

Alta Colleges, Inc.

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

Overview

- Alta Colleges, Inc. (“Alta”) is a medium-sized privately held for-profit education company based in Denver, Colorado
- Operates 18 campuses under the Westwood Colleges brand, including an online program, and 1 campus under the Redstone College brand
- Enrollment grew from about 4,300 in 2001 to over 19,000 in 2010
- 2012 settlement with Colorado attorney general for misleading prospective students
- 3 Texas campuses suspended enrollment in 2011 based on state and Department of Veterans Affairs oversight
- Colorado Attorney General reached \$4.5 million settlement with school over misleading recruitment practices

Tuition

- Westwood is one of the most expensive for-profit colleges examined and according to a school-conducted survey cost was a major factor influencing student withdrawal. For example, one student commented “What makes Westwood so special to where they feel they can charge so much more than other well-respected schools [sic]?”
- Charges \$48,194 for an Associate degree in information technology compared to \$8,823 at the Community College of Denver and \$80,466 for a Bachelor’s degree in business administration compared to \$60,704 at the University of Colorado, Boulder
- Comments by students surveyed include, “Other schools offer the same courses that you do online and everything and are way cheaper than your school!”
- Because federal student aid didn’t cover the high tuition, Alta operated an institutional loan program called APEX with extremely high interest and loan origination rates; loans were described as “supplemental help” from the school and the interest rate was not disclosed

Federal Revenue

- 88.5% (\$338 million) of its revenue was derived from taxpayer dollars—federal student aid plus military and veterans educational benefits

Expenditure Priorities

- In 2009, Alta allocated 8.5% (\$32.4 million) of revenue to profit and 29.1% (\$110.8 million) to marketing and recruiting—lower and higher, respectively, than its industry counterparts
- As a privately held company, Alta is not obligated to release executive compensation figures
- Alta spent \$6,389 annually on instruction in 2009, compared to \$2,402 at the Community College of Denver and \$13,954 at the University of Denver; tuition at the community college, however, is much lower

Recruiting Tactics

- Alta spend \$9,306 per student on marketing and \$2,719 per student on profit
- Recruiters highly scripted, using aggressive tactics to get prospective students to sign an enrollment agreement
- Training manual demonstrates how recruiters were instructed to mislead prospective students. If asked “so what is the tuition at your school,” the recruiter was told not to divulge the price but to say “That’s an excellent question, I am going to write your question down, as I have a whole section on that which I will be covering a little later on in the interview.”
- Recruiters told to convey the cost per term without clarifying that there were actually 5 terms per year rather than the usual 2 terms
- In 2009, employed 1 recruiter for every 22 students compared to 1 career counselor for every 130 students and 1 student services staffer for every 108 students

- Government Accountability Office undercover investigation documented school employees counseling students to falsify their federal financial aid applications to increase the amount of their assistance

Academic Quality and Student Outcomes

- Spent \$6,389 per student on instruction in 2009 (the highest among for-profits surveyed), compared to the \$10,365 and \$13,954 spent by University of Colorado and University of Denver, respectively
- Consistent with the for-profit sector's average, 80% of its faculty was part time in 2010,
- Former instructor told the committee that academic quality was comprised by the quest for profit— “Members of the admissions team were treated to higher salaries, bonuses and better office accommodations than members of the academic team.” “Computer labs and facilities are inadequate and computers and other media devices are routinely out of order.”
- Instructor told committee that student job placement rates were half of what was claimed
- 56% of the students who enrolled in 2008-9 had withdrawn by mid-2010; Bachelor's degree withdrawal rate was worse than the average for the 30 schools examined; online program withdrawal rates were higher than for brick and mortar campuses
- For students entering repayment in 2008, default rate was 23.8%, slightly less than the 26.1% in 2006 but both were higher than the average for the 30 companies examined
- In March 2012, settled with Colorado's attorney general over allegations that it had misled prospective students about job placement rates and engaged in deceptive advertising. School agreed to pay the state \$2 million and credit another \$2.5 million to students who financed their tuition with the school's private loan program. Finally, it agreed to reimburse private loans finance charges to students
- In January 2012, Illinois' attorney General filed a complaint about misrepresentations made by recruiters to prospective students regarding their ability to obtain employment after graduating.
- 2009 Department of Education investigation of three Texas campuses uncovered a pattern of noncompliance with both state and federal regulations, leading to a \$7 million settlement with the Justice Department under the False Claims Act
- As a result of this scrutiny, it has put in place significant reforms that should help to ensure that, at a minimum, students have a more accurate understanding of what they can expect to pay for, and to achieve, with a Westwood degree.

2015 Update

- In September 2014, a U.S. District Court ruled that the Illinois Attorney General could pursue a case against the company over allegations that its practices involving online programs violated both state and federal consumer protections—aggressive marketing and high-pressured sales tactics to falsely convince students that its degree could lead to law enforcement careers, even though the college lacks the accreditation necessary for its degrees to be recognized by state and local law enforcement agencies in Illinois.
- Colorado Attorney General reached \$4.5 million settlement with Alta in March 2012 over misleading recruitment practices related to costs, transfer of credits, and job placement rates; more than half of the settlement will be given to students who paid up to 18% on private loans