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The Cautionary Tale of Correspondence Schools

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Introduction

In July, U.S. Secretary of Education Betsy DeVos announced the formation of a negotiated rulemaking committee to develop regulations to expand access for students to “high-quality, innovative programs” by revising or rescinding a sweeping range of Department regulations. Among regulations slated for review as part of her self-described “rethink” of higher education, Secretary DeVos included rules governing how online programs are approved and operated, including the statutory requirement that they ensure instructors have “regular and substantive interaction” with students to maintain eligibility for federal financial aid.¹ But a look back at history reveals that the regulations that Secretary DeVos plans to rewrite or eliminate have their origins in abuses of federal aid dollars by an earlier form of distance education—correspondence programs, the precursor to today’s distance education.

Correspondence education dates back to the late 1800s, when schools and companies would send out lessons by mail to subscribers. But these programs didn’t become giant government-subsidized enterprises, in some cases with tens of thousands of postsecondary students, until after World War II, when Congress for the first time allowed veterans to use their GI Bill benefits to pay for correspondence courses.² The flow of federal funds to these programs attracted fraudsters, who charged hundreds of dollars to provide course materials in everything from writing, to cartooning, to starting correspondence schools in anything under the sun, even skydiving. From the 1950s on, policymakers spent decades trying to put the federal-subsidy genie back in the bottle through periodic crack-downs on the use of federal dollars by for-profit correspondence programs.

College-by-mail courses typically forced students to study and master the material themselves, without adequate support from instructors and experts in the field.

Blatant abuse of the federal financial aid system forever changed the post-war regulation of higher education in America. College-by-mail courses typically forced students to study and master the material themselves, without adequate support from instructors and experts in the field. In May 1970, the *New York Times*

published a front-page exposé on correspondence programs that found “education-hungry Americans are quietly pouring hundreds of millions of dollars each year into an industry plagued by overblown advertising, fast talking salesmen, questionable instruction, and marginal results. By the uncounted thousands, people long on dreams but short on background and motivation pay the nation’s booming correspondence schools for painless learning and a ticket to surefire success.”³ A 1972 Government Accountability Office (GAO) study of veterans enrolled in correspondence courses found that three-fourths never graduated and just 6 percent found work in their fields of study.

A second wave of abuses occurred in the 1970s after Congress allowed students to use federally guaranteed student loans to pay for correspondence courses. With a new source of federal dollars, correspondence schools had a much larger constituency of students beyond veterans to target for enrollment, and the schools began to swell into postsecondary behemoths, with some enrolling tens of thousands of students apiece. The same problems of aggressive recruitment, poor-quality educational outcomes, and waste of taxpayer dollars that Congress had begun to tamp down with the veterans’ programs returned with a vengeance through the federal student aid system. Once again, Congress spent years cracking down on the programs while it continued to pour money into them, before sharply curtailing federal grants and loans from the Education Department to correspondence programs in 1992.

Today, that same cycle of increased access to federal funding, followed by abuses of students and taxpayers, appears set to repeat itself. Secretary DeVos has proposed weakening the restrictions on distance education programs, allowing them to operate more like the correspondence courses of yesteryear, where students are left to learn on their own—all in the name of innovation. Virtually every argument made now in favor of deregulating online learning to enhance innovation was previously made in favor of deregulating the correspondence, or “home study” schools that delivered courses by mail.

To take one example, supporters of deregulation in higher education argue now—as they did then—that the government role in higher education should be largely limited to maximizing educational choice, with students themselves bearing the primary responsibility for taking out federal loans and using grants to advance their career goals. Market-based “accountability” would substitute for federal accountability guardrails for protecting consumers and taxpayer dollars, or so the argument has gone. Deregulation advocates today, just like their predecessors, maintain that, to the extent that the educational quality of programs is subject to independent review, private accrediting agencies alone should bear the responsibility for assessing and certifying program quality, not government agencies. And they insist that federal laws and regulations that restrict online learning will only impede quality innovation, not nurture it.

As history shows, providing taxpayer dollars with few safeguards to new and untested distance education programs has consistently produced poor quality programs, excessive consumer costs, and unfair recruiting practices.

Yet as history shows, providing taxpayer dollars with few safeguards to new and untested distance education programs has consistently produced poor quality programs, excessive consumer costs, and unfair recruiting practices. In particular, the perverse financial incentives in for-profit higher education to make a buck by cutting corners in educating students⁴ underscores the vital role that government regulation plays in saving the for-profit industry from its worst excesses. And the risks of poor-quality distance-education programs today extend beyond the for-profit sector, where half of students are enrolled in entirely online courses. Nearly three million students are enrolled in exclusively online courses in the larger public and private nonprofit sectors, more than three times as many as in the for-profit sector.⁵ As colleges across sectors struggle to maintain enrollment and revenue, the dangers of a race to the bottom are real. It is only by imposing regulations and laws that Congress and the executive branch have periodically succeeded in curbing abuses and provided incentives for quality education and innovation. When done well, regulation has been both the salvation and necessary corrective of the higher education sector, as the cautionary saga of correspondence schools illustrates, time and again.

The Creation Story: Correspondence Schools and the GI Bill of Rights

Until the passage of the original GI Bill, federal student aid as we know it now essentially did not exist.⁶ After the passage of the 1944 Servicemen's Readjustment Act, known as the GI Bill of Rights, the federal government for the first time provided educational grants or scholarships to millions of veterans. The 1944 GI Bill is rightly remembered as one of the most effective social policy programs and government interventions in U.S. history, earning the sobriquet "The Greatest Legislation." By the fall of 1946, more than one million veterans had enrolled in American universities, doubling the size of the student population almost overnight.⁷ In total, thanks to the GI Bill, more than 2 million World War II veterans went to college, and millions more were able to obtain low-interest loans to buy a home.

Yet what has been largely forgotten is that the GI Bill also led to widespread scandals and systematic abuses at for-profit schools, including at for-profit correspondence or home study schools. Mail-order correspondence courses, used primarily by high school and grade school dropouts seeking to improve their career prospects, were popular in the 1920s.⁸ But mail-order programs were largely eviscerated by the Depression and the movement to make high school education universal.⁹ Correspondence programs developed a reputation for misleading advertising, overblown job promises, and hucksterism, memorably captured by Sinclair Lewis in his 1922 satirical novel, *Babbitt*.¹⁰ However, up until the GI Bill, these programs faced little regulation, targeted adults without a high school diploma, and were not subsidized by the federal government. That all changed in December 1945, when Congress amended the just-passed 1944 law to allow veterans to use their educational benefits for correspondence courses and to raise the monthly subsistence payments to veterans that supplemented their tuition payments, to the point where the monthly subsistence payments exceeded the amount of unemployment benefits or wages that veterans could earn in some parts of the country.

In the five years that followed Franklin Roosevelt's signing of the 1944 law, the total number of for-profit schools in the United States tripled, from 1,878 to 5,635.¹¹ Thousands of new ones opened to serve veterans, and thousands more, ill-suited to provide an education, closed.¹² Contrary to conventional wisdom, more veterans actually used their educational benefits to attend for-profit schools than went to four-year colleges and universities. And many of those programs utilized correspondence education. While 2.2 million vets went to college on the GI Bill, 2.4 million GIs used their educational benefits to enroll in trade and technical and business schools, with another 637,000 veterans taking correspondence courses.¹³

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The abrupt explosion in the number of for-profit schools—the vast majority of which were heavily or entirely dependent on federal dollars—fed a simultaneous explosion in misleading advertising, predatory recruiting practices, sub-standard training, outright fraud, and even abuses by GIs themselves. Tens of thousands of veterans trained for jobs in overcrowded fields in which there were no job openings. GIs who wanted to collect their monthly subsistence checks but had no clear educational or occupational objective were allowed to switch willy-nilly from one field to another. And thousands of veterans signed up for recreational or avocational courses, many offered by correspondence, like bartending, personality development, dancing, and auctioneering. Others had the VA pay for TV repair courses and then dropped out of their courses as soon as they got their promised free television. In 1949 alone, nearly 550,000 veterans made course changes.¹⁴ Course and credit hours varied widely too. Bartending courses, offered in-person or by correspondence, ranged from 200 hours of instruction to seven months in duration.¹⁵

It didn't take long before newspaper and magazine exposés about unscrupulous trade school owners and deceived GIs started popping up all over the country. The *Saturday Evening Post* ran a piece in 1946 headlined “Are We Making a Bum Out of GI Joe?” Other newspapers and magazines ran stories with headlines like “How Many Wrongs Make a GI Bill of Rights?” and “There's a Shell Game at Every Turn for a Man with an Eagle on His Lapel.”¹⁶ An article in *Collier's* in 1948 concluded that while the Veterans Administration lacked the funds to staff some VA hospitals, “there has been plenty to pay for the training of ballroom dancers, bartenders, amateur photographers, amateur piccolo players, horseback riders and chicken sexers....we have squandered *at least half a billion dollars* supporting what in many instances is the greatest boondoggle of all time: the questionable Veterans' Education programs.”¹⁷

Then-chair of the education subcommittee of the House Committee on Veterans' Affairs, Homer Ramey (R-OH), published his own piece in *Collier's* a week later, noting that for-profit operators “have established schools that are highly questionable in character—schools in which are taught subjects that are of no benefit to the veteran-student, and that milk the federal Treasury of the

taxpayers' funds without giving any worthwhile return, either to the veteran or to the public."¹⁸ With lawmakers' concerns growing, Congress banned the use of GI educational benefits for avocational or recreational courses, many of which were offered by correspondence, in 1948. The new law barred the VA Administrator from approving the enrollment of a veteran in "any bartending course, dancing course, or personality development course...in any photography course or entertainment course; or in any music course—instrumental or vocal—public speaking course, or course in sports or athletics such as horseback riding, swimming, fishing, skiing, golf, baseball, tennis, bowling, [and] sports officiating."¹⁹

Later changes by Congress further narrowed the scope of schools and programs that could access GI Bill education benefits, including restrictions on training in occupations the state determined were overly crowded, a common problem for correspondence programs. Misleading advertising and solicitations from the new for-profit trade schools and correspondence schools were so widespread that the National Association of State Approval Agencies passed a sweeping resolution in 1949 urging states to take cooperative action to "prevent any advertising, in oral, written, or printed form, which includes statements, illustrations, implications, or omissions, tending to mislead the public and the veteran."²⁰

The prevalence of misleading advertising and fraud made it difficult for the VA and overwhelmed state approving agencies to distinguish between legitimate correspondence programs and mail-order diploma mills, schools that automatically dispensed degrees without requiring work or evidence of learning from students. In February 1950, the *New York Times* reported that "More than 1,000 questionable or outright fraudulent schools and colleges in this country are fleecing unsuspecting students of millions of dollars annually. At least 100 are nothing more than 'diploma mills.'" According to the Times' investigation, "A large proportion of the [questionable or fraudulent colleges] are correspondence schools and engage in false and misleading advertising to attract unwary students. Those enrolling in the courses receive promises of all kinds of college degrees as well as highly-paid jobs in government or private industry."²¹

A House investigation found "there is no doubt that hundreds of millions of dollars have been frittered away on worthless training."

