

To: Negotiators
From: Ann Bowers, Student Negotiator
Date: 2/14/2016
Re: Additional information regarding fraudulent activity at for-profit colleges.

In support of the first memo I have submitted to you, I would like to include the following lists of for-profit colleges sanctioned by the government, as they appear on the website www.collegeaffordabilityguide.org, published by Degree Prospects, LLC. The lists refer to and build on a report by the US. Government Accountability Office in 2012 that found deceptive and fraudulent tactics at for-profit colleges. Other federal agencies referenced include the Securities Exchange Commission, the Federal Trade Commission, the Consumer Financial Protection Bureau, the Department of Education and the Department of Justice.

Consider the numbers of students touched by these fraudulent activities as we move forward with the rulemaking.

For-Profit Schools Sanctioned by the Government

Misleading sales tactics are troubling, but relatively simple to avoid with adequate research from independent sources. Financial controversies, on the other hand, are much more complicated, and can be confusing for students. To give you a clear idea of which schools are in trouble, we've taken the list of schools that were part of the 2010 GAO investigation and outlined subsequent developments.

American InterContinental University and Colorado Technical University

AIU and CTU are brands of the Career Education Corporation, which was found by the GAO to have deceptive recruiting tactics, misrepresentation of job placement rates, and high rates of student loan default and student withdrawal.

In August 2013, Career Education Corp. reached a \$10.25 million settlement with the New York Attorney General. The Attorney General's investigation revealed misleading advertisements, including inflated job placement statistics.

Over the course of the next few years, Career Education Corporation experienced declining enrollment numbers and profits. In May 2015, it announced it was closing or selling all of its career colleges, but would continue to operate the universities.

American Military University/American Public University

AMU and APU fared well in the GAO investigation, with better retention rates and lower tuition than others examined.

Anthem College

Anthem's high student default rates were identified in the GAO report, calling into question whether graduates are able to find employment or earn salaries that allow them to repay student

loan debt. In 2014, Anthem Education filed for Chapter 11 bankruptcy protection and shuttered its schools.

Argosy University

Argosy is a brand of Education Management Corporation, which was found to have high withdrawal rates, as well as questionable federal financial aid practices in the GAO report.

The university became the subject of a large civil claims suit in December 2013. Argosy's parent, the Education Management Corporation (EDMC), was forced to pay \$3.3 million in restitution and fines for deceptively marketing its education in counseling psychology program. EDMC, however, was not required to admit liability.

As of May 2015, Argosy's parent company was the subject of pending investigations from the U.S. Department of Justice and at least a dozen state prosecutors.

Ashford University

The GAO report found Ashford had problematic recruiting practices, low spending on academic instruction and no job placement services. Problems have piled up in subsequent years.

In January 2011, Ashford was the subject of an audit on its finance and recruiting practices by the U.S. Department of Education. The audit showed that Ashford failed to return more than a million dollars in federal aid that was awarded to students who eventually withdrew.

Two years later, in July 2013, Ashford was investigated by the California Attorney General's office, which ordered the university's parent company, Bridgeport Education, to produce thousands of records in an study of false advertising complaints.

In 2014, it agreed to pay \$7.25 million in order to settle claims that recruiters lied or made misleading statements to Iowa students interested in enrolling for online classes in teacher education. As of May 2015, its parent company, Bridgepoint Education Inc., was under investigation by four state attorneys general.

Capella University

According to the GAO report, Capella had a high withdrawal rate among students in bachelor's degree programs, and spent an usually high percentage of its revenue on marketing.

In March 2008, Capella was also the subject of an Education Department audit, which revealed that the school overcharged lenders and this department by over a half million dollars. The inspector general's audit revealed mistakes in calculation of student eligibility for federal loans, as well as failure to return funds granted on behalf of students who withdrew from their courses.

Chancellor University

The GAO report noted that Chancellor had aggressive recruitment practices and high-cost programs, but spent an above-average amount per student on instruction and showed encouraging numbers for student outcomes with a lower than average student loan default rate. It was closed in August 2013.

DeVry University

DeVry had a high tuition cost and low retention rates, but for the students who remained, outcomes appeared to be positive. The GAO investigation revealed relatively robust student services and better controls on recruiting practices than many other for-profit schools, as well as promising workplace-based programs.

However, in 2014, DeVry became the subject of investigations by attorneys general in Illinois and Massachusetts. It was also named in a 2013 San Diego lawsuit that alleged officials bribed students and violated federal regulations.

As of May 2015, DeVry was facing investigations from three state prosecutors and an ongoing probe from the FTC on its advertising, marketing, and sales practices.

