



# **University of Greed**

**How Betsy DeVos is Pushing for Private Profit in Higher Education –  
and Harming American Students**

August 21, 2018

## **Acknowledgments**

This report was written by Alan Zibel, Research Director for Public Citizen's Corporate Presidency Project. It was edited by Rick Claypool, Public Citizen research director, Julie Murray of Public Citizen's litigation group and Robert Weissman, Public Citizen president. Public Citizen board member David Halperin, Tariq Habash of the Century Foundation and Aaron Ament of the National Student Legal Defense Network provided assistance and feedback.

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## Table of Contents

<b>INTRODUCTION: WHO IS BETSY DEVOS?.....</b>	<b>4</b>
<b>PART I: FOR-PROFIT COLLEGES: PULLING THE COP OFF THE BEAT .....</b>	<b>8</b>
FOR-PROFIT COLLEGE PROFITEERS INVADE THE EDUCATION DEPARTMENT .....	15
SCALING BACK ACCOUNTABILITY FOR POORLY PERFORMING COLLEGES.....	22
REHABILITATING A TROUBLED FOR-PROFIT COLLEGE ACCREDITOR .....	23
DELAYING STANDARDS FOR ONLINE HIGHER ED PROGRAMS.....	24
COVERT FOR-PROFIT SCHOOLS: HOW FOR-PROFIT COLLEGES NOW POSE AS NONPROFITS .....	25
<b>PART II: STUDENT LOANS: NIXING EFFORTS TO IMPROVE BORROWER TREATMENT .....</b>	<b>31</b>
DEVOS PROPOSES NEW ROADBLOCKS FOR STUDENT DEBT RELIEF.....	32
SLOWING DOWN APPROVALS OF DEBT RELIEF APPLICATIONS .....	33
DEVOS LETS STUDENT LOAN GIANTS OFF THE HOOK.....	34
<b>CONCLUSION .....</b>	<b>40</b>

## Introduction: Who is Betsy DeVos?

Ten days after he was elected president, Donald Trump agreed to pay \$25 million to settle fraud claims related to his phony “Trump University,” which offered Trump-branded for-profit real estate seminars to would-be real estate moguls.<sup>1</sup> But in internal documents, Trump University employees were honest about these real estate investing classes, which cost up to \$35,000, calling them a “a facade, a total lie,” and a “fraudulent scheme.”<sup>2</sup>

Given Trump’s deep experience with rip-off schemes, his administration’s embrace of profiteering higher education companies should not be a surprise. After a string of abuses, student loan and for-profit college companies faced new rules during the Obama years. These sensible protections, enacted despite industry objections, were designed to deter predatory companies from saddling students with high debt burdens and weak job prospects, while prodding student loan firms to do a better job of assisting borrowers on the verge of default.

Under Education Secretary Betsy DeVos, the government has done a 180-degree turn on higher education policy. Industry profiteers have used their high-level Republican connections to roll back Obama-era rules that protected students from the education sector’s most predatory players. Following the playbook of President George W. Bush’s administration, DeVos is crafting friendly deregulatory policies that harm students and faculty, benefit operators of unscrupulous schools and may cost taxpayers billions of dollars.

There is little to indicate that DeVos has much interest in higher education, knowledge about the field or ability to empathize with students who take on massive amounts of debt. An ardent advocate of unfettered competition in education, she has shown little concern for educational standards at the K-12 or collegiate level. As such, she is a natural ally for the for-profit college industry, with its large advertising budgets, promises of technological innovation and aggressive sales tactics designed to lure prospective students with promises of a better future.

DeVos, born Elisabeth Prince, grew up in a conservative Western Michigan community.<sup>3</sup> She is the daughter of wealthy industrialist Edgar Prince and the sister of Erik Prince, who founded Blackwater, the private military contractor.<sup>4</sup> DeVos is married to Amway heir Richard DeVos Jr., and the couple have an estimated net worth of more than \$5 billion. They are major Republican donors and have devoted much of their charitable resources toward unraveling American K-12 education by redirecting public funding to private schools and religious schools.<sup>5</sup> DeVos has compared the process of choosing a school to picking an Uber or Lyft,<sup>6</sup> or to selecting a food truck for lunch.<sup>7</sup>

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<sup>1</sup> Steve Eder, “Donald Trump Agrees to Pay \$25 Million in Trump University Settlement” New York Times (Nov. 18, 2016) <https://nyti.ms/2tPFd80>

<sup>2</sup> Id.

<sup>3</sup> Kristina Rizga, “Betsy DeVos Wants to Use America’s Schools to Build ‘God’s Kingdom.’” Mother Jones (March/April 2017) <http://bit.ly/2stiBsE>

<sup>4</sup> John Wisely, “Betsy DeVos’ Brother, Blackwater Founder Erik Prince, Sparks Headlines” Detroit Free Press (April 8, 2017) <https://on.freep.com/2NjZN8K>

<sup>5</sup> Id.

<sup>6</sup> Valerie Strauss, “DeVos: Picking a school should be like choosing among Uber, Lyft or a taxi” Washington Post (March 29, 2017) <https://wapo.st/2tRatng>

<sup>7</sup> Valerie Strauss, “Teacher responds to DeVos: Schools aren’t like food trucks, and education is ‘not a side of fries’” Washington Post (Oct. 3, 2017) <https://wapo.st/2tDZi12>

“Government really sucks,” DeVos said in a 2015 speech calling for an education “revolution” led by an “army of big thinkers, of entrepreneurs and innovators, of tech-savvy people who are not afraid of or intimidated by entrenched powers.”<sup>8</sup> DeVos criticized the U.S. education “delivery system” as “antiquated” and “quite frankly, embarrassing”<sup>9</sup> and expressed faith in the idea that an army of disruptive technological innovators will revolutionize American education:

*“We are the beneficiaries of startups, ventures and innovation in every other area of life, but we don’t have that in education because it’s a closed system, a closed industry, a closed market. It’s a monopoly. It’s a dead end. And the best and brightest innovators and risk-takers steer way clear of it. As long as education remains a closed system, we will never see the education equivalents of Google, Facebook, Amazon, PayPal, Wikipedia, or Uber. We won’t see any real innovation that benefits more than a handful of students.”<sup>10</sup>*

With apparent faith in their power to disrupt the U.S. education system, DeVos family has poured hundreds of millions of dollars into efforts to promote vouchers, which direct public funding toward religious and private schools. They have been big supporters of charter schools, most of which operate without unions and may be run by for-profit companies.<sup>11</sup> *Mother Jones* analyzed \$170 million in nonprofit giving in tax filings for Dick and Betsy DeVos’ family foundation as well as those from DeVos’ parents’ charitable organization and concluded that their donations “show an overwhelming emphasis on funding Christian schools, evangelical missions, and conservative, free-market think tanks [...] that want to shrink the public sector in every sphere, including education.”<sup>12</sup>

Betsy and Richard DeVos also have close ties to the billionaire anti-government, anti-union political funders Charles and David Koch. As fellow Republican mega-donors, the DeVos family has attended the Kochs’ donor summits and contributed to the brothers’ political ventures.<sup>13</sup> Two DeVos-created groups, the American Federation for Children and Alliance for School Choice, are funders and supporters of the American Legislative Exchange Council (ALEC), which advances extreme right-wing policies at the state level with funding from the Kochs and other pro-corporate, anti-regulation interests.<sup>14</sup> Speaking at ALEC’s annual meeting in summer 2017, DeVos said: “Our opponents, the defenders of the status quo, only protest those capable of implementing real change. You represent real change”<sup>15</sup>

<sup>8</sup> Betsy DeVos, “Competition, Creativity & Choice in the Classroom” Remarks prepared for SXSWedu (March 11 2015), <http://bit.ly/2s6kKKx> Video at [https://www.youtube.com/watch?v=f\\_2nH4aLLDc&feature=youtu.be](https://www.youtube.com/watch?v=f_2nH4aLLDc&feature=youtu.be)

<sup>9</sup>Id.

<sup>10</sup>Id.

