STUDENT BORROWER PROTECTION CENTER

MAPPING EXPLOITATION

Examining For-Profit Colleges as Financial Predators in Communities of Color

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Introduction

The country is in the midst of an unprecedented student debt crisis with 45 million borrowers collectively owing more than $1.7 trillion in student debt. Student loan borrowers have been sold the narrative that education is the key to social mobility—that it is "the great equalizer."[1] Meanwhile, the rising cost of higher education has brought with it rising levels of student debt—debt that is often excused or ignored as a personal shortcoming, the result of individual choices rather than a broad array of deep systemic failures.[2] These parallel trends perpetuate the narrative that student loan borrowers are not entitled to assistance or that their distress does not merit policymakers' attention.

However, as we have seen time and time again, the vision of higher education as the key to individual opportunity and student debt as "good debt" has consistently failed to account for a host of interconnected phenomena including a persistent racial wealth gap and structural inequities in the labor market.[3] The compounded effects of these phenomena often disadvantage even highly educated Black and Latino workers.[4] Predatory institutions and actors have capitalized on the language of the "education gospel"[5] and the policies undergirding it to target low-income consumers, veterans, and communities of color with the allure of opportunity.[6] These institutions often promise economic opportunity, yet in too many cases, the actual products they offer leave students worse off and with economic mobility further out of reach.[7]

Predatory institutions and actors have capitalized on the language of the "education gospel" and the policies undergirding it to target low-income consumers, veterans, and communities of color with the allure of opportunity.

Federal lawmakers and regulators have at times attempted to address some of the more unsavory or predatory institutions in the for-profit college industry through traditional higher education policy levers, including by threatening to withhold Title IV federal financial aid from schools whose graduates' earnings are too low or student loan default rates are too high.[8] While these efforts have resulted in the occasional low-quality program closing down,[9] they have not addressed some of the deeper abuses or most opportunistic behavior on the part of for-profit schools. Worse, current checks on predatory action can also be gamed by schools, or rolled back or not enforced by a particular administration.[10] Further, federal measures only cover the universe of schools that have access to federal financial aid and veterans benefit dollars, and thus do not account for many of the most troublesome actors that fall out of the traditional higher education accountability framework but prey upon students through exploitative financing schemes.[11] Finally, as this report demonstrates, the approaches of the current system have not prevented predatory actors from establishing themselves disproportionately in communities of color, stripping Black and Latino families of wealth and exploiting students and borrowers. These are not only higher education issues—these are consumer protection and civil rights issues, and borrowers and their communities should be protected as such. Accordingly, consumer protection regulatory measures should be aggressively administered through a civil rights lens.

In order to more comprehensively defend the promise of higher education and hold predatory actors to account, it is critical to first know exactly where these institutions operate and the types of products they offer. With a granular focus on the Upper Midwest, this report provides a deep dive into where for-profit institutions exist within communities and shines light on the type of educational and financial products they are peddling.

Through this focus, it is increasingly clear that Black and Latino communities are far more likely to be surrounded by for-profit institutions, and that the services being offered by many of these institutions are akin to the other types of predatory actors with extractive business models. The findings in this report underscore why policymakers, regulators, and enforcement officials must view these schools as more than simply higher education institutions; these schools must be viewed in the context of their exploitative practices and the dangerous products they promote. In short, we need policymakers and enforcement officials to approach predatory institutions with the full panoply of tools to combat discriminatory practices.

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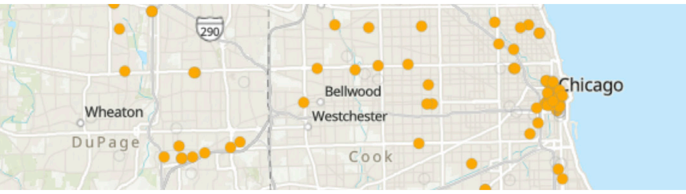
It has never been more urgent to get this right, as the economic devastation wrought by the COVID-19 pandemic has decimated many families' income, put educational aspirations on hold, and breathed life into the for-profit college sector seeking to capitalize on broad economic disruption.[12] Exactly one year into the onset of the pandemic, half of Black households and nearly 60 percent of Latino households reported experiencing a loss of income since March 2020.[13] Additionally, more than a year into the crisis, over one-third of Black and Latino renters were still worried about making next month's rent payment.[14] These are the conditions under which predatory colleges can thrive, by aggressively pursuing workers and potential students looking to regain some semblance of financial stability.

Student Debt is a Crisis for Black and Latino Borrowers and Their Communities

Student debt is a crisis with devastating ripple effects across the economy and our communities.[15] Yet research increasingly demonstrates Black and Latino borrowers disproportionately bear the brunt of the student debt crisis[16] and face systemic barriers with regard to every aspect of the borrowing and repayment of student loans.[17]

In short, student debt is both a “cause and a consequence” of our nation’s persistent racial wealth gap, which is exploited by the student loan industry, from lenders and servicers to predatory colleges.[18]



> ***Student debt is both a "cause and consequence" of our nation's persistent wealth gap, which is exploited by the student loan industry, from lenders and servicers to predatory colleges.***

Higher Education and Student Debt Create Undue Burdens and Risks for Black and Latino Borrowers

Higher education is a risky proposition for many students of color and students from poor and working-class backgrounds because of their precarious financial position.[19] Rising debt and a lack of accountability for predatory actors only makes it more so a gamble[20] and creates a self-reinforcing cycle of debt. Black and Latino households have significantly less wealth than white families stemming from the longstanding effects of discriminatory policy and racial exclusion[21]—the median white household has 13 times the wealth of the median Black household and 10 times the wealth of the median Latino household.[22] The typical college-educated Black households have less wealth than white households *where the highest level of education is a high school degree.*[23] These disparities make it more likely they will need to borrow, and need to borrow in higher amounts, to pay for college.

- **Black and Latino students are more likely to borrow.** Due to the intergenerational ways that wealth reproduces itself, Black and Latino borrowers are less able to rely on familial wealth to pay for their postsecondary education[24] and are left to take on student debt at a rate that far outpaces their white peers: over 90 percent of Black students and 72 percent of Latino students who complete four-year programs borrow to attend college in comparison to 66 percent of white students.[25] Across all school sectors, Black borrowers take on more debt to attend school, including: public two-year and four-year colleges, private colleges, and for-profit-institutions.[26]

- **Black and Latino borrowers are more likely to struggle in repayment.** Twenty years after starting college, the median white borrower has paid down nearly 95 percent of their original balance while the median Black borrower still owes nearly 95 percent of their original balance.[27] Further, the debt loads of 75 percent of borrowers in Black communities are greater than these borrowers' original loans.[28] Similarly, 12 years after graduation, the median Latino borrower with a bachelor's degree still owes 80 percent of their original balance as compared to the median white borrower who has paid down more than half of their original balance.[29]

- **Black and Latino borrowers are more likely to fall behind and default on student loan debt.** Black and Latino borrowers also experience disproportionately high rates of delinquency and default.[30] Within six years of starting college, one-in-three Black borrowers and one-in-five Latino borrowers have defaulted on a student loan compared to roughly one-in-ten white borrowers.[31]

