

American Career College, Inc.

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

Overview

- American Career College, Inc. (“ACC”), a privately owned company, offers certificate and 2-year degrees in health care fields at 3 campuses in southern California
- Enrollment grew significantly from 1,292 students in fall 2001 to 4,761 students in fall 2010, with a corresponding growth in revenue
- While its retention rates are higher than those at many companies examined, its high student loan default rates suggest that students completing its programs may not be able to obtain employment or salaries that enable them to repay the student loan debt they incur
- A student filed a class action lawsuit in 2012 alleging the school drew down but failed to disburse federal student aid

Tuition

- Most certificate programs cost \$17,068
- Its certificate in health care is \$17,068 compared to \$2,046 at a nearby community college
- Associate degree programs range from \$35,000 to \$45,000

Federal Revenue

- 80.1% (\$69 million) of its revenue was derived from federal student aid plus military and veteran education benefits in 2010

Expenditure Priorities

- Spent \$4,455 annually on instruction in 2009 compared to. \$3,272 at a nearby community college and \$15,039 at the University of California but its tuitions is considerably more expensive than that of a community college
- Allocated 13.6 percent (\$10.8 million) to marketing and recruiting and 24.9 percent (\$19.8 million) to profit in 2009
- Profit increased seven-fold from \$2.8 million in 2006 to \$19.8 million in 2009
- While such privately held companies are not obligated to release executive compensation figures, financial statements show that the CEO of the company, as the sole stockholder, received a distribution of the company’s profit totaling at least \$18 million in 2009

Recruiting Tactics

- In 2009, American Career College employed 48 recruiters for its 4,687 students, that’s one recruiter for every 98 students, compared to 1 career counselor responsible for 133 students and 1 student services staffer responsible for 669 students

Academic Quality and Student Outcomes

- Per student expenditure on instruction in 2009 was \$4,455 compared to \$2,168 per student on marketing, and \$3,949 on profit

- While 80% of the faculty at the 30 for-profit schools surveyed were part time, ACC employed about the same number of full- and part-time instructors
- Students posted complaints on “Consumer Affairs” about high debt and inability to find jobs because of unaccredited certificate programs, the poor quality of the training, and inadequate job placement services. For example, a student who graduated from a dental assistant program found his own job but was fired because the tools he had trained on were quite different from those actually used
- 26.6% of students who enrolled in a certificate program in 2008-09 had withdrawn as of 2010 with a median enrollment of about 3 months
- Steady increase in defaults from 15.6% for student entering repayment in 2005 to 21% in 2008, mirroring the growth in the sector’s default rate
- It employed 1 recruiter for every 98 students but each career counselor was responsible for 133 students and each student services staffer was responsible for 669 students

2015 Update

- In July 2012, a student filed a class action lawsuit alleging that the school drew down but failed to disburse federal student aid to hundreds of students, keeping the funds for itself