



Nonprofit Publisher
of Consumer Reports

Comments in Response to Federal Trade Commission

Request for Public Comments

Vocational School Guides Review, Matter No. P097701

Dear Sir or Madam:

I write on behalf of Consumers Union, nonprofit publisher of *Consumer Reports*. We strongly support the comprehensive comments submitted on this matter by the National Consumer Law Center (NCLC), PIRG, and Public Advocates. The extensive citations therein provide a compendium of many of the current problems of misrepresentation and other abuses in the proprietary sector that make continuation of these Guides necessary. This letter provides a few suggestions additional to those in the NCLC comments.

A May 1992 article in *Consumer Reports* on trade school fraud, "Schools for Scandal," highlighted the serious consumer fraud problems faced by trade schools students in that era. Our California office has worked on the issue since the mid-1990s. We advocated for improvement to the state regulatory scheme when the California Private Postsecondary Reform Act of 1989 was reauthorized in 1997 and over the past few years when the statute was allowed to sunset. Although a new state statute was just signed into law, it is far weaker than prior law and likely insufficient to protect students and taxpayer dollars in the major marketplace that is California, where nearly a half-million students are enrolled in proprietary institutions. The Federal Trade

Commission has an important role to play in providing guidance in order to protect consumer interests vis a vis proprietary trade schools, in California and other states.

Below are a few specific suggestions in response to your questions in the Federal Register notice of July 30, 2009:

- Question 15 – From student complaints received, government investigations, and recent litigation, it is apparent that major areas of misrepresentation by admissions staff involve completion, placement, and licensing exam pass rates, as well as likely salaries upon graduation, and transfer-ability of credits and credentials. While the Guides reflect general principles prohibiting unfair and deceptive practices, and specifically prohibit certain misrepresentations regarding transfer of credits (254.3(a)(3)) and employment or salary prospects (254.4(d)), we urge greater specificity including prohibition on schools making disclosures of job placement, completion, salary or licensure exam pass rates that are inaccurate, misleading, or unsubstantiated. Another deceptive practice some schools engage in is altering some answers on admissions tests in order to make students eligible for admission and federal financial aid. This practice obviously deceives the U.S. Department of Education, but it also deceives students. This is particularly egregious for non-English language speakers entering programs taught in English only and for those without high school diplomas.
- Question 16 – Abuses in the career training sector have a long history, starting with enactment of the original GI bill after World War II and its infusion of government funds that created many training opportunities. Notwithstanding the positive contributions of the GI Bill to the lives of so many veterans, abuses by unscrupulous training providers grew as this government program created a funding stream for a pool of institutions.

And as this and other financial aid programs grew over time, stronger institutional eligibility standards and consumer protection safeguards were needed and enacted to ensure that vulnerable prospective students and government dollars were protected.

Yet, over time new scams, new technologies, and new sources of funding call for re-visiting consumer protection guidelines. With so many Americans facing severe economic hardship and a large infusion of federal Stimulus dollars for job training through ARRA, the risk of obtrusive recruitment practices targeting vulnerable individuals is strong. The FTC did landmark investigative work in the late 1970s on this sector, and as you now consider revising the Vocational School Guides, Consumers Union urges that you also consider opening an investigative effort on career training programs to afford you the fullest record on which to craft the Guides and any other warranted regulation.

I have worked as a consumer advocate on proprietary school and student financial aid issues since the late 1980s, writing federal and state laws to curb trade school abuses, enhance financial aid program integrity, and provide consumer protection and redress for low- to moderate-income students. While many of the recruiting abuses and misrepresentations remain the same today, the means have shifted through internet advertising and far more on-line education technologies. And of course the financial investment by students has skyrocketed, due to availability of private loans including those offered by schools directly. These large-scale changes warrant a close examination by an agency with investigative powers to gather and verify information about advertising methods, recruitment techniques, false representations made to students, and other deceptive practices.

In conclusion, the G.A.O. and Congress have recently turned their attention to the need for greater oversight of proprietary schools, including distance education programs. Consumers Union applauds the F.T.C. for its attention to the key role it has in protecting vocational school consumers from unfair and deceptive practices. We urge you to strengthen the Guides and work with other federal regulators to protect vulnerable students whose lives can be ruined by investing their time, money, and dreams in vocational programs that engage in deceptive marketing, recruitment or other practices.

Sincerely,



Elizabeth M. Imholz

Special Projects Director