<sup>11</sup> Kate Zernike, “Betsy DeVos, Trump’s Education Pick, Has Steered Money From Public Schools,” *The New York Times* (Nov. 23, 2016) <http://nyti.ms/2gYkW9A>

<sup>12</sup> Kristina Rizga “Betsy DeVos Wants to Use America’s Schools to Build ‘God’s Kingdom’” *Mother Jones* (March/April 2017) <http://bit.ly/2stiBsE>

<sup>13</sup> Jane Mayer, Betsy DeVos, “Trump’s Big Donor Education Secretary” *The New Yorker*, (Nov. 23, 2016) <http://bit.ly/2gWQEnw>

<sup>14</sup> Lisa Graves, “5 Things About Billionaire Betsy DeVos, Trump Education Choice,” Center for Media and Democracy’s PR Watch (Nov. 23, 2016) <http://bit.ly/2gYWIfv>

<sup>15</sup> Betsy DeVos, “Remarks from Secretary DeVos to the American Legislative Exchange Council” U.S. Department of Education (July 20, 2017) <https://www.ed.gov/news/speeches/remarks-secretary-devos-american-legislative-exchange-council>



*DeVos speaks at the American Legislative Exchange Council's 2017 conference.<sup>16</sup>*

DeVos and other self-described reformers exhibit blind faith in the idea that market competition will improve American education. But DeVos has displayed little concern for effective oversight of educational quality: A group backed by DeVos worked in Michigan, where DeVos has been the key funder of education privatization efforts, to defeat legislation that would have set standards to identify and close failing charter and public schools.<sup>17</sup> In Michigan, 80 percent of charter schools are run by for-profit companies,<sup>18</sup> and the charter school system suffers from poor oversight and weak results.<sup>19</sup> A yearlong investigation by the *Detroit Free Press* in 2014 found that the state's charter system was plagued with wasteful spending, self-dealing, weak oversight, lax educational standards and minimal transparency.<sup>20</sup>

DeVos has advocated for — and personally invested in — “virtual” charter schools, where education is delivered online. “In the internet age, the tendency to equate ‘education’ with ‘specific school buildings’ is going to be greatly diminished,” DeVos said in 2013.<sup>21</sup> Financial disclosures released during Richard DeVos’ failed gubernatorial race in 2006<sup>22</sup> show the couple were investors in online charter school operator K12 Inc. These virtual charter schools have been plagued by problems. *Politico* wrote that in Pennsylvania, “where more than 30,000 kids log into virtual charter schools

<sup>16</sup> Image captured from YouTube video of DeVos speech on July 20, 2017

<https://www.youtube.com/watch?v=g2ghDQVZApY>

<sup>17</sup> Kate Zernike, “A Sea of Charter Schools in Detroit Leaves Students Adrift” *New York Times* (June 28, 2016)

<https://nyti.ms/2svB73B>

<sup>18</sup> *Id.*

<sup>19</sup> Julie Mack, “Michigan schools 'on a race to the bottom.' Is Betsy DeVos to blame?” *Michigan Live* (May 22, 2018)

<http://bit.ly/2tMbk8E>

<sup>20</sup> Jennifer Dixon, “Michigan Spends \$1B on Charter Schools But Fails to Hold them Accountable” *Detroit Free Press* (June 22, 2014) <https://on.freep.com/2NiCYSR>

<sup>21</sup> “Interview with Betsy DeVos, the Reformer” *Philanthropy Magazine* (April 2013) <http://bit.ly/2IDB1Ns>

<sup>22</sup> Gongwer News Service: <http://www.gongwer.com/public/devosdisclosure.pdf>

from home most days, the graduation rate is a dismal 48 percent. Not one virtual charter school meets the state's "passing" benchmark."<sup>23</sup>

During her confirmation process, DeVos disclosed other education-related holdings, including a pool of loans that held debt issued by the student loan debt collection firm Performant Recovery Inc. and loans to the international for-profit college company, Laureate Education.<sup>24</sup> She also reported investments in the private equity firm Apollo Global Management, which owns Delta Career Education Corp. and was part of an investor group that bought the University of Phoenix in 2017.<sup>25</sup>

Even with Republican control of Congress, lawmakers have shown little enthusiasm for DeVos' priorities, rejecting a budget proposal to spend more than \$400 million on private school vouchers and charter schools and to slash \$9.2 billion from overall education spending.<sup>26</sup> For the fiscal year starting in October, legislation under consideration in Congress would give the Education Department a spending boost of \$43 million, rather than the cuts proposed by DeVos.<sup>27</sup>

Under DeVos, the Education Department has lost 550 workers and overall headcount has shrunk about 13 percent.<sup>28</sup> The Trump administration wants to go further, and has proposed merging the departments of Education and Labor. That reorganization, however, appears unlikely to gain traction on Capitol Hill.<sup>29</sup>

Despite her disruptive aims, DeVos has run up against the hard reality that the U.S. Education Secretary has limited influence over K-12 education, a field in which local governments make most policy decisions.<sup>30</sup> Without a clear avenue for DeVos to advance her agenda for K-12 schools, her tenure has been more notable for a dramatic shift in higher education policy to benefit for-profit colleges.

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<sup>23</sup> Kimberly Helfing, "DeVos Champions Online Charter Schools, But the Results are Poor" Politico (Oct. 8, 2017) <http://politi.co/2ha0IKd>

<sup>24</sup> Ben Miller and Laura Jimenez, "Inside the Financial Holdings of Betsy DeVos" Center for American Progress (Jan. 1, 2017) <https://ampr.gs/2NIQtBf>

<sup>25</sup> Id.

<sup>26</sup> Anya Kamenetz, "President Trump's Budget Proposal Calls for Deep Cuts To Education" NPR News (May 22, 2017) <https://n.pr/2Ji6KUD>

<sup>27</sup> Andrew Ujifusa, "House Spending Bill Would Give Small Boost to Education, Reject Cuts by DeVos" (June 14, 2018) Education Week <http://bit.ly/2tQGrjo>

<sup>28</sup> Andrew Kreighbaum, "Under DeVos, a Smaller Department of Education," Inside Higher Ed (June 13, 2018) <http://bit.ly/2tRUK0J>

<sup>29</sup> Clare Lombardo, Alexis Arnold "White House Proposes Merging Education And Labor Departments," NPR News, (June 21, 2018) <https://n.pr/2No1xht>

<sup>30</sup> Brendan Pelsue, "When it Comes to Education, the Federal Government is in Charge of ... Um, What?" Harvard Ed. Magazine (Fall 2017) <http://bit.ly/2Nnw5Qo>

## Part I: For-Profit Colleges: Pulling the Cop off the Beat

*Institutions are defrauding students, and in many cases they are ripping off the American public, when they admit individuals who are manifestly unprepared for the work that will be required of them, or when they graduate students who cannot satisfy minimum standards in their field of study. - Former Education Secretary William Bennett, 1986*<sup>31</sup>

To satisfy their investor shareholders or private equity firm owners, for-profit colleges often maximize enrollment and provide a low-cost, low-quality education. The vast majority of tuition is paid through federal loans, leaving U.S. taxpayers with the burden of covering defaults. To avoid or stem any taxpayer losses, the U.S. government engages in aggressive debt collection practices<sup>32</sup> that might not be necessary if schools' practices were scrutinized more aggressively, resulting in fewer unpayable student loans. "Unlike at nonprofits, those who control for-profit institutions can personally benefit by growing their institutions quickly, spending less on education, and charging students more," Robert Shireman, a former Department of Education official under Obama and now a senior fellow at the Century Foundation, wrote in 2017: "At any time, investors can sell their ownership shares and leave any consequences to others."<sup>33</sup>

Students who are evaluating college programs often do not have good information with which to judge the quality of their education. They may not carefully compare an expensive for-profit college that runs aggressive marketing campaigns with an inexpensive community college offering an education of similar or better quality. When it is difficult for prospective students to evaluate their school's quality, predatory actors can easily overcharge students and deliver inferior educational services.<sup>34</sup> According to an analysis by Brookings Institution scholars, nearly half of for-profit college borrowers who took out loans in 2004 defaulted within 12 years -- about four times the rate of public and nonprofit schools<sup>35</sup> and a significant increase from the mid-1990s.

