There are a few dictums that have enjoyed pride of place in black American families alongside “Honor your parents” and “Do unto others” since at least Emancipation. One of them is this: The road to freedom passes through the schoolhouse doors.

After all, it was illegal even to teach an enslaved person to read in many states; under Jim Crow, literacy tests were used for decades to deny black voters their rights. So no surprise that from Reconstruction to the first black president, the consensus has been clear. The key to “winning the future,” in one of President Obama’s favorite phrases, is to get educated. “There is no surer path to success in the middle class than a good education,” the president declared in his much-discussed speech on the roots of gun violence in black Chicago.

Rarely has that message resounded so much as now, with nearly one in seven black workers still jobless. Those who’ve found work have moved out of the manufacturing and public sectors, where good jobs were once available without a higher ed degree, and into the low-wage service sector, to which the uncredentialed are now relegated. So while it has become fashionable lately to speculate about middle-class kids abandoning elite colleges for adventures in entrepreneurship, an entirely different trend has been unfolding in black America — people are going back to school in droves.

It’s true at all levels of education. Yes, black college enrollment shot up by nearly 35 percent between 2003 and 2009, nearly twice the rate at which white enrollment increased. But we’re getting all manner of schooling as we seek either an advantage in or refuge from the collapsed job market. As I’ve reported on the twin housing and unemployment crises in black neighborhoods in recent years, I’ve heard the same refrain from struggling strivers up and down the educational ladder: “I’m getting my papers, maybe that’ll help.” GEDs, associates degrees, trade licenses, certifications, you name it, we’re getting it. Hell, I even went and got certified in selling wine; journalism’s a shrinking trade, after all.

But this headlong rush of black Americans to get schooled has also led too many down a depressingly familiar path. As with the mortgage market of the pre-crash era, those who are just entering in the higher ed game have found themselves ripe for the con man’s picking. They’ve landed, disproportionately, at for-profit schools, rather than at far less expensive public community colleges, or at public universities. And that means they’ve found themselves loaded with unimaginable debt, with little to show for it, while a small group of financial players have made a great deal of easy money. Sound familiar? Two points if you hear troublesome echoes of the subprime mortgage crisis.

Between 2004 and 2010, black enrollment in for-profit bachelor’s programs grew by a whopping 264 percent, compared to a 24 percent increase in black enrollment in public four-year programs. The two top producers of black baccalaureates in the class of 2011 were University of Phoenix and Ashford University, both for-profits.
These numbers mirror a simultaneous trend in eroding security among ambitious black Americans with shrinking access to middle-class jobs. It’s true that the country’s middle class is collapsing for everyone, but that trend is most profound among African-Americans. In 2008, as black folks flocked into higher ed, the Economic Policy Institute found that 45 percent of African-Americans born into the middle class were living at or near poverty as adults.

For too many, school has greased the downward slide. Nearly every single graduate of a for-profit school — 96 percent, according to a 2008 Department of Education survey — leaves with debt. The industry ate 25 percent of federal student aid in the 2009-2010 school year. That’s debt its students can’t pay. The loan default rate among for-profit college students is more than double that of their peers in both public and nonprofit private schools, because the degrees and certificates the students are earning are trap doors to more poverty, not springboards to prosperity.

There’s been growing, positive attention to this problem, and the Obama administration’s ongoing efforts to rein in the excesses of for-profit schools are arguably among its most progressive policy goals. But few have understood the for-profit education boom as part of the larger economic challenge black America faces today. The black jobs crisis stretches way back to the 2001 recession, from which too many black neighborhoods never recovered. Workers and families have been scrambling ever since, trying to fix themselves such that they fit inside a broken economy. And it is that very effort at self-improvement, that same American spirit of personal re-creation and against-all-odds ambition that has so often led black people into the jaws of the 21st century’s most predatory capitalists. From subprime credit cards through to subprime home loans and now on into subprime education, we’ve reached again and again for the trappings of middle-class life, only to find ourselves slipping further into debt and poverty.

