

Grading Maryland's For-Profit Schools

By
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ABOUT THE MARYLAND CONSUMER RIGHTS COALITION

The Maryland Consumer Rights Coalition (MCRC) advances economic rights and financial inclusion through research, education, advocacy, direct service, and organizing. Founded in 2000, MCRC works with its 8,500 supporters and members to expand economic rights and protect student rights at the local, state, and federal level. The Action Now Initiative (ANI) provided support for this report. We thank them for their generous support. The findings and conclusions presented in this report are those of the authors alone, and do not necessarily reflect the opinions of the ANI or its staff.

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EXECUTIVE SUMMARY

In 2020, 19,971 Maryland students were enrolled in 189 programs offered by for-profit and career schools in Maryland.¹ Research has shown that students enrolled in for-profits have higher student loan debt and default rates, and lower completion and job placement rates when compared to public institutions.

Our previous research has found serious concerns with Maryland for-profit schools regarding high costs and low-returns, unfair and deceptive marketing that targets low-income communities of color, and low spending on student instruction.

In our 2016 report, *Making the Grade: An Analysis of For-Profit and Career Schools in Maryland*, we discovered that the tuition at for-profit schools is extremely high, while completion rates remain low and default rates are high. Most importantly this report found that only 58 percent of those who graduated from private career schools in Maryland found employment in their field.

Our most recent report, *Ensuring Quality and Value at For-Profit Schools: Policy Options and Recommendations*, found that there is a need at the state-level to protect students attending for-profits from sudden school closures and low-quality instruction.

In this report, we will build on our past research to provide prospective students and their families with information about the quality and outcomes of Maryland for-profit and career schools.

¹ See <https://mhec.maryland.gov/publications/Documents/Research/AnnualPublications/2020DataBook.pdf>

INTRODUCTION

The goal of this report is to provide students who are interested in for-profit schools with a resource to better inform them about the quality and value of the for-profit institutions in which they are interested. This report builds on MCRC's previous research and our Know Before You Enroll Campaign, which works to help prospective students avoid predatory institutions and find programs that allow them to meet their career aspirations.

In this report, MCRC evaluates and ranks thirty-six Maryland for-profit schools on the basis of three criteria for educational quality using the most recent data available through the U.S. Department of Education reported by for-profit colleges.²

- Debt-to-Income. What percentage of students who attend for-profit colleges can obtain jobs with high enough earnings to pay back their student loan debt?
- Default Rates. What percentage of students default on their student loans at which Maryland for-profit schools?
- Instructional Spending. Which for-profit schools in Maryland invest the most in education?

These criteria were chosen mainly based on their importance to students, available data, and for-profit schools' ability to improve the metric.

For students, knowing how much they will earn after graduating, their ability to pay back their student loans, and if they may potentially default on their loans after graduating are important factors in choosing a college.

Financial considerations have increased for students in light of the COVID-19 global pandemic. Students are extremely cautious of taking on large loads of student loan debt that they cannot repay and worry about their earning potential after graduating.

Even before the pandemic, repaying student loans was a huge financial burden that followed people around for years. For many students who attend for-profit schools, paying off student loan debt is a huge financial burden and with every missed payment, monthly interest increases the amount owed.



² Four of these institutions have closed. See Appendix A for a full list of schools examined in this report. Additionally, the data obtained is from the 2016-2017 academic year.

OVERVIEW OF THE FOR-PROFIT SCHOOL INDUSTRY

The existence of the for-profit school industry represents a need in the post-secondary education sector to address the educational needs of rural students, single parents, and working students. For-profit schools have flexible programs and online, night, and weekend course offerings. For adult learners, who have to balance their coursework with other responsibilities, the flexible programs and online learning opportunities offered at for-profit schools are appealing.

The for-profit industry has also had a long history of abusing government funding, misleading students, and providing low-quality programs. In 2016, a lawsuit against the now closed ITT Tech for-profit school chain found that the school paid commissions to school recruiters, lied to students about the debt they would owe after graduating, their ability to transfer credits, and job opportunities.³

In 2019, the University of Phoenix reached a nearly \$200 million settlement with the Federal Trade Commission to resolve charges that the University of Phoenix used deceptive advertisements that falsely touted job opportunities with companies such as AT&T, Microsoft, Twitter, and The American Red Cross.⁴

There have been some efforts at the federal level to address predatory for-profit schools. The gainful employment rule sought to penalize low quality vocational and non-degree granting programs graduating students with unmanageable student debt. The current U.S. Department of Education Secretary Betsy DeVos has since repealed the rule, saying that the rule unfairly targets the for-profit school industry.⁵

Additionally, many for-profit schools in Maryland cost between three and five times more than their public school counterparts.⁶ For example, a for-profit college in Maryland charges \$52,737 for a degree in dental hygiene. In contrast, an associate's degree in dental hygiene at Maryland public colleges costs roughly one-sixth that price, at an average cost of \$8,704.48.

These high-cost programs offered by for-profit colleges often leave students with unmanageable student loan debt and either no degree or a degree that is not worth much more than a high school diploma. One study examining the employment and earnings of for-profit school students found that "earnings gains to for-profit certificate programs are not high enough to offset the cost of student debt."⁷

Additionally, COVID-19 has also made online education more attractive to students. In March, colleges had to transition to virtual learning mid-semester in an attempt to slow the spread of COVID-19. Many universities are planning to offer more online courses this fall.

Online education is an area that many for-profit schools operate in and this sector has a history of poor oversight and spotty state and federal regulations to protect students. In 2018, 50.4% of for-profit college students were enrolled in fully online programs.⁸ According to a report by the Institute for College Access and Success, "most online programs remain unproven, particularly on a large scale, and for students with gaps in academic preparation or other needs."⁹

³ See https://www.huffpost.com/entry/blockbuster-lawsuit-claim_b_9040584

⁴ See <https://www.ftc.gov/news-events/press-releases/2019/12/ftc-obtains-record-191-million-settlement-university-phoenix>.