By 1950, both congressional leaders and President Truman had become critics of the for-profit sector. The previous year, Senator Elbert Thomas (D-UT), chairman of the labor committee, asked VA Administrator Carl Gray to prepare a report on education and training under the GI Bill. Gray's 200-page study, released in January 1950, was a sharp indictment of the trade school and correspondence school industry, noting that "most of the problems encountered by the Veterans' Administration since 1947 in the administration of the education and training program have occurred in connection with these new schools."²² A subsequent report issued by a House select committee tasked with investigating education and training programs under the GI Bill found that many for-profit schools "offered training of doubtful quality," "exploitation by private schools has been widespread," and "many schools have offered courses in fields where little or no employment opportunity existed." "There is no doubt," the committee concluded, "that hundreds of millions of dollars have been frittered away on worthless training."²³

When Congress passed the Korean War GI Bill in 1952, lawmakers sought to curtail the abuses by correspondence programs and trade schools.²⁴ That law made further changes to the eligibility of certain types of programs and attempted to cut down on programs that offered little value, mandating that veterans had to identify a specific educational, professional, or vocational goal and enroll in courses consistent with that goal. Even more consequential, it eliminated the system of paying benefits directly to postsecondary institutions, including proprietary schools, and instead provided a basic lump-sum monthly payment directly to student veterans to cover tuition, books, and educational supplies.²⁵ Due largely to the new restrictions, the for-profit sector stopped expanding and instead shrank rapidly. In 1952, more than 600,000 World War II veterans were enrolled in proprietary schools under the original GI Bill; by 1954, their numbers had fallen to about 150,000.²⁶

In January 1955, President Eisenhower established a Commission on Veterans' Pensions to study the question of what benefits should be offered to post-Korean War "peacetime" veterans, and appointed his friend, the famed general Omar Bradley, as chairman. The committee, which came to be known as the Bradley Commission, took 15 months to complete its report and commissioned several studies of veterans' educational benefits. "The Government," the Bradley Commission stated in its spring 1956 final report, "was overcharged for much of the training in schools below [the] college [degree-granting] level, particularly in profit schools."²⁷ Many veterans, the commission concluded, enrolled in courses in "occupational fields where the employment prospects were far from good," and "much of the training in profit schools was of poor quality."²⁸

No one really knew, the commission pointed out, how many veterans landed jobs in their field of training after completing their courses. What was clear, however, was that the vast majority of veterans never graduated from their proprietary

school programs. The Bradley Commission's report noted that there was "no information on the number of veterans graduated from profit schools who were actually placed in jobs for which they were trained, but it was estimated in January 1951 that of the 1,677,000 veterans who attended profit schools, only 20 percent completed their courses."²⁹ At for-profit correspondence schools, the completion rate was even lower. Of the 286,000 veterans who took training by correspondence in the five-and-a-half years following the passage of 1944 GI bill, just 30,600 of the veterans, or 10.7 percent, had completed their home study courses. "The low rate of completion," a commission staff analysis concluded, "suggests that many of the courses taken were of little subsequent use to the veterans." That finding was buttressed by a 1955 Census Bureau survey of 8,000 World War II vets which found that half of those trained by correspondence said they had not used their training "at all" in subsequent jobs.³⁰

The Explosion: Growth in Correspondence School Enrollment and Abuses

In 1965, Congress enacted President Lyndon Johnson's landmark Higher Education Act (HEA), which dramatically expanded the role of the federal government in higher education and created the Federal Insured Student Loan (FISL) program, known today as the Stafford loan program. Due, however, to the abuses of the World War II GI Bill, Congress limited access to federal student aid for correspondence schools to programs that prepared students for "gainful employment" in a specific occupation, in keeping with previous laws that barred veterans from using their GI bill benefits for recreational or avocational courses. Thus, a student couldn't pay for a correspondence course with a federal student loan just for the "fun" of taking the course or because he believed in exploring lifelong learning—federally subsidized correspondence courses were supposed to lead to jobs.

In 1972, Congress passed the HEA amendments and enacted a second major new program of federal grants to help low-income students attend postsecondary institutions, the Basic Educational Opportunity Grants, soon to be known as Pell Grants. Unlike the guaranteed FISL loans, Pell Grants operated like scholarships, and students did not have to repay them if they dropped out of school. The law represented a new source of funding, and an important coming of age, for trade schools and home study courses. For the first time, proprietary programs were explicitly included as part of the universe of postsecondary educational institutions eligible for federal student loans and grants.³¹ For trade school and correspondence program salespeople, the advertising slogan "Go now—pay later" became a potent selling point with customers.³²

Like the World War II GI Bill's provision of direct tuition payments to schools, the up-front payment of tuition through guaranteed FISL loan proceeds created new perverse incentives to undermine program quality that accreditors seemed helpless to fix. In a 1974 study of accreditation, Harold Orlans and his colleagues found that "the enrollments and also dropouts of many schools rose sharply due to stepped-up recruitment, misleading advertisements, inadequate student screening...and broken promises of job placement. In conjunction with the practice of collecting the entire tuition in advance, these techniques yielded high profits, for as students dropped out, their places were quickly filled by others. So long as some tuition remained unrefunded, there was a premium on sieving large numbers of students through the doors."³³ The result, as the Federal Trade Commission (FTC) concluded, was that "FISL monies have allowed marginal schools to add thousands of students to their rolls without regard for proper career training."³⁴

Twisted federal incentives led correspondence programs to operate as flunk-out factories.

The *Washington Star* gave an even harsher assessment of this federal aim scam for veterans, noting that according to FTC testimony, some correspondence schools were “*designed* to be flunk-out mills, whereby a student is sold a course he is *expected* to flunk, a course he will have to pay for.”³⁵ A comprehensive 1968 study of correspondence instruction by the Carnegie Corporation echoed the testimony to the FTC about the profits of failure at home study schools. The Carnegie study found that “correspondence programs depend on student nonstarts [students who sign up for a course but never take a lesson] and dropouts for their financial livelihood....the nonstart who has paid a large part of his tuition generally brings a higher profit.”³⁶

The Senate Committee on Veterans Affairs reached much the same conclusion about the twisted federal incentives for correspondence programs to operate as flunk-out factories. As George Arnstein of the National Advisory Council on Education Professions Development wrote in 1974, “Correspondence schools almost certainly would be unprofitable—judging by data submitted to the Senate Committee on Veterans Affairs—if they had to process, read, and score all of the lessons students have bought and paid for. Many such schools, the committee’s legal counsel said, apparently gear their operations to the expectations that students will *not* complete the course, thus saving the owners millions of dollars.”³⁷

By the mid-1970s, the number of students using guaranteed loans to attend correspondence schools and trade schools had increased dramatically, so much so that the federal administrator of the guaranteed loan program was warning in internal memos of the rise of the “FISL factories.”³⁸ In FY 1970, just one student enrolled at the Commercial Trades Institute (CTI), a correspondence school, with a guaranteed loan; by FY 1973, 50,906 enrollees at CTI had guaranteed loans. At Advance Schools, another correspondence school, the enrollment of students with guaranteed loans increased nearly 67-fold over three years, from 1,209 to 80,891 students.³⁹

The home study courses of the 1970s were the early and direct predecessors to the distance learning courses offered today by many colleges. Like online learning programs today, correspondence schools in the 1970s were portrayed by

industry advocates as flexible and innovative postsecondary alternatives, as “the only place in America where opportunity knocks twice”⁴⁰ and as vehicles for expanding educational choice. Correspondence education was to be the original school-without-walls that would free students from the constraints of rural isolation, socioeconomic class, local institutional limitations, and class schedules that conflicted with work and family time.⁴¹

Compared to traditional campus-based education, correspondence education by mail purportedly provided “easier access, independent learning opportunities, a more intimate interface with employment, better quality control over course materials, the possibility of cumulative improvement in pedagogic quality...and, under certain circumstances, lower costs.”⁴² Yet in practice, correspondence programs were hardly founts of innovation and often provided poor-quality education, bilking students and taxpayers out of thousands of dollars. Among those programs was the infamous case of the Famous Writers School (see Box 1).

→ **BOX 1**

Famous Writers School

In July 1970, the *Atlantic* published its cover story “Let Us Now Appraise Famous Writers”—Jessica Mitford’s devastating, and at times wickedly funny, takedown of a huge mail-order correspondence school, the Famous Writers School. The school had 15 “Guiding Faculty” who were well-known writers, including Rod Serling, creator of the popular TV show *The Twilight Zone*, and Bennett Cerf, the chairman of Random House and a panelist on the long-running game show *What’s My Line?* The “Famous 15” appeared in ubiquitous ads in magazines and newspapers, hawking the virtues of the Famous Writers mail-order courses. But as Mitford investigated the correspondence school, she soon discovered that none of the “Guiding Faculty” actually taught at the Famous Writers School or reviewed any submissions. That didn’t stop the school from running misleading ads that implied the famous writers would be personally involved in assessing and cultivating the writing talents of students—as one ad put it, Bennett Cerf would be “at your shoulder.”⁴³

Mitford’s investigation uncovered that the writer Robert Byrne had previously fabricated an applicant, Louella Mae Burns, who had passed the Famous Writers School “aptitude test” with flying colors. In her mock writing sample, Louella, purportedly a 63-year old widow with little education, had written a giddy essay about meeting Calvin Coolidge. “When out of the blue came a honking and cars and motorcycles and policemen,” Louella wrote. “It was really something! Everybody started shouting and waving and we finally essayed to

see the reason of all this. In a sleek black limousine, we saw real close Mr. Calvin Coolidge, the President himself!” That dreadful essay drew a two-and-a-half-page typewritten letter from Donald Clark, the “registrar” of the Famous Writers School (actually a copywriter in the school’s advertising department), who stated: “Dear Mrs. Burns, Congratulations! The enclosed Test unquestionably qualifies you for enrollment...only a fraction of our students receive [sic] higher grades...In our opinion, you have a basic writing aptitude which justifies professional training.”

Mitford decided to have a neighbor send in her aptitude test to Famous Writers so she could sit in to hear the Famous Writers salesman pitch her on the correspondence course. He lied to Mitford and her friend, telling them that “two or three of the Famous Fifteen [writers] are in Westport [Connecticut, Famous Writers’ headquarters] at all times working with a staff of forty or fifty experts in their specialty, evaluating and correcting student manuscripts...Your Guiding Faculty member—could be Bennett Cerf, could be Rod Serling depending on your subject—will review at least one of your manuscripts and may suggest a publisher for it,” and “there are 300 instructors for 3,000 students,” a ratio of one instructor for every 10 students.

In a remarkably candid interview with Mitford, Bennett Cerf confessed that the school’s advertising was designed to lure the gullible into paying the then-hefty fee of \$785 to \$900 to sign a contract for the home study lessons. “Mail-order selling has several built-in deficiencies,” Cerf told Mitford. “The crux of it is a very hard sales pitch, an appeal to the gullible. Of course, once somebody has signed a contract with Famous Writers he can’t get out of it, but that’s true with every business in the country.”⁴⁴ Cerf merrily added that “if anyone thinks we’ve got time to look at the aptitude tests that come in, they’re out of their mind!” Still, he acknowledged that the compensation to the 15 Famous Writers Guiding Faculty—nearly \$10,000 a month in today’s dollars⁴⁵—was “quite generous, and we were given stock in the company.”