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<sup>31</sup> David Whitman, "The Reagan Administration's Campaign to Rein In Predatory For-Profit Colleges," The Century Foundation (Feb. 13, 2017) <http://bit.ly/2tSZjhl>

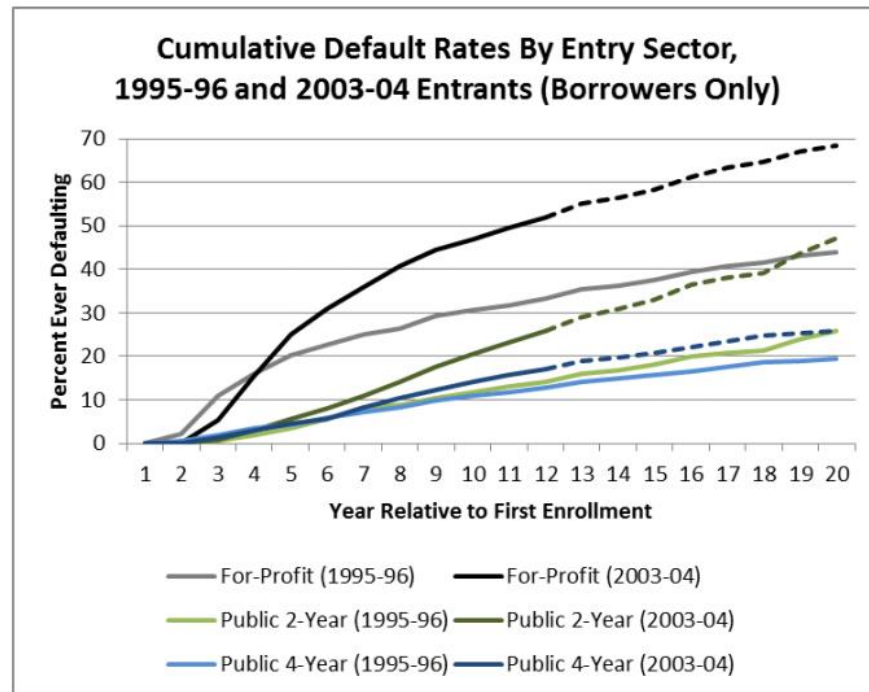
<sup>32</sup> Deanne Loonin and Persis Yu, "Pounding Student Loan Borrowers" National Consumer Law Center (September 2014) <https://www.nclc.org/images/pdf/pr-reports/report-sl-debt-collectors.pdf>

<sup>33</sup> Robert Shireman, "The For-Profit College Story: Scandal, Regulate, Forget, Repeat" The Century Foundation, (Jan. 24, 2017) <http://bit.ly/2KK9OdI>

<sup>34</sup> Robert Shireman, "Perils in the Provision of Trust Goods," Center for American Progress (May 21, 2014) <https://ampr.gs/2tRYcyN>

<sup>35</sup> Judith Scott-Clayton "The looming student loan default crisis is worse than we thought," Brookings Institution (Jan. 10, 2018) <https://brook.gs/2No6syW>





Source: Brookings Institution<sup>36</sup>

When for-profit schools close, thousands of students are left in the lurch, and can have difficulty transferring their credits into a reputable program.<sup>37</sup> For example, the September 2016 collapse of ITT Technical Institute forced about 40,000 students to decide whether to attend another college or give up school entirely.<sup>38</sup> ITT's former students have sued the school, and the court-appointed bankruptcy trustee has sued former ITT CEO Kevin Modany and eight former corporate directors for \$250 million over the company's shutdown. They claim that ITT failed to keep the company afloat by exploring a sale and neglected students by shutting down rather than closing gradually and giving students a chance to complete their education.<sup>39</sup> (Modany and former chief financial officer Daniel Fitzpatrick agreed to pay \$200,000 and \$100,000 to settle charges brought by the Securities and Exchange Commission, which alleged that ITT deceived investors about student default rates. The two former executives denied the allegations.)<sup>40</sup>

<sup>36</sup> Id.

<sup>37</sup> Danielle Douglas-Gabriel, "Everything ITT students need to know now that the for-profit school has closed" Washington Post, (Sept. 7, 2016) <https://wapo.st/2JjFXqX>

<sup>38</sup> James Briggs, "Former ITT Tech CEO, board directors could face reckoning 2 years after collapse" Indianapolis Star, (June 15, 2018) <https://indy.st/2tPTUbg>

<sup>39</sup> David Halperin "ITT Tech CEO Is Sued for Serving Himself As Company Collapsed," Republic Report, (June 13, 2018) <http://bit.ly/2tRk2CN>

<sup>40</sup> Danielle Douglas-Gabriel, "Former executives of defunct for-profit college firm ITT settle fraud charges with SEC," Washington Post (July 9, 2018) <https://wapo.st/2J6iXvy>

Even after the high-profile shutdowns of Corinthian Colleges<sup>41</sup> and ITT Technical Institute, which affected tens of thousands of students, the Trump administration appears all too eager to turn a blind eye to industry practices. Within six months of entering office, Trump's Department of Education quickly withdrew, delayed or signaled plans to overhaul several rules established during the Obama administration intended to protect students from unscrupulous higher education companies.<sup>42</sup>

DeVos has even hired several former for-profit college officials as top policy advisers. For example, the director of the Education Department's student loan enforcement office, which was established under President Obama, formerly worked for a for-profit college. As a result, the department's efforts to protect students from predatory schools are being gutted and investigations into several for-profit schools have been scotched.<sup>43</sup> Students harmed by for-profit schools have faced long waits for federal debt relief that has failed to make them whole.

While it remains unclear whether the battered industry can return to the kind of profits it reaped during the Bush administration, it is clear that DeVos is trying her hardest to help. "From Day One, Secretary DeVos and her advisers have chosen to side with predatory for-profit schools over the interests of students and taxpayers," Massachusetts Attorney General Maura Healey told *Politico* in an interview. "What they've done is actually make it easier for schools to cheat these students."<sup>44</sup>

The close connections between DeVos and the for-profit college industry stand in sharp contrast to the politics of the 1980s, when Republicans were often at odds with the industry. President Reagan's Education Secretary, William Bennett, testified at a 1986 Senate hearing that schools "are defrauding students, and in many cases they are ripping off the American public, when they admit individuals who are manifestly unprepared for the work that will be required of them, or when they graduate students who cannot satisfy minimum standards in their field of study." Bennett added that "some proprietary schools... are graduating large numbers of students who fail the relevant state licensing examination" and could not find jobs in their field.<sup>45</sup> At the time, some Democrats were skeptical of the argument that student loan default rates were indicative of a poor education, with liberal icon Sen. Edward Kennedy dismissing the allegations of "huckstering young kids" as lacking evidence.<sup>46</sup>

As Education Secretary in the early 1990s, Lamar Alexander, another Republican, proposed a system in which for-profit schools and vocational programs would be assessed on metrics including graduation and job-placement.<sup>47</sup> Now, as the chairman of the Senate Education Committee, Sen. Alexander has been silent on the issue.

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<sup>41</sup> Stephanie Gleason and Alan Zibel, "Corinthian Colleges Signs onto Plan to Dissolve Itself," *The Wall Street Journal* (July 4, 2014), <https://on.wsj.com/2NpfMCI>

<sup>42</sup> Danielle Douglas-Gabriel, "Trump Changes Higher Ed with Rollback of Obama-Era Consumer Protections," *The Washington Post* (July 9, 2017), <https://wapo.st/2uNIVAz>

<sup>43</sup> Danielle Ivory, Erica L. Green and Steve Eder, "Education Department Unwinds Unit Investigating Fraud at For-Profits" *New York Times* (May 13, 2018) <https://nyti.ms/2tSPINp>

<sup>44</sup> Michael Stratford, "Trump and DeVos fuel a for-profit college comeback," *Politico* (Aug. 31, 2017) <https://politi.co/2Nmyvi8>

<sup>45</sup> David Whitman, "The Reagan Administration's Campaign to Rein In Predatory For-Profit Colleges," *The Century Foundation* (Feb. 13, 2017) <http://bit.ly/2tSZjhl>

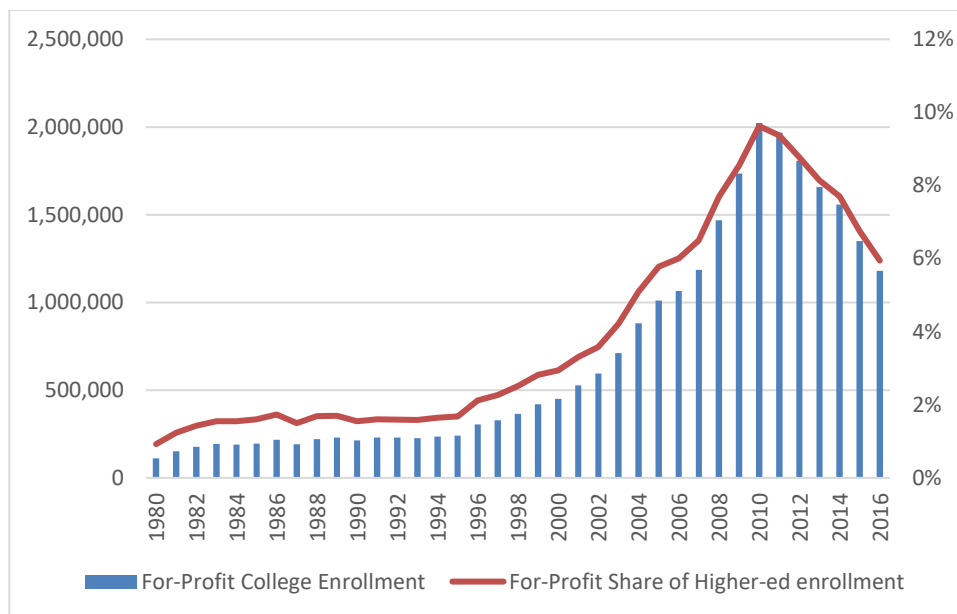
<sup>46</sup> David Whitman, "The Reagan Administration's Campaign to Rein In Predatory For-Profit Colleges," *The Century Foundation* (Feb. 13, 2017) <http://bit.ly/2tSZjhl>