⁵ See <https://www.insidehighered.com/quicktakes/2019/07/02/devos-issues-final-repeal-gainful-employment>

⁶ Marceline White with Renee Brown. "Making the Grade: An Analysis of For-Profit and Career Schools in Maryland." http://www.marylandconsumers.org/penn_station/folders/about/test_2/For-Profit_School_Report_-_for_website.pdf.

⁷ Stephanie Riegg Cellini & Nicholas Turner, 2019. "Gainfully Employed?: Assessing the Employment and Earnings of For-Profit College Students Using Administrative Data," *Journal of Human Resources*, University of Wisconsin Press, vol. 54(2), pages 342-370

⁸ See <https://ticas.org/wp-content/uploads/2020/07/untangling-the-web.pdf>

⁹ *Ibid.*

Many online for-profit colleges have seen COVID-19 as an opportunity to increase their dwindling enrollment after numerous scandals have plagued the industry. Their flexible programs are very attractive to workers who have recently lost their jobs, students whose campuses are closed, and to people seeking to change careers or gain new skills. Ashford University has received such an influx of new inquiries about their programs in recent months that it has announced plans to hire 200 additional enrollment advisers.¹⁰

Combined with the fact that for-profit colleges devote a large sum of revenue to advertising, individuals are more likely to turn to these programs during the pandemic after seeing an advertisement. “In 2016, twenty-four for-profit schools operating in Maryland spent less than 50% on instructional spending.”¹¹

Students often feel pressured to quickly enroll in for-profits after clicking on an online ad or talking to an admissions officer. For-profit school websites often pressure potential students by offering real-time, pop-up chats with school representatives. Confronted with the offer of pop-up chats, prospective students might feel obligated to talk to a recruiter before they have had time to search the website and decide if the school is right for them.

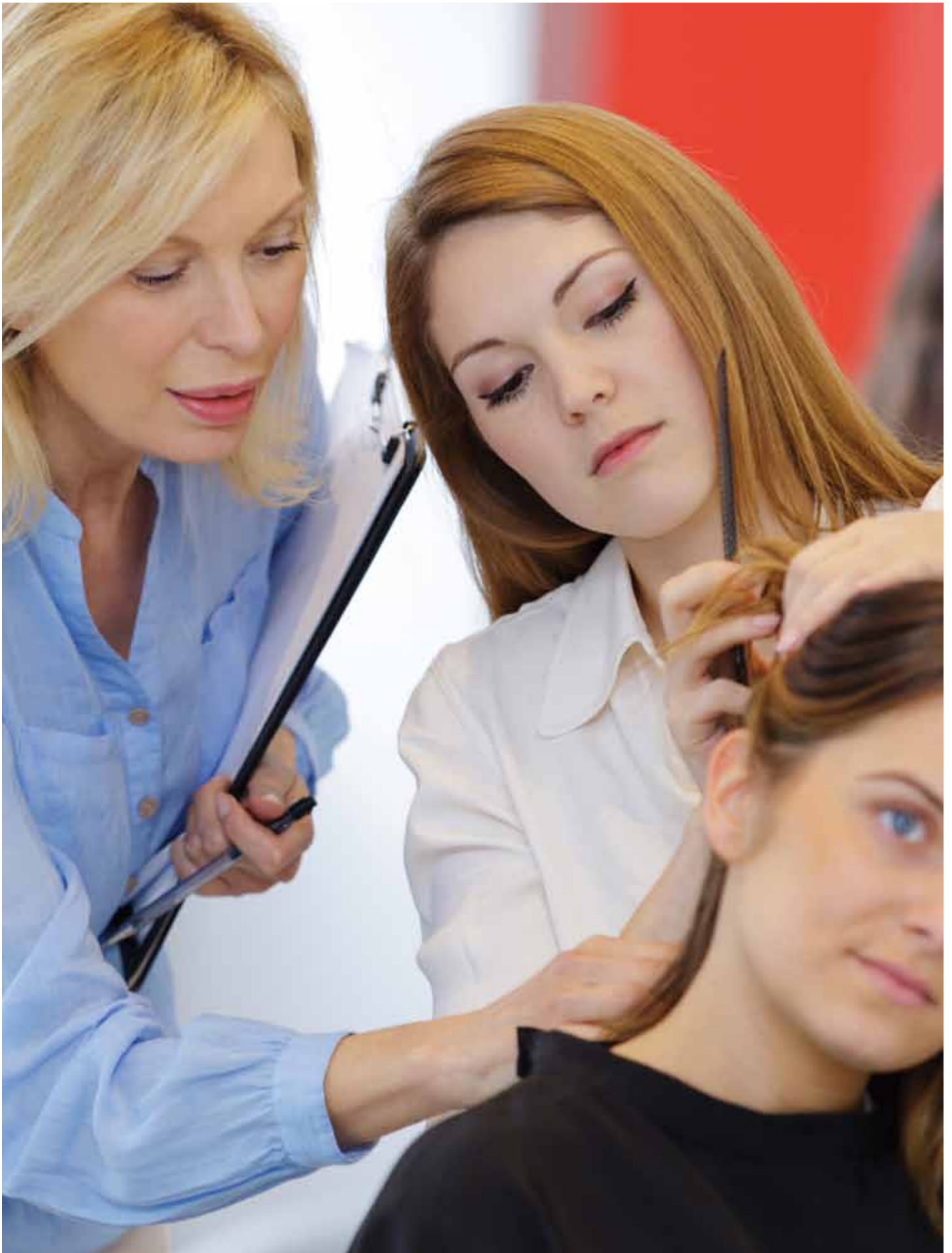
KEY FINDINGS

The main findings from this report are that most Maryland for-profit schools leave students financially stressed ten years after graduating and for-profit schools fail to invest in student instruction:

