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ABSTRACT

Participation of postsecondary institutions in student consumerism occurs largely because of the broader problem of external pressures on all postsecondary institutions requiring institutional responses. A major source of pressure comes from government regulations for federal student-based aid programs, especially loan programs. These regulations not only determine how the loan programs are administered but also shape internal administrative procedures affecting student-institutional relationships. Pressure also comes from students who seek to influence campus politics and programs and from student-initiated law suits that charge institutions with failing to meet their educational commitments. New institutional and organizational initiatives that attempt to provide more complete information for students may heighten consumer awareness throughout postsecondary education, creating a more favorable climate in which students can make sound decisions about their education. This activity is implemented by federal efforts on behalf of consumers that result from the government's concern in the awarding of guaranteed loans and in fulfilling their legislative mandates. (Author/KE)

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STUDENT CONSUMERISM: CAVEAT EMPTOR REEXAMINED

Carol Herrnstadt Shulman

The appearance of "student consumerism" is a result of a realization that the student, because of his financial, time, and personal investment, is the prime consumer of postsecondary education. More importantly, it also refers to the view that, as a consumer, the student merits equitable treatment in his relationship with his school or college. Current discussions on student consumerism assume that reforms must occur in postsecondary education institutions to foster equitable treatment for the student consumer (El-Khawas 1975). Because of this new approach to student consumerism, postsecondary institutions have become concerned with the issues it raises.

Their participation occurs largely because of the broader problem of external pressures on all postsecondary institutions requiring institutional responses. A major source of pressure comes from government regulations for federal student-based aid programs, especially loan programs. These regulations not only determine how the loan programs are administered, but may also shape internal administrative procedures affecting student-institutional relationships. Pressure also comes from students who seek to influence campus policies and programs (Kellams 1975) and from student-initiated law suits that charge institutions with failing to meet their educational commitments (Semas 1975; Van Dyne 1975; Freedman 1975; Freedman and Hollomon 1975).

STUDENT CONSUMER NEED FOR INFORMATION

As prime consumers of education, students need complete and accurate information about prospective choices upon which they may base decisions about postsecondary education. Considerable discussion has occurred recently to determine what kind of information students need and how they should receive it. The extent of this investigation suggests that little attention has been paid to student information needs in the past (Education Commission of the States 1975; Fund for the Improvement . . . 1974; Jung 1975). Two major classes of information needs have emerged from recent discussions: (1) information that will enhance the student's ability to make a satisfying educational choice, and (2) information that will protect the student from unethical or fraudulent institutional practices.

The first category—informed selection—is concerned with preventing unsatisfactory educational experiences that hamper the student's ability to develop his talents and that may also inefficiently use public funds. The Fund for the Improvement of Postsecondary Education (FIPSE), which is sponsoring a fifteen-month project at eleven institutions to improve the quality of information that a prospective student receives from a college, considers sound information an important consumer need:

> For a society interested in reducing the costs and improving the effectiveness of postsecondary education, much can be gained from facilitating a better match between students and institutions. Thousands of students who are considered not "college material" *could be* if they found the right institution for their interests and style of learning. And the decisions of the students themselves can become a more effective mechanism for the allocation of public funds to postsecondary institutions (FIPSE 1974, p. 7).

Consumer analysts suggest that the information presented to improve decisionmaking should include information that students actually use in making a choice; information that educators believe students should have for an informed choice; and information on postsecondary education, which should be in the public domain and available upon request (Education Commission of the States 1975). For example, consumer advocates propose that student consumers should receive access, process, and outcome information (ECS 1975). Access information would include the standard material available in college catalogs, such as program descriptions, admissions requirements, and programs of study. Process information would provide some new insights into campus life: "patterns of student interaction, student-faculty relationships, and disclosure of problem-solving agencies both within and outside the institution" (ECS 1975, p. 5). Outcome information should be supplied by schools that claim their programs will produce certain results, for example, employment in a particular field, and these claims should be documented (ECS 1975).

The second information category—student protection—concerns information that will inform the student of the institution's tuition and other financial policies and of the school's ability to deliver the services it promises, such as adequate facilities, qualified personnel and financial resources. Students also need a complete understanding of their financial obligations if they sign a guaranteed student loan agreement (ECS 1975). Federal investigators are particularly concerned that many current students have not had their loan obligations made clear to them or have been misled about their legal responsibilities (Department of Health, Education, and Welfare 1975).