The devastating effects of the student debt crisis—particularly the effects of delinquency and default—not only harm individual borrowers, but also stifle economic growth and opportunities in cities and local communities.[32] For Black and Latino communities in particular, the realities of the student debt crisis can be even more stark.[33]

Student Debt Reinforces Economic Injustice in American Cities

Viewing the student debt crisis through a local lens is crucial to understanding the twin crises of student debt and predatory higher education, in part because the racial wealth gap that drives many of the racial disparities in the student debt crisis is deeply rooted in a range of policy actions and practices that completely reshaped American cities, including redlining and residential segregation, employment discrimination, and wage inequality.[34] Redlining systematically devalued Black neighborhoods—restricting and diminishing the value of Black homeownership—and largely deprived many Black families of the primary wealth-building tool in this country. Vestiges of the practice and patterns of segregation persist to this day.[35]

Without intentional and substantial policy interventions, the persistence of the racial wealth gap and the inequitable impact of the COVID-19 pandemic in metropolitan areas has and will further exacerbate these disparities.[36] Many of the same communities that have been ravaged by the pandemic also bear the brunt of many of the most severe effects of the student debt crisis—the delinquency, the defaults, and the high-cost, predatory products and services.[37]

Across American cities, student debt distress tracks largely across racial and economic lines.[38] In fact, the racial composition of a borrower's neighborhood is closely correlated with their likelihood to struggle in repayment on their student debt.[39] Borrowers in the most racially segregated communities of color are up to five times more likely to fall behind on a student loan than borrowers in the whitest areas, a disparity that parallels the results of the worst mortgage redlining practices seen in the last financial crisis.[40]

- **Student loan defaults are closely correlated with a neighborhood's racial demographics.** As the share of the Black and Latino population increases in a given neighborhood, the incidence of student loan defaults climbs.[41] A recent Jain Family Institute (JFI) report found a 54 percent increase in median student loan balances for millennials in majority-Black neighborhoods since 2009, compared to a 15 percent increase nationwide.[42] Similarly data from the Federal Reserve Bank of New York show that majority-Black neighborhoods have the highest and fastest growing student loan balances.[43] Of note, JFI also found that Black borrowers face the highest prices for higher education in communities where for-profit schools outnumber public institutions.[44]

- **Black borrowers often take on more debt and earn less than their white peers.** Borrowers in majority-Black neighborhoods not only take on more debt in relation to borrowers in majority-white neighborhoods at similar income levels, but also earn significantly less than white borrowers with the same level of degree attainment.[45]

- **Borrowers in Black and Latino neighborhoods are more likely to struggle paying down student loan balances.** Additionally, nearly three-quarters of borrowers in majority-Black neighborhoods and nearly 6-in-10 borrowers in majority-Latino neighborhoods have student loan balances higher than what they took out at origination.[46] Compounding repayment disparities, default rates in majority Black and Latino neighborhoods are 70 percent and 96 percent higher, respectively, than the default rates in majority-white neighborhoods.[47]

Student debt disparities accelerate the disparities raging across communities, further entrenching racial inequities. Delinquencies and defaults not only take an enormous toll on individual borrowers, but also have far-reaching consequences across their communities. More debt for Black and Latino communities also means less opportunities for wealth creation and entrepreneurship, broadly stifling economic mobility.[48]

Financial Predators Exploit the Wealth Gap

As policymakers have chosen to systematically disenfranchise and disinvest in communities of color, leaving them vulnerable for exploitation, we have seen time and time again that financial predators will quickly pounce.[49] In wealthier, whiter communities, the institutions providing credit and financial services look very different than those in communities of color, where predatory institutions, such as payday lenders, check-cashers, car title lenders, and others proliferated to fill the gaps left by a lack of safe, reliable financial services and consistent economic investment.[50]

This phenomenon is sometimes referred to as "predatory inclusion."[51] Broadly, the financial services and products that had been denied to Black and Latino families have slowly become available under riskier or more punitive terms. These new services and products are often sold with claims that the firms offering them are providing a service or benefit to underserved and under-resourced communities.[52] For-profit colleges fit this same mold: instead of providing financial stability or neighborhood enrichment, for-profit schools are simply new ways of stripping communities of wealth. This trend has played out time and again, whether through the subprime mortgage crisis;[53] the likelihood that Black Americans and women are more likely to engage with payday lenders, auto title lenders, and debt collectors instead of traditional banks;[54] or the unfavorable terms typically provided to Black borrowers relative to white borrowers with weaker credit.[55] In each of these examples, Black and Latino households are ostensibly offered the same pathways to opportunity and wealth as white households, yet the terms and features of the products being offered make it nearly impossible to do so.

For-Profit Colleges are Another Example of Firms Engaging in “Predatory Inclusion”

Predatory for-profit schools operate in the same manner as other wealth-stripping enterprises. A void created by disinvestment in communities and public higher education—and demand for that same education—has created a perfect storm by which for-profit institutions can claim to serve communities but offer a product that offers little to no value.[56] That product[57] can produce little in terms of job or financial security, and often comes with unpayable debt.[58] In too many cases, borrowers attending for-profit colleges are far worse off than if they had never entered higher education at all.[59] This has consequences for cities and communities across America, as families living on the edge of the middle class are forced to face a struggling economy with more debt, less savings, and greater uncertainty.[60]

Predatory For-Profit Schools Target Students of Color and Exacerbate Racial Disparities

For decades, for-profit colleges have engaged in predatory targeting of Black and Latino students.[61] While selling the dream of economic mobility, these schools often engage in a host of nefarious practices that leave students with large debt burdens and a lack of meaningful employment outcomes.[62] With a financial stake in enrolling as many students as possible for federal aid dollars and GI Bill benefits, these institutions engage in a range of illegal and exploitative activities, including unfair and deceptive advertising, false student outcomes, and fraudulent financing practices.[63] Borrowers of color who attend for-profit schools also face significant repayment hurdles.[64] One study found that over a twelve-year period, less than half of white students, more than half of Latino students, and two-thirds of Black students who borrowed money to attend a for-profit school defaulted on at least one of their loans.[65] While for-profit schools only account for nine percent of student enrollment across all school sectors, they account for 17 percent of outstanding student debt, and one-third of loan defaults.[66]

For-profit schools enroll disproportionately high numbers of Black and Latino students, who account for nearly half of all for-profit students yet only one-third of all undergraduate students.[67] This disparity has been attributed to reverse redlining practices by which they routinely target Black and Latino students, peddling degrees that offer little, if any, return and leave students with an excess of debt.[68]

The evidence is overwhelming: the toxic combination of the racial wealth divide and the presence of low-quality institutions that load students with debt and offer little in return has perpetuated a crisis across the country, felt most acutely by borrowers and families of color whose only fault was trying to get an education.

For-Profit Colleges and the Geography of Financial Predation

About This Report and Methodology

To investigate and illustrate the extent to which for-profit colleges are engaging in predatory inclusion through geographic targeting, we examined patterns in the locational distribution of these institutions across the country.

First, we used data on school location from the Department of Education's College Scorecard[69] and zip code-level demographic data from the U.S. Census Bureau's American Community Survey[70] to identify broad national trends in the relationship between community demographics and the presence of for-profit colleges. As described below, our findings reveal that for-profit colleges are much more likely to situate themselves in communities of color across the country.