At the time of Mitford’s interview, 65,000 people were enrolled in Famous Writers courses, with three-quarters enrolled in fiction courses, and the balance taking nonfiction, advertising, and business writing. Mitford reported that Famous Writers had 55 teaching faculty—which translated into 1,181 students, on average, per instructor. Each student was supposed to submit 24 assignments over a three-year period, which, with 65,000 students enrolled, would amount to 55 instructors having to grade 520,000 assignments a year—or nearly 10,000 assignments per instructor each year, an impossible task. Fortunately for the 55 instructors, about 90 percent of students dropped out of their courses.⁴⁶ Phyllis McGinley, the Pulitzer Prize-winning poet and children’s author who was one of the 15 Famous Writers, confessed to Mitford: “We couldn’t make any money if all the students finished.” In fact, Famous Writers’ financial model was more than the norm than the exception in the

correspondence school industry. A major 1968 study of proprietary schools reported that “the typical private home study school predicts the numbers of dropouts and non-starts [those who sign up but don’t begin] and adjusts its budget accordingly.”⁴⁷

After Mitford’s exposé of the Famous Writers School appeared in July 1970, profits dropped by half, from \$3.5 million in 1969 (about \$23 million today) to \$1.6 million in 1970. The New York state attorney general, Republican Louis Lefkowitz, launched an investigation and ultimately ordered the school to pay \$10,000 in costs.⁴⁸ Its parent company underwent a bankruptcy reorganization by 1972, and when the *Boston Globe’s* Spotlight team investigated the reconstituted Famous Writers School in 1974, it discovered that school salespeople were still selling the school on the basis of the same distinguished “Guiding Faculty” members, despite two, including Bennett Cerf, having died.⁴⁹

Under pressure to reform its marketing practices after Mitford’s article, the Famous Writers School switched from three-year enrollment contracts to letting students pay for lessons as they completed them. That switch drew the ire of the powerful National Home Study Council (NHSC), which wanted to encourage long-term contracts for correspondence courses rather than pay-as-you-go contracts; the NHSC discontinued the Famous Writers School’s accreditation in February 1972.⁵⁰ The Famous Writers School limped along for the remainder of the decade and was for the most part dissolved when Covina Learning International acquired what remained of its parent company, FAS International, in 1981. From that point, up until the basic course program at Famous Writers School was closed in 2016, only about 75 to 100 students took the course.⁵¹

An FTC investigation of the Famous Writers School, launched soon after *The Atlantic* published its exposé of the program,⁵² was only the beginning of the wave of scrutiny for correspondence schools. In the early 1970s, over 2 million Americans were enrolled in some 700 to 1,000 home study schools. Fewer than 160 correspondence schools were accredited, but many of the accredited schools, like Famous Writers, had large enrollments, totaling nearly 1.5 million students.⁵³

The explosive growth of correspondence schools was heavily fueled by federal taxpayer dollars. By December 1972, 96 proprietary institutions had become direct lender schools, meaning they had obtained federal insurance contracts and could lend money directly to students who banks otherwise might be reluctant to serve, such as those who were half-time, high-risk, or low-income. The rapid growth in direct lending at for-profit schools was largely concentrated

at home study schools. At three large correspondence schools, the number of students enrolled with guaranteed student loans jumped more than 50-fold in a three-year period, from 3,972 students in 1970 to 201,731 students in April 1973, and direct lending to students at the three schools soared from \$7.6 million to \$81 million during the same time span.⁵⁴

The U.S. Office of Education's first efforts to curtail abuses of federal loan dollars started with regulation to limit direct lending by schools. Changes in federal practice led to restricted lending for more than 40 non-degree-granting institutions in 1973, and the suspension or limitation of another 31 for-profit colleges.⁵⁵ But the fledgling USOE regulatory effort was noticeable for its modesty—even suspended lender schools didn't lose access to all federal loan dollars, just direct lending authority. Meanwhile, the rapid growth in taxpayer-funded correspondence schools continued unabated. All told, roughly one in four students enrolled at accredited correspondence schools used guaranteed student loans.

The explosive growth of correspondence schools was heavily fueled by federal taxpayer dollars.

Veterans were even more likely than civilian students to enroll in correspondence schools. More than a third of all home study enrollees used GI Bill benefits to pay for their courses, according to a 1976 FTC report.⁵⁶ The extension of educational benefits to active-duty servicemembers in the Johnson administration in 1966⁵⁷ had helped to boost correspondence course enrollment, since mail-order courses were popular with GIs stationed at military bases overseas and in the United States. Of the 267,000 active-duty soldiers who used education benefits in the early 1970s, 166,000, or more than 60 percent, used them for correspondence courses.⁵⁸

As a rough rule of thumb, active duty servicemembers were more than twice as likely to take correspondence courses as veterans.⁵⁹ Moreover, unlike courses in residential schools, correspondence courses were typically taken part-time, which servicemembers could comfortably accommodate in their schedules. In a one-year span alone, from November 1970 to November 1971, the number of veterans and servicemembers taking correspondence courses jumped almost 30 percent, from 180,000 to about 231,200.⁶⁰ By 1973, 430,000 veterans and servicemembers were enrolled in correspondence schools.

Nearly 2,000 veterans took courses at Famous Writers on the taxpayer's dime—and that figure was on the low side among the giant correspondence schools. Advance Schools, Inc., a correspondence school that went bankrupt in 1975, had more than 51,000 VA beneficiaries; Commercial Trades Institute had nearly 35,000 VA beneficiaries; and close behind was Bell & Howell Schools, with almost 34,000 VA beneficiaries.⁶¹

To put those numbers in contemporary perspective, the Post-9/11 GI Bill, enacted in June 2008, broadly liberalized educational benefits for veterans and service personnel, leading to an explosion of enrollment at for-profit schools. At the giant for-profit chain Corinthian Colleges, the number of vets enrolled tripled between 2009 and 2012 alone—to just over 6,400 veterans.⁶² Like Corinthian Colleges, Advance Schools Inc. eventually went bankrupt. But the correspondence school had eight times as many veterans enrolled as Corinthian Colleges near the peak of its veteran enrollment.

More troubling than the sheer dependency on taxpayer dollars was the fact that the return on taxpayer investment in correspondence courses appeared to be even worse than at brick-and-mortar proprietary schools. A March 1972 GAO report found that 75 percent of veterans did not complete their correspondence courses and only 6 percent of sampled veterans achieved the ultimate goal of finding gainful employment in their field of training.⁶³ As is the case today, many veterans were unaware that they had to request a refund immediately for unfinished lessons if they stopped their course,⁶⁴ and 134,000 veterans and servicemen who dropped out of courses had to pay an average of \$180 out of their own pocket,⁶⁵ the equivalent of more than \$1,000 today. All told, the VA paid out more than \$76 million for veterans from 1966 through 1974 who had not completed their home study courses.⁶⁶

→ **BOX 2**

Correspondence School Abuses of the 1970s

Tens of thousands of students enrolled in correspondence schools that took their money and taxpayer-financed federal financial aid, provided them with little education and few resources, and had terrible outcomes. Not surprisingly, once correspondence courses could be paid for with federal dollars, the types of courses that home study schools could dream up seemed almost infinite. Consider just this handful of examples:

LaSalle Extension University

In November 1973, *Stars and Stripes*, the military's leading trade press publication, devoted 32 pages of coverage to a four-part investigative series on correspondence schools that marketed to GIs stationed in Europe. One giant correspondence school covered in the *Stars and Stripes* series, LaSalle Extension University, offered a law degree, an LLB, through home study courses and had some 10,000 of its 100,000 students enrolled in law courses. Dating back to 1937, LaSalle Extension University had run afoul of the Federal Trade Commission for its misleading advertising, especially advertisements that suggested the school's bachelor of laws course would enable students to take and pass the bar exam.⁶⁷ The FTC in the Nixon administration also thought it misleading to offer law degrees through mail-order courses, and in 1971 the FTC ordered LaSalle Extension to put a blunt disclaimer in all its advertisements for its law courses: "Completion of these courses does not qualify anyone to take the bar examination or practice law in any of the 50 states of the United States or the District of Columbia."⁶⁸

Just over half of the graduates of the university, which in 1974 was the biggest volume home study operation in the country, had gaps of at least 90 days between lesson submissions in their courses.⁶⁹ For all of its permissive grading policies, LaSalle Extension had salespeople follow an aggressive five-step protocol to enroll students by manipulating the prospective applicant into thinking he had to "persuade you that he is qualified," despite having effectively no admission requirements. A *Chicago Tribune* reporter posing as a sales trainee was instructed by a LaSalle salesman that the carefully scripted "qualifying interview" for prospective students was a critical sale closer: "Psychologically you have him following your orders right thru the qualifying interview so by the time you get to signing the contract he can't go against you."⁷⁰ Some salesmen, *Stars and Stripes* found, were even recruiting servicemen on the way to Vietnam. *Stars and Stripes'* investigative report concluded that "the VA remains a big agency with big problems—or, more accurately, a number of big problems, not least of which is playing the role of moneybags for GIs yearning for an education."⁷¹

Peace Officer Training Service

In March 1974, members of the *Boston Globe's* Spotlight investigative reporting team went a step further in discrediting correspondence schools. As part of an effort to test the alleged admissions process at correspondence schools, reporters did just about everything short of donning Groucho Marx glasses in their attempts to get rejected for admission, all to no avail. One Spotlight team member who applied to the Peace Officer Training Service course left blank the answer on his application as to whether he had ever been convicted of a felony and cast himself in his physical self-portrait as a "virtually blind, dwarfish diabetic, shaped like a bowling ball." While all police agencies then had strict

physical requirements for who could serve as peace officers, the reporter was promptly accepted into the \$835 course. “Congratulations,” the school wrote back, “our qualification department has processed your application and are [sic] forwarding your first set of lessons.”⁷²

Bureau of Cartooning School

Another *Globe* reporter, investigating the correspondence Bureau of Cartooning School, drew a primitive cartoon of stick characters in a matter of minutes that he dubbed Hippie the Hippo and Bertie the Bird and submitted them to the Bureau of Cartooning School. A full-time cartoonist at a local Boston-area newspaper called the quality of the cartoons “putrid.” But the reporter was nonetheless accepted into the \$400 course, with the director of the school informing him that he was well on his way to a career as a professional cartoonist for a newspaper.⁷³

Children’s Literature Institute

Unlike many solicitations from correspondence schools, ads for the Children’s Literature Institute stated that its aptitude test was “carefully designed to uncover...natural writing ability,” so “if we feel you do not have writing talent, we’ll tell you so—right on the line.” A *Globe* reporter’s admissions application was written to test that advertising claim. In his answer to a test question about how to cook an egg, the reporter wrote: “Grab the egg with both hands. Put it in a pot of boiling water. Pull it out when it’s done. If it’s not done put in the oven. Baste occasional if it needs it.” He left one of the five sections of the test blank and listed his favorite adult author as “Moby Dick.” In the fill-in-the-blank section, the reporter had “Johnny gazing across the [dusty] waters of the lake,” while in the background “he could hear his mother [barking] in the kitchen of the [gingerbread] house.” The “dean” of the Children’s Literature Institute reviewed the aptitude test and wrote back: “You are the kind of student we are looking for,” and “our standards are high.”⁷⁴

Pioneer Schools

James Jackson, an investigative reporter for the *Chicago Tribune*, discovered one correspondence school that offered a course in how to start your own mail-order correspondence school. Jackson ordered up the course from Pioneer Schools in Covina, California. The lessons showed him “how to make enrollments, place graduates, and get Veterans Administration approval on a shoestring investment.” Jackson then wrote back to Pioneer Schools and proposed a course in the “most preposterous subject he could think of to teach thru [sic] home study lessons, skydiving.” Sure enough, the head of Pioneer Schools wrote Jackson back with enthusiasm, saying “I would welcome the opportunity of writing a course for you on ‘Skydiving.’ I believe...that seven lessons would suffice.”⁷⁵

Chicago-Based Schools

Many for-profits at the time had their headquarters in Chicago, and in June 1975, the *Chicago Tribune* published its own investigative task force series on 13 career schools and correspondence schools. The investigation concluded that the industry was “filled with fast-buck operators preying on men and women who believe education is the best way to secure a future. Countless persons seeking to become airline stewardesses, nurses’ aides, TV repairmen, truck drivers, cashiers, and interior decorators are spending \$3 billion a year for correspondence and residence school courses. Many are worthless or of questionable value.”⁷⁶