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Part of this focus on student information needs has developed in response to reports of an increasing number of abuses against students with federally-insured student loans. A recent report by the Federal Interagency Committee on Education (the "FICE" report) lists some of the major concerns of many consumer advocates. It includes: "(1) misleading and inaccurate advertising, (2) indiscriminate and overly aggressive recruiting, (3) lack of full disclosure of salient institutional characteristics useful to the consumer . . ., (4) inferior facilities, course offerings, staff, (5) false promises of job placement, and (6) insufficient refund policies (or failure to live up to stated policies)" (Department of Health, Education and Welfare 1975, pp. 8-9). The FICE report's findings correspond closely to an analysis of student complaints received by the Office of Education's Accreditation and Institutional Eligibility Staff between 1969-1974, which found that refund policies were the largest source of complaints, with misrepresentation in advertising and illegitimate enrollment practices a close second (Jung et al. 1975).

Some of these complaints are lodged against nonprofit institutions, but proprietary institutions are singled out as the major alleged offender. Many of these schools have been charged with "false, deceptive, or unfair representations" in describing institutional programs and facilities (Federal Trade Commission 1975, p. 21052); overly aggressive or unethical recruiting practices; and illegal use of federal funds (Van Dyne 1975; "Michel Bill . . ." 1975; Orlans et al. 1974; Pugsley and Hardman 1975). Related to these abuses are the high number of loan defaults that occur in the proprietary sector; although open to some doubt due to uncertainty over the data base when it was compiled in mid-1974, an estimated 48 percent of these loans will be defaulted, costing a minimum of $300 million in public funds (Van Dyne 1975). Often defaults occur because many borrowers refuse or are unable to repay their loans. This is due largely either to shoddy recruitment practices that result in enrolling unqualified students or substandard education that does not prepare students for jobs. Inequitable refund policies are also linked to defaults, since students may need the refund to help them repay their loan (Van Dyne 1975; Orlans 1974; Department of Health, Education, and Welfare 1975).

Nonprofit institutions, however, are increasingly subject to charges of "academic fraud," e.g., situations in which students sue a college, alleging that the course content promised by the institution has not been delivered, or that new degree requirements have been unfairly imposed upon enrolled students (Semas 1975; Abel 1974; *Ianniello v . . .* 1975). Institutions may be able to avert such lawsuits by including in their catalog a statement to the effect that courses may change without notice. It is uncertain how successful such action may be (Semas 1975). Frequently loan default cases are settled out of court, but *Ianniello v. University of Bridgeport* (1975), a suit for damages that raises basic questions about the student-institution relationship, is headed for trial. In this case the plaintiff charges that she entered into an agreement with the University that she would be taught specified subject matter in a required education course at the time she registered and paid for the course. The sources of the agreement, she contends, are the admissions bulletin, the academic bulletin, and the "implied agreement" that the institution would provide certain benefits to her when she met their requirements (*Ianniello v . . .* b, 1975). In its reply, the University does not confirm or deny the existence of an agreement (in other words, a contract) with the student, but countercharges that she benefited from the course by completing it and receiving her degree, for which the course was required.

At issue, therefore, are the questions of whether a "contract," whose terms are found in college publications, exists between a student and the institution, which is responsible for course content and the teaching-learning process, and what sort of settlement should be arrived at between a student and an institution when alleged contract violations occur. There is some evidence to bolster the theory that a student does enter into a contractual relationship with an institution when registering for courses and abiding by the institution's regulations (Peterson 1970; Hammond n.d.).

To meet the call for better information services to students, new institutional responses are being explored. A 1975 conference on student consumerism developed the following recommendations for institutional action: (1) assure truth in advertising by having an internal publicity screening committee or ombudsman on campus; (2) develop and publish an institutional code of ethics; and (3) focus more on pre-admissions counseling and later counseling (ECS 1975). The FIPSE-funded project to develop institutional prospectuses should also yield practical advice on developing better information procedures. For example, Barat College, one of the grantees, is developing expertise in the kind of information students on campus and prospective students think is important, and it also plans to discuss the relative strengths of different departments at the college in its forthcoming publications (Marchese 1975).

