

Med-Com Career Training/Drake College of Business

Summary of U.S. Senate Committee Findings (2012)

Company Profile

- Med-Com Career Training/Drake College of Business (“Drake”), a privately-owned company, offers Certificate and 2-year degrees in allied health and information technology fields at 2 New Jersey campuses
- Drake enrolled 2,592 student in 2010, a 400% increase over 2009 enrollment
- It had the highest default rate of the 30 for-profit schools surveyed
- Drake will teach out all programs and close on July 31, 2015

Tuition

- Drake charges \$19,200 for Dental Assisting certificate, a significant increase over the \$4,375 it charged in 2006, and more than 3 times the tuition for the same degree at a nearby community college
- Since 2006, the company has increased tuition an average of twice each year and in 2008 the school nearly doubled its tuition

Federal Funding

- In 2010, Drake received 84.3% (\$33 million) in revenue from federal student aid and it was the only company surveyed that received no funds from military or veteran educational benefits

Expenditure Priorities

- Through tuition increases and enrollment growth, Drake revenues increased by more than 1,200% from 2006 through 2009 and it allocated a growing share of the increased revenue to profit
- In 2009, Drake allocated 0.9% (\$465,816) to marketing and recruiting and 17.6% (about \$9 million) to profit, of which \$4.3 million was distributed to its small group of shareholders; an additional \$9.8 million was devoted to unspecified consulting fees
- Drake spent \$186 on marketing and \$3,488 on profit per student in 2009; it also spent \$3,920 per student on unclassified “Consulting fees.”
- It understates its recruiting costs because they do not include the \$11.8 million (23% of revenue) spent on student reimbursements (see recruiting below)
- As a privately held company, Drake is not obligated to release executive compensation figures.

Recruiting

- In 2010, Bloomberg Business Week reported that Drake and other for-profit schools were targeting the homeless with high pressure recruiting tactics; it stopped sending recruiters to shelters after publication of the article
- Starting in 2008, Drake recruited students by paying them \$750 a month for enrolling, attending class, and maintaining a C average; it later modified this practice by converting the payments to a line of credit to be forgiven if a student graduated with at least a C grade point but failure to do so required repayment over 20 years at zero interest

Academic Quality and Student Outcomes

- In 2008, it spent \$898 per student on instruction, significantly less than the \$16,654 at Rutgers and the \$3,878 at a nearby community college
- Drake’s 2008 default rate of 40.1% for students entering repayment in 2008 is almost double the rate for all for-profit colleges and more than triple the rate for colleges in all sectors; Drake has the highest rate of loan default among the 30 schools the committee examined
- Because of discrepancies between data provided to the committee and reported to the Department of Education, it was not possible to calculate retention data. However, according to the Department of Education, the graduation rate of first-time full-time students at 2 campuses was 30%
- In 2010, it employed 1 recruiter for every 207 students, while each career counselor was responsible for 245 students and each student services staffer was responsible for 269 students; although enrollment surged at Drake, career and student services staff remained constant

2015 Update

- The school announced that it will teach out all programs and close on July 31, 2015; they are no longer accepting new enrollments