A Quick Guide to Online Program Managers (OPMs)

With rapid growth in online learning, colleges often partner with for-profit companies known as **Online Program Managers (OPMs)** to develop and provide online programs. This guide provides an overview of what OPMs do; the risks they raise for students, faculty, schools, and taxpayers; and how the U.S. Department of Education can address these risks through regulation..

What are OPMs and what do they do?

- OPMs are for-profit companies that contract with nonprofit and public colleges to develop and operate online courses and programs.
- In some cases, OPMs enter into tuition-sharing agreements with schools in return for helping schools develop and operate online programs. Under these agreements, schools provide as much as 50% or more of all tuition dollars to the OPM.
- OPMs also enter contracts with schools to provide marketing and recruiting services to fill seats in their online programs.

Why should we be concerned about OPMs?

- OPMs that enter tuition-sharing agreements are incentivized to aggressively recruit students and increase enrollment to boost their profits.
- This financial incentive can lead to predatory recruiting practices by OPMs. In some cases, OPMs have: engaged in deceptive and abusive recruiting practices; promoted high-cost, low-value programs; or recruited students who do not meet enrollment requirements.
- Tuition-sharing can also lead to increased tuition costs for students.

OPMs Raise Risks for Students, Faculty, Schools, and Taxpayers

OPMs raise risks for **students**:

- Expensive tuition-sharing contracts with OPMs can lead to inflated tuition costs and increased student loan debt.
- OPMs target and recruit non-traditional students and working adults, students of color, and students from low-income backgrounds. Black students and Pell-eligible students, for example, are more concentrated in online education than in brick and mortar programs.
- OPMs' targeting of underrepresented groups raises concerns because students in online education are less likely to complete their degrees and are more likely to have difficulty paying back their student loans than students in brick-and-mortar programs.

OPMs raise risks for **faculty**:

- Some OPM contracts contain provisions that affect faculty's control over the development and operation of online programs.
- OPM contracts sometimes limit faculty's control by providing for shared decision making with OPMs on matters such as curriculum and enrollment.

OPMs raise risks for **schools**:

- OPM contract features can trap schools in expensive, multi-year contracts.
- OPM contracts sometimes contain auto-renewal commitments, lengthy notice requirements for termination of the contract, or prohibitions against entering contracts with other online servicers upon termination of the contract.

OPMs raise risks for **taxpayers**:

- OPMs can lead to inflated tuition costs and higher debt burdens for students, and students in online programs are less likely to be able to repay their student loan debt and more likely to experience loan delinquency.
- Taxpayers foot the bill when federal student loans are not paid back.

How can the Department of Education address OPMs' risks to students, faculty, schools, and taxpayers?

The Department can **rescind the 2011 Bundled Services Guidance:**

- The Department is considering closing a loophole that allows OPMs to receive incentive compensation for recruitment services.
- The Higher Education Act prohibits institutions from providing incentive compensation, or a "bounty" to recruiters, based on the number of students recruited. However, recent Department guidance created an exception in this ban for OPMs providing recruitment as part of a package of services.
- Closing this loophole would eliminate the financial incentives that lead to predatory practices.
- Closing the loophole would not prevent schools from contracting with OPMs. Schools would be able to continue contracting out recruiting services to an OPM on a fee-for-service basis.

The Department can **extend the Third Party Servicer (TPS) requirements to OPMs:**

- The Department of Education recently issued guidance to clarify that OPMs are Third Party Servicers subject to the Department's TPS requirements. However, the Department received significant feedback following the announcement and has delayed the effective date of the guidance letter.
- Third Party Servicers are entities that provide student recruitment, educational content and instruction, and other specified services to Title IV institutions. Entities that administer "any aspect" of an institution's participation in the Title IV programs fall within the scope of the Department's TPS oversight authority.

- Extending the TPS requirements to OPMs would mean that institutions would have to report on their arrangements with OPMs to the Department. It would also mean that OPMs would be subject to annual audits, and that OPMs and institutions would share joint and several liability to the Department for misconduct.