Two other tools for students are also proposed. One, the concept of an "educational audit," is gaining attention in postsecondary education because some observers believe that an institution's accreditation or lack thereof or its eligibility for federal funds does not provide the student with sufficient information for decisionmaking. It is argued that an external audit of the institution would open up new sources of information for students (Harcleroad and Dickey 1975; Orlans et al. 1974). A second approach would develop national systems of information on institutional profiles and programs to which students could turn for information, particularly when they need comparative information in selecting a college (Hoyt in ECS 1974; Jung et al. 1975).

STATE RESPONSIBILITIES

On a basic level, state involvement in student consumerism begins with the responsibility for chartering or incorporating businesses or institutions. This state function does not assure educational quality, although state authorization is a criteria for eligibility for federal programs. Some states more actively oversee postsecondary institution activities through licensure procedures. Licensure imposes educational requirements on an institution that wishes to provide education, grant degrees, or use a collegiate name within the state. This procedure, however, frequently exempts accredited institutions from its requirements. Also, licensure is not equally rigorous in every state that uses this process (Kaplin 1975).

To better assure minimal standards, the Education Commission of the States developed model state legislation in 1973 that has since been adopted or is in the process of becoming accepted by approximately 25 percent of the states. This model legislation, entitled "The Postsecondary Educational Authorization Act of 19____," would create or assign to a central state agency the responsibility for assuring the reliability of postsecondary institutions within the state or of out-of-state institutions that solicit in-state students (Task Force on Model . . . 1973).

Beyond strengthened state procedures for consumer protection, consumer advocates have recommended the development of federally-funded, state-level, computerized educational information systems. They have also proposed that a national-level organization, such as the Education Commission of the States, develop a national clearinghouse for postsecondary information in which states would participate (ECS 1975). Such an interstate system could help solve the problem that results when one state expels a disreputable institution and finds it not only relocated in another state but also continuing to solicit students from its population (Ashler in ECS 1974b).

FEDERAL CONSUMER PROTECTION ACTIVITY

Federal agencies are concerned with the issues of student consumerism because they are responsible for the administration of multiple student assistance programs and also with the allocation of Federal funds to institutions. To fulfill their responsibilities, federal agencies have developed a complex system of ascertaining institutional eligibility for participation in their programs to assure minimum standards. In addition, in the name of consumer protection, regulations have been issued that may extend agency involvement beyond the immediate problems of the student aid office into the area of substantive administrative policy issues.

Generally, institutional eligibility, the baseline for institutional participation in federal assistance programs, is determined by five criteria: (1) *admissions standards*—regular students must be high school graduates or equivalent, with exceptions for vocational and community college students; (2) *state authorization*; (3) *programs offered*—degree programs or training programs of six months or longer; (4) *governance*—public, private nonprofit, or proprietary control; and (5) *accreditation*—an institution may have accredited or preaccredited status with an accrediting agency recognized by the Office of Education, or it may use alternate means (Accreditation and Institutional Eligibility Staff . . . 1975).[1]

Of these criteria, accreditation is the most controversial. For the student consumer, the central issue is whether the accrediting process assures the student of a satisfactory educational experience in terms of program quality and institutional integrity. There is some consensus among accrediting agencies about what their functions should be, and these would seem to serve student needs:

> To identify for public purposes educational institutions and programs of study which meet established standards of educational quality. . . . To stimulate improvement in educational standards and in educational institutions and programs of study (Kaplin 1975, p. 6).

However, accrediting agencies are criticized because they are not accountable to the public for an explanation of how they arrive at their decisions. Further, these agencies neither make information available on institutions that have been rejected for accreditation nor do they provide negative findings on institutions that have been accredited (Orlans et al. 1974). Moreover, accrediting agencies do not conform to a uniform process, so the student may find it difficult to evaluate institutions on the basis of accreditation (Orlans et al. 1974; Kaplin 1975; FICE 1975).