- 19 of the 36 for-profit schools graded received Ds as their final grades. The highest final grade for schools was a B, which only four schools received (Award Beauty School, Hair Academy II, Hair Academy Inc-New Carrollton, and Montgomery Beauty School).
- Instead of enjoying higher earnings, many for-profit school students in Maryland find themselves struggling to pay back their student loans and defaulting on their debts. Students attending cosmetology schools are less likely to default on their student loans.
- For-profit students in Maryland do not earn enough to offset the student loan debt they take on. All schools eligible to receive a grade got failing grades in debt-to-earnings outcomes.
- Half of the for-profit schools graded had failing default grades. These schools had 15.5% or higher defaults.
- Only 12 institutions spent more than 50% of tuition revenue on instruction. 14 schools received Ds and 9 schools received Fs. Cosmetology and beauty schools are more likely to spend on instruction because they receive additional revenue by providing paid services to the public.
- Four schools received passing grades in more than two categories (Award Beauty School, Hair Academy II, Montgomery Beauty School, and Maryland Beauty Academy of Essex). These categories were for schools’ spending on instruction and default rates.

¹⁰ See <https://www.nytimes.com/2020/06/17/business/coronavirus-for-profit-colleges.html>

¹¹ Marceline White, Dariya Brown, and Jen Diamond. “Ensuring Quality and Value at Maryland’s For-Profit Schools: Policy Options.” (2020).



HOW WE GRADED THE SCHOOLS

For this report, MCRC used quantitative data that for-profit schools self-report to the U.S. Department of Education. The default rate was used from the Department of Education’s official three-year cohort default data from 2014-2016. The instructional spending data came from the Integrated Postsecondary Education Data System (IPEDS) from 2016. Data about the student’s income and debt came from the Department of Education Scorecard.

We recognize that there are several limitations to using these data sources. For institutional level and cohort data, the data may be hidden by the Department of Education if there are fewer than 30 students.¹² The data also may be missing because it did not meet the Department of Education’s reporting standards. Most missing data were in the categories of median income after ten years of job entry, median student debt at college separation,¹³ and default rates. See Appendix A for more details about the grading process for the schools.

Furthermore, we recognize the data that we are using to grade for-profit schools does not reflect the current realities of students and institutions. Many for-profit schools received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding to support the costs of moving classes virtually, and to provide grants to students for food, housing, technology, and other expenses that were caused by campus closures. Maryland for-profit schools received over \$20 million in CARES Act funding of which \$10 million was designated to emergency financial aid grants to students.¹⁴

Additionally, some students have had their student loan repayment suspended and the Department of Education has stopped the collection of defaulted loans. However, the data used allows us to see how schools’ past efforts in investing in student’s education, the earnings students have received after graduating, and how likely students were to default on their loans after attending the school.

FOR-PROFIT SCHOOLS GRADES

Institution	Debt-to-Income Outcome Grade	Default Rates Grade	Investment in Education Grade	Overall Grade
Aesthetics Institute of Cosmetology	F		F	F
All-State Career - Baltimore	F	F	D	D
Aspen Beauty Academy of Laurel		F	D	D
Aveda Institute - Maryland	F	F	B	C
Award Beauty School	F	A	A	B
Baltimore School of Massage - Linthicum	F		F	F
Baltimore Studio of Hair Design	F	F	C	D
Blades School of Hair Design		F	D	D
Brightwood College - Baltimore*	F		F	F
Brightwood College - Beltsville*	F		F	F

*Indicates the institution is now closed.

¹² “Moreover, for elements that are highlighted on the consumer-facing College Scorecard, a separate version of the element is available that suppresses data for institutions with fewer than 30 students in the denominator to ensure data are as representative as possible.” See <https://collegescorecard.ed.gov/assets/FullDataDocumentation.pdf>.

¹³ Median earnings for employed students 10 years after matriculation for four-year primarily baccalaureate-granting institutions with at least 500 undergraduate students enrolled.

¹⁴ The CARES Act formula allocates 75% of the funds to institutions based on their share of all Pell Grant students nationally. It allocates the other 25% based upon an institution’s share of all non-Pell Grant recipients nationally. Both populations are based on what is known as full-time equivalent enrollment, which, for example, treats two half-time students as akin to one full-time student.

FOR-PROFIT SCHOOLS GRADES (cont.)

Institution	Debt-to-Income Outcome Grade	Default Rates Grade	Investment in Education Grade	Overall Grade
Brightwood College - Towson*	F		F	F
Columbia Institute			D	D
Cortiva Institute - Baltimore		F		F
Delmarva Beauty Academy	F		C	D
Empire Beauty School - Glen Burnie	F		C	D
Empire Beauty School - Owings Mills	F		C	D
Finger Lakes School of Massage			F	F
Fortis College - Landover	F		D	D
Fortis Institute - Baltimore	F		D	D
Fortis Institute - Towson	F	F	D	D
Frederick School of Cosmetology*			B	C
Hair Academy II		B	A	B
Hair Academy Inc. - New Carrollton	F		A	B
Hair Expressions Academy		F	C	D
Holistic Massage Training Institute		B	D	D
Institute of Health Sciences		B	F	D
Lincoln College of Technology - Columbia	F	F	D	D
Maryland Beauty Academy of Essex	F	D	C	D
Montgomery Beauty School	F	A	A	B
North American Trade Schools	F	F	D	D
Omega Studios' School of Applied Recording Arts & Sciences		A	D	C
Paul Mitchell the School - Jessup			F	F
Robert Paul Academy of Cosmetology Arts & Sciences	F	A	D	C
Strayer University - Maryland	F		F	F
The Temple Annapolis - A Paul Mitchell Partner School		B	D	D
The Temple - A Paul Mitchell Partner School		B	D	D

*Indicates the institution is now closed.