ECPI University

The GAO noted that on-campus students appeared to have positive outcomes, but online students were not doing as well, with many students unable to make payments on student loans.

Everest College

Everest was a brand of Corinthian Colleges, Inc., which had one of the highest student withdrawal rates of all schools examined by the GAO: 67 percent of students in associate degree programs withdrew. The college also had a very high rate of student loan defaults, with 36 percent of students defaulting on their loans.

In 2013, Corinthian Colleges was subject to investigations by both the Securities and Exchange Commission (SEC) and the U.S. Consumer Financial Protection Bureau (CFPB). The CFPB subsequently filed a lawsuit against Corinthian in 2014. This led to a fine of almost \$30 million by the U.S. Department of Education. Corinthian closed its doors and filed for Chapter 11 bankruptcy protection in May 2015.

Henley-Putnam University

Henley-Putnam had little information to offer the GAO, but the investigation revealed troubling staffing numbers. While Henley-Putnam employed seven recruiters, it had only four staff members for student services, and none for career services. In addition: “Since this company

does not participate in Title IV Federal financial aid programs, it is exempt from consumer protections and all measurements of student progress—from basic enrollment numbers to student default rates—required by the Department of Education.”

Herzing University

Herzing had better withdrawal rates and recruiting tactics than many of the other schools that were investigated, but the GAO recommended that the school focus more on improving student outcomes than prioritizing growth. In January 2015, Herzing University converted to non-profit status.

ITT Technical Institute

ITT offered some of the most expensive online degree programs of all schools in the study, and had a high rate of student loan default. In subsequent years, ITT’s parent company, ITT Educational Services (ESI) has been the subject of numerous investigations and lawsuits.

It was sued in February 2014 by the Consumer Finance Protection Bureau (CFPB) for using high-pressure tactics to persuade students to take out high-interest private loans. In September 2015, ESI disclosed that it was the subject of a probe from the Department of Justice, only a few months after the SEC filed fraud charges against current and former ITT executives. In May 2015, the state of California suspended its GI Bill eligibility.

Kaplan University

Kaplan was one of the worst investigated by the GAO, with 69 percent of students in bachelor’s degree programs withdrawing, and rising default rates. The GAO report indicated that Kaplan initiated significant reforms to increase student success, and was working to reduce debt and default rates among students.

Nevertheless, in 2015, Kaplan was forced to settle a suit with the U.S. Department of Justice regarding the hiring of ill-qualified instructors (Kaplan admitted no liability). And, as of May 2015, Kaplan’s parent, Graham Holdings Co., was under investigation by at least three state prosecutors.

Keiser University

Keiser was found to have a high cost of tuition, and high rates of withdrawal and student loan default. The GAO also recommended that the school’s decision to move to non-profit status should be examined further.

In July 2014, Keiser was the subject of an unsuccessful \$4 billion lawsuit alleging that the college sought federal and state funding, despite non-compliance with the appropriate

regulations. In 2015, the Keiser family sold its 15-campus university to a non-profit it had created.

Lincoln College Online

Lincoln's programs cost more than twice as much as comparable programs at local community colleges, and the school offered little in the way of student services. The college's student retention and default rates are among the worst of the schools examined by the GAO.

In October 2014, Lincoln Educational Services's for-profit schools in Massachusetts became the subject of an investigation from the state attorney general. Less than a year later, in July 2015, Lincoln and Kaplan Career Institute were forced to pay former students \$2.3 million after the schools were accused of inflating job placement numbers and using unfair recruitment tactics. Many of Lincoln's on-site campuses have closed.

National American University

NAU had better retention rates than other schools, but was found to have a low amount of spending on instruction per student.

Rasmussen College

Rasmussen had costly programs, and more than 63 percent of students did not graduate. In 2012, Tom Harkin's Senate HELP report noted that this figure had remained constant. Many of these students withdrew after only five months of study.

Remington College

Remington converted to a non-profit school in 2011, but the GAO's report suggests that this move may have served, at least in part, to skirt the regulations placed on for-profit schools. Remington had higher retention rates than other for-profit schools, but its student loan default rates were high.

Strayer University

Strayer appeared to have passed the test, with the GAO report indicating that the university had better rates of retention, as well as better controls on recruiting practices and stronger student services than the other schools that were investigated.

On the other hand, thanks to federal measures such as the gainful employment regulations, Strayer experienced a 65 percent drop in enrollment from 2010-2015.

Trident University

Trident had lower tuition, withdrawal rates and default rates than other schools investigated, but it spent little on instruction per student. TUI was also placed on probation by its accrediting agency.