The Council on Postsecondary Accreditation (COPA), a national organization of private accrediting associations, responds that: (1) making public all the data and reports leading to accrediting decisions may result in law suits against accrediting agencies. A COPA-sponsored study currently is reviewing the need for confidentiality in the accreditation process; (2) COPA recognizes the need to develop better means for insuring that accrediting associations are successfully evaluating educational quality and providing a greater uniformity in terminology, criteria, and procedures; and (3) private accrediting associations argue that they aid the process of determining institutional eligibility for federal funds, thereby providing an additional element in the system of checks and balances, and also minimizing the potential for misallocation and/or misuse of federal funds (Young 1975).

FEDERAL REGULATIONS

Recently published regulations for the Guaranteed Student Loan Program closely monitor the conditions by which institutions may participate in the program. The regulations, which apply to both nonprofit and proprietary institutions, contain new provisions that are apparently designed to better protect the student's investment in his education (Department of Health, Education, and Welfare, Office of Education 1975).

Those of immediate interest to student consumers deal with tuition refund policies, information on career placement, and additional standards for determining eligibility. On refund policies, institutions are now required to establish a "fair and equitable" refund policy that will pay back to the student, "unearned tuition, required fees and, where paid to the institution, room and board charges" to the student borrower (§177.63 (a)). However, institutions are allowed to keep up to $100 to cover administrative charges. Another section requires institutions to provide complete information to prospective students before they become financially obligated to the institution. The provisions are controversial in their requirement on career placement (see Saunders 1975), which is directed toward institutions that have "a course or courses of study, the purpose of which is to prepare students for a particular vocation, trade or career field" (§177.64). For these courses, institutions must obtain recent employment information on its former students who are employed in these fields, and make this information available to prospective students (Fields 1975). A section on eligibility requirements addresses the problem of large default rates that result from unscrupulous institutional practices (§177.66). Here, the Commissioner of Education is empowered to make eligibility contingent upon the alleviation of conditions such as: when "the dollar amount of loans made . . . to students at the institution which are in default represents more than 10 percent of the dollar amount of all such loans which have reached the repayment period" (§177.66(a)) and "the institution's financial condition is such that it is unable . . . to provide the educational services for which its students who have obtained loans under this part have enrolled. . . ." (§177.66 (d)).

In addition to these new controls over loan programs, the Federal Trade Commission has under consideration proposed regulations to monitor proprietary schools. The FTC contends that these regulations are needed because it has found that students at vocational schools are not "adequately informed of the material facts necessary for an intelligent choice in the area of career training" and that certain practices of the proprietary schools contribute to this problem (Federal Trade Commission 1975, p. 21052). The regulations are designed to prevent these problems. However, the Association of Independent Colleges and Schools, a national organization of private postsecondary and collegiate institutions offering residential programs in business and office occupations, objects to the FTC's effort to prescribe procedures for all proprietary schools rather than simply prohibiting unfair practices at some institutions, because such an approach implies that all proprietary schools are engaged in these practices (Fulton 1975).

[1]Changes in eligibility requirements are being proposed in draft legislation that will be presented to Congress early this year. Criteria for recognizing accrediting bodies are being revised by the Office of Education, and the proposed revisions should be published shortly in the *Federal Register*.

It appears that future federal action to protect students as consumers will also revolve around loan programs. Congress, for example, has two bills before it (Bell and Pettis 1975; Michel 1975) to correct abuses in the loan program. The Bell and Pettis legislation would, among other provisions, reexamine federally recognized approval agencies to determine how effectively they oversee consumer protection at their institutions, and would also compensate holders of loans if the institution becomes insolvent. The FICE report also recommends actions to remedy loan problems, such as the development of a Federal Student Tuition Insurance Corporation to protect students from institutional closings that leave them without the promised education but still responsible for federal loans (Department of Health, Education, and Welfare . . . 1975).

CONCLUSION

Student consumerism has not been a dominant issue in postsecondary education, but the problems it presents are serious and durable, affecting many aspects of college and university administration. New institutional and organizational initiatives that attempt to provide more complete information for students may heighten consumer awareness throughout postsecondary education, creating a more favorable climate in which students can make sound decisions about their education. This activity is implemented by federal efforts on behalf of consumers that result from the government's concern in the awarding of guaranteed loans and in fulfilling their legislative mandates. Even if both these sources for student consumerism are effective in fostering greater sensitivity to student consumer needs, it remains to be seen to what extent the student will accept responsibility for making rational educational choices based on extensive and accurate information.

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