STUDENT EMPLOYMENT OUTCOMES

Students make important decisions about where to attend college based on the educational quality of the institution and how well their education will prepare them for future employment.

For-profits attract students to their schools with promises of higher earnings, practical training for future careers, and job opportunities. However, many students leave for-profit schools after investing large amounts of time and money to learn that their schools mischaracterized likely outcomes.

In 2019, the University of Phoenix reached a nearly \$200 million settlement with the Federal Trade Commission over charges that the school deceptively advertised non-existent job opportunities with large corporations such as AT&T, Microsoft, and Twitter.¹⁵ The University of Phoenix used these false promises to lure prospective students, particularly veterans and Hispanic students, to enroll to pursue opportunities that did not exist.¹⁶

When compared to graduates of public and private institutions, for-profit school students typically have lower earnings and higher debt. “Nearly 40% of for-profits leave the majority of their students earning below \$28,000 per year.”¹⁷ For-profit students earn less than their peers attending public colleges but are more likely to incur more debt for their education. In 2016, graduates from for-profit colleges owed an average of \$39,900 in student loan debt.¹⁸

The gainful employment rule was meant to prevent low quality programs from saddling students with high amounts of debt and low earnings after they graduate. Under the rule, programs that failed to meet a minimum student loan repayment and debt-to-income ratio were prohibited from accessing federal financial aid. 98% of the programs that failed the gainful employment rule were at for-profit schools.

Table 1 (page 10) shows the average earnings for students from for-profits operating in Maryland in comparison to the median student.

The data used for Table 1 is from the U.S. Department of Education College Scorecard. For privacy concerns, some institutions’ earnings data may be withheld if there are less than thirty students. Additionally, other federal agencies from which the Department of Education receives earnings data such as the Treasury Department may not have met the necessary reporting standards.¹⁹

Students who attended Delmarva Beauty Academy took out large amounts of debt to complete their education. However, when compared to other Maryland beauty and cosmetology schools, Delmarva Beauty Academy graduates had lower earnings after 10 years of entering the job market. The debt-to-income ratio was 56% for Delmarva Beauty Academy graduates (see Table 2 on page 11). Students who graduated from Delmarva Beauty Academy are more likely to be financially stressed and are more likely to default on their student loans.

Conversely, students who attend North American Trade Schools fared slightly better than their counterparts at other Maryland for-profit schools, graduating with relatively low amounts of debt and high earnings. The debt-to-income ratio was 15% for these students. Having a low debt-to-income ratio means that individuals can afford monthly repayments, are less likely to default, as well as save for their future.

¹⁵See <https://www.ftc.gov/news-events/press-releases/2019/12/ftc-obtains-record-191-million-settlement-university-phoenix>

¹⁶See https://www.ftc.gov/system/files/documents/cases/university_of_phoenix_ftc_v_uop_complaint_signed.pdf

¹⁷See <https://www.thirdway.org/report/the-state-of-american-higher-education-outcomes-in-2019>

¹⁸See https://ticas.org/files/pub_files/qf_about_student_debt.pdf

¹⁹See <https://collegescorecard.ed.gov/assets/FullDataDocumentation.pdf>

TABLE 1: Maryland's For-Profit Schools Debt and Earnings for 2016

Institution Name	Median Student Debt at Separation	Median Earnings 10 Years After Entry
Aesthetics Institute of Cosmetology	\$6,333	\$26,900
All-State Career-Baltimore	\$6,333	\$34,700
Aspen Beauty Academy of Laurel	\$7,917	
Aveda Institute - Maryland	\$9,708	\$26,400
Award Beauty School	\$4,999	\$16,600
Baltimore School of Massage - Linthicum	\$6,967	\$29,400
Baltimore Studio of Hair Design	\$4,750	\$29,400
Blades School of Hair Design	\$9,112	
Brightwood College - Baltimore*	\$7,969	\$27,600
Brightwood College - Beltsville*	\$9,499	\$33,000
Brightwood College -Towson*	\$9,436	\$26,100
Columbia Institute	\$4,523	
Delmarva Beauty Academy	\$11,715	\$20,800
Empire Beauty School - Glen Burnie	\$8,147	\$20,300
Empire Beauty School - Owings Mills	\$8,417	\$20,300
Finger Lakes School of Massage	\$7,917	
Fortis College - Landover	\$9,500	\$24,700
Fortis Institute - Baltimore	\$6,333	\$34,700
Fortis Institute - Towson	\$9,500	\$27,200
Frederick School of Cosmetology*	\$7,666	
Hair Academy II	\$4,750	
Hair Academy Inc. - New Carrollton	\$5,113	\$16,000
Hair Expressions Academy	\$9,500	
Holistic Massage Training Institute	\$6,333	
Institute of Health Sciences	\$9,500	
Lincoln College of Technology - Columbia	\$11,250	\$39,400
Maryland Beauty Academy of Essex	\$6,350	\$19,600
Montgomery Beauty School	\$4,750	\$17,100
North American Trade Schools	\$5,286	\$34,800
Omega Studios' School of Applied Recording Arts & Sciences	\$5,500	
Robert Paul Academy of Cosmetology Arts & Sciences	\$7,833	\$30,300
Strayer University - Maryland	\$9,500	\$45,900
The Temple Annapolis - A Paul Mitchell Partner School	\$9,833	
The Temple - A Paul Mitchell Partner School	\$9,833	

*Indicates the institution is now closed.