Regulators Reawaken: Congress Intervenes

The correspondence school sector contracted during the latter half of the 1970s, primarily due to new laws from Congress and new regulations from the Veterans Administration restricting veterans' and servicemembers' access to correspondence courses. In 1972, Congress moved to requiring home study schools to have a *pro rata* refund policy for courses (with some adjustments for institutional costs),⁷⁷ reducing the amount of unused educational aid that proprietary institutions could collect from the VA after veterans dropped out of their courses. The 1972 law also stipulated that home study course contracts for veterans would only be honored if a veteran or serviceman reaffirmed his commitment to signing the contract after a 10-day "cooling off" period,⁷⁸ and beginning in 1973, GIs would have to pitch in 10 percent of the costs of home study courses for the first time from their own pockets. Moreover, the VA required counseling from company commanders or education advisors before soldiers could get reimbursement for correspondence courses.⁷⁹ Finally, correspondence course providers had to show they offered an education that would meet pre-determined occupational requirements, like preparing veterans to pass a licensing exam,⁸⁰ and refund unused tuition based on how many lessons veterans completed, rather than how much time had elapsed since enrollment.⁸¹

The 1972 amendments to the GI Bill weren't enough to stanch fraud and abuse at correspondence schools, but lawmakers' ongoing concerns helped prompt several congressional committees to launch investigations of the for-profit sector. In the Senate, a Veterans' Affairs subcommittee headed by Senator Vance Hartke (D-IN) held a hearing in 1972 on correspondence school abuses of veterans. A far more extensive set of hearings was held in the House, where the Government Operations committee appointed a special subcommittee to examine abuses by proprietary vocational schools. The subcommittee's report concluded that a "great many students are being enrolled in courses that they do not complete, especially in home study schools, and some students are the victim of outright fraud." The report recommended that schools "disclose to prospective students the completion rate for the course being considered... [and] placement data on individuals who have completed the course."⁸² Two Republican congressmen, as the lead-off witnesses for the subcommittee's hearings, laced into the for-profit sector, accusing it of having "violated the most minimal standards of decency and professional ethics" and calling shady for-profit owners a "curse" on American society.⁸³

In 1974, in the aftermath of its hearings, Congress attempted to take the crackdown on correspondence schools several steps further, including tightening restrictions on misleading advertising. The Senate Committee on Veterans' Affairs had grown increasingly concerned both about the deceptive and misleading advertising that some for-profit schools used to attract veterans and

the question of whether correspondence courses were actually helping veterans and active duty servicemembers train for new jobs. Accredited correspondence schools were then running two-page color ads in national magazines promoting “home entertainment electronic” courses, ads in which veterans were told, among other promises, that they could take the courses “for fun”—appearing to violate the 1950 legislative ban on using VA educational benefits to pay for recreational or avocational courses, and resurrecting the scam from a quarter-century earlier in which some GIs used their educational benefits to get black-and-white television sets for free, under the pretext of training to be TV repairmen. A 1974 report from the Senate Committee on Veterans’ Affairs warned that the correspondence school advertisements “suggest in a variety of subtle and not so subtle ways that enrollment in the course (which typically costs about \$1,500) will enable the veteran to obtain valuable merchandise such as a 25-inch color television set which the veteran can assemble in his spare leisure time.”⁸⁴

→ **BOX 3**

Advance Schools, Inc.

Many of the troubling trends in the home study industry—the lack of quality control and accountability; the enrollment of unprepared students; high dropout rates; the exploitation of veterans; the use of misleading sales tactics; and the perverse incentive for correspondence schools to expand by acting as lenders—coalesced in the bankruptcy of the giant home study company Advance Schools, Inc. (ASI), in April 1975.

ASI was founded in Chicago by an itinerant appliance repairman in 1950 and still was of relatively modest scope two decades later. In 1969, it had just 2,700 students enrolled in a variety of correspondence courses in auto repair, bookkeeping, radio and television repair, drafting, and the like, and took in about \$450,000 a year. That controlled expansion abruptly ended with the introduction of the guaranteed federal student loan program. By 1974, ASI’s enrollment had exploded 30-fold, to 80,000 students, and the company had grown into a \$200 million-a-year business behemoth (\$1 billion today) that gorged on federal student aid.⁸⁵ Some 1,400 ASI salespeople roamed 40 states to sell the school’s 21 courses.⁸⁶ By 1973, one out of seven veterans nationwide who used their GI benefits for home study courses was enrolled in an ASI course, and the school had more than 51,000 GI Bill students alone.⁸⁷ When Advance finally collapsed in 1975, 90 percent of its students were financing their courses either through federal student loans or GI Bill benefits.

Despite its humble origins, Advance Schools, in the words of the *Boston Globe*, lay claim to being the “Lone Ranger” of correspondence education and “the self-proclaimed savior of the home-study industry.” School sales managers claimed to a *Globe* reporter posing as a prospective student that Advance Schools was working with the FTC to “clean up the home study industry.” The school’s president, Sherman Christensen, told the *New York Times* that ASI ran credit checks on applicants, administered not one, but two admission tests to establish the persistence of applicants, and turned away one in five prospective students.⁸⁸

Yet for all of Advance Schools’ aspirations to be a different correspondence program, it replicated a number of the abuses it sought to avoid. Like the Famous Writers School, ASI had a small number of instructors but a giant sales force. While the school at its peak had 1,400 salespeople, it only had about 35 instructors—meaning that each instructor was responsible for 1,800 students,⁸⁹ a ratio even worse than at the Famous Writers School. A *Chicago Tribune* reporter who posed as a prospective student discovered that ASI was luring veterans to sign up for courses by telling them they could “bank” their GI benefits, draw interest on them, but pay for the course with FISL funds, which wouldn’t have to be repaid until 33 months after enrollment.⁹⁰

ASI went into business as a lender, and soon became the biggest educational lender in the country for the guaranteed student loan program. But Advance Schools, Inc., fell prey to the trap of artificially driving up enrollment and profits by expanding its own lending program to students. To raise working capital and boost its cash flow, ASI sold the FISL student loans it made to banks at their full face value—and banks bought in, both because the loans were guaranteed by the federal government, and because ASI promised to repurchase the loans for the full amount when they came due for repayment.

ASI’s financial model proved to be a disaster waiting to happen. By December 1974, its government-funded cash machine had stopped churning. Interest rates rose, prompting banks to lose their willingness to purchase lower-interest FISL loans for new ASI students. As ASI’s incoming cash flow dwindled, banks became concerned that Advance would be unable to repurchase the FISL loans when they started to become due. The coup de grâce for ASI was the federal government’s policy, announced in January 1975, that it would not guarantee repayment of a student loan when a school abruptly closed.⁹¹ Banks, fearing that the cash-starved ASI might close, and having discovered that they would no longer have the protection of a full federal guarantee on defaulted loans when schools closed, stopped purchasing FISL loans from ASI altogether. A few months later, Advance Schools filed for bankruptcy. At the time ASI collapsed, it had 72,000 students and was in debt for \$100 million in outstanding FISL

loans (roughly \$450 million in today's dollars) to no fewer than 47 Chicago banks.⁹²

Advance's abrupt collapse spurred Congress to act as well. The following year, Congress enacted the 1976 Education Amendments, which barred home study schools from serving as lenders in the FISL program. The Ford administration advanced legislation to ban all proprietary schools from serving as lenders,⁹³ but considered the ban on correspondence schools to be a step in the right direction—especially since the 1976 law also restricted proprietary school lenders to making loans to no more than 50 percent of their undergraduate students and terminated proprietary schools from lending when their default rates exceeded 15 percent.

In many ways, the central regulatory challenge for Congress was ensuring that correspondence courses served their core statutory purpose—enabling students to find employment in their field of training. GI Bill educational grants for veterans and servicemembers, the 1965 creation of federally-guaranteed student loans, and the 1972 establishment of Pell Grants had collectively created a vast voucher-like expansion of educational opportunity in higher education that enabled students and veterans to choose between a wide range of postsecondary institutions and programs. But the problem with providing unfettered educational choice at correspondence schools was that it repeatedly led to widespread abuses of students, veterans, and taxpayers.

In 1974, the Senate Veteran Affairs Committee decided it was time to put more strings on unrestricted student grants by setting minimum job placement standards for all postsecondary vocational programs, including correspondence courses. Recall that under the 1965 Higher Education Act, students could pay for their correspondence courses with federal student loans only if the home study school provided a “program of training to prepare students for gainful employment in a recognized occupation.” Similarly, veterans and servicemembers could only use their GI Bill benefits to pay for correspondence courses if the courses had an employment-related objective and were not avocational or recreational in nature. Yet neither Congress nor the executive branch had ever meaningfully enforced those employment requirements by setting minimum job placement standards for postsecondary vocational programs. In 1974 that changed when Congress passed legislation requiring career programs to demonstrate to the Veterans Administration that at least half of veterans completing their courses in the previous two years had found jobs in their field of training.

The problem with providing unfettered educational choice at correspondence schools was that it repeatedly led to widespread abuses of students, veterans, and taxpayers.

Unfortunately, lawmakers' efforts to require career programs to demonstrate they were in fact preparing students for careers proved largely toothless in practice.⁹⁴ The VA rarely, if ever, used its new statutory authority to bar proprietary schools from receiving GI bill benefits when they used deceptive or misleading ads and sales tactics.⁹⁵ And the job placement data submitted by schools to show that they were placing 50 percent of their graduates in jobs in their field of training soon appeared to be unreliable. In November 1974, nearly 26,000 for-profit and correspondence school programs reported to the VA that they had sterling job placement records for the 9,000 graduates of their courses, with just 2.7 percent of programs failing to meet the 50 percent job placement requirement. Yet more than 10,000 programs, with an unknown number of graduates, had not reported any job placement data to the VA, and the Senate Veterans' Affairs Committee found neither states nor the VA had reviewed or verified the data.

Still, the fatal undoing of the 1974 law was not the unverified or missing job placement data from correspondence schools and trade schools. Instead, the problem was that the VA issued lax guidance, creating an abundance of loopholes, which correspondence schools and other vocational programs used to evade the 50 percent job placement requirement altogether. As a 1976 FTC report detailed at length, the VA failed to set clear job placement standards or establish difficult-to-game safeguards to protect veterans. The VA largely allowed correspondence and trade schools themselves to determine what counted as a job placement, effectively eviscerating the value of the job placement requirement. The FTC report found that the VA had decided that "only those graduates who are available for [job] placement be included within the final computation [of the 50 percent placement figure]. Moreover, schools are free to remove from the data any student who did not possess the requisite vocational intention, was on active duty, pregnant, changed marital status, was unwilling to move to a new locality, or who for other 'valid' reasons was not included within the [school's] survey. Each school freely defines for itself what each of these exclusions should entail, and it is little wonder that the surveys have resulted in

many schools eliminating the majority of their students from the final computations.”⁹⁶

The VA largely allowed correspondence and trade schools themselves to determine what counted as a job placement, effectively eviscerating the value of the job placement requirement.

By 1976, the Ford administration had largely despaired of reforming correspondence programs for veterans. In February 1976, it sent legislation to Congress, S. 3109, to terminate the use of all GI benefits for correspondence courses. In a letter transmitting the draft bill to Vice President Nelson Rockefeller (who served as president of the U.S. Senate), VA Administrator Richard Roudebush wrote that “our years of experience in administering education programs for veterans and their survivors convince us that...correspondence courses have not fulfilled their intended purpose,” and “there is ample evidence that the training does not lead to jobs for the majority of trainees and that the courses tend to serve avocational, recreational, and/or personal enrichment.”⁹⁷ The administrator asserted that “correspondence training is by far the weakest major part of the GI Bill, since it does the least for veterans and in-service personnel toward providing vocational readjustment and restoring lost education opportunities.”