<sup>47</sup> Margaret Mattes, "The GOP Has a Long History of Cracking Down on 'Sham Schools'" *The Century Foundation* (Jan. 12, 2017) <http://bit.ly/2NIXFgE>

By the early 2000s, for-profit colleges grew to enroll hundreds of thousands of students and saw huge increases in their stock prices thanks to skyrocketing profits.<sup>48</sup> Enrollment in for-profit schools surged during George W. Bush's administration, and continued to grow in the first two years of Obama's presidency, peaking in 2010 at more than 2 million, or 10 percent of higher education students.

Led by the giant University of Phoenix, for-profit educational institutions grew dramatically in the 1990s and early 2000s and were beloved by many Wall Street investors for their dramatic growth, tapping a large market of adults eager to gain new job-related skills.<sup>49</sup> But with few curbs on their expansion and little regulation, the industry had no meaningful checks on its growth and little incentive to treat students fairly.

**For-Profit College Enrollment 1980-2016**



Source: National Center for Educational Statistics 2017 Digest of Educational Statistics<sup>50</sup>

As they grew, several for-profit colleges became major lobbying players. Officials in President George W. Bush's administration came from the for-profit sector, including Sally Stroup, an Education Department official and former University of Phoenix lobbyist.

Rep. John Boehner, the Ohio Republican and eventual U.S. House speaker, also was a close ally of the industry. Boehner delivered a key victory to the industry by eliminating a requirement that colleges hold at least half their courses on campus to receive federal financial aid money.<sup>51</sup> This move allowed

<sup>48</sup> David Whitman, "The GOP Reversal on For-Profit Colleges in the George W. Bush Era" The Century Foundation (June 7, 2018) <http://bit.ly/2NlLbpr>

<sup>49</sup> Bill Breen, "The Hard Life and Restless Mind of America's Education Billionaire" Fast Company (Feb. 28, 2003) <http://bit.ly/2J8JeJC>

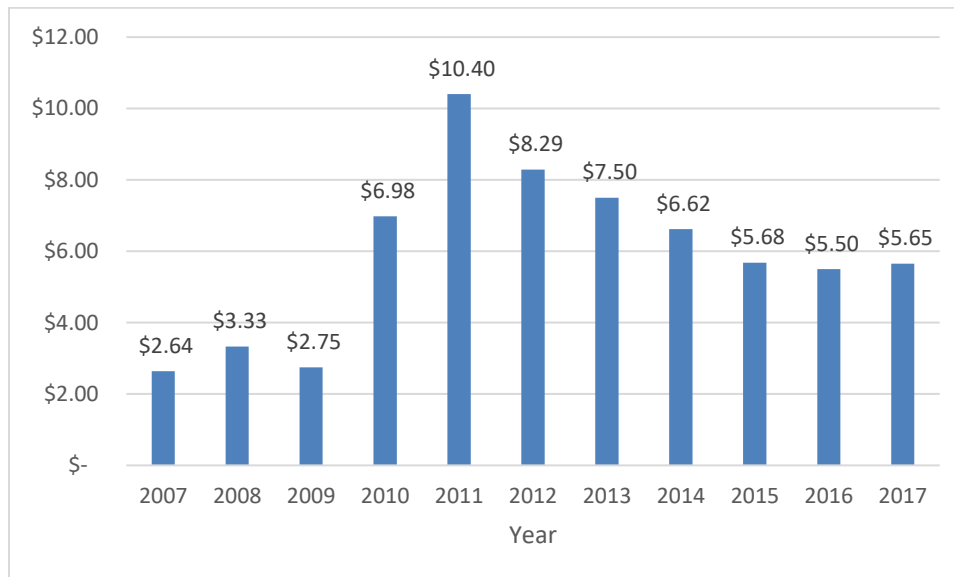
<sup>50</sup> See underlying data at National Center for Educational Statistics 2017 Digest of Educational Statistics, Table 303.10 <http://bit.ly/2tQrrSz>

<sup>51</sup> Sam Dillon, "Online Colleges Receive a Boost From Congress," New York Times (March 1, 2006), <https://nyti.ms/2NID24g>

schools to roll out online education programs, a major source of growth. “The power of the for-profits has grown tremendously,” former Rep. Michael Castle (R.-Del.) told the *New York Times* in 2006. “They have a full-blown lobbying effort and give lots of money to campaigns. In 10 years, the power of this interest group has spiked as much as any you’ll find.”<sup>52</sup>

The for-profit college sector’s lobbying efforts surged during the Obama administration as the industry tried to fight off new regulations. Industry lobbying then decreased for several years then started to increase again in Trump’s first year in office.

**For-profit college lobbying (\$ Millions)**



Source: Center for Responsive Politics

**Table 1: Lobbying in For-Profit Higher Education Industry, 2017**

Company	Description	2017 Federal Lobbying Spending
Apollo Education Group	University of Phoenix owner before 2017 takeover	\$1,210,000
Apollo Global Management	Private equity firm that controls Apollo Education/University of Phoenix after 2017 takeover.	\$770,000
Adtalem Global Education	Former DeVry Education Group	\$681,000
Career Education Colleges & Universities	Trade group of for-profit colleges	\$670,000
American Public University System	Online education company focusing on military	\$634,645

<sup>52</sup> Id.

Warburg Pincus	Investor in Bridgepoint Education	\$590,000
Laureate Education	International education company	\$268,000
Education Corp of America	Owner of Ecotech Institute, Brightwood College, Brightwood Career Institute, Golf Academy of America, New England College of Business and Finance and Virginia College	\$220,000
Universal Technical Institute	Runs schools for auto, collision, motorcycle repair technicians	\$140,000
Career Education Corp.	Owner of American InterContinental University, Colorado Technical University	\$120,000
ECPI College of Technology	Runs ECPI University	\$120,000
<b>Total</b>		<b>\$5,423,645</b>

Source: Center for Responsive Politics (Includes lobbying of more than \$100,000)

The Trump administration has espoused the anti-regulation views of the for-profit college industry, reflecting close ties between the Trump administration and for-profit colleges. Former House Speaker and close Trump ally Newt Gingrich, has long been tied to the for-profit college industry. Gingrich's third and current wife, Callista, the current U.S. Ambassador to the Vatican, was an aide to former Rep. Steve Gunderson, the former Republican congressman who now runs industry lobbying group Career Education Colleges and Universities (CECU).<sup>53</sup>



Gingrich (left) and Gunderson discuss higher education policies in August 2016. <http://bit.ly/2OvANvT>

Weeks after Trump's election, Gingrich spoke at a CECU meeting in Dallas<sup>54</sup> offering advice to the group about how to appeal to Black and Latino members of Congress.<sup>55</sup> Gingrich has been a consultant to CECU, making introductions to Trump administration officials,<sup>56</sup> while Gunderson has publicly praised DeVos, saying in an interview with the Associated Press that DeVos is engaged in "a serious attempt ... to find that appropriate fair balance for both students and schools."<sup>57</sup> Gunderson told the *Wall Street Journal* that the industry

<sup>53</sup> Tim Dickinson, "Newt and Callista's Affair 'Was Common Knowledge' on the Hill," Rolling Stone (Jan. 26, 2012) <https://rol.st/2NjR5qW>

<sup>54</sup> Sanya Mansoor, "Newt Gingrich stops in Dallas to talk jobs, Trump and 'how stupid universities are becoming'" Dallas Morning News, (Nov. 18 2016) <http://bit.ly/2NogShS>