TABLE 2: For-Profit Schools Debt-To-Income Ratio

Institution Name	Debt-to-Income Ratio
Aesthetics Institute of Cosmetology	24%
All-State Career-Baltimore	18%
Aveda Institute - Maryland	37%
Award Beauty School	30%
Baltimore School of Massage - Linthicum	24%
Baltimore Studio of Hair Design	16%
Brightwood College - Baltimore*	29%
Brightwood College - Beltsville*	29%
Brightwood College - Towson*	36%
Delmarva Beauty Academy	56%
Empire Beauty School - Glen Burnie	40%
Empire Beauty School - Owings Mills	41%
Fortis College - Landover	38%
Fortis Institute - Baltimore	18%
Fortis Institute - Towson	35%
Hair Academy Inc. - New Carrollton	32%
Lincoln College of Technology - Columbia	29%
Maryland Beauty Academy of Essex	32%
Montgomery Beauty School	28%
North American Trade Schools	15%
Robert Paul Academy of Cosmetology Arts & Sciences	26%
Strayer University - Maryland	21%

*Indicates the institution is now closed.

DEFAULT RATES

For-profit schools cost more than their public school counterparts which means that students at for-profit schools often must take out larger loans for school.²⁰ The larger debt load a borrower carries, the more difficult it can be to maintain monthly payments.

Student loan borrowers enter default when they do not make a payment on their federal student loans within 270 days. Defaulting on student loans can damage credit scores, lead to wage garnishment, having federal tax returns seized, and having government benefits withheld. Additionally, borrowers in default cannot access additional federal student aid until their defaulted student loan is satisfied.²¹

²⁰Marceline White with Renee Brown. "Making the Grade: An Analysis of For-Profit and Career Schools in Maryland."

See http://www.marylandconsumers.org/penn_station/folders/about/test_2/For-Profit_School_Report_-_for_website.pdf

²¹See <https://studentaid.gov/manage-loans/default>

Low-income students, Black students, and students who are single parents are at least twice as likely to default within twelve years of leaving college.²² Institutions with high default rates indicate that the career programs offered to students saddle them with unpayable debts.

In 2016, the federal student loan cohort default rate was 10.1%. For-profit colleges had the highest default rate at 15.2% compared to 9.6% at public and 6.6% at private institutions.²³ 6,191 Maryland student borrowers were in default and the average student default rate was 9.3%.²⁴ Table 3 shows Maryland for-profit schools' cohort default rates for 2016.

TABLE 3: Maryland For-Profit Schools Cohort Default Rate for 2016

Institution Name	Default Rate
Frederick School of Cosmetology*	0%
Robert Paul Academy of Cosmetology Arts & Sciences	0%
Montgomery Beauty School	1%
Omega Studios' School of Applied Recording Arts & Sciences	2%
Hair Academy II	2%
Award Beauty School	3%
Holistic Massage Training Institute	5%
Institute of Health Sciences	6%
The Temple Annapolis - A Paul Mitchell Partner School	7%
The Temple - A Paul Mitchell Partner School	7%
Maryland Beauty Academy of Essex	14%
Hair Expressions Academy	17%
Lincoln College of Technology - Columbia	17%
Baltimore Studio of Hair Design	17%
Fortis Institute - Towson	19%
All-State Career - Baltimore	21%
North American Trade Schools	21%
Cortiva Institute - Baltimore	21%
Blades School of Hair Design	24%
Aveda Institute - Maryland	24%
Aspen Beauty Academy of Laurel	32%

*Indicates the institution is now closed.

²²Alhman, L. "Casualties of College Debt: What Data Show and Experts Say About Who Defaults and Why."

See https://ticas.org/wp-content/uploads/legacy-files/pub_files/casualties_of_college_debt_0.pdf

²³See <https://www2.ed.gov/offices/OSFAP/defaultmanagement/schooltyperates.pdf>

²⁴See <https://www2.ed.gov/offices/OSFAP/defaultmanagement/staterates.pdf>

Both the Frederick School of Cosmetology and Robert Paul Academy of Cosmetology Arts & Sciences have default rates of 0%. Both of these schools had zero borrowers default in 2016, even though there were 37 borrowers at Robert Paul Academy of Cosmetology Arts & Sciences and 47 borrowers who attended these schools that were in repayment.

Other schools with low default rates such as Montgomery Beauty Schools and Omega Studios' School of Applied Recording Arts & Sciences, and Hair Academy II only had between one and three students default on their loans while having over 50 students in repayment.

For-profit schools with highest default rates include Blades School of Hair Design, Aveda Institute - Maryland, and the Aspen Beauty Academy of Laurel. These schools leave students with an average of about \$8,900 in student loan debt. This means that students who attend these schools are more likely to financially struggle to pay back their education over time.

The Aspen Beauty Academy of Laurel had the highest default rate with 14 borrowers in default out of 44 students in repayment.

Lincoln College of Technology, Fortis Institute-Towson, North American Trade Schools, Cortiva Institute, and All-State Career all had high numbers of student borrowers in repayment who defaulted on their student loans. All-State Career School had the highest, 397 students default on their loans out of 1893 borrowers in repayment.

Even though North American Trade Schools had the lowest debt-to-income ratio, graduates are still struggling to pay off their student loans.

INSTRUCTIONAL SPENDING

Institutions' instructional spending indicates how much of a student's tuition goes to education it shows a college's investment in providing education. For-profit schools typically spend less money on instructional spending and more money on recruitment and advertising.²⁵

A recent report by the Brookings Institute found that when compared to public and private non-profit degree-granting institutions, for-profit colleges disproportionately spend more on advertising on a per-student basis. "For-profits continue to outspend public colleges by about \$1.2 million per institution and \$280 per student."²⁶ The report also found that for-profit institutions account for about 40% of all higher education advertising spending while serving just 6% of students.

In 2016, twenty-four Maryland for-profit schools spent less than 50% on instruction. Maryland public colleges (including two-year and four-year schools) spent about \$1.96 on instruction for every dollar they collect in tuition.