Roudebush was not the only Republican appointee to recommend eliminating federal support for correspondence courses. Fifteen years later, in 1991, then-U.S. Secretary of Education Lamar Alexander would reach the same conclusion about his department’s federal student aid program, telling Congress: “The Department generally supports the idea of prohibiting students from receiving Title IV, HEA assistance for correspondence courses, and eliminating the eligibility of schools that offer 50 percent or more of their courses by correspondence. There have been many instances of student aid abuse involving correspondence courses.”⁹⁸

After Intervention: The Post-1992 Rebirth of Distance Learning

Ultimately, the 1992 HEA amendments did more to “crack down on sham schools” (in the words of President George H. W. Bush), including shoddy correspondence schools, than any legislation Congress has enacted before or since. In today’s bitterly partisan Washington, it is easy to forget that the 1992 HEA Amendments passed the House and Senate with overwhelming support on both sides of the aisle. The House voted 365–3 in favor of its bill, and the Senate bill passed with a 93–1 vote, with conservative Jesse Helms as the lone opponent. Congressman Steve Gunderson (R-WI), the future head of the career schools trade association, hailed the bill during the House floor debate, calling it “the most important piece of legislation that Congress will consider during this session,” and pledged that committee members on both sides of the aisle had drafted the reauthorization bill to respond to “the challenges in the area of program integrity, especially in the area of guaranteed student loan defaults.”⁹⁹

In addition to a series of new accreditation requirements that primarily targeted for-profit schools, the 1992 law contained a slew of provisions in other areas that cracked down on abuse and waste in the federal aid programs.¹⁰⁰ Among those, the “50 percent rule” provision in the 1992 HEA Amendments effectively ended federal taxpayer support for correspondence schools. Under the 50 percent rule, schools that offered more than 50 percent of their courses by correspondence, or where more than 50 percent of students were enrolled in correspondence courses, were barred from receiving federal student aid.¹⁰¹ After decades of trying to regulate correspondence schools, lawmakers of both parties concluded that the only way to control abuses in these for-profit distance learning institutions was to effectively cut off their life support of federal aid.

After decades of trying to regulate correspondence schools, lawmakers of both parties concluded they had to effectively cut off federal aid.

The 1992 HEA Amendments had a profound impact on the for-profit sector and on correspondence programs, particularly the federal sanctions that barred schools with high default rates from the federal student aid program and the 50 percent rule restricting correspondence education. From 1993 to 1997 alone, 860

for-profit schools closed. But as many of the worst for-profit schools shut their doors, and as news reports of abuses in the sector declined, two profound but related shifts in higher education slowly reignited interest in distance learning.

The first shift was the spread of the internet and the advent of online learning. Unlike the correspondence courses of the past, online learning could be interactive. Distance education students were no longer expected to get course materials in the mail, learn on their own, and study with little or no communication with a qualified instructor. That technological breakthrough created an exciting array of new opportunities for innovative instruction and curriculum. Reflecting policymakers' interest, the 1998 HEA Amendments waived the "50 percent rule" which required institutions to offer at least half of their programs via brick-and-mortar locations, in a new demonstration program designed to test the quality and viability of predominantly online colleges.

Fifteen postsecondary institutions participated in the demonstration program when it began in July 1999, a number that grew to 24 institutions by 2007, including nine for-profit schools. The number of students in the online demonstration program grew too, from just under 8,000 students in 1998–99 to more than 63,000 students by 2003–04,¹⁰² although the growth of online learning in postsecondary institutions was still sharply limited by the 50 percent rule for other institutions. By the time George W. Bush took office in 2001, Omer Waddles, testifying for the Career College Association, was claiming that the 50 percent rule was little more than a needless relic. The 50 percent rule "was created in response to various concerns about the level of quality of correspondence courses back in the late 1970's and early 1980's," Waddles told a House subcommittee. "This rule does not reflect the highly effective communications and interactive teaching methods developed for use on the internet only in the last few years."¹⁰³

The second big shift after 1992 was the explosion in large, publicly-traded for-profit corporations, many of which would expand by adding tens of thousands of online students. A few large for-profit college chains had existed before 1992 and had been traded on the stock exchange, but the giant for-profit corporations that emerged by 2001 had no precedent in the industry. At the time of the Apollo Group's initial offering in 1994, its flagship University of Phoenix had 33 campuses in eight states and enrolled fewer than 27,000 students. Ten years later, the University of Phoenix had more than 225,000 students,¹⁰⁴ including more than 100,000 students enrolled online, a bigger enrollment than any public university in the nation. At the same time, the political allegiances of the for-profit sector began to shift from Democrats to Republicans. The multi-billion industry became a powerful lobby on Capitol Hill and befriended GOP lawmakers, especially House Speaker John Boehner (R-OH).

Boehner, then-chairman of the House education committee and later Speaker of the House, was the industry's biggest booster in Congress. He asserted that the

abuses of the past were now safely in the rearview mirror and introduced legislation to lift a number of restrictions on for-profit schools. “I believe and others believe,” Boehner stated, “that the accountability provisions still in the law are more than sufficient to prevent the abuses that we saw back in the 1980s and early 1990s.”¹⁰⁵ Nick Glakas, president of the Career College Association (now the Career Education Colleges and Universities association) agreed, and told Boehner that his 1,250 member-schools were “committed to and focused on compliance,” so widespread abuses in the for-profit sector would never reoccur. “We have to because of our past,” Glakas told Boehner’s committee. “We simply cannot and will not allow what happened 15 years ago to happen again.”¹⁰⁶

To prevent the abuses that had plagued correspondence education, Congress subsequently decided to add a requirement in 2008 that aid-eligible online learning programs had to have “regular and substantive” interaction between students and instructors.

Glakas and Boehner’s optimism soon proved unfounded as new scandals arose in the for-profit sector, including a damaging *60 Minutes* report in January 2005 on the Career Education Corporation that became the subject of a hearing by Boehner’s committee. But Boehner managed to loosen and weaken the 50 percent rule in a 2005 budget act, which provided relief in the aftermath of Hurricane Katrina. The law maintained the 50 percent limitations for correspondence schools but did away with them for telecommunications/distance learning courses.¹⁰⁷

To prevent the abuses that had plagued correspondence education—in which students learned material largely on their own, often without the aid of a qualified instructor—Congress subsequently decided to add a requirement in 2008 that aid-eligible online learning programs had to have “regular and substantive” interaction between students and instructors. The definition was drawn from the Bush administration’s 2005 report to Congress on the demonstration project, which recommended creating a definition for distance education distinct from that of correspondence education. The administration noted in its report that “our concern is that the current definition could be interpreted to allow a correspondence school to qualify for full participation in

student financial assistance programs by introducing even a very limited amount of email contact between students and a grader or instructional assistant with or without subject matter expertise into what is essentially a correspondence course.”¹⁰⁸ It recommended that the definition of distance education include “regular and substantive interaction between students and the instructor”—the very language Congress ultimately used in expanding aid eligibility for online programs.

In a matter of months, the lifting of the 50 percent rule in distance education courses sparked an explosion of online for-profit college programs that qualified for Title IV aid, including those that offered online-only programs to students. In 2003, fewer than 50,000 students nationwide enrolled in exclusively online programs in all sectors of higher education.¹⁰⁹ Within two years of the lifting of the 2006 elimination of the 50 percent rule, online-only education was no longer an anomaly, especially in the for-profit sector. The Senate HELP committee investigation of the for-profit industry (a.k.a. the “Harkin Report”) found that 11 for-profit companies alone had enrolled 435,000 students in exclusively online programs by the start of the 2008-09 school year.¹¹⁰ By the fall of 2017, nearly 50 percent of the 1.4 million students enrolled at federal aid-eligible, for-profit institutions were enrolled in exclusively online programs.¹¹¹

Nearly 70 percent of students at four-year for-profit colleges take all of their courses online, compared with only 5 percent at two-year for-profit schools.

It is notable that students at four-year for-profit schools today are far more likely to take all their courses online than any other group of students. Nearly 70 percent of students at four-year for-profit colleges take all of their courses online, compared with only 5 percent at two-year for-profit schools. In general, for-profit students are now more than twice as likely as their peers at public and private nonprofit institutions to take their courses exclusively online. Many for-profit students also enroll in “brick-and-clicks” for-profit institutions, where only a minority of students attend courses in brick-and-mortar classrooms. Of the 14 large publicly-traded for-profit chains evaluated in 2010 by Senator Harkin’s committee, at least seven of the chains then had more than 50 percent of their students in exclusively online curriculum.

Conclusion: Innovation Revisited

In an eerie replay of the early 1970s, when correspondence courses suddenly mushroomed with access to guaranteed student loans and GI Bill educational benefits, the abrupt expansion of Title IV aid-eligible online programs recreated many of the same abuses that had plagued correspondence courses 30 years earlier. Across many institutions—particularly for-profit ones—enrollment skyrocketed, predatory recruiting practices spread, student supports and career placement services suffered, and fraudulent and deceptive marketing proliferated. Without requirements for good, much less minimal, standards for student outcomes, many institutions—especially proprietary colleges—saw the opening of distance education as little more than a cash-grab, a chance to sacrifice educational quality for profits.

Today, advocates of online programs claim that the potential of modern-day online learning to revolutionize higher education vastly outstrips that of the correspondence schools of the past. They are right—interactive online learning and high-speed internet open up learning opportunities that the founders of the Famous Writers School never envisioned. In light of that potential, many, including Education Secretary Betsy DeVos, have suggested lifting restrictions on higher education to allow innovation to bloom.

Yet recognizing the need to reduce regulatory barriers to innovation does not mean that legislative and regulatory guardrails on postsecondary online learning should be eliminated or drastically scaled back. To date, the biggest and most rigorous longitudinal studies of online learning have found that these courses generally have a poor return on investment, failing to significantly boost subsequent earnings for students¹¹³ and depressing student grades and retention rates.¹¹⁴ With the benefit of experience and advances in online instruction, those disappointing early results could well—and hopefully will—change in the years ahead. But only the most naïve or most ideological advocates of online programs¹¹⁵ fail to recognize that exclusively online colleges have yet to fulfill their potential.

The unwelcome truth is that there is still abundant reason to create and maintain consumer protections, both for taxpayers and for students. Even staunch advocates of the theory of disruptive innovation like Clayton Christensen and Michael Horn acknowledge that online learning has yet to achieve its promised benefits in remaking higher education, in part because “federal financial aid seems to have gummed up the disruption [process]: the easy [federal] revenue has encouraged some [for-profit] schools to indiscriminately enroll [students], often at the expense of quality, and has discouraged cost reduction.”¹¹⁶

→ **BOX 4**

The Evolution of EDMC

The evolution of the Education Management Corporation (EDMC) provides a mini case study of the potential hazards of rapid and largely unregulated expansion into online learning. EDMC was founded in 1962 and acquired the Art Institute of Pittsburgh in 1970. For the next quarter century EDMC enjoyed steady growth, establishing Art Institute programs in other cities and a reputation for providing quality instruction and preparation for jobs in the visual arts, television, and film industries.¹¹⁷ In 1996, EDMC went public and started to expand rapidly from its modest roots, acquiring dozens of colleges in a host of career fields. A decade later, by 2006, EDMC owned more than 70 college campuses, had over 70,000 students enrolled, and reported annual revenues of more than \$1 billion. Yet EDMC's online programs remained relatively small—just 4,600 students were enrolled in fully-online programs at EDMC in 2006.