<sup>55</sup> Zaid Jilani, "As Trump Settled University Lawsuit, Top Trump Adviser Newt Gingrich Coached For-Profit College Lobbyists," The Intercept (Nov. 28 2016) <http://bit.ly/2IQOwt7>

<sup>56</sup> Michael Stratford, "Trump and DeVos Fuel a For-Profit College Comeback," Politico (Aug. 31, 2017) <https://politi.co/2Nmyvi8>

<sup>57</sup> Maria Danilova and Richard Lardner, "For-Profit Colleges Struggle Despite Administration Support," Associated Press (April 9, 2018) <http://bit.ly/2IP8VPI>

had made missteps, saying that “We were a sector that grew too much, too fast”.<sup>58</sup> Since then, he claimed, for-profit schools have tightened their admission standards. Nevertheless, Gunderson asserted in a February 2017 letter asking for a meeting with DeVos that “the past eight years have seen an ideological attack on our sector.”<sup>59</sup>



February 9, 2017

The Honorable Betsy DeVos  
Secretary  
Department of Education  
400 Maryland Ave., SW  
Washington, DC 20202

Dear Madam Secretary:

On behalf of the nation’s postsecondary career colleges we write to extend our sincere congratulations to you upon assuming the leadership of the Department. We are proud to have submitted a letter endorsing your nomination to the Senate Committee on Health, Education, Labor and Pensions.

We stand ready to work with you, your team and the entire administration to provide the nation with high-quality postsecondary career education. As the administration seeks to grow the private sector we recognize this will require new skilled workers ready to fill new jobs. Combine this with the transition of the American workforce as one generation moves towards retirement, the demand for skilled workers will increase.

Yet, the past eight years have seen an ideological attack on our sector, simply because many of our schools are proprietary schools engaged in the delivery of such education. You should know that the annual enrollment in our schools has decreased by over 1.6 million students since the 2010/11 academic year. Because of the previous administration’s war on our schools, there are 900 fewer campuses available to serve these students than in 2012. Access to postsecondary career education is a real issue for our nation. With 45 percent of our students from Black and Hispanic communities we are failing to provide education, skills, and opportunity to those seeking a place in America’s middle class.

The purpose of this letter is to request a meeting with you and your senior leadership to discuss how we can move from the regulatory assault of the past to a constructive partnership that provides our nation’s students with the choices that enable them to choose their career; and to choose the institution that will provide them with the career skills essential for success. We stand ready to meet with you at any time that works for you. My only hope is that we might have at least a week’s notice to enable some of my board members the opportunity to participate in such a meeting.

We stand ready to work with you in every way. We look forward to the opportunity to work constructively together in ways that provides skills for the decade ahead.

Sincerely,

Steve Gunderson  
President & CEO

1530 Wilson Blvd., Suite 1050  
Arlington, VA 22209 | [www.career.org](http://www.career.org)

*Letter from Steve Gunderson to Secretary Betsy DeVos obtained via Century Foundation open-records request.*<sup>60</sup>

<sup>58</sup>Josh Mitchell, “For-Profit Colleges Look to Donald Trump for a Pass” Wall Street Journal (Dec. 2, 2016) <https://on.wsj.com/2KKbDHA>

<sup>59</sup>Letter from Steve Gunderson to Education Secretary Betsy DeVos (Feb 9, 2017) <http://bit.ly/2LDGNVw>

<sup>60</sup> Id.



## For-Profit College Profiteers Invade the Education Department

Reversing much of the Obama administration's crackdown, DeVos has brought on several former for-profit college executives, who now oversee the same companies where they once worked or represented. They include:

**Official:** Robert Eitel, senior adviser to Education Secretary Betsy DeVos

**Industry ties:** Bridgepoint Education Inc., Career Education Corp.

Eitel was formerly vice president for regulatory legal services at for-profit college company Bridgepoint Education Inc., which has disclosed numerous federal and state investigations.<sup>61</sup> Those include a Justice Department probe investigation<sup>62</sup> of its financial aid practices and several investigations by state attorneys general.<sup>63</sup> In 2016, Bridgepoint agreed to refund \$23.5 million to students and pay a \$8 million penalty in a settlement with the Consumer Financial Protection Bureau over student-lending practices.<sup>64</sup> Eitel started at the Education Department in February 2017, but did not officially resign from Bridgepoint until early April 2017. That overlap caused Sen. Elizabeth Warren (D.-Mass.) to question whether Eitel's work during that time violated conflict of interest laws.<sup>65</sup> Eitel has recused himself from issues related to Bridgepoint as well as another former employer, Career Education Corp. Eitel did not, however, recuse himself from work on a rule governing debt relief for defrauded students.<sup>66</sup>

E-mails obtained by watchdog group Democracy Forward show that Eitel was one of two Trump administration officials copied on a letter from a California group suing over this "borrower defense" rule, which sets out a process for defrauded students to receive debt relief.<sup>67</sup> Eitel sent several messages regarding the Trump administration's delay of this debt-relief rule, including drafts,<sup>68</sup> a media statement<sup>69</sup> and coordination of an embargoed press release.<sup>70</sup> Sen. Warren and

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<sup>61</sup> Patricia Cohen, "Betsy DeVos's Hiring of For-Profit College Official Raises Impartiality Issues" New York Times (March 17, 2017) <http://nyti.ms/2u2CCGV>

<sup>62</sup> Danielle Douglas-Gabriel, "Justice Department is investigating whether a for-profit college company violated federal financial aid rules" Washington Post (July 12, 2016) <https://wapo.st/2uKPSBE>

<sup>63</sup> Danielle Douglas-Gabriel, "California attorney general sues for-profit Bridgepoint Education" (Nov. 29, 2017) <https://wapo.st/2uKTdAE>

<sup>64</sup> Aruna Viswanatha, "For-Profit College Company to Refund Students \$23.5 Million in CFPB Settlement" (Sept. 12, 2016) <https://on.wsj.com/2uMyVXk>

<sup>65</sup> Letter from Sen. Elizabeth Warren to Education Secretary Betsy DeVos, Aug. 15, 2017, [https://www.warren.senate.gov/files/documents/2017\\_08\\_15\\_DeVos\\_letter\\_Eitel\\_conflicts.pdf](https://www.warren.senate.gov/files/documents/2017_08_15_DeVos_letter_Eitel_conflicts.pdf)

<sup>66</sup> Clare McCann, "The Ins and Outs of the Borrower Defense Rule," New America (July 10, 2017) <http://bit.ly/2IRnRwf>

<sup>67</sup> E-mails posted by Democracy Forward <https://democracyforward.org/wp-content/uploads/2017/11/CAPPS-Letter.pdf>

<sup>68</sup> E-mails posted by Democracy Forward <https://democracyforward.org/wp-content/uploads/2017/11/Draft-Rule.pdf>

<sup>69</sup> E-mail posted by Democracy Forward <https://democracyforward.org/wp-content/uploads/2017/11/Press-Release.pdf>

<sup>70</sup> E-mail posted by Democracy Forward <https://democracyforward.org/wp-content/uploads/2017/11/Embargo.pdf>

Rep. Raja Krishnamoorthi (D.-Ill) have questioned whether Eitel also should have been required to recuse himself from work on the borrower defense rule.<sup>71</sup>

**From:** Eitel, Robert  
**Sent:** Thursday, March 09, 2017 11:11 AM  
**To:** Venable, Joshua; Botel, Jason; Toner, Jana; Manning, James; Smith, Kathleen; Lee, Ebony; Hansen, Taylor; Kossack, Andrew; Riemer, Jeffrey (Justin); Ferguson, Gillum; Frendewey, Matthew; Mahaffie, Lynn; Rosenfelt, Phil; McFadden, Elizabeth; Conaty, Joe; Runcie, James; Minor, Robin  
**Cc:** Goodridge, Marcella  
**Subject:** Recusals

Colleagues:

Although I have discussed this issue with many of you, I wanted to inform you about two recusal matters pertaining to my employment at the U.S. Department of Education.

First, until and through February 13, 2019, I am recused from any particular matters involving as specific parties Bridgepoint Education, Inc. (and its schools Ashford University and University of the Rockies) and Career Education Corporation (and its schools, Colorado Technical University and American Intercontinental University, as well as its already closed or soon to close schools, Sanford-Brown Colleges and Institutes, Le Cordon Bleu Culinary Institutes, Briarcliffe College, Harrington College of Design, and Brooks Institute). I have also discussed this issue with the Department's Designated Ethics Agency Official.