Then, we supplemented these national findings with city-level snapshots illustrating how the broad trends we identified instantiate themselves in American cities. Existing research indicates that the most segregated cities in the country are disproportionately concentrated in the Midwest,[71] and that significant racial disparities exist in these cities with regard to debt burdens and borrower outcomes.[72] Accordingly, we selected Chicago, Cincinnati, Cleveland, Detroit, Indianapolis, and Milwaukee as cities of particular focus.[73] We then combined census tract-level demographic data from the U.S. Census Bureau's American Community Survey,[74] data on the location of Title IV schools from the Department of Education's Colleges Scorecard,[75] and data from the Department of Veterans Affairs on the location of for-profit vocational programs eligible for GI Bill benefits[76]—a proxy intended to help capture the full local breadth of for-profit actors' presence in a given city—to map the locations of communities of color and for-profit colleges across cities.[77]

Findings: Nationally, For-Profit Colleges Cluster Around Communities of Color

As mentioned above, there is a substantial body of research and evidence to suggest that for-profit colleges target low-income students and students of color.[78] By taking a geographic analysis, and not just an enrollment-based analysis, we can better understand how for-profit colleges fit into the mold of predatory inclusion.

Just as a host of other predatory institutions pop up in communities that have been systematically disenfranchised, it is clear from our analysis that for-profit colleges do too. Nationally, and in city after city, we found that for-profit schools cluster in and around Black and Latino neighborhoods, a stark contrast to their relatively thin presence in predominantly white neighborhoods. These findings make clear that the disproportionate enrollment of people of color at for-profit colleges is likely a consequence of these firms' intentional targeting of Black and Latino neighborhoods.

Neighborhoods that are majority Black or Latino are significantly more likely—over 75 percent and 110 percent, respectively—to have at least one for-profit school than communities that are not.

At the national level, we found that neighborhoods that are majority Black or Latino are significantly more likely—over 75 percent and 110 percent, respectively—to have at least one for-profit school than communities that are not.

FIGURE 1: Nationally, zip codes that are majority Black or Latino are far more likely to have a for-profit college.[79]

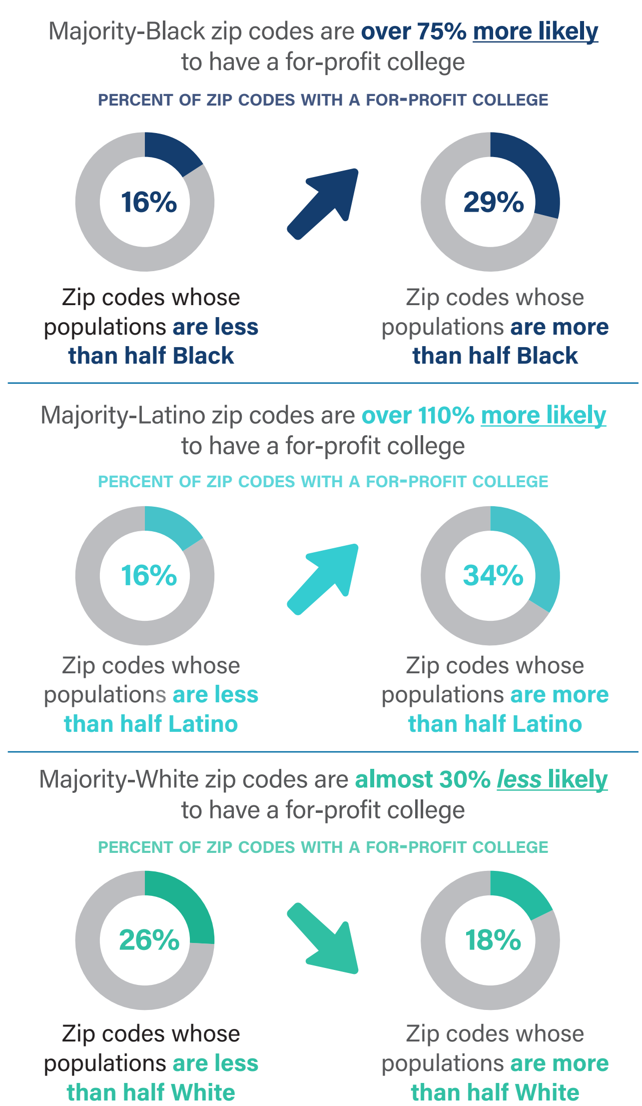


FIGURE 2: Nationally, zip codes that are majority Black or Latino average a far greater number of for-profit colleges.[80]

Our investigation also reveals that Black and Latino communities are not only more likely to have a for-profit college nearby, but also a greater number of for-profit colleges competing to enroll them. We find that for-profit schools proliferate at far greater rates in majority-Black and majority-Latino zip codes: majority-Latino zip codes have over twice as many for-profit schools as majority-white zip codes, and majority Black zip codes have over 50 percent more for-profit schools than predominately white zip codes.

For-Profit Schools Target Communities of Color with Predatory Products That Produce Suboptimal Outcomes

Reflecting national patterns, a closer look at the neighborhood level shows how the phenomena laid out above play out in communities across the Midwest. In city after city, for-profit schools not only target Black and Latino students, but also the communities in which they live. As in an analysis produced as part of U.S. Senator Cory Booker's recent data request to the Federal Reserve highlighting stark student debt disparities in the country's most segregated metropolitan areas, the geography of for-profit schools in these cities present similar patterns. The following images provide a more granular look at how these trends track locally. At both the national and local level, for-profit schools are more prevalent in Black and Latino communities and produce suboptimal educational outcomes.

For-profit schools sell wealth-stripping products to people of color, women, and low-income communities.

Of course, the location of for-profit colleges is only part of the story. For-profit schools routinely employ deceptive advertising tactics while also engaging in discriminatory recruitment tactics to enroll women and students of color, particularly Black and Latino students.[81] In numerous instances, these institutions offer education of questionable quality financed by loans that are overwhelmingly likely to fail.[82] This is not a case of providing economic opportunity and falling short; the following discussion illustrates how operators of for-profit schools sell wealth-stripping products to people of color, women, and low-income communities.

Data from the U.S. Department of Education's College Scorecard allows us to take a closer look at some of these schools in terms of who they enroll, how much former students are earning or whether they are employed at all, and whether they can make a dent in the debt they accrue.[83] The figures below highlight a few alarming examples of institutions that enroll overwhelmingly Black and Latino students or female students, where former students' salaries are less than $30,000 a year, and the vast majority of borrowers are either not repaying any principal on their loans, are enrolled in forbearance, are delinquent, or have defaulted.

It should also be noted that the College Scorecard data from which this analysis is drawn only includes schools that are eligible for Title IV federal financial aid. In other words, these institutions have received a federal seal of approval and are purportedly required to maintain baseline standards around loan defaults and maintain accreditation. While these standards clearly still allow predatory actors to maintain access to federal aid, it is likely that other low-quality schools are not included in the dataset. Further, the College Scorecard data does not account for private student loans, which for-profit colleges often use to trap students in debt.[84]

Yet even an incomplete picture lends evidence to the case that the proliferation of these schools in these communities is a form of reverse redlining.

