, she learned that she was enrolled in a medical *office* assistants program, not a medical assistants program and that working as a secretary in a medical office did not require a degree
- A July 2014 news story featured student complaints that they were being shortchanged for both their tuition and education at Vatterott—they had been showing up for class but their teachers had not