Second, pursuant to 5 C.F.R. §2635.502(a)(2), I have concluded that, to avoid appearance concerns, I am recused from participating in discussions about, the review of, or the modifications to the Department's Gainful Employment regulations and guidance until and through February 13, 2019. I have consulted with the Department's DEAO, who does not object to my conclusion. I have referenced the applicable provision below.

Please let me know if you have any questions.

Thank you,

Bob Eitel

*Source: Education Department e-mail obtained via American Oversight public records request<sup>72</sup>*

Similarly, Senate Democrats have called on Eitel to recuse himself from federal oversight of a proposal by the for-profit Ashford University and the University of the Rockies, both of which are owned by Bridgepoint, to merge and convert to nonprofit status.<sup>73</sup> This deal would create a new institution that will then need to apply for access to federal student loan money, and thus create "an opportunity for inappropriate political influence in the Department's approval processes," the senators wrote.<sup>74</sup>

<sup>71</sup>Press release, Sen. Elizabeth Warren "Warren, Krishnamoorthi Call on Inspector General to Investigate Failures of Education Department Ethics Program under Secretary DeVos" (June 14, 2018) <http://bit.ly/2KKrTIA>

<sup>72</sup> Documents posted by American Oversight "Department of Education Emails Regarding Eitel and Hansen Recusals" (March 5, 2018) " <http://bit.ly/2IPkUw4>

<sup>73</sup>Press Release, Sen. Elizabeth Warren, "Warren, Colleagues Call for Top DeVos Adviser's Recusal from Decisions on For-Profit Colleges Owned by Former Employer" (March 15, 2018) <http://bit.ly/2NpOOWi>

<sup>74</sup>Letter from Sen. Elizabeth Warren to Education Secretary Betsy DeVos (March 15, 2018) <http://bit.ly/2Nm9tiU>



Eitel has recused himself from working on the “gainful employment”<sup>75</sup> rule, created under Obama to cut off federal student loan money to programs that saddle graduates with low earnings and high debt levels. Sen. Warren and Rep. Krishnamoorthi have asked the Education Department’s inspector general to investigate whether Eitel broke his pledge to recuse himself from working on this rule,<sup>76</sup> which the Education Department has proposed repealing.

**Official:** James Manning, Acting Undersecretary of Education Department, Acting Chief Operating Officer for Federal Student Aid

**Industry Ties:** Strada Education Network, Career Education Corp.

Manning has ties to both the student loan servicing industry and the for-profit college industry. Manning worked in the Education Department under both Presidents George W. Bush and Barack Obama.<sup>77</sup> After leaving government, Manning worked as a consultant for two years and was paid \$111,000 by USA Funds, a firm that guarantees student loans and collects student loan payments, according to his federal financial disclosure form.<sup>78</sup> USA Funds, now a nonprofit known as Strada Education Network, is led by William Hansen, Manning’s former boss during the George W. Bush administration and a board member of for-profit college owner Career Education Corp.<sup>79</sup>

Hansen was the second-ranking official at the Education Department from 2001 through 2003, and Manning worked as Hansen’s chief of staff.<sup>80</sup> Asked about the relationship between Manning and Hansen, an Education Department spokeswoman told *ProPublica* that Manning “has not been involved in any discussions or decisions made at the department that have or will effect that company [Strada].”<sup>81</sup> In 2015, Strada sued the Education Department, challenging a ban on collection fees for borrowers who default but quickly start repaying their loans,<sup>82</sup> a policy since reversed by the Trump administration.<sup>83</sup> Sen. Catherine Cortez Masto (D-Nev.), and three other Senate Democrats have written to the Department of Education’s ethics official expressing concerns about Manning’s connections to Hansen and companies in the education sector including a debt collection firm with a government contract as well as a company that owns for-profit law schools.<sup>84</sup>

<sup>75</sup> Press release, U.S. Department of Education, “DeVos Presses Pause on Burdensome Gainful Employment Regulations” (June 30, 2017) <http://bit.ly/2uMFOHf>

<sup>76</sup> Press release, Sen. Elizabeth Warren “Warren, Krishnamoorthi Call on Inspector General to Investigate Failures of Education Department Ethics Program under Secretary DeVos” (June 14, 2018) <http://bit.ly/2KKrTIA>

<sup>77</sup> Jack Stripling, “For Jittery Academics, Trump’s Education Transition Chief May Bring Calm” *Chronicle of Higher Education* (Nov. 22, 2016) <http://bit.ly/2tRuKZM>

<sup>78</sup> Manning’s financial disclosure form was accessed at: <https://www.documentcloud.org/documents/3766188-Manning-James.html>

<sup>79</sup> Press Release, Career Education Corporation, “William Hansen Joins Career Education Corporation Board of Directors” (Nov. 16, 2017) <http://bit.ly/2NmwnV7>

<sup>80</sup> Jack Stripling, “For Jittery Academics, Trump’s Education Transition Chief May Bring Calm” *Chronicle of Higher Education* (Nov. 22, 2016) <http://bit.ly/2tRuKZM>

<sup>81</sup> Derek Kravitz, Al Shaw, Annie Waldman and Ariana Tobin “Here Are the Financial Disclosures of Hundreds of Officials Trump Has Installed Across the Government” *ProPublica*, (June 5, 2017) <http://bit.ly/2NoRA3l>

<sup>82</sup> Michael Stratford, “Guaranty Agency Fights,” *Inside Higher Ed*, (July 17, 2015) <http://bit.ly/2tPUICe>

<sup>83</sup> Jordan Weissmann, “Betsy DeVos Is Wasting No Time Screwing Over Students Who Borrow Money for College” *Slate*, (April 18, 2017) <https://slate.me/2NplF2n>

<sup>84</sup> Letter from U.S. Senate Democrats to Education Department ethics official (Mar. 22, 2018) <http://bit.ly/2tS7NFY>

**Official:** Taylor Hansen, Former member of Education Department “beachhead” team.

**Industry Ties:** Career Education Colleges and Universities

The Trump administration briefly employed William Hansen’s son, Taylor, a former lobbyist for the main trade group representing for-profit colleges.<sup>85</sup> Hansen was a member of the “beachhead” team for the Education Department.<sup>86</sup> A former House Republican staffer, Hansen led legislative and regulatory affairs at the Association of Private Sector Colleges and Universities, the for-profit college lobbying group now called Career Education Colleges and Universities.<sup>87</sup> E-mails obtained by the Century Foundation through a public-records request show that Hansen told a top official at CECU that he would pass along a request for a meeting between DeVos and Gunderson, the CEO of the for-profit college lobbying group. Hansen also pushed a career official to discuss the Obama administration’s college-accountability standards.<sup>88</sup> Hansen then sent a March 2017 e-mail to Education Department colleagues acknowledging that he had “personally discussed with many of you the issues on which I am recused and prohibited from working on” but cited guidance from a government ethics official saying that he could provide “technical assistance” on those matters.<sup>89</sup> In the same e-mail, Hansen said he would recuse himself “on these issues entirely. Days later, Hansen abruptly left the department.”<sup>90</sup>

**Official:** Julian Schmoke, Enforcement Director, Education Department’s Federal Student Aid division

**Industry Ties:** DeVry University

DeVos hired Julian Schmoke, formerly a dean at for-profit DeVry University with no background in enforcement,<sup>91</sup> to run the Education Department’s student loan enforcement unit, created under Obama to scrutinize higher education institutions for potential fraud.<sup>92</sup> “We have serious concerns about your seeming lack of experience in consumer protection, litigation, and the management of investigations and attorneys,” five Senate Democrats wrote in a letter to Schmoke. “These qualifications and skills are essential to executing the critical responsibilities of

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<sup>85</sup> Lobbying information about Taylor Hansen accessed at OpenSecrets.org <http://bit.ly/2uYksqp>

<sup>86</sup> Annie Waldman, “For-Profit Colleges Gain Beachhead in Trump Administration” ProPublica (March 14, 2017) <http://bit.ly/2tTF9UT>

<sup>87</sup> Michael Stratford, “Trump expected to sign HBCU executive order” Politico Morning Education (Feb. 27, 2017) <https://politi.co/2JiLSg6>

<sup>88</sup> Adam Harris, “Emails From Trump Education Official Reveal Ties to For-Profit Colleges” The Atlantic (July 27, 2018) <http://bit.ly/2LCyitT>

<sup>89</sup> Adam Harris, “Emails From Trump Education Official Reveal Ties to For-Profit Colleges” The Atlantic (July 27, 2018) <http://bit.ly/2LCyitT>