Kiesha Whatley is an example. The 31-year-old mom in Queens, N.Y., has always done hair on the side to help make ends meet, so in 2006 she decided to go for her cosmetology certificate. She was in the city’s welfare-to-work program, but was able to fill her work requirement by going to school. She figured what she needed most was to get a credential — to get legit. So she enrolled at a small, mom-and-pop for-profit in Brooklyn that her cousin had attended years before, but which had since changed ownership. Over what Whatley says was a seven-month program, she racked up more than $7,500 in debt, much of which she thought was actually a grant. She has still not passed the state cosmetology exam and she’s back to doing hair on her own, now with debt she can’t dream of paying back.

The subprime mortgage crisis was fueled by a similar mix of economic desperation, financial illiteracy and aspirational ideology. For a generation, working-class people who hoped to achieve more permanent economic stability were told, loudly and repeatedly, that buying a home would validate them as legitimate participants in American life, not just as people with an asset, but as true neighbors and community members and citizens. Prosperity preachers and presidents alike sung the praises of the “ownership society,” as George W. Bush so often called it, in which “more Americans than ever will be able to open up their door where they live and say, welcome to my house, welcome to my piece of property.” Homeownership was understood then — just as higher education is now — as good no matter what. Just don’t read the fine print.

All it took was one devastating downturn for those doors to slam shut, forcing millions of Americans into foreclosure. That still unfolding crisis has been particularly devastating for
African-Americans, who have lost more than half of their collective assets after being targeted with subprime mortgage products. The black-white wealth gap is larger today than it’s been since economists began recording it in 1984. And according to a recent analysis from the Alliance for a Just Society, ZIP codes with majority people of color populations saw 60 percent more foreclosures than white neighborhoods and these homeowners lost 69 percent more wealth.

Now, to make matters worse, expensive, nearly useless degrees may be to the bust years what expensive, totally useless refinance loans were to the boom: too-good-to-be-true golden tickets to the American Dream, sold in an unregulated market and targeted at the people for whom that dream is most elusive.

Last year, Garvin Gittens became a literal poster child for why that market is so dangerous. For several months, his face was plastered all over the New York City subway system as part of a city-led campaign to warn would-be students about debt scams. When we met last summer, Gittens laid out for me how he racked up more than $57,000 in public and private debt in pursuit of a two-year associate’s degree in graphic design at the for-profit Katharine Gibbs School, in Midtown Manhattan. Like subprime mortgages, the debt didn’t appear so intimidating at first, but just as balloon payments capsized so many tenuous family finances, a cascading series of loans, a few thousand dollars at a time, eventually caught up with Gittens. In the end, his degree proved as meaningless as it was expensive. When he went to apply for bachelor’s programs, no legitimate college would recognize his credits because the school’s shoddy performance had finally led the state to sanction it.

So Gittens has started over from scratch — but with tens of thousands of dollars in loans hanging over his head. As I listened to him recount his tale, just as he was about to once again begin his freshman year of college, what struck me most was how insistently the 27-year-old was holding on to his goal of getting credentialed. Even without a degree, he’d built a modestly successful graphic design business of his own. He’d landed fancy internships with hip-hop clothing designers and made smart choices like offsetting his design work with more reliable income from printing jobs. Yet a college degree remained such a coveted treasure for him that, even having wasting tens of thousands of dollars and two years of his life, he was prepared to do it all again.

“It’s more of an emotional thing,” Gittens explained, citing a graduate degree as his ultimate goal. “I’d like to say, ‘I have a master’s in design. That would make me feel good.” And the sky’s the limit when you’re buying self-worth.

Of course, the industry that’s been turning fast profit off of ambitions like Gittens’ is finally seeing tough times of its own. Take Gittens’ alma mater, the now-closed Katharine Gibbs School. It was owned by Illinois-based Career Education Corp., a publicly traded firm that still runs dozens of schools across the country and in Europe, and which is among the industry’s largest players. Career Ed booked $1.49 billion in revenue in 2012, but it faces steadily declining stock values as a series of investigations and scandals have limited its ability to pull in new students. Its “student starts” — as enrollment is called in the for-profit sector — dropped 23 percent last year. That comes after attorneys general in both New York and Florida launched probes in 2011 of the company for falsifying job placement rates. Career Ed has also had to answer to two national accrediting bodies for its job placement reporting in the past two years.
The company responded to these probes by launching its own investigation and revealing that barely a quarter of its health and design schools actually placed enough graduates in jobs to maintain accreditation. So Chairman Steve Lesnik, who also runs a company that develops golf facilities and athletic clubs, took over as CEO and overhauled the way Career Ed reports job placements, adding independent verification. He stresses Career Ed’s newfound compliance with regulators and called 2012 a “year of renewal.” “It’s a simple thought: students first,” he said last February, as he addressed investors for the first time as CEO and sought to calm nerves over the regulatory probes. “That idea permeates every action we take.”