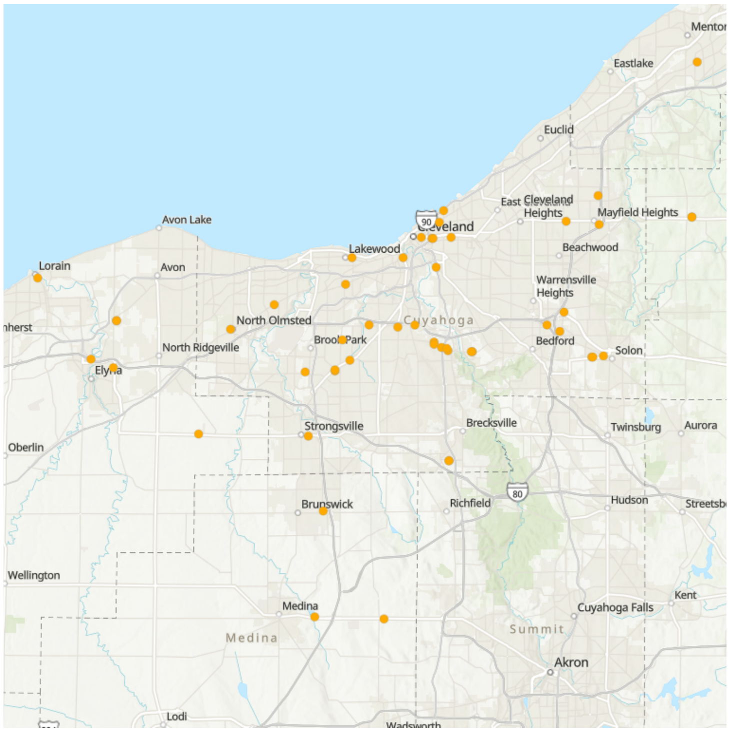
For-profit schools routinely engage in discriminatory targeting to recruit and enroll students of color while defrauding students and offering subpar education.[85] These institutions specifically target their exploitative programming to Black and Latino students through deceptive advertising and the use of manipulative graduation and employment statistics.[86] By and large, many of these institutions offer a degree or credential that leaves students with few employment prospects in their field of study but laden with debt—leaving many students without meaningful employment options after program completion and at times worse off than they were prior to seeking the program.

Mapping For-Profits in the Midwest

National data tell us that communities of color are more likely to encounter a for-profit college in their area, and that for-profit colleges cluster in communities of color. By mapping the locations of all for-profit programs and institutions, we get a sense of what this looks like in cities across the Midwest. In cities like Cleveland, Detroit, Chicago, Milwaukee, and Indianapolis, there are plenty of examples of schools—ranging from beauty and business schools to institutions that supposedly offer technical skills and training—that target women, Black, and Latino students, often leaving them thousands of dollars in debt for programs that rarely lead to an ability to repay their student debt.[87]

CLEVELAND

Figure 3: For-profit colleges in Cleveland[88]



For-profit schools in Cleveland are overwhelmingly present in neighborhoods with the densest populations of Black and Latino residents. Of the ten percent of Cleveland zip codes with the largest proportion of Black residents, 23 have for-profit colleges, whereas the zip codes with the largest proportion of white residents only have two for-profit colleges. In Cleveland, all of the zip codes with the highest density of Black residents and two-thirds of the zip codes with the highest density of Latino residents have a for-profit college as compared to less than one-fifth of zip codes with the highest density of white residents.

FIGURE 3A: The areas of Cleveland with the densest Black populations have 11.5x more for-profit colleges than the areas with the densest white populations[89]

	Percent of zip codes with a for-profit college	Number of for-profit colleges
The ten percent of Cleveland zip codes with the **largest Black populations** by percent of population	100%	23
The ten percent of Cleveland zip codes with the **largest Latino populations** by percent of population	67%	11
The ten percent of Cleveland zip codes with the **largest white populations** by percent of population	18%	2

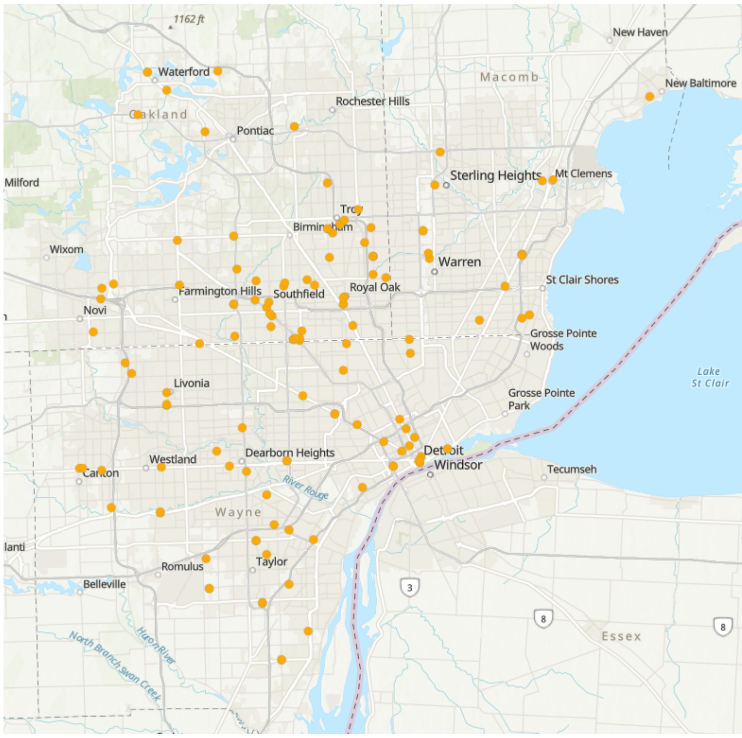
CLEVELAND *(continued)*

FIGURE 3B: For-profit Schools of Focus in Cleveland[90]

	% of students who are:				Share of attendees:		% of revenue spent on teaching per student	Median debt at repayment	% of borrowers who can't afford their loans:	
	Female	Black	Latino	Independent & earn <$30K/year	Earning <$25K/year 6 years after entry	Not working 6 years after entry			Overall	From low-income backgrounds
Bryant & Stratton College-Cleveland	82%	81%	6%	80%	61%	18%	19%	$10,152	73%	77%
LaBarberia Institute of Hair	17%	79%	5%	UNAVAILABLE	UNAVAILABLE	UNAVAILABLE	36%	$19,750	UNAVAILABLE	UNAVAILABLE
MDT College of Health Sciences	87%	94%	4%	89%	33%	10%	39%	$14,250	60%	62%
Ohio Media School-Valley View	34%	37%	0%	84%	49%	12%	5%	$9,500	62%	71%

DETROIT

FIGURE 4: For-profit colleges in Detroit[91]



While nearly half of the ten percent of Detroit zip codes with the largest proportion of Black and Latino residents have for-profit colleges, only ten percent of Detroit zip codes with the largest proportion of white residents have for-profit colleges. Notably, the zip codes with the largest representation of Black and Latino residents have 27 and 19 for-profit colleges, respectively, as compared to the zip codes with the largest representation of white residents that only have two for-profit colleges.