In March 2006, a month after President Bush signed into law the elimination of the 50 percent rule, EDMC went private: Three private equity firms purchased the corporation for \$3.4 billion. Goldman Sachs, the Wall Street giant, ultimately acquired more than 40 percent of EDMC, and under the control of the private equity firms and a former CEO from the Apollo Group, EDMC began aggressively recruiting more marginally qualified students and more students for online-only programs. “2006 was the significant year, because that was the year that the smartest people [from Goldman Sachs] figured out how easy it was going to be to grow geometrically,” Barmak Nassirian, with the American Association of Collegiate Registrars and Admissions Officers, told the *Huffington Post*. “You’d have to be from Mars not to know that they were smelling an easy path to big bucks.”¹¹⁸ Indeed, by 2010, EDMC's enrollment had nearly doubled, to more than 150,000 students, while its online-only enrollment had increased almost 10-fold during the same time-period, to 42,000 students.¹¹⁹

As had happened so many times in the past, EDMC's astonishing growth stemmed in part from the use of predatory recruiting tactics by its salespeople, who were instructed to identify themselves as the “Assistant Director of Admissions” on calls with potential customers. Like the correspondence school salespeople of the 1970s, EDMC recruiters were encouraged to “find the pain” in potential students to use past failures in careers and education to trigger their interest in enrolling. One EDMC sales call handout obtained by the *Huffington Post* instructed recruiters to follow three steps when talking to a

new prospective student: “1. Build em Up!... 2. Break em Down! Find the PAIN!... 3. Build em Up!”¹²⁰ Recruiters told those with felony records that earning a criminal justice degree would allow them to achieve their dream of joining the FBI, though the FBI is barred from hiring individuals with felony records. Students without a computer or access to the internet were encouraged to enroll in online-only courses.

Despite EDMC’s nominal bow to other “quality” factors in paying recruiters, whistleblowers alleged in 2007 that EDMC had been illegally compensating recruiters based on how many students they enrolled, leading the company to unlawfully claim federal student aid of roughly \$11 billion in previous years. In 2011, the U.S. Justice Department joined the whistleblowers’ False Claims Act lawsuit, along with dozens of states.

EDMC adamantly denied the allegations, but in 2015, without admitting guilt, it reached a \$95.5 million settlement with the federal government, easily the largest False Claims Act settlement with a for-profit chain in history. U.S. Attorney General Loretta Lynch denounced EDMC as a “high-pressure recruitment mill.” Secretary of Education Arne Duncan went further, saying that EDMC had “outright lied” when it certified that it complied with the incentive compensation ban that prevents schools from paying recruiters based on the number of students they sign up. Separately, EDMC also agreed to forgive \$103 million in student loans that the company had made directly to 80,000 former students, a payout of roughly \$1,300 per student.¹²¹

At every turn, the opening of federal dollars to new, cheaper-to-operate business models has led to the same outcome: abuses of students and taxpayer dollars. After World War II, tens of millions of dollars in veterans’ benefits were wasted on for-profit and correspondence education that far too often proved worthless for landing jobs. In the 1970s, the opening of federal loan dollars to for-profit higher education led poorly performing correspondence schools to expand dramatically and exploit government largesse at the expense of students and taxpayers. As one salesman at the time explained about the new pot of seemingly “free money” from the government: “I could go down in the ghetto and stand on the corner and enroll all kinds of people if it is free. He doesn’t care if the course is airlines, insurance adjusting, hotel-motel management, or what, if it is free, going to be paid for by the government and you can get him a job....This is a salesman’s dream.”¹²²

The regulatory changes that the Department of Education seeks today, which would diminish the role of costly personalized instruction and interaction in distance learning and boost incentives for for-profit companies to shortchange

educational investments to increase profit margins, may well be a salesperson's dream. But eliminating consumer safeguards will almost certainly have the same effect as previous deregulatory efforts.

Only the most naïve or most ideological advocates of online programs fail to recognize that exclusively online colleges have yet to fulfill their potential.

The innovations of tomorrow will look wholly distinct from the college-by-mail programs of the past and will use more sophisticated technologies. Yet for all those apparent differences, the distance education landscape has been marred by the continuation of past abuses in the last several years, with the rise and fall of several predominantly-online for-profit behemoths that assured vulnerable students they would find well-paid careers in high-tech fields but which failed to deliver on their promises. The cautionary tale of correspondence schools suggests that unfettered access to federal dollars will lead to more scandals in which colleges place their bottom lines over their commitment to education—sullyng, instead of burnishing, the worthy cause of innovation.

Notes

- 1 “Negotiated Rulemaking Committee; Public Hearings,” Department of Education, Federal Register 83, no. 147, July 31, 2018, 36,815.
- 2 From 1972 to 1976, Pell Grants were available only for low-income full-time freshmen, initially limiting the use of Pell Grants by students in correspondence schools, who typically enrolled part time.
- 3 Walter Rugaber, “Boom in Mail-Order Schooling Marked by Dubious Practices,” New York Times, May 31, 1970, 1.
- 4 These incentives were summarized by Matthew McGuire in a 2012 Duke Law Journal article as follows: “For a profit-maximizing institution, Title IV [federal student aid] sets up a system of perverse incentives. When a student takes out tens of thousands of dollars in debt and receives little value in return, both the student and the government are worse for the exchange, but the school keeps its tuition dollars. When a student enrolls and receives a Pell Grant, only to drop out after a few months, the student is somewhat worse off—having exhausted his or her Pell Grant, which could have been applied toward a future educational venture—but the government has spent thousands of dollars with very little return, and the school has received free money. Indeed, a for-profit institution earns its profits by minimizing per-student expenditures and by maximizing student debt. Because the students’ debt is owed to the government or private lenders, rather than to the school, many schools have little stake in their students’ outcomes.” Matthew A. McGuire, “Subprime Education: For-Profit Colleges and the Problem with Title IV Federal Student Aid,” *Duke Law Journal* 62, no. 1 (2012): 142.
- 5 U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics*, 2016 (NCES 2017-094), Table 311.15, (2018).
- 6 Previous educational assistance had been narrowly limited to disabled veterans. After World War I, disabled veterans had received stipends, for attendance only, at vocational institutions. David W. Breneman, Brian Pusser, and Sarah E. Turner, eds., *Earnings from Learning: The Rise of For-Profit Universities* (Albany: State University of New York Press, 2006), 170.
- 7 Cited in Gary A. Berg, *Lessons from the Edge: For-Profit and Nontraditional Higher Education in America* (Westport, CT: American Council on Education/Praeger Series on Higher Education, 2005), 1–2.
- 8 At their peak in the mid-1920s, nearly 500,000 people a year signed up for mail-order programs at some 350 proprietary correspondence schools, and by some accounts nearly two million people in total were enrolled in proprietary correspondence programs in 1924 (compared to an undergraduate enrollment of just over 900,000 in 1925-1926). See Robert L. Hampel, *Fast and Curious: A History of Shortcuts in American Education* (Lanham, MD: Rowan & Littlefield, 2017), 1-2, and James D. Watkinson, “Education for Success?: The International Correspondence Schools of Scranton, Pennsylvania,” *The Pennsylvania Magazine of History and Biography*, Vol. CXX, No. 4, October 1996, 362-363. Watkinson reports that a 1920 U.S. Bureau of Education report found that nearly two-thirds of those enrolling in for-profit correspondence programs (62 percent) were high school dropouts and one-third had failed to complete grade school.
- 9 Robert Hampel reports that in the first five years of the Depression, half of all for-profit correspondence programs closed and revenues plunged by about 65 percent. Robert L. Hampel, “The National Home Study Council, 1926-1942,” *The American Journal of Distance Education*, 23, 2009: 7. By 1944, the FTC reported that the ranks of the nation’s correspondence schools had dwindled down to about 50 programs. *Branch v. Federal Trade Commission*, 141 F.2d 31 (7th Cir., 1944), February 29, 1994, 34.
- 10 See Sinclair Lewis, *Babbitt* (New York, NY: Harcourt, Brace and Company, 1922), 58-66. In his groundbreaking 1926 study of correspondence schools, commissioned by the Carnegie Corporation,

John Noffsinger wrote that “an appallingly large proportion of the schools are little better than frauds.” In his subsequent role as executive secretary of the National Home Study Council, Noffsinger wrote in 1938 that FTC cease-and-desist orders, unethical sales practices, and lawsuits against correspondence schools “make our field the continued butt of ridicule.” Quoted in Robert L. Hampel, “The National Home Study Council, 1926-1942,” 6, 14.

11 House Select Committee to Investigate Educational, Training, and Loan Guaranty Programs Under the GI Bill, 82nd Cong., 2nd sess., February 1952, 12. Hereafter referred to as the Teague Report, named after its committee chairman, Olin Teague (D-TX).

12 See the testimony of Harold Orlans, a researcher at the National Academy of Public Administration Foundation in Proprietary Vocational Schools, Special Studies Subcommittee of the House Committee on Government Operations, 93rd Cong., 2nd Sess., July 1974, 56. The January 1950 “Gray Report” by Carl R. Gray, Jr., the VA administrator, reported that there were more than 7,500 for-profit institutions on VA approval lists in 1949. Cited in A. J. Angulo, *Diploma Mills: How For-Profit Colleges Stuffed Students, Taxpayers, and the American Dream* (Baltimore, MD: Johns Hopkins Press, 2016), 64.

13 The Teague Report, 92. The 1956 Bradley Commission report contains subsequent data on the use of educational benefits by GIs but it does not break out the number of veterans who attended correspondence schools and other proprietary institutions in separate categories. Still, data from the Veterans Administration cited in the 1956 report give a somewhat higher total tally of veterans who attended “below-college” level institutions under the GI Bill. Excluding those who used their benefits to return to elementary or secondary schools, 3.3 million veterans used their educational benefits to attend below-college level schools under the 1944 GI Bill and 2.2 million used their educational benefits to go to college. The President's Commission on Veterans'

Pensions, Veterans' Benefits in the United States: Findings and Recommendations (Washington, DC, April 1956), 289, Table II. Hereafter referred to as the Bradley Commission Report.

14 In 1949, 546,000 veterans made course changes, roughly 20 times as many veterans who made courses changes in 1946 (26,000). James Bowman et al., “Educational Assistance to Veterans: A Comparative Study of Three GI Bills,” Educational Testing Service, September 1973, reprinted in Final Report on Educational Assistance to Veterans: A Comparative Study of Three G.I. Bills, Committee on Veterans' Affairs, U.S. Senate, Senate Committee Print No. 18, September 20, 1973, 93rd Cong., 1st sess., 171.

15 Ibid., 25. A June 1948 New York Times report also noted “the frequent charge that veterans were wasting the Government's money in taking dancing, flying, and other trivial lessons.” See “GI ‘Diploma Mills’ Called a Fantasy,” June 4, 1948.

16 Ibid., 114.

17 Albert Q. Maisel, “What's Wrong with Veterans' Schools?” *Collier's*, May 1, 1948, 24.

18 Homer A. Ramey, “Let's Stop Abuses in Veterans' Schools,” *Collier's*, May 8, 1948, 26–27.

19 Barbara McClure, “Veterans' Educational Assistance Programs,” Congressional Research Service, The Library of Congress, Report 86-537 EPW, January 31, 1986, 11.

20 Cited in the Gray Report, 75.

21 Benjamin Fine, “Fake Schools Rob Public of Millions,” *New York Times*, February 7, 1950, 1, 30.

22 The Gray Report was reprinted in Report on Education and Training Under the Servicemen's Readjustment Act, As Amended from the Administrator of Veterans' Affairs, House Committee on Government Affairs, 91st Cong., 2nd Sess., House Committee Print 210, February 8, 1950.