Meanwhile, for-profit schools spent about \$0.78 on instruction for every dollar collected in tuition. The amount spent on instruction by these schools is in stark contrast to the amount students pay in tuition (see Table 4 on page 14).

Students should know if the institution they are interested in attending places more value on instruction rather than advertising. Institutions should spend at least 50% of students' tuition revenue on instruction.

Beauty and cosmetology schools are more likely to spend more on student instruction than other types of for-profit schools. Cosmetology schools are often able to charge for their services, operating as salons providing additional revenue to dedicate to student instruction.

²⁵Nationally, for-profits spend an average of 29% of funding on instruction, whereas public institutions spend about 142%. Public institutions are able to spend more on instruction because they receive state funding and are required by law to make sure that revenue goes into the school's mission. Additionally, nonprofit laws and the Higher Education Act (HEA) prohibit those who run nonprofit institutions from pocketing tuition money in the way that for-profit executives and shareholders do. See <https://tinyurl.com/t8gdw8k>

²⁶See <https://www.brookings.edu/research/commercials-for-college-advertising-in-higher-education/>

TABLE 4: Maryland For-Profit Schools Instructional Spending for 2016-2017

Institution Name	Net Tuition Price at Separation	Percent of Tuition Spent on Instruction
Strayer University - Maryland	\$13,615	13%
Brightwood College - Towson*	\$8,383	19%
Brightwood College - Beltsville*	\$8,392	19%
Aesthetics Institute of Cosmetology	\$9,565	21%
Finger Lakes School of Massage	\$10,899	22%
Baltimore School of Massage - Linthicum	\$5,882	23%
Paul Mitchell the School - Jessup	\$6,712	23%
Brightwood College - Baltimore*	\$9,685	24%
Institute of Health Sciences	\$4,217	24%
Columbia Institute	\$10,815	27%
Lincoln College of Technology - Columbia	\$13,865	28%
Omega Studios' School of Applied Recording Arts & Sciences	\$35,380	31%
The Temple - A Paul Mitchell Partner School	\$8,841	33%
The Temple Annapolis - A Paul Mitchell Partner School	\$9,118	33%
Holistic Massage Training Institute	\$18,905	36%
Fortis Institute - Towson	\$8,177	37%
Fortis Institute - Baltimore	\$8,373	39%
Fortis College - Landover	\$9,115	43%
All-State Career - Baltimore	\$7,171	43%
Aspen Beauty Academy of Laurel	\$6,963	43%
North American Trade Schools	\$12,508	44%
Robert Paul Academy of Cosmetology Arts & Sciences	\$10,691	47%
Blades School of Hair Design	\$12,786	49%
Maryland Beauty Academy of Essex	\$8,730	57%
Empire Beauty School - Glen Burnie	\$10,268	63%
Delmarva Beauty Academy	\$8,509	68%
Hair Expressions Academy	\$7,531	69%
Empire Beauty School - Owings Mills	\$10,368	70%
Baltimore Studio of Hair Design	\$7,324	74%
Aveda Institute - Maryland	\$12,167	76%
Frederick School of Cosmetology*	\$14,483	76%
Hair Academy II	\$6,306	100%
Montgomery Beauty School	\$7,105	100%
Hair Academy Inc. - New Carrollton	\$7,017	100%
Award Beauty School	\$9,010	100%

*Indicates the institution is now closed.

Hair Academy II, Montgomery Beauty School, Hair Academy Inc-New Carrollton, and the Award Beauty School are all cosmetology schools that offer paid services to the public to provide training for their students. This additional revenue allows for cosmetology schools to spend more on student instruction because they are not relying solely on student tuition or loans for revenue.

The schools that spend the lowest on instruction include Strayer University, Brightwood College,²⁷ Aesthetics Institute of Cosmetology, and Finger Lakes School of Massage. This means that students at these schools are more likely to have larger class sizes, less attention from faculty to address individual student's needs, and less course offerings because their schools are not investing in their education.

Recommendations: Better Grades for For-Profit Schools and Quality Education for Students

The findings in this report illustrate that for-profit schools need to improve their educational quality for students. For-profit schools in Maryland are failing to provide quality education that provides students with high earnings and financial stability and additionally are failing to invest in student education.

This report has found that to increase the quality and value of education at for-profit schools, Maryland must establish a standard for instructional spending and put a cap on school's advertising spending, institute a state-level gainful employment rule, provide more research on the quality of online education, and increase oversight for online education programs.

Improving Quality by Increasing Spending on Instruction and Spending Less on Advertising

The amount institutions spend on instruction is important for outcomes like graduation, employment earnings, and student loan repayment. The state should require that all for-profit schools spend at least 50% of their tuition revenue on student instruction, put a cap on for-profits' spending on marketing and advertisements, and provide meaningful enforcement and consequential penalties for those that do not comply.

State-Level Gainful Employment

A state-level gainful employment rule is a much-needed consumer protection tool that can notify Maryland students of the lowest-value programs. A gainful employment rule will also drive for-profit schools to lower tuition costs, focus more on employer needs, and develop additional efforts to improve their educational value to students.