<sup>90</sup> Annie Waldman, “Former Lobbyist With For-Profit Colleges Quits Education Department,” ProPublica (March 21, 2017) <http://bit.ly/2tSxEh2>

<sup>91</sup> Adam Harris, “Education Dept. Appointee’s For-Profit Past Draws Flak, but It’s Complicated,” The Chronicle of Higher Education (Aug. 31, 2017) <http://bit.ly/2J8sLVK>

<sup>92</sup> Michael Stratford, “Trump Administration Selects former DeVry official to Lead College Enforcement Unit” Politico (Aug. 30, 2017) <http://bit.ly/2LqdWjg>

this role.”<sup>93</sup> Under Schmoke, investigations into DeVry, Bridgepoint Education and Career Education have been effectively ended as government officials have been reassigned to focus on other topics, according to the *New York Times*.<sup>94</sup> After the Education Department announced Schmoke’s hiring, Sen. Chris Murphy (D.-Conn) tweeted that nominating Schmoke was “basically akin to nominating influenza to be the Surgeon General”<sup>95</sup>

In 2016, DeVry was sanctioned by the Education Department<sup>96</sup> and Federal Trade Commission<sup>97</sup> over allegations that it made misleading statements about employment and earnings of the school’s graduates. DeVry, which did not admit nor deny the allegations, rebranded itself as Adtalem Global Education.<sup>98</sup> The company then transferred ownership of DeVry University and Keller Graduate School of Management to Cogswell Education LLC, a small privately held California for-profit college company with ties to the failed Corinthian Colleges.<sup>99</sup>

**Official:** Diane Auer Jones, Principal Deputy Under Secretary performing duties of Under Secretary and Assistant Secretary for Postsecondary Education

**Industry Ties:** Career Education Corp., Center for Excellence in Higher Education.

Jones was senior vice president and chief external affairs officer at Career Education Corp., where she worked with Eitel<sup>100</sup> and advocated for legislation to eliminate funding for the Obama administration’s efforts to weed out ineffective career-training programs.<sup>101</sup> Career Education has disclosed investigations from numerous state attorneys general and the Federal Trade Commission<sup>102</sup> and reached a \$10 million settlement in 2013 with former New York Attorney General Eric Schneiderman over allegations that the company inflated the percentage of

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<sup>93</sup>Letter from Sens. Elizabeth Warren, Sherrod Brown, Richard Durbin, Richard Blumenthal and Sheldon Whitehouse to Dr. Julian Schmoke of U.S. Education Department (Sept. 5, 2017)

[https://www.warren.senate.gov/files/documents/2017\\_09\\_05\\_Schmoke%20\\_letter.pdf](https://www.warren.senate.gov/files/documents/2017_09_05_Schmoke%20_letter.pdf)

<sup>94</sup> Danielle Ivory, Erica L. Green and Steve Eder, “Education Department Unwinds Unit Investigating Fraud at For-Profits” *New York Times* (May 13, 2018) <https://nyti.ms/2tSPINp>

<sup>95</sup> Tweet from Sen. Chris Murphy (D.-Conn.) <https://twitter.com/ChrisMurphyCT/status/902702439685607424>

<sup>96</sup> Danielle Douglas-Gabriel, “For-profit DeVry University reaches a settlement with Education Dept. over deceptive ads” *Washington Post*, (Oct 13, 2016) <https://wapo.st/2JaehEP>

<sup>97</sup> Danielle Douglas-Gabriel, “DeVry agrees to \$100 million settlement with the FTC” (Dec. 15, 2016) <https://wapo.st/2J91xhF>

<sup>98</sup> Andrew Kreighbaum, “DeVry to Rebrand as Adtalem Global Education” *Inside Higher Ed*, (May 3, 2017) <http://bit.ly/2J7xK9n>

<sup>99</sup> Press Release, “Durbin, Brown Urge DeVos To Protect Students & Taxpayers In Potential Transfer Of Predatory For-Profit DeVry University To Cogswell Education,” Sen. Richard Durbin (June 4, 2018) <http://bit.ly/2uEgTpo>

<sup>100</sup> Career Education Corp., Senate Lobbying Disclosure Act form showing Jones as a lobbyist and Eitel as vice president of regulatory operations filed (April 17, 2013) <https://soprweb.senate.gov/index.cfm?event=getFilingDetails&filingID=8E88B16F-0614-4070-A487-0EB1EEBF20DF&filingTypeID=53>

<sup>101</sup> Career Education Corp., Senate Lobbying Disclosure Act form showing Jones lobbied to bar funding for the Obama administration’s “gainful employment” rule <https://soprweb.senate.gov/index.cfm?event=getFilingDetails&filingID=C85E8357-11A8-45BD-9889-B7F851B5FF40&filingTypeID=60>

<sup>102</sup> Career Education Corp., Form 10-Q Filing, Page 13 (May 2, 2018) [https://www.sec.gov/Archives/edgar/data/1046568/000156459018010315/ceco-10q\\_20180331.htm](https://www.sec.gov/Archives/edgar/data/1046568/000156459018010315/ceco-10q_20180331.htm)

students who found work after graduation.<sup>103</sup> After Jones left Career Education, she worked as a senior fellow at the Urban Institute and an education industry consultant.<sup>104</sup> Financial disclosure forms show that Jones was an expert witness for the Center for Excellence in Higher Education, a Utah-based college chain<sup>105</sup> whose effort to convert from for-profit status to a less-regulated nonprofit was turned down by the Obama Education Department<sup>106</sup> and has been in talks with Trump administration officials about a settlement that would reverse the previous decision.<sup>107</sup> Jones' extensive industry ties are raising questions about whether she can fairly oversee for-profit colleges.

In a letter to DeVos, Senate Democrats cited a "significant number of conflicts of interest and appearances of impropriety"<sup>108</sup> and questioned whether Jones can fairly evaluate whether to reinstate a career-college accrediting agency that lost its federal recognition in late 2016 after the failure of several for-profit schools.<sup>109</sup> Jones, a top Education Department official under DeVos, has long been hostile to accreditation. Jones, who spoke at the accrediting organization's policy symposium in 2014<sup>110</sup> accused the government of "requiring accreditors to jump through an ever-changing and ever-expanding set of hoops" and forcing accreditors "to put bureaucratic opinion ahead of academic peer review" in evaluating institutions.<sup>111</sup> More recently, Jones expressed concerns that regulations and accreditation requirements "hold innovation back" and bemoaned the creation of "a behemoth monstrosity of bureaucracy that is unnecessary"<sup>112</sup> and held a meeting with officials from a White House office led by presidential son-in-law Jared Kushner as part of an effort to "rethink the role of accreditors as gatekeepers of federal student aid."<sup>113</sup>

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<sup>103</sup> Lisa Fleisher, "For-Profit College Agrees to \$10 Million Settlement," The Wall Street Journal (Aug. 19, 2013) <https://on.wsj.com/2sA6uKp>

<sup>104</sup> Financial disclosure form accessed at: <https://www.documentcloud.org/documents/4416584-Diane-Jones-Financial-Disclosure.html>

<sup>105</sup> Id.

<sup>106</sup> Danielle Douglas-Gabriel, "Education Department stops for-profit college from sidestepping federal rules" Washington Post (Aug. 11, 2016) <https://wapo.st/2J8FvLX>

<sup>107</sup> Michael Stratford, "DeVos may reverse Obama ruling on for-profit college conversions" Politico, (Jan. 24, 2018) <https://politi.co/2L3uf5t>

<sup>108</sup> Letter from Sens. Richard Blumenthal, Elizabeth Warren, Patty Murray et al to Education Secretary Betsy DeVos (April 26, 2018) <http://bit.ly/2uNYkzc>

<sup>109</sup> Elizabeth Redden, Inside the Oversight of a Questionable Institution, Inside Higher Ed (May 4, 2018) <http://bit.ly/2J8OKfi>

<sup>110</sup> ACICS 2014 Policy Symposium Presentation "How 'Gainful Employment' Fits in the Toolbox for Measuring Institutional Effectiveness," Accessed at <http://www.acics.org/WorkArea/DownloadAsset.aspx?id=6231>

<sup>111</sup> Diane Auer Jones, "The Changing Role of Accreditation and the Department of Education: Benefit or Menace?" paper presented at Association for Core Texts and Courses 17th Annual Conference (April, 2011) <https://www.aale.org/docs/AuerJones.2014.pdf>

<sup>112</sup> Lindsay McKenzie "Feds Plan Accreditation Experimentation," Inside Higher Ed (June 20, 2018) <http://bit.ly/2uDMBTC>

