

BRIAN E. FROSH
Attorney General



ELIZABETH F. HARRIS
Chief Deputy Attorney General

CAROLYN QUATTROCKI
Deputy Attorney General

STATE OF MARYLAND
OFFICE OF THE ATTORNEY GENERAL

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Chairman Raja Krishnamoorthi
House Committee on Oversight and Reform
Subcommittee on Economic and Consumer Policy
2157 Rayburn House Office Building
Washington DC 20515

Re: Written Testimony for May 22, 2019 Subcommittee Hearing entitled “Examining For-Profit College Oversight and Student Debt”

Dear Chairman Krishnamoorthi:

Thank you for your Subcommittee’s interest in the important topic of for-profit college oversight and student debt. Over the last ten years, student loan debt has soared from \$450 billion to over \$1.5 trillion. A major driver of this increase has been for-profit colleges. In addition, for-profit institutions also have significantly more loan defaults than other types of institutions.¹ Many for-profit schools are almost entirely dependent on federal grants and loans. In December 2016, the U.S. Department of Education (“the Department”) found that nearly 200 for-profit schools derive more than 90% of their income from federal sources.²

In recent years, State Attorneys General have investigated and brought enforcement actions against multiple for-profit schools. These investigations have revealed widespread abuses in the sector. Despite clear evidence of predatory conduct, the Department has actively dismantled federal regulation of for-profit colleges, including regulations that guarded against abuses and ensured that schools did not receive federal funds for low-quality programs. Moreover, the Department has refused to help defrauded students obtain federal loan forgiveness, failed to institute protections for students of for-profit schools that abruptly close, and limited the sharing of student loan information with Attorneys General, which had been vital to state efforts to protect consumers from illegal, unfair, abusive, or deceptive practices in the higher education industry.

1. State Attorneys General Are Actively Working to Protect Students from Abuses in the For-Profit College Sector

The list of State Attorney General investigations and enforcement actions against for-profit colleges is long and includes actions against the seventeen schools listed below. These schools, and others like them, engaged in a variety of deceptive and abusive practices. Some promised

¹ <https://www.brookings.edu/research/the-looming-student-loan-default-crisis-is-worse-than-we-thought/>

² <https://www.ed.gov/news/press-releases/new-analysis-finds-many-profits-skirt-federal-funding-limits>

prospective students jobs, careers, and further opportunities in education that the schools could not provide. Many schools inflated job placement numbers and/or promised career services resources that did not exist. Many nationally-accredited schools promised that their credits would transfer, even though credits from nationally-accredited schools often do not transfer to more rigorous regionally-accredited schools. Many students were placed in loans that the schools knew from experience their graduates could not pay back. The schools were overseen by accreditors who failed to take action to protect students or the taxpayers who funded their federal student loans, despite ample evidence of these and other problems. In short, the entire for-profit education system was failing students and taxpayers.

- a) Career Education Corporation – Forty-nine Attorneys General settled in January 2019 after an investigation revealed that the school deceived students about the total cost, transferability of credits, potential to get the necessary license for certain jobs, and the number of students who got jobs in their field of study. The school agreed to provide \$493.7 million in nationwide debt relief and to make substantial reforms to its recruiting and enrollment practices. New York brought a separate case that was settled for \$10.25 million in 2013 for misrepresentations related to inflated job placement rates.³
- b) Dream Center Educational Holdings, LLC (“DCEH”) (operator of the Art Institute, Argosy University, and South University) – In March 2019, DCEH announced that it was immediately closing all Argosy University campuses and many of its South University and Art Institute campuses, disrupting the education of thousands of students. Prior to the closure, Attorneys General discovered, and the school later admitted, that it deceived students and prospective students about the loss of accreditation by its Illinois Institute of Art and Art Institute of Colorado campuses, resulting in students paying for worthless credits. Attorneys General were also some of the first to learn and raise awareness about DCEH’s misappropriation of \$13 million dollars of federal student loan money and veterans’ benefits that the school should have distributed to students. State Attorneys General are negotiating with the school to create a corrective action plan to remedy the accreditation misrepresentations and have played an integral role in providing direct, timely outreach to former Argosy students, via both email and regular mail, regarding their ability to receive discharges of their federal loans. Because veterans are heavily recruited by many for-profit colleges, they, too, are disproportionately hurt by closures.⁴
- c) Education Corporation of America (“ECA”) – In December 2018, ECA, after its accreditation had been withdrawn, suddenly closed its 75 campuses in 18 states that enrolled approximately 20,000 students. The school had a history of poor student outcomes, including high debt and low earnings of its graduates (only 30 of the 193 programs evaluated under the Gainful Employment Rule passed) and loan default rates