From 2010-2013, Trident failed a series of financial responsibility tests. As a consequence, the U.S. Department of Education decided to place Trident on “HCM-Cash Monitoring 1” status in 2015.

University of Phoenix

University of Phoenix was found by the GAO to have prioritized financial success over student outcomes, with low spending in instruction per student and a 66 percent withdrawal rate among students in associate degree programs.

In November 2009, the University of Phoenix’s parent company, resolved a 2004 U.S. Department of Education investigation by settling for \$10 million. Regulators accused the university of making recruiter pay dependent on enrollment numbers. The Apollo group settled for \$78.5 million when a whistle-blower made allegations of enrollment-based recruiter incentives.

In October 2010, the University of Phoenix lost a \$10 million lawsuit with the Oregon Attorney General for poor financial practices. The lawsuit charged that University of Phoenix misled investors, and failed to follow federal student loan protocol, which in some cases led to improperly canceled student loans.

In 2013, it was sanctioned by the Higher Learning Commission, due to concerns regarding student assessment, governance and faculty scholarship and research for the school’s doctoral programs. Under this sanction, the university got to keep its accreditation, but had to submit reports to the agency on a regular basis.

As of May 2015, the university’s parent company, Apollo Education Group Inc. was the subject of at least two investigations by state attorneys general. In July 2015, the FTC announced that it had issued Apollo a “Civil Investigative Demand,” and would be looking into the use of potential deceptive advertising, sale or marketing of Apollo’s services to students.

Vatterott College

GAO investigators found that Vatterott had good student support services and below-average withdrawal rates, but still had high student loan default rates.

In June 2013, Vatterott was forced to pay a former student \$13 million in damages for misleading her about job placement and salary expectations.

Walden University

Walden appeared to do well in the GAO report, with better rates of retention than other for-profit schools, and more investment in student services. Still, instructional spending was low, and the university had aggressive enrollment goals.

In January 2015, Walden's parent company, Laureate Education, became the subject of a class action lawsuit from students alleging systematic prolonging of the thesis and dissertation process.

Westwood College

Westwood, a brand of Alta Colleges, Inc., was one of the most expensive schools investigated by the GAO, but it put in place reforms to help students understand of the cost and outcome of a Westwood degree.

However, over the years, the college has repeatedly hit by lawsuits. In April 2009, Alta Colleges Inc., the parent company of Westwood College, paid \$7 million to the federal government to settle allegations of student aid fraud. The lawsuit alleged that Westwood made false claims, misrepresenting compliance with state licensing requirements required to receive federal aid.

In March 2012, Westwood paid out millions of dollars over a Colorado case that alleged the college misled its students (the college did not admit liability). This occurred around the same time Lisa Madigan, Illinois Attorney General, filed a lawsuit alleging that Westwood misled its criminal justice students about job opportunities. Specifically, the lawsuit alleges that students of the criminal justice program at Westwood were not informed that law enforcement agencies like the Chicago Police and Illinois State Police don't recognize the school's degrees.

Other For-Profit Schools in Hot Water

The GAO investigation is just the largest among many studies and lawsuits against colleges with deceptive sales tactics. Countless for-profit universities have come under fire from state attorneys general and other authorities.

Ashworth College

In May 2015, Ashworth had to settle charges from the FTC that the college had misrepresented information on training, credentials, and transferring course credits. Jessica Rich, director of FTC's Bureau of Consumer Protection, noted: "When schools promise students they can transfer course credits or get a better job after completing their programs, they'd better be able to back up those claims." However, the FTC had to suspend the \$11 million fine due to Ashworth's inability to pay.

Centura College

Centura is the online division of Tidewater Tech, a school that failed to meet federal standards for cohort default rates in September 2012. (The Department of Education bans colleges from receiving federal student aid if their two-year default rates are 25 percent or higher for three consecutive years, or 40 percent or higher in one year.)

Ellis University & The Cardean Learning Group

In January 2013, NYIT, which partnered with the Cardean Learning Group to create Ellis University, paid a \$4 million settlement in a lawsuit filed by the Education Department's inspector general and the U.S. Attorney General for the Southern District of New York. The lawsuit claimed that Ellis University paid recruiters based on how many students they were able to enroll.

Ivy Bridge College

In August 2013, Ivy Bridge – a joint venture between Tiffin University and Altius Education Inc. – became the subject of a Justice Department investigation to determine if the school violated federal student aid rules. The Justice Department investigated Ivy Bridge's recruiting practices, academic integrity and student loan policies. The college was closed that same month.

National College

In September 2011, National College was sued by the Kentucky Attorney General for misrepresentation of graduate job placement numbers.