

April 25, 2019

ATTORNEY GENERAL RAOUL URGES U.S. HOUSE COMMITTEES TO PROTECT STUDENT VETERANS FROM EXPLOITATION BY FOR-PROFIT SCHOOLS

Chicago — Attorney General Kwame Raoul, along with 19 other attorneys general, today submitted a letter to the U.S. House Education and Labor and Veterans Affairs Committees emphasizing concerns that student veterans are disproportionately harmed by for-profit colleges and universities that violate state laws put in place to protect students. The letter also highlights the trend of for-profit institutions converting to “non-profit” entities but retaining business models that essentially keep profit-making arrangements in place.

[The letter sent by Raoul and the coalition](#) argues that student veterans are at greater risk of being harmed due to loopholes in federal laws that entice for-profit schools to heavily market to veterans—often using high-pressure and deceptive sales tactics. As a result, veterans are disproportionately harmed when these schools violate consumer protection laws, offer low-quality or inadequate certificate and degree programs, or close abruptly leaving students burdened with heavy debt and low prospects for gainful employment.

“For-profit schools often target veterans with high-pressure and deceptive sales pitches, leading veterans to enroll in for-profit schools at disproportionate rates,” Raoul said. “I am committed to protecting students, including student veterans, from these abuses.”

The attorneys general also outline the multiple efforts they have undertaken to protect students and loan borrowers, including investigations and enforcement actions brought against several for-profit schools and opposing attempts by the U.S. Department of Education to dismantle federal regulations that guard against abuses by for-profit schools. The U.S. Department of Education has also refused to help defrauded students obtain federal loan forgiveness, failed to institute protections for students of for-profit schools that abruptly close, and has limited sharing student loan information with attorneys general. The long-standing practice of information sharing has been vital to state efforts to protect consumers from illegal, unfair, abusive, or deceptive practices in the higher education industry.

The Attorney General’s office has investigated multiple for-profit schools for fraud and reached settlements that provided millions of dollars in relief for students. In 2015, the office settled its lawsuit with Westwood College for various deceptive practices, including misrepresenting the accreditation and cost of its criminal justice program. The office has also been a national leader in investigating and enforcing consumer protection violations in the higher education field. Attorney General Raoul recently signed onto a letter urging the U.S. Department of Education to reverse limitations placed on disclosure of student loan information to state law enforcement agencies.

Joining Raoul in submitting the letter are attorneys general of California, Colorado, Connecticut, Delaware, the District of Columbia, Hawaii, Iowa, Maine, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New York, North Carolina, Oregon, Pennsylvania, Virginia, and Washington.



STATE OF MARYLAND
OFFICE OF THE ATTORNEY GENERAL

April 22, 2019

Chairman Bobby Scott
House Education & Labor Committee
2176 Rayburn House Office Building
Washington DC 20515

Dear Chairman Scott:

We, the undersigned Attorneys General of Maryland, California, Colorado, Connecticut, Delaware, the District of Columbia, Hawai'i, Illinois, Iowa, Maine, Massachusetts, Michigan, Minnesota, Nevada, New York, North Carolina, Pennsylvania, Oregon, Virginia, and Washington write to thank you for your Committee's interest in the important topic of protecting our student veterans. We also write to bring your attention to two issues: first, the role of State Attorneys General in protecting students, including student veterans, from abuses by for-profit colleges, and second, the growing problem of for-profit schools converting into purportedly "non-profit" institutions while maintaining profit-making arrangements with the former for-profit company.

The Role of State Attorneys General

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 of Education 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

Attorney General investigations and enforcement actions have revealed that veterans are a special target of for-profit schools' marketing due to the "90/10 Rule," a federal law that prohibits for-profit schools from relying on federal student aid funds for more than 90% of revenues. Because of a loophole in the 90/10 Rule, GI Bill and other veterans' benefits are not considered federal student aid funds. This provides a strong financial incentive for for-profit schools to enroll

¹ On April 4, 2019, twenty-one Attorneys General wrote a letter to Secretary DeVos renewing their call to the U.S. Department of Education to reverse the limitations imposed on the Department's routine disclosure of student loan information to state law enforcement agencies.

veterans.² As a result, for-profit schools often target veterans with high-pressure and deceptive sales pitches, leading veterans to enroll in for-profit schools at disproportionate rates. Veterans are also disproportionately harmed by the widespread abuses, low-quality programs, and frequent abrupt closures plaguing the sector. For example, thousands of veterans' educations were disrupted by the abrupt closures of for-profit chains in recent years.³

Some recent examples of Attorneys General actions include:

1. 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.
2. 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
3. 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 that in some cases were double or triple the

² In fact, for-profit colleges have been among the top recipients of military educational benefits. In the 2012-2013 academic year alone, for-profit educational institutions received \$1.7 billion in GI Bill benefits. See Senate HELP Committee; <https://www.help.senate.gov/ranking/newsroom/press/two-years-after-harkin-report-revealed-questionable-business-practices-in-for-profit-college-industry-new-analysis-shows-for-profit-colleges-are-top-recipients-of-post-9/11-gi-bill-dollars>

³ See *Why ITT Closing Hits Veterans Hardest*, James Briggs, IndyStar, Sept. 6, 2016;

<https://www.indystar.com/story/money/2016/09/06/why-veterans-have-most-lose-if-itt-tech-closes/89710280/>

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).

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.

4. 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.
5. 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.
6. 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. Although the Department of Education 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.
7. 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.
8. Westwood College – In 2015, the Illinois Attorney General’s Office settled its lawsuit with Westwood College for various deceptive practices, including misrepresenting the 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.

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.

9. 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.

The Need for 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. Although there are many examples of such conversions, one recent and one pending conversion are described here.

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.

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We appreciate the opportunity to convey our concerns, and we urge the Committee to consider these issues in negotiations related to the reauthorization of the Higher Education Act. We would be happy to provide any additional information or answer any questions.

Sincerely,



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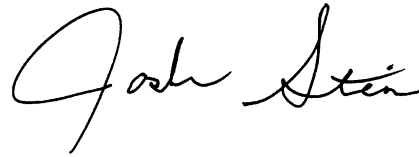
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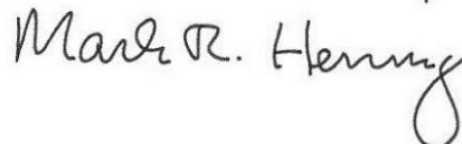
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