³ <https://ag.ny.gov/press-release/ag-schneiderman-announces-groundbreaking-1025-million-dollar-settlement-profit>

⁴ One example is Kendrick Harrison, a disabled Army veteran who fought in Iraq, who was encouraged by the recruiter at Argosy University to quit his job so he could focus on his studies. He relied upon GI Bill benefits to cover rent and other living expenses while attending school and is now being evicted from his home because of DCEH’s misappropriation of the stipend money. See *Abrupt Closures, Upended Lives: When colleges shut down, families are devastated*, The Chronicle of Higher Education, April 12, 2019, at A17; located at <https://www.chronicle.com/interactives/20190404-ForProfit> (also stating that about 22,000 GI Bill recipients were enrolled at for-profits when the colleges shut down between 2014 and 2018).

- that in some cases were double or triple the national rate. State Attorneys General are in communication with the individuals tasked with the wind-down of the business to improve the process and outcome for students.
- d) Ashford University – The California Attorney General sued Ashford and its corporate parent, Bridgepoint Education, Inc.⁵ in November 2017 for violations of the state’s unfair competition and false advertising laws and for its illegal debt collection practices. The complaint alleges that the school’s salespeople made a wide variety of false and misleading statements to prospective students. Those statements related to how much financial aid its students would receive, how many prior academic credits would transfer into the school, and the school’s ability to prepare students for careers in fields like social work, nursing, medical billing, and teaching. In 2014, Ashford and Bridgepoint agreed to pay \$7.25 million in a settlement with the Iowa Attorney General to resolve claims that the school made false and misleading statements to prospective students.
 - e) ITT Technical Institute – A group of Attorneys General investigated ITT for recruiting and financial aid abuses, which included ITT misrepresenting the true cost of attendance and hiding the total amount of student loan debt that its students would incur. ITT abruptly closed its 139 campuses and filed for bankruptcy in September 2016. The Attorneys General continue to work with the estate to obtain debt relief for the tens of thousands of students affected by the school’s collapse.
 - f) Corinthian Colleges, Inc. (“CCI”) – In March 2016, the California Attorney General obtained a \$1.1 billion judgment against CCI related to its targeting of low-income, vulnerable students and veterans through deceptive and false advertisements and aggressive marketing campaigns that misrepresented job placement rates and the outcomes related to the school’s programs.⁶ Although the Department determined that tens of thousands of CCI students deserve cancellation of their federal student loans and restoration of their veterans educational benefits, Secretary DeVos has refused to meaningfully implement that relief. The Massachusetts Attorney General also sued CCI in 2014.⁷
 - g) Education Management Corporation (“EDMC”) (prior operator of the Art Institute, Argosy University, and South University) – In November 2015, forty Attorneys General settled allegations that recruiters misled prospective students about the cost of attendance, used deceptive and high-pressure recruitment tactics, and promised that graduates would earn substantially higher incomes than graduates earned. In the settlement, EDMC agreed to revise its recruitment practices and cancel \$103 million in debt nationwide. Also, in 2013, the Colorado Attorney General’s Office settled its law enforcement action with Argosy for deceptive practices tied to its education graduate program. Argosy promised the degree would prepare students to become licensed psychologists in Colorado, when it did not. Under the settlement, Argosy reimbursed 100% of tuition paid by the affected students in Colorado.
 - h) Westwood College – In 2015, the Illinois Attorney General’s Office settled its lawsuit with Westwood College for various deceptive practices, including misrepresenting the

⁵ In an apparent attempt to rebrand itself, Bridgepoint Education, Inc. announced on April 2, 2019 that it was changing its name to Zovio, Inc.