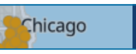
FIGURE 4A: The areas of Detroit with the densest Black populations have 13.5x more for-profit colleges than the areas with the densest white populations[92]

	Percent of zip codes with a for-profit college	Number of for-profit colleges
The ten percent of Detroit zip codes with the **largest Black populations** by percent of population	48%	27
The ten percent of Detroit zip codes with the **largest Latino populations** by percent of population	41%	19
The ten percent of Detroit zip codes with the **largest white populations** by percent of population	10%	2

DETROIT *(continued)*

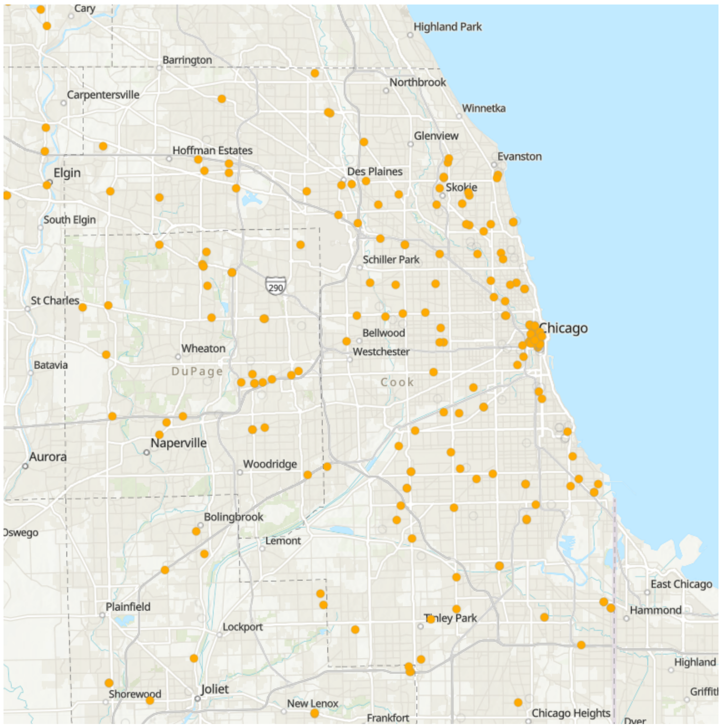
FIGURE 4B: For-profit Schools of Focus in Detroit[93]

	% of students who are:				Share of attendees:		% of revenue spent on teaching per student	Median debt at repayment	% of borrowers who can't afford their loans:	
	Female	Black	Latino	Independent & earn <$30K/year	Earning <$25K/year 6 years after entry	Not working 6 years after entry			Overall	From low-income backgrounds
Dorsey School of Business-Roseville	81%	78%	2%	90%	71%	21%	36%	$9,500	73%	77%
David Pressley School of Cosmetology	96%	43%	6%	82%	68%	20%	62%	$6,500	47%	53%
Elevate Salon Institute	96%	33%	2%	90%	UNAVAILABLE	25%	56%	$6,333	78%	UNAVAILABLE
North-western Technical Institute	5%	34%	1%	83%	47%	25%	16%	$8,227	82%	87%
P&A Scholars Beauty School	95%	99%	1%	95%	79%	21%	19%	$5,500	82%	83%



CHICAGO

FIGURE 5: For-profit colleges in Chicago[94]



The sheer density of for-profit programs across Chicago is striking, however the prevalence of for-profit colleges in neighborhoods with the densest proportion of Black and Latino residents makes the observation even more stark. Whereas the most densely white communities in Chicago only have three for-profit colleges, the most densely Latino and Black communities have 33 and 28 for-profit colleges, respectively.

FIGURE 5A: There are 11x more for-profits in the 10 percent of Chicago zip codes with the largest Latino populations than in those with the largest white populations[95]

	Percent of zip codes with a for-profit college	Number of for-profit colleges
The ten percent of Chicago zip codes with the **largest Latino populations** by percent of population	53%	33
The ten percent of Chicago zip codes with the **largest Black populations** by percent of population	41%	28
The ten percent of Chicago zip codes with the **largest white populations** by percent of population	6%	3

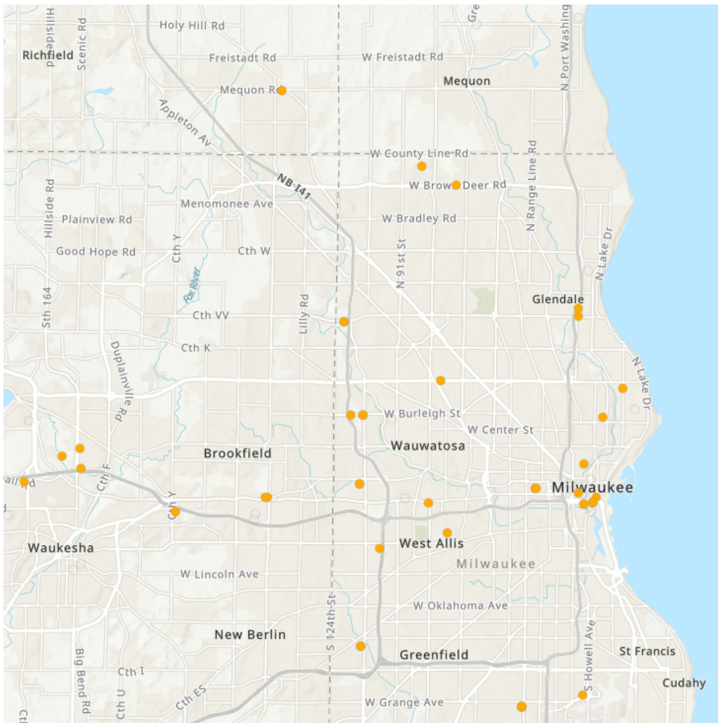
CHICAGO *(continued)*

FIGURE 5B: For-profit Schools of Focus in Chicago[96]

	% of students who are:				Share of attendees:		% of revenue spent on teaching per student	Median debt at repayment	% of borrowers who can't afford their loans:	
	Female	Black	Latino	Independent & earn <$30K/year	Earning <$25K/year 6 years after entry	Not working 6 years after entry			Overall	From low-income backgrounds
SAE Institute of Technology-Chicago	15%	57%	19%	86%	UNAVAILABLE	15%	10%	$5,650	42%	50%
University of Phoenix-Illinois	70%	51%	12%	69%	40%	19%	39%	$18,500	63%	73%
Illinois Media School-Chicago Campus	34%	50%	0%	76%	41%	12%	13%	$9,500	50%	61%
Cameo Beauty Academy	UNAVAILABLE	41%	18%	87%	75%	22%	79%	$9,500	73%	77%

MILWAUKEE

FIGURE 6: For-profit colleges in Milwaukee[97]



The ten percent of Milwaukee communities with the densest Black and Latino populations have significantly more for-profit colleges than communities with the densest white populations. The ten percent of Milwaukee zip codes with the largest Latino populations have nine for-profit colleges as compared the only one for-profit college in the ten percent of Milwaukee zip codes with the largest white populations. Further, our investigation found that 50 percent of Milwaukee zip codes with the largest proportion of Latino residents had for-profits as compared to only 13 percent of the zip codes with the largest proportion of white residents.

