

# Lincoln Education Service Company

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

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### Overview

- Lincoln, a publicly traded educational company headquartered in New Jersey, operates 46 campuses in 17 States, along with an online division
- Most students are enrolled in certificate programs in allied health, automotive, beauty, culinary, legal support, and traditional vocational fields but it also offers degrees
- It operates under 4 brands—Lincoln, Southwestern College, Nashville Auto-Diesel College, and Euphoria Institute
- Enrollment nearly tripped from about 12,500 in 2001 to over 33,000 in 2010, primarily through acquisitions, and revenue has almost doubled since 2006
- It was one of 5 schools being investigated by the New York attorney general for exaggerating job placement rates, program accreditation, costs, and the quality of instruction

### Tuition

- Tuition for an Automotive Mechanics Certificate at a Lincoln New Jersey campus is \$13,977 compared to \$6,050 at a nearby community college
- Each campus has a tuition target increase of 3% to 4% per year
- To maintain compliance with the 90% cap on revenue from federal student aid, courses were restructured in a way that pushed tuition in a single year above the federal student loan borrowing limit, forcing student to pay cash or take out private loans
- Lincoln has a small institutional loan program that had lent \$15 million as of 2011
- In 2009, Lincoln proposed merging nine campuses in different combinations to “manage 90/10 exposure”—that is, combining campuses highly dependent of federal student aid revenue with campuses less dependent; it also requires students to make cash payments, which helps to reduce the proportion of revenue from federal aid

### Federal Revenue

- 84% (\$497 million) of its revenue was derived from federal student aid plus military and veterans educational benefits in 2010

### Expenditure Priorities

- It devoted 16% (\$88 million) of revenue to profit and 15.8% (\$87 million) to recruiting and marketing in 2010
- Lincoln spent \$3,288 per student on instruction in 2009, compared to \$2,029 per student on marketing and \$2,058 per student on profit, close to the high end of the range for the publicly-traded schools examined
- Its CEO's 2009 compensation package of \$2.1 million was one-fifth the average for publicly traded companies, and it was cut to about \$1 million in 2010

### Recruiting Tactics

- Recruiters are expected to contact prospective leads within 12 minutes by phone and call them 5 times over 2 days
- A recruiting training manual is titled “Guerilla Marketing Plan,” telling recruiters to target prospects at hospitals, nursing homes, boy and girls clubs, and military schools
- School focuses on recruiting students eligible for DOD and veterans educational benefits
- Some students complained that they felt misled or deceived by recruiters about what would take place in the classroom or about having the credentials necessary to obtain a state required license upon graduation
- The enrollment agreement contains a binding arbitration clause, severely limiting students' ability to seek redress for grievances in the courtroom
- It employed 1 recruiter for every 47 students compared to 1 career counselor for 272 students, and 1 student services staffer for every 705 students

## Academic Quality and Student Outcomes

- Spent \$3,288 per student in 2010 on instruction, much lower than the \$16,654 spent by Rutgers but comparable to the \$3,900 spent at a nearby community college that has much lower tuition
- Overall, 51.3% of students who enrolled in 2008-09 had withdrawn by 2010 after a median of 4 months of classes; its withdrawal rate was close to the sector average of about 54%
- The withdrawal rates for its certificate and Associate degree programs were higher than the sector wide average
- Its default rate for students entering repayment in 2005 and 2008 increased from 21.6% to 27.7%, the fourth highest default rate among the schools examined; however, some campuses has significantly higher default rates ranging from 30.9% to 42.8%
- Lincoln contacts with a company to manage its default rate by persuading students at risk of default to enter forbearance or deferment, during which interest on the loans continues to accumulate but default is pushed out of EDs measurement window
- 56% of its faculty were full time in 2010, a higher proportion than at other schools examined; the sector wide average was about 20% full-time faculty
- Faculty raised concerns about academic quality, such as school guidance to leave students alone for 3 hours every day to do case studies, which elicited questions from students about whether they were going to be taught anything
- Other student complaints included missing instructors, outdated curriculum, insufficient clinical time, and being told to watch gladiator movies to study muscle tone
- Students complained about the lack of helping finding a job after graduation and there was evidence that at least one campus falsified job placement statistics, paying local employers to lie

## 2015 Update

- Massachusetts attorney general opened an investigation of Lincoln in 2014 over allegations that it mislead students about the degrees they were earning. On June 30, 2015, the AG announced an \$850,000 settlement with Lincoln that will be used to pay down federal student loans for eligible graduates of the school's criminal justice program and additional \$165,000 to forgive private student loans. Graduates of the program were unable to find work in the fields of law enforcement and private security. In addition, recruiters were trained to "bring out the pain" in potential students so that they would feel pressure to enroll—"establish unhappiness, create urgency."