⁶ https://oag.ca.gov/system/files/attachments/press_releases/Corinthian%20Final%20Judgment_1.pdf

⁷ <http://www.mass.gov/ago/docs/press/2014/everest-complaint.pdf>

accreditation and cost of its criminal justice program. Under that settlement, Westwood forgave \$15 million in private student loan debt, affording more than 3,600 former Westwood College students an average of more than \$4,200 in relief. Westwood College closed soon after the settlement. In 2012, the Colorado Attorney General's Office settled its law enforcement action with Westwood for various deceptive practices, including misrepresenting job placement rates to prospective students, which resulted in Westwood forgiving \$2.5 million in private student loan debt.

- i) QuinStreet, Inc. – In 2012, twenty state attorneys general settled with QuinStreet regarding its operation of GIBill.com, a lead generation website that falsely gave the appearance of an official website for the Department of Veterans Affairs that purportedly offered advice to veterans on how to use their educational benefits but included a short list of for-profit schools as the only choices. As part of the settlement, QuinStreet was required to turn the website as well as 18 other domain names, including GIBillAmerica.com and ArmyStudyGuide.com over to the VA.
- j) The Career Institute, LLC – On November 21, 2013, the Massachusetts Attorney General's Office filed a lawsuit against ACI that alleged that the school committed unfair and deceptive acts.⁸ On June 1, 2016, the Massachusetts AG's Office entered into a consent judgment in which ACI admitted to engaging in unfair and deceptive conduct that included falsifying student records, misrepresenting graduation and job placement rates, deceiving prospective students about employment, and unlawfully enrolling and collecting tuition from students who did not qualify for federal loans and who didn't meet the minimum education requirements.⁹
- k) DeVry Institute – Assurance of Discontinuance obtained by New York Attorney General on January 27, 2017¹⁰ and Assurance of Discontinuance obtained by Massachusetts Attorney General on June 30, 2017.¹¹
- l) Kaplan Higher Education, LLC – Assurance of Discontinuance filed on July 23, 2015 with the Massachusetts Attorney General.¹²
- m) Lincoln Technical Institute, Inc. – Complaint filed by Massachusetts Attorney General on July 8, 2015 and Consent Judgment issued on July 13, 2015.¹³
- n) Minnesota School of Business, Inc. and Globe University, Inc. – Complaint filed by, Minnesota Attorney General on July 22, 2014 and Findings of Fact, Conclusions of Law and Order finding that the schools engaged in consumer fraud and deceptive trade practices by misrepresenting job opportunities issued on September 8, 2016. As a result, the schools were denied access to federal student aid money.¹⁴

⁸ <https://www.bostonglobe.com/business/2013/11/21/coakley-sues-framingham-for-profit-school/r18CILICQIt3ipSoBFR3kM/story.html>

⁹ <https://www.mass.gov/files/documents/2016/08/xa/aci-consent-judgment.pdf>

¹⁰ <https://ag.ny.gov/press-release/ag-schneiderman-obtains-settlement-devry-university-providing-225-million-restitution>

¹¹ <http://www.mass.gov/ago/news-and-updates/press-releases/2017/2017-07-05-refunds-for-students-deceived-by-online-for-profit-school.html>

¹² <http://www.mass.gov/ago/docs/press/2015/kaplan-settlement.pdf>

¹³ <http://www.mass.gov/ago/docs/press/2015/lincoln-tech-settlement.pdf>

¹⁴ <https://www.ed.gov/news/press-releases/globe-university-minnesota-school-business-denied-access-federal-student-aid-dollars>

