

# Herzing University

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

### Overview

- Herzing, Inc. (“Herzing”), a privately held company, is headquartered in Milwaukee, Wisconsin and offers Associate and Bachelor’s degrees, as well as Master’s degrees (online only)
- It operates 11 campuses in 8 states
- Enrollment quadrupled from 2001 (2,285) to 2010 (8,253)
- 2013 settlement with Minnesota Attorney over lack of program accreditation
- Converted to nonprofit status in 2015

### Tuition

- It charges \$27,300 for an Associate in Business Management compared to \$7,420 at a nearby technical college, and about \$7,000 more for a Bachelor’s of Science in Business Management than the University of Wisconsin
- Degree in Medical Assisting is \$22,800 compared to \$5,459 at a nearby technical college
- Internal emails indicate company executives are aware that their increasing tuition is a growing problem. A 2009 email from an Admission’s Director stated that: “Many...students are already coming to us with large amounts loans from prior institutions...Any increase will make it much more difficult for students to be able to graduate in their programs. This is only adding to the student’s debt without them gaining additional marketable skills/degrees.”
- Employed multiple strategies to keep percent of revenue from federal student aid below 90% statutory threshold—aggressively recruiting veterans and corporate sponsored students (offering steep tuition discounts); raising tuition, which forces students to maximize federal loans or take out institutional loans (had small institutional loan program with high interest rate and 18% default rate)

### Federal Revenue

- 87.4% of its revenue was derived from federal student aid plus military and veterans educational benefits in 2010

### Expenditure Priorities

- In 2009, it allocated 22.7% of revenue to pre-tax profit and 19.4% to marketing and recruiting, close to the average of the 30 for-profits examined
- Spent \$3,822 per student on instruction in 2009 (about half the average of the privately held companies examined), compared to \$2,447 on marketing, and \$2,864 on profit
- As a privately held company, it is not obligated to release executive compensation figures

### Recruiting Tactics

- Recruiter training document entitled “Handling Objections” coaches recruiters on how to overcome prospective students’ objections to enrolling at the school using a method they call S.T.O.R.M. (Strategic Tactical Objections Response Meeting)
- Unlike many other for-profit colleges, Herzing’s enrollment agreement apparently does not include a binding arbitration clause
- In 2010, it employed 1 recruiter for every 69 students compared to 1 career counselor for 393 students, and 1 student services staffer responsible for 179 students; although enrollment increased sharply, counselor and services staff ratios have not; students complained about the lack of support, which was very different from the attentive treatment while being recruited

### Academic Quality and Student Outcomes

- It spent \$3,822 annually on instruction in 2009 compared to \$11,970 at a comparable community college and \$14,329 at the University of Wisconsin

- 52% overall withdrawal rate, ranging from 49.3% among Bachelor's degree students to just under 53% for Associate and Certificate programs; Associate and Bachelor's rates are somewhat lower than the sector-wide averages but the rate for Certificate programs is significantly higher
- Gradual increase in defaults from 11.9% to 15.9% for students entering repayment in 2005 and 2008, respectively
- It employed 187 full-time and 283 part-time faculty in 2010, a far higher ratio of full-time (40%) to part-time faculty (60%) than at many companies examined
- Concerned about the learning outcomes of students, its accreditor placed stipulations on Herzing's accreditation status that prevent the addition of new undergraduate programs and require commission staff approval for graduate level programs
- One student wrote: "We are currently in our fourth week of class and...I can honestly say that I have not learned anything in this class." She continued that on several occasions when students asked teachers basic questions, the teacher was unable to answer

## 2015 Update

- Announced conversion to nonprofit status in January 2015, a move that eliminates its need to comply with new Department of Education Gainful Employment regulations and gives its students greater access to state financial aid, which is often limited at for-profit schools
- Settled with Minnesota Attorney General over lack of accreditation for Medical Assistant Associate program, which prevented students from gaining certification in the state; settlement requires Herzing to make full disclosure in its advertising about program accreditation status; full refunds of tuition and living expenses for students who forfeit credits; transfer to another school with refunds for any credits not transferred; or \$7,500 credit to obtain credentials needed to sit for certification exam