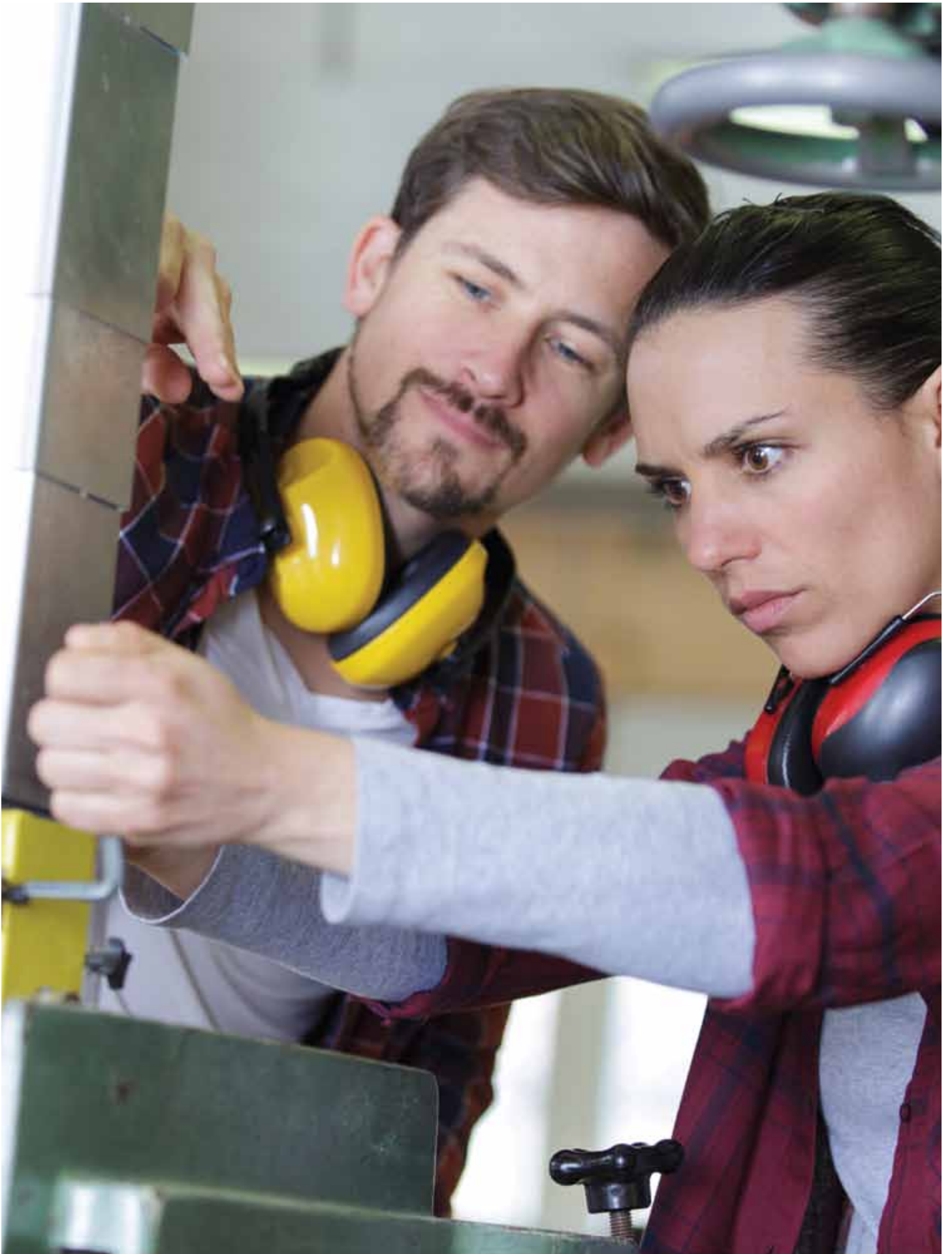
California and Washington have both introduced legislation that would establish a state-level gainful employment rule. The Maryland General Assembly should enact a state-level gainful employment rule that informs students of programs that would leave them with high debt and low earnings.

Research on the Quality of Online Education in Maryland and Increase Oversight on Online Education

More research is needed to assess the quality of the online higher education industry in Maryland and oversight is needed to make sure that colleges are offering high quality education. Lack of research on the status of online education in Maryland makes it difficult to assess the quality and value of post-secondary online programs for students.

The COVID-19 pandemic has caused many programs to become virtual. This large move to online learning is concerning because of the lack of oversight and accountability of these institutions. It is necessary for students to understand how beneficial these programs are to increased earnings, better job opportunities, and financial stability. The General Assembly should look to reevaluate standing reciprocity agreements for distance learning to make sure that the standards for schools offering virtual programs are strengthened to ensure that students are receiving quality education.

²⁷All Brightwood College locations closed in 2018 for financial reasons.



APPENDIX A

Methodology

In this section, we will detail how individual criteria were graded and then discuss the methodology for schools' final grade. The grades for employment outcomes, instructional spending, and default rates were calculated based on previous research, federal regulations, and institutions' direct control on increasing their ability to improve their grades on the criteria. After each school received their institutional grade, the grade was then converted using a four-point scale, and then each criterion was assigned a weight based on its relative importance.

DEBT-TO-EARNING OUTCOMES

We calculated a debt-to-income ratio using the student borrowers' median income after 10 years of job entry and median student debt at college separation. We divided the median student debt owed after leaving/graduating the institution to students' median earnings ten years after entering the job market.

After this calculation, we used the Department of Education's gainful employment rule metrics to establish schools' grades. The U.S. Department of Education's gainful employment rule stated that graduates needed to earn enough to afford to repay their loans.²⁸ The rule required any career training program where student debts exceeded both 8% of their total income and 20% of discretionary income had to improve or lose access to federal financial aid (see below). Programs failed if graduates had loan payments greater than 12% of their total earnings.

We used 12% as our marker for failing grades. Schools with debt-to-income ratios less than 12% received higher grades than schools with more than 12% failing grades.

