

National American University Holdings, Inc

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

Overview

- National American University Holdings, Inc. (“NAU”), headquartered in South Dakota, is the smallest publicly traded for-profit education company surveyed
- It had 35 campuses in 2012, an increase of 16 since 2009 and enrolled about 10,000 students (about a 3-fold increase since 2001)
- More than half of students are enrolled in online programs
- It offers 60 degrees in business and healthcare related disciplines
- Its profit tripled to \$16.4 million between 2009 and 2011

Tuition

- Bachelor’s in Business from its main campus is \$62,813 compared to \$25, 216 at the University of South Dakota and Associate degree costs almost 2/3rds more than at nearby community colleges
- Over the past 5 years, undergraduate tuition at its main campus has increased an average of 4.6% per year, while online tuition has increased an average of 6.1% per year
- It proposed 2nd tuition increase in 1 year when it failed to meet quarterly profit expectations in 2007 and some campus administrators warned of a student backlash and being priced out of local markets

Federal Revenue

- 80% (\$61 million) of its revenue is derived from federal student aid plus military and veterans educational benefits in 2010

Expenditure Priorities

- Devoted 18.7% (\$11.7 million) of its revenue to marketing and recruiting and 8.6% (\$5.4 million) to profit in 2009
- Spent \$1,811 per student per year on instruction in 2009, compared to \$2,384 on marketing, and \$1,104 on profit
- In 2010, its President received \$1.1 million in compensation, about 3 times as much as the President of the South Dakota State University; in addition, its CEO received \$1 million in compensation

Recruiting

- It instructs recruiters to “create a sense of urgency and initiate the follow-up;” the goal of recruiters is not to provide information but to focus on how a degree will benefit them—“The best information piece is one that gives NO detailed information and answers NO questions.”
- Recruiters instructed not to give out complete program costs and instead give only a credit hour rate
- It suggested finding additional leads at places such as “Hair Salons,” “Ethnic Celebrations or Centers,” and “Wal-Mart, Target, Kmart, etc.—any stores that may have people that need to get an education.”
- Recruiters appeared to be admitting students who were not serious about earning a degree and should not be attending school
- Students complained that recruiters misled them about accreditation and that the school refused to provide them with a refund

Academic Quality and Student Outcomes

- Spent \$1,811 per student per year on instruction in 2009, compared to \$7,431 at University of South Dakota, \$4,530 at a nearby private non-profit, and \$3,671 at a local community college
- Each career and student services staff was responsible for 180 and 170 students while there was 1 recruiter for every 49 students; the school claims that recruiters continue to play a student support roll after initial enrollment
- 40.5% of students who enrolled in 2008-9 had withdrawn by 2010, lower than the 54% average across the 30 companies examined; however, the school has a long-term withdraw rate of 54%
- 13.2% default rate for students entering repayment in 2005 increased to 15.5% in 2008, less than the 22.6% average across the 30 schools surveyed

- Several students complained about the quality of their instructors. In one instance, a student stated that a teacher “lasted about ten minutes and stated that she wouldn’t even teach the material in this class to her high school students, and walked out.”
- It has a small institutional loan program with a fixed interest rate of 8% or lower—less than other for-profit loan programs

2015 Update

- No update to report