But while the company reassures regulators and investors that its education is sound, it’s failing starkly by another blunt measure. Nearly 28 percent of students at Career Ed’s health services school in New York City, the Sanford Brown Institute, default on their loans after three years. That rate’s outstanding even among for-profits, and it is a sure sign that these degrees aren’t leading to jobs with decent salaries — if they’re leading to jobs at all.

Big for-profits like Career Ed — often run by financiers, not educators — are eager to differentiate themselves from small, independent trade schools like the one Whatley attended, where they argue the bad behavior is concentrated. But what all of the industry’s players have in common is a business model that targets desperate people who have been pushed out of the workforce in overwhelming numbers over the past decade.

You needn’t look further than these schools’ ad campaigns to discover who’s in their target demographic. They’re a model of diversity. It’s tough to find a marketing image that doesn’t picture a happy person of color or a young woman, or both. One Sanford Brown online ad features a verbal montage of emotional touchstones that seem tailor-made to speak to working-class frustrations. “Before I contacted Sanford Brown I was working second shift,” says one woman’s voice. “I needed a career for myself and my family,” says another woman. “They empowered me to be a better person,” another declares. Watching the ads reminds me of one Atlanta woman’s explanation when I asked her why she signed off on such a bad deal as the subprime refinance that put her home at risk of foreclosure. She talked about the “nice young man” who came and sold it to her. He was well-dressed and clean cut and black. He seemed successful. He seemed to remind her of her ambitions for the young black men in her own life. Then he stole from her on behalf of his bank.

In this respect, for-profit schools function less like traditional educational institutions and more like payday lenders, rent-to-own businesses, pawn shops and the like — they all offer products that churn customers through debt for years on end. And, like the rest of the subprime market, selling for-profit degrees is especially good business in the worst of times. Career Ed’s previous CEO left his post just as the New York attorney general’s probe sent the company’s stock into free fall; he departed with a reported $5.1 million parachute. According to a Senate report last July, which used data from 2009, three-quarters of students at for-profit schools attended institutions that were owned by publicly traded corporations or private equity firms. The former had an average profit margin of nearly 20 percent — and their CEOs made an average of $7.3 million.

Regulators at both the federal and state level have begun working furiously to rein all of this in. Among other things, the Obama administration has tightened rules for schools to participate in the federal student aid program upon which for-profits depend. Last year, the Department of Education instituted a rule that disqualifies any school at which 30 percent of students or more have defaulted on their loans within three years of graduation. The first
sanctions under the new rule won’t come until next fall, but according to the department’s tally, for-profits accounted for nearly three-quarters of the schools that would have been forced out in 2012.

There is significant evidence that schools were gaming the feds’ previous system for monitoring default rates. The Senate report from last July revealed aggressive machinations to push struggling graduates into forbearance — a costly way to escape delinquency — just long enough to push their defaults beyond the oversight window. At Career Ed, for instance, employees called students with delinquent loans an average 46 times to nudge them to file for forbearance, regardless of whether that was in the students’ best interest financially.

Gittens, Whatley and thousands of other unemployed or underemployed African-American strivers have been told again and again — by elected officials, by community leaders, by their own optimistic families — that they hold their economic destiny in their own hands. That they must pick up new skills, get more training, earn more credentials, adapt or die. One day the jobs will come, we’re told, and we’d all better be ready to fill them. They’re earnestly heeding that message, but the only thing an awful lot of them are earning is another lesson in just how expensive it is to be both poor and ambitious in America.