- 23 Teague Report, 3, 12.
- 24 Mark Bolton, *Failing Our Veterans*, 42.
- 25 Barbara McClure, "Veterans' Educational Assistance Programs," 11. Also see the Teague Report, 1.
- 26 Bradley Commission Report, April 1956, Chart III, 288.
- 27 Bradley Commission Report, April 1956, 291.
- 28 *Ibid.*, 296, 297, 298.
- 29 *Ibid.*, 296–297.
- 30 Cited in Bowman et al., *Educational Assistance to Veterans: A Comparative Study of Three G.I. Bills*, 184, 186.
- 31 See Lawrence E. Gladioux and Thomas R Wolanin, *Congress and the Colleges* (Lexington, MA: Lexington Books, 1976), 226. Gladioux and Wolanin also note that proprietary schools had gained newfound acceptance even since 1970.
- 32 Quoted in Mark Berry and Edward Dunbar, "The Proprietary Vocational School: The Need for Regulation in Texas," *Texas Law Review* 49 (1970–71): 102, ft. 235.
- 33 Harold Orlans, N. Jean Levin, Elizabeth M. Bauer, and George E. Arnstein, *Private Accreditation and Public Eligibility*, vol. 2, Brookings Institution and National Academy of Public Administration Foundation, Report prepared for the Office of Planning, Budgeting, and Evaluation, U.S. Office of Education, October 1974, 412–413.
- 34 Quoted in *Proprietary Vocational and Home Study Schools, Final Report to the Federal Trade Commission and Proposed Trade Regulation Rule*, Federal Trade Commission, December 10, 1976, 300.
- 35 John Acquilino and James Norell, "Welcome Home, Soldier Boy: How Ex-Servicemen Get Defrauded in Their Search for Career Training," *Washington Star, "Washington" Sunday Magazine*, October 8, 1972, 17. Emphasis in original.
- 36 Ossian MacKenzie, Edward L. Christensen, and Paul H. Rigby, *Correspondence Instruction in the United States* (New York: McGraw Hill, 1968), 97. The Carnegie study explained that "The typical private home study school predicts the number of dropouts and nonstarts and adjusts its budget accordingly. Some of these schools refuse to reimburse nonstarts or dropouts at all...There unfortunately exist many private home study schools whose sales and promotional expenditures are so great that the schools cannot make a profit without the phenomenon of dropouts. These schools realize they must 'oversell' their product in order to show a profit but justify this by saying that all the students could profit from the courses," 77.
- 37 George E. Arnstein, "Bad Apples in Academe," *American Education*, 10, no. 7, 13-14. Emphasis in original.
- 38 Larry Van Dyne, "The 'FISL Factories,'" *Chronicle of Higher Education*, X, no. 19, August 4, 1975, 4.
- 39 *Proprietary Vocational and Home Study Schools, Final Report to the Federal Trade Commission and Proposed Trade Regulation Rule*, Federal Trade Commission, December 10, 1976, 298.
- 40 Quoted in Spotlight Team, "Home-Study Schools: Con Game or Wave of the Future?" *Boston Globe*, March 27, 1974. Also available at *Accreditation of Postsecondary Educational Institutions, 1974, Hearings before the Senate Subcommittee on Education, Committee on Labor and Public Welfare*, September 12 and 13, 1974, 55.
- 41 In 1971, a comprehensive literature review on the research and development of correspondence education, commissioned by the U.S. Office of Education, concluded that "correspondence study, despite its limitations and problems, has contributed

greatly to meeting educational needs not met by the more traditional institutions, and in doing so has generated several directions of innovation in the whole of education.” The author went on to approvingly cite two such innovations--“proving that learning does not have to conform to the place-time limitations imposed by teachers and institutions” and “making the opportunity to learn available by self-selection, not by institutional, economical, geographical, or class determinants.” David E. Mathieson, “Correspondence Study: A Summary Review of the Research and Development Literature,” ERIC Clearinghouse on Adult Education, U.S. Office of Education, ED 047 163 AA 0000 656, March 1971, 90. In an introduction to the report, Roger DeCrow of the ERIC Clearinghouse on Adult Education predicted that “Correspondence study will be a surprisingly powerful factor in combating the engulfing educational problems of the 1970’s ... correspondence study contributes to instructional systems of great flexibility, effectiveness, and economy. These are precisely the characteristics needed, if the rigidly overstructured, almost disastrously expensive, present educational arrangements are to be revamped to serve the needs of the ‘post-industrial’ society now.” Ibid, ii.

42 Fred Jevons, “Distance Education and Campus-Based Education: Parity of Esteem,” Chapter 1, 12, in *Distance Education and the Mainstream*, Peter Smith and Mavis Kelly, eds. (London, U.K.: Croom Helm, 1987).

43 Robert L. Hampel, *Fast and Curious: A History of Shortcuts in American Education* (Lanham, MD: Rowman & Littlefield, 2017), 2.

44 Thousands of students who enrolled in Famous Writers changed their minds and returned their Famous Writer textbooks, often unopened, to get their money back. But because the students had signed a legally binding contract to repay their entire student loan, with interest, even returning the books unopened didn’t enable students to get a refund. One room of the school’s Westport headquarters had a large bin filled with nothing but textbooks that students had mailed back to the correspondence school. Famous

Writers stenciled each student’s name on the textbook covers, ensuring that unused textbooks could not be reused. Instead of sending refunds to students, Famous Writers had collection agencies dun students with stern payment-due letters. As professor Robert Hampel later summed up, “The profitability of correspondence schools hinged on the dropouts who paid for what they no longer wanted.” Hampel, *Fast and Curious*, 12, 37, ft 27.

45 Hampel reports that the Famous Writers “Guiding Faculty” received almost \$1,500 a month per writer, the equivalent of about \$9,775 in 2018. *Fast and Curious*, 27.

46 Mitford was haunted by the fact that she failed to ask about how instructors put together their notes of criticism on the writing assignments they did grade. To her chagrin, she learned after her piece was published that the allegedly personally-crafted critiques students received from their instructors were cobbled together like the sections of a prefabricated piece of art by an automated typewriter—an evaluation process that gave new meaning to the concept of writing by the numbers. In the fall of 1970, the *Atlantic* ran a letter from a former FWS instructor who noted that “students are led to believe that each letter of criticism is personally written by the instructor. It is not. The instructor has a notebook full of prewritten paragraphs, identified by number. He consults this book and types out, not personal comments, but a series of numbers. Later, the paragraphs are written out in full by a computer-typewriter.” Mitford wrote that “I shall ever regret not having set eyes on those automated typewriters, sincerely clacking out, ‘This opening is effective. It captures the reader’s interest...’ ‘I can see you made a try at writing a satisfactory ending, but you only partially succeeded.’” Jessica Mitford, *Poison Penmanship: The Gentle Art of Muckraking* (New York, NY: Alfred A. Knopf, 1979), 176.

47 Quoted in Walter Rugaber, “Boom in Mail-Order Schooling Marked by Dubious Practices,” *New York Times*, May 31, 1970, 1, 39.

48 Jessica Mitford, *Poison Penmanship*, 178.

49 Spotlight Team, "Famous Writers School, Connecticut," *Boston Globe*, March 31, 1974, reprinted in *Accreditation of Postsecondary Educational Institutions, 1974*, Hearings before the Senate Subcommittee on Education, Committee on Labor and Public Welfare, September 12 and 13, 1974, 77.

50 Paul Starr, *The Discarded Army*, 295, ft. 74.

51 Magdalen Livesey (owner of Cortina Learning International), interview with author, January 5, 2017.

52 Robert Hampel reports that four of the Famous Writers' Guiding Faculty were subpoenaed by the FTC in early 1971, including Rod Serling, who testified that he only knew the name of two instructors at FWS. After the New York State attorney general negotiated revisions to Famous Writers' ads, the FTC decided not to move forward with a potential cease-and-desist order for the mail-order school. Robert L. Hampel, *Fast and Curious*, 30.

53 Testimony of William Fowler, executive director of the National Home Study Council, in *Proprietary Vocational Schools*, Special Studies Subcommittee of the House Committee on Government Operations, July 1974, 251. Famous Writers subsequently lost its accreditation but for several years it maintained its VA approval for veterans to use their GI bill benefits to pay for tuition.

54 Harold Orlans, N. Jean Levin, Elizabeth M. Bauer, and George E. Arnstein, *Private Accreditation and Public Eligibility*, Vol. 2, Brookings Institution and National Academy of Public Administration Foundation, Report prepared for the Office of Planning, Budgeting, and Evaluation, U.S. Office of Education, October 1974, 401-402.

55 *Ibid.*, 413-414.

56 Figures cited in *Proprietary Vocational and Home Study Schools*, Final Report to the Federal Trade

Commission and Proposed Trade Regulation Rule, Federal Trade Commission, December 10, 1976, 34.

57 In 1965, the biggest provider of correspondence instruction in the United States was the military. Correspondence study provided directly by the armed forces was free and was limited to training for military service and promotions. However, in 1943, the military established the U.S. Armed Forces Institute (USAFI) to provide correspondence courses for members of the military who were looking to continue their civilian education. By 1964, the USAFI provided some 200 correspondence courses of its own, and made available another 6,000 correspondence courses through contract with the extension divisions of about 40 participating colleges and universities. Servicemembers took USAFI courses to complete elementary, high school, and college requirements or to explore technical and vocational subjects. According to a comprehensive Carnegie Corporation study of correspondence education, the armed forces provided 60 percent of all correspondence study in 1965, with 1.76 million servicemembers enrolled, while USAFI accounted for 4 percent of correspondence study, with 117,000 servicemembers enrolled. (By comparison, for-profit home study schools then enrolled 656,500 students, 22 percent of all correspondence study students). USAFI courses in technical and vocational subjects had a mixed reputation among active duty servicemembers, enabling for-profit correspondence schools to expand dramatically after the 1966 GI Bill allowed active duty servicemembers for the first time to use their educational benefits to enroll in proprietary correspondence courses. For the Carnegie Corporation study, see Ossian MacKenzie, Edward L. Christensen, and Paul H. Rigby, *Correspondence Instruction in the United States* (New York: McGraw Hill, 1968), 8-9, 35-36, 51-55.

58 Paul Starr, *The Discarded Army: Veterans After Vietnam* (New York, NY: Charterhouse, 1973), 250, 258.

59 As of May 1976, 66 percent of Vietnam-era active duty service personnel used their GI Bill benefits at postsecondary programs—primarily at correspondence schools—that did not provide associate or bachelor's degrees, compared to 29 percent of veterans. All told, by May 1976, 37 percent of Post-Korea GIs, or 2.26 million veterans and service members, used their GI Bill benefits to take postsecondary courses that did not lead to a standard college degree. Cited in Senate Committee on Veterans Affairs, Veterans' Education and Employment Assistance Act of 1976: Report of the Committee on Veterans Affairs to Accompany S. 969, S. Rpt. No. 94-1243, 94th Cong., 2nd Sess., September 16, 1976, 29–30.

60 Information Bulletin DVB IB 24-72-1, Department of Veterans Benefits, Veterans Administration, January 18, 1972, 2.

61 James Bowman et al., Educational Assistance to Veterans, 185.

62 Senate Committee on Health, Education, Labor, and Pensions, Majority Committee Staff Report, Is the New G.I. Bill Working? For-Profit Colleges Increasing Veteran Enrollment and Federal Funds, July 30, 2014, 3–4, 8.

63 General Accounting Office, Report to the Congress, "Most Veterans Not Completing Correspondence Courses—More Guidance Needed from the Veterans Administration," B-114859, March 1972, 8.

64 The Government Accountability Office identified \$416 million in Post-9/11 GI Bill overpayments in fiscal year 2014 for one in four veteran beneficiaries for classes they did not complete at about 6,000 schools. "Post-9/11 GI Bill: Additional Actions Needed to Help Reduce Overpayments and Increase Collections," GAO Highlights, GAO-16-42, October 2015, 1.

65 James Bowman et al., Educational Assistance to Veterans, 179.

66 Proprietary Vocational and Home Study Schools, Final Report to the Federal Trade Commission and Proposed Trade Regulation Rule, Federal Trade Commission, December 10, 1976, 207.