NEED MORE INFORMATION?

Contact Carolyn Fast fast@tcf.org or Amber Villalobos villalobos@tcf.org for any questions or more information.

Notes

1. Taela Dudley, Stephanie Hall, Alejandra Acosta, and Amy Laitinen, "Outsourcing Online Higher Ed: A Guide for Accreditors." *The Century Foundation,* June 28, 2021, https://tcf.org/content/report/outsourcing-online-higher-ed-guide-accreditors/.
2. Stephanie Hall, " Memo to College Leaders: Revising Your OPM Contracts Is In Your Best Interest." The Century Foundation, March 31, 2021, https://tcf.org/content/report/memo-to-college-leaders-revising-your-opm-contracts-is-in-your-best-interest/.
3. Stephanie Hall, "Your OPM Isn't a Tech Platform. It's a Marketing Firm." The Century Foundation, January 20, 2023, https://tcf.org/content/commentary/your-opm-isnt-a-tech-platform-its-a-predatory-marketing-firm/.
4. Stephanie Hall, "Colleges Need to Avoid Misleading Claims." The Century Foundation, November 20, 2020, https://tcf.org/content/commentary/colleges-need-avoid-misleading-ad-claims/.
5. Lisa Bannon, "USC Pushed a $115,000 Online Degree. Graduates Got Low Salaries, Huge Debts." The Wall Street Journal, November 9, 2021, https://www.wsj.com/articles/usc-online-social-work-masters-11636435900.
6. Laura T. Hamilton, Heather Daniels, Christian M. Smith, and Charlie Eaton, "The Private Side of Public Universities: Third-party providers and platform capitalism." UC Berkeley Center For Studies in Higher Education, (June 2022), https://escholarship.org/uc/item/7p0114s8.
7. Laura T. Hamilton, Amber D. Villalobos, Christian M. Smith, Charlie Eaton, "How Online College Hurts More Than It Helps." The Century Foundation, June 8, 2022, https://tcf.org/content/commentary/how-online-college-hurts-more-than-it-helps/.
8. Christian M. Smith, Amber D. Villalobos, Laura T. Hamilton, and Charlie Eaton, "Promising or Predatory? Online Education in Non-Profit and For-Profit Universities." Social Forces, May 26, 2023, https://academic.oup.com/sf/advance-article-abstract/doi/10.1093/sf/soad074/7180366?login=false.
9. Stephanie Hall, "Memo to College Leaders: Revising Your OPM Contracts Is In Your Best Interest." The Century Foundation, March 31, 2022, https://tcf.org/content/report/memo-to-college-leaders-revising-your-opm-contracts-is-in-your-best-interest/.
10. Taela Dudley, Stephanie Hall, Alejandra Acosta, and Amy Laitinen, "Outsourcing Online Higher Ed: A Guide for Accreditors." The Century Foundation, June 28, 2021, https://tcf.org/content/report/outsourcing-online-higher-ed-guide-accreditors/.
11. Laura T. Hamilton, Heather Daniels, Christian M. Smith, and Charlie Eaton, "The Private Side of Public Universities: Third-party providers and platform capitalism." UC Berkeley Center For Studies in Higher Education, (June 2022), https://escholarship.org/uc/item/7p0114s8.
12. Christian M. Smith, Amber D. Villalobos, Laura T. Hamilton, and Charlie Eaton, "Promising or Predatory? Online Education in Non-Profit and For-Profit Universities." Social Forces, May 26, 2023, https://academic.oup.com/sf/advance-article-abstract/doi/10.1093/sf/soad074/7180366?login=false.
13. James Kvaal, "Update on the Department of Education's Third-Party Servicer Guidance." Homeroom: The Official Blog of the U.S. Department of Education, April 11, 2023, https://blog.ed.gov/2023/04/update-on-theServicer Guidance - ED.gov Blog.
14. See 20 U.S.C. § 1088(c).