GAINFUL EMPLOYMENT PASS/FAIL METRICS

PASS	ZONE	FAIL	INELIGIBLE
Discretionary income rate for graduates or less than 20%	Discretionary income rate for graduates between 20% and 30%	Programs whose graduates have annual loan payments greater than 12% of total earnings	Programs that fail in two out of any three consecutive years
OR	OR	AND	OR
Annual earnings rate for graduates equal or less than 8%	Annual earnings rate for graduates between 8% and 12%	Greater than 30% of discretionary earnings	Are in the zone for four consecutive years

DEBT-TO-INCOME GRADE

DEBT-TO-INCOME	GRADE
0 - 3%	A
3.1 - 6%	B
6.1 - 9%	C
9.1 - 12%	D
More than 12%	F

²⁷In 2014, the Department of Education adopted the gainful employment (GE) rule providing a definition of how career training programs could demonstrate they met this requirement. On July 1, 2019 the GE rule was rescinded and schools were immediately allowed to stop complying.

INVESTMENT IN EDUCATION

The institutional grade for investment in education was based on how much schools spent on instruction. Research has indicated that 50% is a good metric for instructional spending emphasizing that schools should spend at least 50% of a student's tuition revenue on instruction.²⁹ Additionally, bills have been introduced and passed at the federal and state-level requiring schools to spend at least 50% on instruction.

In 2018, Congress introduced a bill that would specifically prohibit the use of federal funds on marketing for institutions that fail to spend at least half of tuition revenue on instruction.³⁰ In 2019, Maine's state legislature passed "An Act To Ensure the Integrity of For-profit Colleges" which states if a for-profit school spends less than 50% of its total spending on instruction or more than 15% of its total spending on advertising, then the state board must find that the for-profit college fails to meet adequate educational standards.³¹

For-profit schools that spent above 50% on instruction received higher grades and schools spending less received lower grades.³²

INSTRUCTIONAL SPENDING GRADE

INSTRUCTIONAL SPENDING	GRADE
100%	A
99-75%	B
74-50%	C
49-25%	D
LESS THAN 24%	F

DEFAULT RATES

The institutional grade for default rates was based on Maryland's fiscal year 2016 cohort default rate released by the U.S. Department of Education, which was 9.3%.³³ For schools with thirty or more student loan borrowers entering repayment, the school's cohort default rate is the percentage of a school's borrowers who enter repayment on certain federal loans during that fiscal year and default within the cohort default period.

We used Maryland's average default rate as a marker to assign grades to schools. Schools that had a cohort default lower than or near 9.3% received higher grades and schools that had higher default rates received lower grades.

²⁹See <https://tcf.org/content/report/examining-instructional-spending-accountability-consumer-information-purposes/>

³⁰The Aim Higher Bill (H.R. 6543) was introduced by Rep. Bobby Scott (D-VA). The bill would measure instructional spending as a proportion of collected tuition revenue.

³¹See https://legislature.maine.gov/legis/bills/bills_128th/billtexts/SP048201.as

³²In contrast to other private career schools, beauty and cosmetology schools sometimes charge students less in tuition than they spend on instruction. These schools also sometimes have substantial revenue sources that are not tuition revenue, operating as salons or businesses that provide some revenue that completes their full revenue/operating budget.

³³See <https://www2.ed.gov/offices/OSFAP/defaultmanagement/staterates.pdf>

DEFAULT RATE	GRADE
0-3.4%	A
3.5-7.4%	B
7.5-11.4%	C
11.5-15.4%	D
MORE THAN 15.5%	F

FINAL GRADES

To calculate overall grades, schools' individual criteria grades were converted using a 0 to 4 scale. Schools with an A received 4, B received 3, C received 2, D received 1, and an F received a 0. These grades were then assigned a weighted value.

Employment outcomes and default rates grades were weighted at 25% and instructional spending was weighted at 50%. Institutions' investment in education grade was weighted at 50% because schools have the most direct control over their instructional spending. Other indicators such as employment outcomes and default rates have other influencing factors such as the economy and labor market.

After each of the criteria was weighted and an adjusted grade was calculated, schools' individual grades were added together then assigned a letter grade using the grade breakdown in Table 5 below.

For schools with missing data, we averaged their scores in other areas, so the lack of data neither helps nor hurts their overall score. For example, Aesthetics Institute of Cosmetology did not have complete data for their schools' default rate; therefore, we averaged their individual grade in employment outcomes and investment in education to give them their final grade. Similarly, Aspen Beauty Academy of Laurel lacked data to compile an employment outcome grade; hence, their final grade was calculated using their default rate and investment in education grades.

TABLE 5: Grade Breakdown

SCALE	GRADE
4.0 - 3.5	A
3.49 - 2.5	B
2.49 - 1.5	C
1.49 - 0.5	D
0.49 - 0	F

APPENDIX B

For-Profit Schools Graded

Aesthetics Institute of Cosmetology
 All-State Career - Baltimore
 Aspen Beauty Academy of Laurel
 Aveda Institute - Maryland
 Award Beauty School
 Baltimore School of Massage - Linthicum
 Baltimore Studio of Hair Design
 Blades School of Hair Design
 Brightwood College - Baltimore*
 Brightwood College - Beltsville*
 Brightwood College - Towson*
 Columbia Institute
 Cortiva Institute - Baltimore
 Delmarva Beauty Academy
 Empire Beauty School - Glen Burnie
 Empire Beauty School - Owings Mills
 Finger Lakes School of Massage
 Fortis College - Landover

Fortis Institute - Baltimore
 Fortis Institute - Towson
 Frederick School of Cosmetology*
 Hair Academy II
 Hair Academy Inc. - New Carrollton
 Hair Expressions Academy
 Holistic Massage Training Institute
 Institute of Health Sciences
 Lincoln College of Technology - Columbia
 Maryland Beauty Academy of Essex
 Montgomery Beauty School
 North American Trade Schools
 Omega Studios' School of Applied Recording Arts & Sciences
 Paul Mitchell the School - Jessup
 Robert Paul Academy of Cosmetology Arts & Sciences
 Strayer University - Maryland
 The Temple Annapolis - A Paul Mitchell Partner School
 The Temple - A Paul Mitchell Partner School

*Indicates the institution is now closed.







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