FIGURE 6A: The areas of Milwaukee with the densest Latino populations have 9x more for-profit colleges than the areas with the densest white populations[98]

	Percent of zip codes with a for-profit college	Number of for-profit colleges
The ten percent of Milwaukee zip codes with the **largest Latino populations** by percent of population	50%	9
The ten percent of Milwaukee zip codes with the **largest Black populations** by percent of population	38%	4
The ten percent of Milwaukee zip codes with the **largest white populations** by percent of population	13%	1

MILWAUKEE *(continued)*

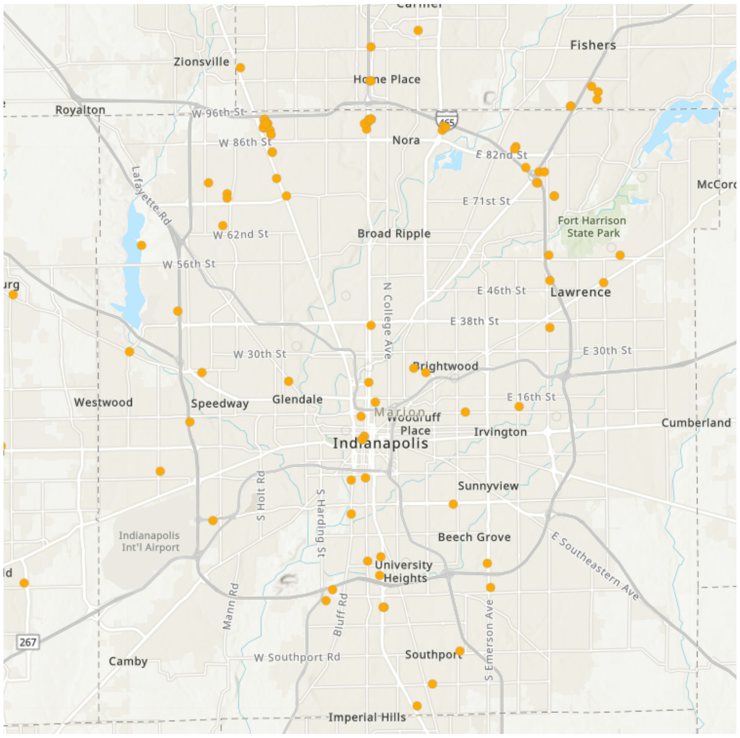
FIGURE 6B: For-Profit Schools of Focus in Milwaukee[99]

	% of students who are:				Share of attendees:		% of revenue spent on teaching per student	Median debt at repayment	% of borrowers who can't afford their loans:	
	Female	Black	Latino	Independent & earn <$30K/year	Earning <$25K/year 6 years after entry	Not working 6 years after entry			Overall	From low-income backgrounds
Bryant & Stratton College-Wauwatosa	82%	29%	10%	80%	61%	18%	30%	$10,152	73%	77%
Empire Beauty School-Milwaukee	95%	74%	13%	86%	71%	21%	90%	$7,979	72%	75%
Milwaukee Career College	95%	46%	10%	86%	63%	13%	43%	$7,520	74%	76%

99

INDIANAPOLIS

FIGURE 7: For-profit colleges in Indianapolis[100]



The areas of Indianapolis with the densest Latino populations have 21 times more for-profit colleges than the areas with the densest white populations. Additionally, 75 percent of the areas in Indianapolis with the densest Black populations have for-profit colleges—a total of 33 for-profit colleges as compared to two for-profit colleges in the areas with the densest white populations.

FIGURE 7A: The areas of Indianapolis with the densest Latino populations have 21x more for-profit colleges than the areas with the densest white populations[101]

	Percent of zip codes with a for-profit college	Number of for-profit colleges
The ten percent of Indianapolis zip codes with the **largest Latino populations** by percent of population	75%	42
The ten percent of Indianapolis zip codes with the **largest Black populations** by percent of population	75%	33
The ten percent of Indianapolis zip codes with the **largest white populations** by percent of population	7%	2

INDIANAPOLIS *(continued)*

FIGURE 7B: For-Profit Schools of Focus in Indianapolis[102]

	% of students who are:				Share of attendees:		% of revenue spent on teaching per student	Median debt at repayment	% of borrowers who can't afford their loans:	
	Female	Black	Latino	Independent & earn <$30K/year	Earning <$25K/year 6 years after entry	Not working 6 years after entry			Overall	From low-income backgrounds
Empire Beauty School-Indianapolis	93%	20%	6%	90%	67%	27%	56%	$7,627	55%	62%
Empire Beauty School-Speedway	95%	42%	1%	89%	61%	26%	67%	$7,876	51%	60%
Fortis College-Indianapolis	80%	69%	2%	77%	70%	22%	38%	$1,087	66%	71%
Tricoci University of Beauty Culture-Indianapolis	94%	53%	5%	83%	UNAVAILABLE	UNAVAILABLE	33%	$6,641	38%	46%

As discussed above, these maps and tables help demonstrate the full extent to which for-profits must be viewed through the same lens as other wealth-stripping enterprises that congregate in communities with the densest concentration of Black and Latino residents. The geography of for-profit institutions is no coincidence, and is indicative of reverse redlining, the practice of offering unfair or predatory terms to entire communities and protected classes; in this case, for-profits target their suboptimal products and services to communities with the largest share of Black and Latino residents.

Defenders of for-profit colleges will often employ two arguments to justify their geographic location and abysmal outcomes. The first is that these institutions are simply filling a need that other colleges would not serve. It is telling that this argument is strikingly similar those made by payday lenders, who describe themselves as providing a “critical service” to their communities, despite charging interest rates of up to 400 percent.[103] Just as a payday loan—by model—can force someone into a long-term debt trap, as we see in the examples above, so too can predatory for-profit education.

The geography of for-profit institutions is no coincidence, and is indicative of reverse redlining.

The second argument often cites low graduation rates, or relatively high default rates, among some community colleges that serve similar populations. This argument falls apart on modest scrutiny. Community colleges enroll one-third of all undergraduates in American higher education, yet only account for 24 percent of borrowers in default.[104] Students at for-profit schools are far more likely to borrow for a credential, creating a far larger pool of troubled borrowers than former students at public two-year schools, and according to at least one study account for around half of all loan defaults.[105] Community college students are far more likely to transfer to an institution in search of a four-year degree, and credentials from community colleges, on average, carry considerably more value than for-profit credentials.[106] Finally, community colleges remain desperately underfunded and must spend less on students while keeping prices low.[107] This has created an environment by which for-profit colleges can proliferate.

Recommendations

Given the racialized nature of the student debt crisis, federal and state regulatory and enforcement officials should be using all of the tools at their disposal to protect borrowers, especially from the products, industries, and institutions that have engaged in decades of predatory behavior.