- o) The Salter School – Complaint filed by Massachusetts Attorney General¹⁵ and Final Judgment by Consent issued on December 11, 2014.¹⁶
- p) Westwood College, Inc. – Complaint filed by Illinois Attorney General on Jan. 18, 2012 and settlement entered on October 9, 2015.
- q) MalMilVentures, LLC, d/b/a Associated National Medical Academy – Statement of Charges filed by Maryland Attorney General and Final Order by Consent, issued on June 3, 2010.¹⁷

2. The Department has Refused to Enforce Regulations that would Protect Students

As investigations and prosecutions initiated by our offices shed light on these problems, the Department in the previous Administration began to take steps to remedy these harms, issuing new regulations and reformulating policies to help protect students and taxpayers, including the Borrower Defense Rule, the Gainful Employment Rule, the State Authorization Rule, and others. Under this Administration, however, the Department has improperly and sometimes illegally refused to implement regulations. State Attorneys General have written letters, filed public comments, and, filed lawsuits against the Department to protect their states and their residents related to those actions.

3. The Department’s Lack of Oversight over Accreditors Hurts Students

Accreditors serve a critical role in ensuring that schools provide students with an education that meets minimum standards of quality. In this role, accreditors function as gatekeepers, protecting students from abuse by profit-seeking institutions that offer education of little-to-no value and protecting taxpayer money from being wasted. When accreditors shirk their crucial responsibilities, they enable abusive schools to engage in misconduct with impunity. The Accrediting Council for Independent Colleges and Schools’ (“ACICS”) is an example of the damage done to both students and taxpayers when accreditors fail to fulfill their oversight responsibilities. ACICS has willingly accredited predatory schools that left students across the country mired in debt and without the quality education they were promised. Despite being aware of these schools’ misconduct, ACICS continued to accredit the institutions, in some cases up until the day the schools closed and filed for bankruptcy.

On the basis of ACICS’s extreme and far-reaching oversight failures, the Department took the extraordinary step of denying ACICS’s petition for renewal of its national recognition in December of 2016. In 2018, the Department’s staff recommended denying ACICS’s application for initial recognition and found 57 areas of non-compliance, but on September 28, 2018, Ms. Diane Auer Jones, the Department’s Senior Department Official recommended continuing ACICS’s recognition, which was later confirmed by Secretary DeVos. The problems with this decision have been widely reported and were summarized in a December 11, 2018 letter signed by Senator Elizabeth Warren and ten other members of Congress.¹⁸ Currently, ACICS lists 108 institutions

¹⁵ <http://www.mass.gov/ago/docs/press/2014/salter-complaint.pdf>

¹⁶ <http://www.mass.gov/ago/docs/press/2014/salter-judgment-by-consent.pdf>

¹⁷ <http://www.marylandattorneygeneral.gov/press/2010/060310.pdf>

¹⁸ <https://www.warren.senate.gov/imo/media/doc/2018.12.11%20Letter%20to%20Department%20of%20Education%20re%20ACICS%20recognition.pdf>

in its member directly, with some of them being schools with a history of abrupt closures (Art Institute and Stratford University) investigations, settlements (Fortis College¹⁹), forced closures (Virginia International University²⁰), and other negative outcomes. The Department should protect students and taxpayers by ensuring that ACICS is complying with the requirements to be a gatekeeper of federal funds.

4. The Department Has Imposed Limitations on The Routine Disclosure of Student Loan Information to State Law Enforcement Agencies

Over the past year, the Department has rejected State Attorneys General requests for student loan information. As described in a July 13, 2018 letter from twenty State Attorneys General and a April 4, 2019 letter from twenty-one State Attorneys General, student loan information is vital to the efforts of State Attorneys General to protect consumers from illegal, unfair, abusive, or deceptive practices by actors in the higher education industry, which the Department historically has been an important partner. However, the Department's policy reversal impedes states' ability to enforce the law and shields unprincipled industry actors from regulatory enforcement, harming student loan borrowers nationwide. State Attorneys General are in a unique position to ensure that servicers are conducting their businesses in compliance with consumer protection laws and have been active in enforcing state consumer protection laws against servicers. For example, the New York and Massachusetts Attorneys General have separately settled their claims against student loan servicer ACS/Conduent Education Services. In addition, the State Attorneys General of California, Illinois, Mississippi, Pennsylvania, and Washington have brought enforcement actions against student loan servicer Navient. The Department's abandonment of its policy of disclosing records to law enforcement agencies represents a significant step away from the interests of consumers and toward the interests of corporate actors, who seek to use the Privacy Act as a shield as they resist being held accountable for their actions. To date, the Department has not responded to either of the letters sent by Attorneys General on this topic.