67 In 1937, the FTC issued a cease-and-desist order against LaSalle Extension University that barred the correspondence school from using the term "University" or "Extension University" in its corporate name and from representing, directly or indirectly, that the home study school conducted a university or an extension university. The FTC order noted that the school's claim to be a "university" or "extension university" misled students into thinking the school operated like a university with a college of arts and sciences, connected to a graduate or professional school, and with a faculty of "learned persons acting as instructors." In addition, the FTC maintained that "A university is not organized for private profit of the owners of its stock or pay dividends thereon. A university does not secure registration of students through the medium of a corps of salesmen who are paid on a commission basis." 24 F.T.C. 1286, May 19, 1937, see especially 1295-96. A year later, the FTC modified its order, allowing the school to use "Extension University" in its name, so long as it inserted immediately afterwards, in equal-size type, the phrase "a correspondence institution" or "an institution for correspondence students." 26 F.T.C. 1277, May 18, 1938. In 1954, during the Eisenhower administration, the FTC issued another cease-and-desist order against LaSalle Extension University that required the mail-order school to stop representing that students who completed its Bachelor of Laws courses were eligible to take, and had the legal training to be admitted to, the bar examinations of their respective states. In 1950, just four states allowed students who had studied by mail-order only to sit for the bar exam. The FTC concluded that the school had "falsely represented" that its graduates "will be eligible and enabled through such training to participate in the bar examinations ... [LaSalle's] misrepresentations to prospective students manifestly have had the capacity and tendency to deceive members of the purchasing public into the erroneous and mistaken belief that

such representations are true and to induce the purchase of a substantial number of respondent's courses." 50 F.T.C. 1083, June 29, 1954, see 1087. By 1971, when the FTC amended the 1954 order against LaSalle, effectively no state allowed students who had taken their courses solely by correspondence to sit for the bar. The FTC continued to find the school's advertising for the school's L.L.B courses (Bachelor of Laws) to be "false, misleading and deceptive" and ordered the school, to prominently disclose—again, in equal-size type—that its courses were "not recognized or accepted as sufficient education or legal training to qualify the student to become a candidate for admission to the profession of law in any of the States in the United States or the District of Columbia." In a separate opinion, FTC Commissioner Mary Gardiner Jones wrote that "the consequences of the slightest ambiguity or capacity of respondent's advertising to mislead are of the most serious kind. Young students who respond to respondent's advertising will invest both their funds—and more important—three years of their life in pursuing their life's career goal ... it may not be until after [three years have passed] that students will discover that their financial investment has been for naught and that they are no nearer their career goal than when they started. This is the cruelest hoax of all." 78 F.T.C. 1272, June 24, 1971, see 1295-96. In 1980, the FTC issued a much more sweeping cease-and-desist order against LaSalle Extension University. The 1980 order applied to most of the school's programs, extending well beyond its law training courses. The new order barred the correspondence school from misrepresenting the opportunities for employment, earnings, licensing requirements, and job demand in a host of programs in prospective students' field of training. 96 F.T.C. 208, Sept. 4, 1980.

68 George Eberl, "LaSalle and the Law," Stars and Stripes, November 15, 1973, A2. LaSalle Extension University was owned at the time by the MacMillan Publishing Company.

69 Cited in Constance L. Belfiore, "Proprietary Vocational School Abuses: Can the FTC Cure Them?"

Catholic University Law Review, Vol. 24, Issue 3, Spring 1975, 621, ft. 93.

70 Tribune Task Force, "Fast Talkers Sell Dotted Line and Little Else," Chicago Tribune, June 11, 1975, 1, 8.

71 George Eberl, "VA: The People Who Pay," Stars and Stripes, November 15, 1973, A3, part three of a Stars & Stripes In-Depth Report, "Correspondence Schools and the Military Market."

72 Spotlight Team, "A Stamp and Some Money Get Anyone into Dreamers' Schools," Boston Globe, March 31, 1974, reprinted in Accreditation of Postsecondary Educational Institutions, 1974, Hearings before the Senate Subcommittee on Education, Committee on Labor and Public Welfare, September 12 and 13, 1974, 74-77.

73 Ibid.

74 Ibid.

75 James A. Jackson, "You, Too, Can Be an 'Educator,'" Chicago Tribune, June 10, 1975, 8.

76 Tribune Task Force Report, "Career Schools—Results Seldom Equal Promise," Chicago Tribune, June 8, 1975, 1.

77 Paul Starr, *The Discarded Army*, 254-255. Starr noted that Olin Teague (D-TX), then still chairman of the House Veterans Affairs Committee, succeeded in watering down a strict pro rata refund policy.

78 Reducing Abuses in Proprietary Vocational Education, 27th Report by the House Committee on Government Operations, Special Studies Subcommittee, 93rd Cong., 2nd Sess., December 30, 1974, 35.

79 George Eberl, "A Multi-Million Dollar Market," Stars and Stripes, November 13, 1973, A3; and George Eberl, "Getting on Base: No Great Hurdle," Stars and Stripes, November 13, 1973, A6.

- 80 See the testimony of Odell Vaughn, chief benefits director, Veterans Administration in Proprietary Vocational Schools, Special Studies Subcommittee of the House Committee on Government Operations, July 1974, 272.
- 81 Vietnam Era Veterans' Readjustment Assistance Act of 1974, Report of the Senate Committee on Veterans' Affairs to accompany S. 2784, 93rd Cong., 2nd Sess., Report No. 93-907, June 10, 1974, 49.
- 82 Reducing Abuses in Proprietary Vocational Education, 27th Report by the House Committee on Government Operations, Special Studies Subcommittee, 93rd Cong., 2nd Sess., December 30, 1974, 9, 12.
- 83 The two Republican congressmen were Alphonzo Bell and Jerry Pettis, both from the Los Angeles area where the West Coast Schools trade school chain had abruptly closed its doors in May 1973, leaving hundreds of students stranded in the midst of their training and a trail of more than \$6 million in outstanding guaranteed loans. See Proprietary Vocational Schools, Special Studies Subcommittee of the House Committee on Government Operations, 93rd Cong., 2nd Sess., July 1974, 4, 8.
- 84 *Ibid.*, 69.
- 85 Paul Delaney, "U.S. Officials Study Correspondence Schools for Possible Fraud in Federally Guaranteed Student Loans," *New York Times*, May 19, 1975, 17.
- 86 Michael Edgerton, "After U.S. Student-Loan Debacle, Home-Study School Springs Back," *Chicago Tribune*, February 4, 1981, 1.
- 87 Eric Wentworth, "Schools Lure Veterans With Tools and TV's," *Washington Post*, June 25, 1974.
- 88 Walter Rugaber, "Boom in Mail-Order Schooling Marked by Dubious Practices," *New York Times*, May 31, 1970, 1, 39.
- 89 *In re Advance Schools, Inc.*, a Delaware Corporation, a/k/a Advance Schools Debtor, California State of Equalization, Claimant v. Advance Schools, Inc, Debtor, 2. B.R. 231(1980), Bankruptcy No. 75 B 4169, U.S. Bankruptcy Court, N.D., Illinois, E.D., January 16, 1980.
- 90 Tribune Task Force, "Fast Talkers Sell Dotted Line and Little Else," *Chicago Tribune*, June 11, 1975, 1, 8.
- 91 See Kenneth Kohl's January 17, 1975 letter to Sherman C. Christensen, president, Advance Schools, Inc., 4. Kohl's letter is contained in Box 1 in the folder "Advance Schools, Inc." of the Richard B. Cheney files in the Gerald R. Ford Presidential Library. The letter is available at <https://www.fordlibrarymuseum.gov/library/document/0005/1561325.pdf>.
- 92 Paul Delaney, "U.S. Officials Study Correspondence Schools for Possible Fraud in Federally Guaranteed Student Loans," *New York Times*, May 19, 1975, 17.
- 93 The Ford administration's bill to bar proprietary schools from serving as lenders was introduced in the House in March 1975 by Edwin Eshleman (R-PA) and in the Senate by John Beall (R-MD). See *Congressional Record—House*, March 6, 1975, 5549–5550, and *Congressional Record—Senate*, March 18, 1975, 7125–7128.
- 94 *Ibid.*, 9. Also see 24, 67–69, 86, 88–89.
- 95 Erin Baldwin, Corey Meyer, and Rachel Tuchman, "Re: VA's Failure to Protect Veterans from Deceptive Recruiting Practices," memorandum, Veterans Legal Services Clinic, Yale Law School, February 26, 2016, 6–7.
- 96 Proprietary Vocational and Home Study Schools, Final Report to the Federal Trade Commission and Proposed Trade Regulation Rule (16 CFR Part 438), Federal Trade Commission, Bureau of Consumer Protection, December 10, 1976, 280.
- 97 VA Administrator Roudebush's February 26, 1976 letter to Vice President Rockefeller is reprinted in

Senate Committee on Veterans' Affairs, Veterans' Education and Employment Assistance Act of 1976: Report of the Committee on Veterans' Affairs to Accompany S. 969, S. Rpt. No. 94-1243, September 16, 1976, 275–276.

98 Letter from U.S. Secretary of Education Lamar Alexander to Congressman William D. Ford on H.R. 3553, October 21, 1991, Appendix A, 13. Alexander's letter contained the George H. W. Bush administration's recommendations for HEA reauthorization.

99 Congressional Record—House, March 25, 1992, 6858. During the floor debate the following day, Congressman Gunderson reasserted that “this legislation will be the most important thing this Congress does in terms of employment policy during the entire session.” Congressional Record—House, March 26, 1992, 7176–7181.

100 Mark L. Pelesh, "Markets, Regulation, and Performance in Higher Education," in Guilbert C. Hentschke, Vicente M. Lechuga, and William G. Tierney, eds., *For-Profit Colleges and Universities* (Sterling, VA: Stylus Publishing, 2010), 94–95.

101 The Higher Education Technical Amendments of 1993 allowed the Secretary of Education to waive the 50 percent eligibility requirements for correspondence courses for "good cause" for an institution that offered a two-year associate degree or a four-year bachelor's degree. However, during the Clinton administration Secretary Riley interpreted the good cause exception narrowly, limiting it to degree-granting programs where students enrolled in the institution's correspondence courses received no more than 5 percent of the Title IV HEA program funds received by students at the institution. "Institutional Eligibility Under the Higher Education Act of 1965, as Amended: Final Regulations" Federal Register 59, no. 82, April 29, 1994, 22329.b.

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103 H.R. 1992, The Internet Equity and Education Act of 2001, House Subcommittee on 21st Century Competitiveness, Committee on Education and the Workforce, 107th Cong., 1st Sess., Serial No. 107-20, June 20, 2001, 103. While Waddles dismissed the relevance of the 50 percent rule in light of new opportunities for online education, half of state education agencies considered the 50 percent rule to still be a safeguard against abuse by postsecondary institutions. See Office of Inspector General, U.S. Department of Education, "Management Controls for Distance Education at State Agencies and Accrediting Agencies: Management Information Report," ED-OIG/A09-90030, September 2000, 18.

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- 108 Third Report to Congress on the Distance Education Demonstration Program (Washington, DC: U.S. Department of Education, Office of Postsecondary Education, Office of Policy, Planning and Innovation, February 2005) 19.
- 109 Caroline M. Hoxby, "Online Postsecondary Education and Labor Productivity," chapter 11 in forthcoming *Education, Skills, and Technical, and Future U.S. GDP Growth*, Charles R. Hulten and Valerie A. Ramey, eds. (Chicago: Univ. of Chicago Press, NBER Book Series Studies in Income and Wealth, 2019).
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- 111 Scott A. Ginder, Janice E. Kelly-Reid, and Farrah B. Mann, Enrollment and Employees in Postsecondary Institutions, Fall 2017; and Financial Statistics and Academic Libraries, Fiscal Year 2017: First Look (Preliminary Data), U.S. Dept. of Education, National Center for Education Statistics, NCES 2019-021, November 2018, "Table 3", 9-10. In the fall of 2017, 49 percent of all for-profit students at federally subsidized institutions took their courses exclusively online; at four-year for-profit colleges, 66 percent of all students took their courses exclusively online.
- 112 Senate Health, Education, Labor, and Pensions Committee, "Emerging Risk? An Overview of Growth, Spending, Student Debt and Unanswered Questions in For-Profit Higher Education," June 24, 2010, 2.
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