This report lays out how the geography of for-profit schools is more than just bad higher education policy, and is instead a result of illegal targeting and recruitment that has been allowed to flourish in the absence of oversight, accountability, and consumer protections, including a lack of actions by agencies who already have authority to act. In other areas of consumer finance—such as payday lending, check cashing, or other credit products—there is precedent for aggressive and expansive federal, state, and local action against those that specifically target communities of color.[108] Yet with student loans and predatory colleges, we have historically relied on the construction of imperfect higher education accountability measures, to the exclusion of other tools. For-profit colleges in particular are regulated almost entirely in the higher education context: the federal government traditionally requires that they be good stewards of the federal money that props them up,[109] and asks that their outcomes meet exceedingly low thresholds in terms of loan repayment and default.[110] States are generally responsible for authorizing for-profit colleges that physically operate within their borders, as well as determining eligibility for GI Bill funds, and deciding whether for-profit schools are eligible for state grant aid programs.[111] While some state attorneys general have been aggressive in trying to rein in the most abusive practices of the sector, enforcement actions are a response to substantial evidence of predation, beginning only after schools have already taken advantage of many borrowers.[112] In general, for-profit schools have been relatively free to proliferate in communities across the country and regulators have been playing catch-up when abuses come to light.

For far too long, for-profit institutions' rampant abuses have run unchecked. Accordingly federal, state, and local regulatory and enforcement officials must prioritize actions to hold these schools accountable, especially for civil rights violations due to the schools' reverse redlining practices.

- **The Consumer Financial Protection Bureau (CFPB) must use its authority under the Equal Credit Opportunity Act (ECOA) to hold for-profit schools accountable for fair lending violations.** The CFPB has a critical role to play in ending the abuses of for-profit schools.[113] And while the CFPB previously pursued for-profit schools for their predatory private student lending, the Bureau must do more to stop for-profit abuses.[114] As our investigation and this report make clear, for-profit schools have staked their business model on targeting Black and Latino students and the communities where they live, which should result in more robust scrutiny and enforcement by the Bureau of federal fair lending laws.

Given the stark realities this report lays out, addressing the practices of predatory for-profit schools is a necessary component to the Bureau's commitment to addressing racial inequality. Beyond enforcement and supervision, the Bureau must use additional policy interventions to provide greater regulatory certainty by codifying reverse redlining case law to solidify fair lending protections for borrowers under the Equal Credit Opportunity Act, as discussed in SBPC's prior analysis of the fair lending risks posed by this industry, *Combating Exploitative Education.*[115]

- **The CFPB should pursue an unfairness-discrimination theory to address the full panoply of for-profit colleges' abuses.** Federal and state enforcement agencies have previously used UDAAP authority, which bars unfair, deceptive, and abusive acts and practices, to hold for-profit schools accountable for predatory abuses, including discriminatory practices.[116] As the SBPC has previously laid out in a report with Relman Colfax, the Bureau should use its far-reaching UDAAP authority to pursue unfairness-discrimination claims that can provide a broader path for redress to borrowers targeted by for-profit schools' discriminatory tactics. The Bureau must use this approach in supervision, enforcement, and regulatory interventions to ensure that no aspect of the for-profit ecosystem escapes accountability for discriminatory practices.[117]

- **State enforcement officials and regulators must enhance their enforcement of fair lending and civil rights laws to halt for-profit schools' discriminatory practices.** The practices driving the outcomes this paper lays out fall squarely within the contours of federal and state consumer protection laws and, perhaps most importantly and visibly, fair lending laws. As noted in litigation and in recent legal scholarship, for-profit schools fall within the purview of ECOA, state fair lending laws, and federal and state anti-discrimination statutes. State and federal officials must use all of these tools. All states, enforcement officials, and regulators can use section 1042 of the Dodd-Frank Wall Street Reform and Consumer Protection Act to enforce and supervise against the reverse redlining tactics that for-profit schools employ.[118]

- **Cities must use their authorities to hold for-profit schools accountable for predatory practices.** Any meaningful solution to curb predatory for-profit colleges' abuses will require action at every level of government. Cities must use the full weight and scope of their authorities to bring greater accountability to the for-profit college industry. For example, New York City sued Berkeley College for the for-profit school's deceptive and predatory tactics.[119] In other consumer finance markets, such as payday, we have also seen cities look beyond their enforcement authorities to curb predatory abuses through local ordinances.[120] Cities have a pivotal role to play in holding for-profit schools accountable and should employ their far-reaching authorities to do so.

- **The Department of Education's Office of Civil Rights should mandate enhanced reporting requirements for Title IV schools.** The Department of Education Office of Civil Rights (OCR) is responsible for ensuring equal access to education through the enforcement of civil rights law.[121] Accordingly, OCR must play a critical role in providing a foundation for policymakers, enforcement officials, and regulators to curb for-profit abuses and can use numerous avenues to advance such goals. OCR can enhance its compliance reviews of schools by requiring federally funded schools to report additional data such as recruitment advertising material and student outcome metrics.[122] This data will increase OCR's capacity to monitor for-profit schools engaging in discriminatory practices. Additionally, the Department of Education can publish more College Scorecard data to provide greater transparency into the outcomes for students attending for-profit schools. As described above, these institutions intentionally prey on women, low-income students, and students of color to offer a suboptimal education that further entrenches students in debt. Critical data collection and publication can provide the basis for helping enforcement officials and policymakers to stamp out predatory practices.

- **Federal policymakers should create an interagency, intergovernmental working group on student loans and fair lending.**[123] The legal principles and authorities that undergird the higher education sector and student loan market extend across federal and state agencies' regulatory and enforcement authorities.[124] The creation of an interagency, intergovernmental working group would ensure ongoing collaboration that would help align insights and interests across agencies such as the U.S. Department of Education, U.S. Department of Justice, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, the Federal Reserve Board of Governors, CFPB, state banking departments, and/or state attorneys general. This working group would allow officials to benefit from the expertise of their peers to better serve borrowers from predatory practices and emerging risks in the market.[125]

- **States must create stronger borrower protections and build new systems to hold predatory for-profit schools accountable for their abusive practices.** States must address the issue of predatory colleges in a holistic way, and ensure students and borrowers are protected from predatory practices at both Title IV-eligible and non-Title IV eligible institutions and training programs. There is a role for state boards of higher education, state approving agencies (SAAs) that oversee and authorize GI Bill benefits, workforce agencies, coordinating boards, and other law enforcement agencies to work together to protect borrowers. It is imperative that when policymakers consider consumer protection or other measures they ensure that they touch the full range of institutions and programs with which students and borrowers interact, with particular attention on programs that set up shop in Black and Latino neighborhoods or enroll large numbers of students of color and women. For example, state policymakers can:

- **Produce better data about schools and students.** Our findings in this report likely only scratch the surface of the problem of predatory colleges. Due to data limitations, we were only able to observe the outcomes of a small slice of Title IV-eligible institutions; the outcomes at non-Title IV schools and programs are potentially much worse. In short, policymakers, individual borrowers, and law enforcement officials need to know the institutions that are operating within their borders, the full range of practices used to lure students, and the full scope of experiences of borrowers who attend them. These not only include employment outcomes and loan repayment, but also the tactics used to target students and communities, as well as the types and terms of debt being driven toward students. State boards of higher education, state authorizing agencies, and workforce agencies should work together to collect data and publish annual reports for both Title IV and non-Title IV institutions on the demographics of borrowers, the number and percentage of borrowers, institutional spending, and outcomes like licensing rates, job placement, employment, and earnings. In addition, state higher education officials should work closely with state law enforcement agencies to design reporting requirements that track, record, and make public information about the distribution of marketing and advertising materials, including disaggregated data on advertising expenditures by geography.