5. The Department has Ceased Ensuring Accountability in For-Profit School Conversions into Faux Non-Profits

There is a troubling trend of for-profit colleges converting to non-profit status while enabling the individuals on the non-profit governing bodies and/or the owners of the for-profit companies to continue profiting from the schools. This arrangement maintains the incentive for the non-profit company to use the same predatory recruitment and retention tactics that it used as a for-profit company, while allowing it to evade state and federal laws that are aimed at curtailing those practices. These schools are non-profit in name only but use that name to shed the self-created marketing stigma associated with for-profit colleges. Instead of limiting these conversions, the Department has acted as a rubber stamp and has not acted on this issue to protect except when, in the case of the Dream Center, a denial of a conversion occurs far too late to help students. Although there are many examples of such conversions, one recent and one pending conversion are described here.

¹⁹ <https://www.justice.gov/opa/pr/profit-education-company-pay-13-million-resolve-several-cases-alleging-submission-false>

²⁰ https://www.richmond.com/news/local/education/virginia-moves-to-shutter-virginia-international-university/article_17a831a5-eeb0-54a3-9a1c-339f84e4a86d.html

Grand Canyon Education, Inc. (“GCE”) and Grand Canyon University (“GCU”)

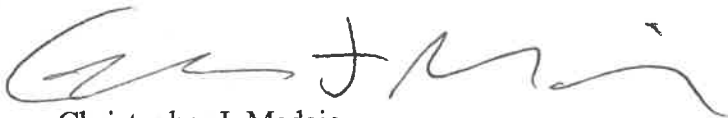
In 2018, GCE, a publicly traded for-profit company, created a new non-profit entity that purchased GCU for \$800 million. To finance the purchase, the non-profit GCU took out an interest-only loan from the for-profit GCE and signed a contract with GCE for it to provide services such as “recruiting, counseling, human resources and marketing” to the non-profit GCU in exchange for 60% share of the tuition, fees, and other revenue earned by the school. The non-profit is locked into this contract because it can only terminate if it pays off the entire \$800 million loan balance plus pays one year of service fees. The CEO of the non-profit GCU is also the CEO of the for-profit GCE, thereby ensuring that the school is operated in a way that maximizes profits for the owners of the for-profit company.

Bridgepoint Education, Inc./Zovio, Inc. and Ashford University

In March 2018, Bridgepoint/Zovio announced its intention to convert Ashford University, its large national online school, into a non-profit company. Bridgepoint/Zovio has announced to its investors that following the conversion, the company will serve as Ashford’s “program management vendor” with a revenue sharing agreement that provides at least 60% to 65% of Ashford’s income to Bridgepoint/Zovio. All of the decision makers who approved this deal are employed by Bridgepoint/Zovio. Furthermore, Bridgepoint/Zovio has no prior experience providing services of any kind to a non-profit entity and there is no bid or competition process to allow any other companies to compete to provide services to Ashford at a cheaper rate. This arrangement ensures that the school will continue to operate for the financial benefit of Bridgepoint/Zovio, not for the benefit of the non-profit school’s educational mission or for the benefit of its students. On September 5, 2018, fifteen Attorneys General wrote a letter to Ashford’s accreditor urging it not to approve the conversion, which is still under consideration.

Thank you for your attention to this topic and I look forward to answering any questions during the hearing.

Sincerely,



Christopher J. Madaio
Assistant Attorney General