

June 3, 2015

The Honorable Arne Duncan
Secretary of Education
U.S. Department of Education
400 Maryland Ave, S.W.
Washington, D.C. 20202

Dear Secretary Duncan:

The widespread fraud over many years and ultimate collapse of Corinthian Colleges raise broad issues about how the government should address predatory and/or unstable for-profit colleges. This letter seeks to engage the Department of Education on developing a proactive, risk-based, student-centered strategy for dealing with companies that the Department has reason to believe may be breaking the law and putting students and taxpayers in jeopardy.

The two-year Senate HELP Committee investigation thoroughly documented the misleading marketing, deceptive recruiting, job placement rate inflation, and other misconduct by Corinthian, as well as by many other companies in the for-profit college sector. The committee's 2012 report, along with other government and media investigations, have helped trigger numerous law enforcement probes, lawsuits, and settlements by state attorneys general, the Securities and Exchange Commission, the Federal Trade Commission, the Justice Department, and the Consumer Financial Protection Bureau. In addition, the President issued Executive Order 13607 in April 2012 directing the Departments of Defense and Veterans Affairs to better protect service members and veterans through establishing targeted risk-based program reviews; creating a student complaint system with required federal tracking, response, and referral to law enforcement; stopping aggressive and deceptive recruiting; cracking down on predatory websites and trademarking phrases that are abused by lead generator companies; restricting schools' access to military installations; providing consumer-friendly online college comparison tools; creating common student outcome measures; and requiring schools to abide by a code of conduct. These tools are starting to make a difference in better protecting service members and veterans.

In contrast, the Department of Education has often been slow to react to the overwhelming evidence that certain for-profit schools are far more focused on their own revenues than on serving students. Waiting until the imminent collapse of a for-profit education company and then attempting to minimize student disruptions is not an effective strategy for dealing with this industry's bad actors. Moreover, such an approach is worrisome in light of the concern that several other large for-profit schools accused of widespread fraud and/or predatory lending may be on the brink of collapse.

It is imperative for the Department to take a more proactive approach to enforcing the law and preventing waste, fraud, and abuse by for-profit education companies. In practical terms, what does such a strategy look like?

Take Prompt and Public Actions Earlier. The Department should begin to use its consumer protection tools as soon as signs of trouble emerge, and take increasing actions if they persist. For example, the Department should act as soon as a school: has a failing financial responsibility score; appears to be making misleading claims; is the subject of a program review that finds serious problems; is the subject of a large number of complaints alleging illegal, misleading or deceptive acts; or is the subject of federal, state and/or local investigations, lawsuits or settlements involving systemic illegal or deceptive practices. The Department's tools include: publicly asking a school to respond to the Department's concerns within a specified timeframe; initiating investigations; requiring institutions to post letters of credit; placing restrictions and conditions on the receipt of Title IV funds and making those restrictions public; and limiting Title IV aid. If a school's Title IV eligibility could be jeopardized, the Department should take steps to ensure that current and prospective students are informed and that high-quality education alternatives are identified should the school have to close. By acting earlier and publicly, the Department gives schools a reason to quickly improve. Moreover, if schools fail to address the concerns, it limits student and taxpayer exposure to bad actors. By making sure quality education alternatives are identified before they are needed, it ensures students will be able to continue their education at a high-quality school, and in cases where the Department determines that a school engaged in illegal practices that harmed students, it ensures that students will have choice between continuing their education or receiving a loan discharge.

Stop Federal Aid to Bad Actors. President Obama warned the nation about the "bad actors" in higher education when he signed his Executive Order 13607. Rather than funding the continued operation of a poor quality school that has engaged in fraud, the Department should stop sending student aid and facilitate opportunities for students to enroll in other, better quality schools—schools that place a priority on instruction rather than exorbitant CEO salaries and deceptive recruiting call centers. Community colleges, strongly championed by President Obama, may provide a much better alternative at a far lower cost.

If a predatory school closes and its students receive federal loan discharges, that is a better outcome than continued taxpayer support for an institution that is ruining students' lives. Where loan discharges are not automatic, students must be given accurate and accessible information about their right to have their loans discharged—preferably by an experienced and unbiased third party focused on what is best for the student.

Approve sales of schools only to institutions of higher education with a proven record. The Department should support the sale of schools only to entities that have a proven track record of providing a quality, affordable education to students, as

demonstrated by such data as graduation, transfer, and default rates and debt levels, and that are not under investigation or being sued for fraud or misrepresentation by a federal or state agency. In August 2014, with respect to the sale of Corinthian campuses, the Department [publicly committed](#) to “not approve a sale to another entity if that entity is currently under State and/or Federal investigation.” This should be the Department’s policy with regard to the sale of any college.

We congratulate the Department for making public its findings that Heald College had been systematically misrepresenting its job placement rates to both current and prospective students and fining it \$30 million. We urge you to complete your investigation of the Everest and Wyotech schools as quickly as possible and to make the results public. Further, we join Senator Durbin and others in urging you to undertake similar investigations at other schools alleged to be making questionable representations of costs, graduation rates, job placement rates, or other disclosures.

We would appreciate and look forward to the opportunity to meet and continue this discussion.

Sincerely,

Air Force Sergeants Association
American Association of State Colleges and Universities (AASCU)
American Association of University Professors (AAUP)
American Federation of Labor-Congress of Industrial Organizations (AFL-CIO)
American Federation of Teachers, AFL-CIO
Americans for Financial Reform
Blue Star Families
Campaign for America’s Future
Center for Public Interest Law
Children’s Advocacy Institute
Consumer Action
Consumers Union
Empire Justice Center
Generation Progress
Higher Ed, Not Debt
The Institute for College Access & Success
Institute for Higher Education Policy
Iraq & Afghanistan Veterans of America (IAVA)
The Leadership Conference on Civil and Human Rights
League of United Latin American Citizens
MALDEF
Mississippi Center for Justice
National Association of Consumer Advocates
National Consumer Law Center (on behalf of its low-income clients)
National Consumers League
National Education Association (NEA)

National Guard Association of the United States
The Other 98%
Paralyzed Veterans of America
Project on Predatory Student Lending of the Legal Services Center of Harvard Law School
Public Advocates Inc.
Public Law Center
Service Employees International Union (SEIU)
Student Debt Crisis
Student Veterans of America
United States Student Association
University of San Diego Veterans Legal Clinic
U.S. PIRG
Veterans Education Success
Veterans for Common Sense
Veterans' Student Loan Relief Fund
VetJobs
VetsFirst, a program of United Spinal Association
Vietnam Veterans of America
Woodstock Institute
Young Invincibles