- **Formalize interagency coordination to ensure school accountability.** States should coordinate across agencies to ensure that states and the public have the necessary tools and insights needed to hold entities accountable for preying on protected classes and communities of color. States should create interagency working groups, including boards of higher education, SAAs, enforcement and consumer protection agencies, to capture reverse redlining and other claims of disparate impact and ensure robust enforcement of state civil rights protections and fair lending laws, particularly as they intersect with higher education and training programs.

- **Take action to halt abuses, cut off state funding, and shut down predatory schools.** Ultimately, regulators or lawmakers can use data and cross-agency coordination to more aggressively use their power to rescind state approval of schools, bar them from recruiting or advertising within a state, or cut off predatory programs from public funding of any kind. And state law enforcement officials and regulators can similarly use data and cross-agency collaboration to more aggressively police institutions for discrimination. States must aggressively oversee all elements of state spending across higher education that allow for-profit colleges access to state funds, from state financial aid programs to Workforce Innovation and Opportunity Act (WIOA) funding to other appropriations. For example, the 26 states where for-profits can access state financial aid dollars should move to cut schools off from those funds if they exhibit predatory or discriminatory behavior. States should consider using all tools necessary to sanction or rescind state approval of schools and programs that spend excessive amounts on advertising and marketing for suspect programs, or target marketing disproportionately toward Black and Latino communities, spend very little on instruction, engage in aggressive recruitment tactics, account for a large number of student complaints, or where federal action is being considered against the school. State legislatures should continue to pass laws, like New Jersey and Connecticut did, to provide student loan borrowers the ability to seek justice when they have been ripped off by predatory schools and are targeted by discriminatory practices.

Because the student debt crisis is a civil rights crisis, federal and state higher education and consumer protection officials must treat it as such. Regulatory and enforcement officials must use every tool available to hold predatory actors accountable for their discriminatory targeting of communities of color. For-profit institutions peddle degrees that provide limited means for economic opportunity, knowingly loading students up with debt that they will have little ability to repay. Inaction has only allowed for these predatory institutions to unscrupulously defraud and profit off of borrowers.

Conclusion

The racial disparities in our nation's student debt crisis are a direct reflection of, and continue to perpetuate, systemic barriers and racial discrimination. In cities across the nation, these manifestations of systemic racism have left an indelible mark on metropolitan areas and predatory inclusion—in the form of for-profit schools alongside payday lenders, check cashers, and title loan lenders—deepens economic distress and exploitation in communities of color.

As the nation grapples with the realities of systemic racism that lay bare the false promises of the American dream and equality, it is critical to examine the institutions that continue to prey upon Black and Latino communities. A commitment to racial equity and economic justice requires vigorous action by policymakers, regulators, and enforcement officials using all available tools to hold predatory institutions accountable.

Endnotes

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5 Tressie McMillan Cottom, *Lower Ed: The Troubling Rise of For-profit Colleges in the New Economy* (2017).

6 *See, e.g.,* Student Borrower Prot. Ctr., *Combating Exploitative Education: Holding For-Profit Schools Accountable for Civil Rights Violations* 6-9 (Dec. 2020), https://protectborrowers.org/wp-content/uploads/2020/12/Combating-Exploitative-Education_2020.pdf; *see also* N.Y.C. Dep't of Consumer and Worker Prot., *Department of Consumer Affairs Files Charges Against Berkeley College for Deceptive and Predatory Practices,* https://www1.nyc.gov/site/dca/media/pr101918-DCA-Berkeley-Investigation.page (last visited Apr. 21, 2021) ("Berkeley lure[d] consumers – many of whom are people of color and first-generation college students with low incomes – to one-on-one sales pitches where they deceive[d] them about potential financial obligations and sa[id] misrepresentations about other higher education institutions."); Off. of the Cal. Att'y Gen., *Attorney General Kamala D. Harris Files Suit in Alleged For-Profit College Predatory Scheme* (Oct. 10, 2013), https://oag.ca.gov/news/press-releases/attorney-general-kamala-d-harris-files-suit-alleged-profit-college-predatory ("CCI's predatory marketing efforts specifically target vulnerable, low-income job seekers and single parents who have annual incomes near the federal poverty line.").

[7] Cottom, *supra* note 5; *see* Louise Seamster & Raphaël Charron-Chénier, *Predatory Inclusion and Education Debt: Rethinking the Racial Wealth Gap*, 4 Soc. Currents 199-207 (2017).

[8] *See, e.g.*, The Inst. for Coll. Access & Success, *What to Know About the Gainful Employment Rule* (Aug. 12, 2019), https://ticas.org/accountability/what-know-about-gainful-employment-rule/.

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[10] *See, e.g.*, Yan Cao & Robert Shireman, *Betsy DeVos's Shameful Repeal of the Gainful Employment Rule,* The Century Found. (July 1, 2019), https://tcf.org/content/commentary/betsy-devoss-shameful-repeal-gainful-employment-rule/.

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[14] Calculations from Census Household Pulse Survey, March 17-29, https://www.census.gov/data/tables/2021/demo/hhp/hhp24.html. Totals include renters who had "no confidence" or "slight confidence" in their ability to pay the following month's rent.

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for Bold Student Loan Cancellation and Reform (2019), https://www.demos.org/research/debt-to-society.

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18 *See, e.g.*, Mishory, supra note 3; Student Borrower Prot. Ctr., *Race: Examining Legal Remedies for Disparate Student Debt Outcomes* (Oct. 2020), https://protectborrowers.org/wp-content/uploads/2020/12/CCFL-

QR-74-1-Welbeck-article-rev-1-1.pdf; Houle & Addo, supra note 16; Brown, supra note 4; Laura Sullivan et al., Inst. on Assets and Soc. Pol'y, Heller Sch. for Soc. Pol'y and Mgmt., *Stalling Dreams: How Student Debt is Disrupting Life Chances and Widening the Racial Wealth Gap* (2019), https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/racial-wealth-gap/stallingdreams-how-student-debt-is-disrupting-lifechances.pdf.

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[26] *See* Mark Huelsman, Demos, *The Debt Divide: The Racial and Class Bias Behind the "New Normal" of Student Borrowing* (2015), https://www.demos.org/research/debt-divide-racial-and-class-bias-behind-new-normal-student-borrowing.

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30 *Supra* note 17.

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80 SBPC analysis. Note that this count is inclusive of both Title IV schools and for-profit vocational programs eligible for GI Bill funds.

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88 SBPC analysis. Note that this count is inclusive of both Title IV schools and for-profit vocational programs eligible for GI Bill funds.

89 *Id.*

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91 *Id.*

92 Note: SBPC calculations based on College Scorecard data. Most recent values available for each school are used for each variable. Percent of students who cannot afford their loans is defined as the student population current on their loans with their loan balances having declined at all seven years after entering repayment, excluding enrolled and military deferment from calculation.

93 SBPC analysis. Note that this count is inclusive of both Title IV schools and for-profit vocational programs

eligible for GI Bill funds.

[94] *Id.*

[95] *Id.*

[96] *Id.*

[97] *Id.*

[98] *Id.*

[99] *Id.*

[100] *Id.*

[101] *Id.*

[102] *Id.*

[103] Merle, *supra* note 52.

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