<sup>113</sup> Andrew Kreighbaum, "White House, and Kushner, Dig Into Higher Ed" (Aug 10, 2018) <http://bit.ly/2OUYq03>

**Official:** Carlos Muniz, Education Department General Counsel

**Industry Ties:** Career Education Corp.

The Education Department's general counsel, Muniz is a corporate lawyer who advised Career Education Corp. while at law and consulting firm McGuire Woods.<sup>114</sup> Muniz previously worked as a top aide to Florida Gov. Jeb Bush as well as Florida Attorney General Pam Bondi<sup>115</sup> and helped to defend her decision not to sue Trump University.<sup>116</sup> Muniz also defended Florida State University in a lawsuit by a former student who accused the school of failing to investigate her charge that she was raped by former star quarterback Jameis Winston.<sup>117</sup> The school settled the case for \$950,000 and denied wrongdoing.<sup>118</sup> Documents obtained by the *New York Times* highlighted efforts by lawyers for Bridgepoint to dissuade Muniz and Bondi from following the lead of other states and launching an investigation into Bridgepoint.<sup>119</sup> A senior advisor at law firm Dickstein Shapiro LLP, which was working for Bridgepoint, described the meeting to Muniz in a November 2013 e-mail obtained by the *Times*:<sup>120</sup> "The main objective for the meeting would be for Bridgepoint to talk to you and other appropriate staff, about their educational programs and their policies and procedures as it relates to students, marketing and compliance. Maybe you have the head of Consumer Protection and an education policy person join the meeting? And maybe have AG Bondi "stop by." <sup>121</sup>

Other Trump-tied figures also have close connections to the for-profit college industry. White House director of strategic communications Mercedes Schlapp, was formerly a consultant to Bridgepoint Education.<sup>122</sup> Anthony Campau, a top official at the White House Office of Management and Budget, was an associate general counsel at Strayer University.<sup>123</sup> Lauren Maddox, a lobbyist for for-profit colleges and a former Bush administration official, guided DeVos<sup>124</sup> through her confirmation. Maddox, who currently works for law and lobbying firm Holland and Knight, has represented

<sup>114</sup> Financial disclosure for Carlos Muniz accessed at: <https://www.documentcloud.org/documents/4387676-Carlos-G-Mu%C3%B1iz-Financial-Disclosure.html>

<sup>115</sup> Press Release, "Former Fla. Deputy AG, Counsel to Former Gov. Jeb Bush Joins McGuireWoods" (Jan 8, 2014) <https://www.mcguirewoods.com/News/Press-Releases/2014/1/Carlos-Muniz-Joins-McGuireWoods.aspx>

<sup>116</sup> Michael Biesecker and Gary Fineout, "Trump taps lawyer involved with Trump U case for federal job" Associated Press (April 12, 2017) <https://apnews.com/4e4eaba253164b9e88c8f67de504d4d8>

<sup>117</sup> Erica L. Green, "2 Education Dept. Picks Raise Fears on Civil Rights Enforcement" New York Times (April 4, 2017) <https://nyti.ms/2JafdZV>

<sup>118</sup> Marc Tracy, "Florida State Settles Suit Over Jameis Winston Rape Inquiry" New York Times (Jan. 25, 2016) <https://nyti.ms/2KZNhts>

<sup>119</sup> E-mails were obtained by the New York Times and posted at <https://www.documentcloud.org/documents/1339573-3-ag-bondi.html#document/p74/a183188>

<sup>120</sup> Id.

<sup>121</sup> Id.

<sup>122</sup> Danielle Ivory, Erica L. Green and Steve Eder, "Education Department Unwinds Unit Investigating Fraud at For-Profits" New York Times (May 13, 2018) <https://nyti.ms/2tSPINp>

<sup>123</sup> Michael Stratford, "Trump and DeVos fuel a for-profit college comeback," Politico (Aug. 31, 2017) <https://politi.co/2Nmyvi8>

<sup>124</sup> Theodor Meyer and Michael Stratford, "Trump transition staffers head to K Street despite lobbying ban" Politico (May 3, 2017) <https://politi.co/2IzSEh3>

education industry clients including Career Education Corp, Sallie Mae, for-profit law school owner InfiLaw Corp and Ceannate, a debt collection and loan servicing firm.<sup>125</sup>

### Scaling Back Accountability for Poorly Performing Colleges

In June 2017, the Education Department announced it would put the brakes on Obama-era rules designed to weed out poor career-training programs at for-profit schools.<sup>126</sup> Unsurprisingly, this move by DeVos won praise from the for-profit education sector, which decried the Obama administration actions as “ideological efforts geared to destroy postsecondary career education.”<sup>127</sup> Since then, DeVos’ changes have been under fire from consumer advocates and 18 state attorneys general, who are challenging the delay on procedural grounds.<sup>128</sup>

Nevertheless, the Trump administration has proposed to repeal these accountability standards, known as the “gainful employment,” rule, which aim aims to guard against programs that fail to deliver an education that prepares students for the workforce. An Education Department repeal proposal released in August 2018 would rescind the gainful employment rule, eliminating the government’s ability to withhold federal student loans from programs with poor track records.<sup>129</sup> This proposal is expected to cost U.S. taxpayers more than \$5 billion over a decade, driven by an increase in students receiving federal education funding who enroll in programs that would have failed under the Obama-era standards.<sup>130</sup>

These rules for career-training programs were adopted in 2014 after several years of court battles with the industry.<sup>131</sup> Under these standards, schools offering programs that consistently leaving graduates with high levels of debt relative to their earnings, they can lose access to federal student grant and loan money.<sup>132</sup> Data released just before Trump’s inauguration indicate that 800 programs failed these new standards, meaning that a typical graduate had loan payments of more than 30 percent of discretionary income and 12 percent of total income.<sup>133</sup> The vast majority of failing programs, or 98 percent, were offered by for-profit colleges.<sup>134</sup>

<sup>125</sup>Lobbying records for Lauren Maddox accessed at OpenSecrets.org

<https://www.opensecrets.org/lobby/lobbyist.php?id=Y0000029594M&year=2013>

<sup>126</sup> Press release, U.S. Department of Education, DeVos Presses Pause on Burdensome Gainful Employment Regulations (June 30, 2017), <http://bit.ly/2uMFOHF>

<sup>127</sup> Press Release, Career Education Colleges and Universities, CECU Statement on Borrower Defense and Gainful Employment (June 14, 2017), <http://bit.ly/2tjXITZ>

<sup>128</sup> Danielle Douglas-Gabriel, “Maryland leads states in suing DeVos over dismantling of rule to regulate career-training programs,” Washington Post (Oct. 17, 2017) <https://wapo.st/2HnXLQD>

<sup>129</sup> Erica L. Green, “DeVos Ends Obama-Era Safeguards Aimed at Abuses by For-Profit Colleges” New York Times (August 10, 2018) <https://nyti.ms/2LdmKbi>

<sup>130</sup> Kellie Mejdreich, “Education Department’s ‘Gainful Employment’ Repeal Carries High Price Tag,” Roll Call (Aug 14, 2018) <http://bit.ly/2BwbozO>

<sup>131</sup> Robert Shireman, “What Does the Gainful Employment Rule Mean for Career Schools Seeking Access to Federal Aid?” Century Foundation (March 27, 2017) <http://bit.ly/2uLE6pL>

<sup>132</sup> Ben Miller and Mark Hatton, “Why Gutting Gainful Employment Is a Bad Idea for Betsy DeVos” Center for American Progress (Aug. 2, 2017) <https://ampr.gs/2uOYwOm>

<sup>133</sup> Press Release, U.S. Education Department, “Education Department Releases Final Debt-to-Earnings Rates for Gainful Employment Programs” (Jan. 9, 2017) <http://bit.ly/2uQ282L>

<sup>134</sup> Andrew Kreighbaum, “Overburdened With Debt” Inside Higher Ed (Jan. 10, 2017) <http://bit.ly/2JCwsDi>



In advance of the Education Department's gutting of accountability standards, DeVos gave schools two extra years to comply with a requirement that they disclose their gainful employment data to prospective students.<sup>135</sup> DeVos has also given schools more time to appeal a formula used by the government to determine whether schools are meeting the requirements imposed by the gainful employment rule.<sup>136</sup> As of April 25, 2018, the Education Department had not denied any appeals submitted by schools.<sup>137</sup>

### Rehabilitating a troubled for-profit college accreditor

Higher education institutions around the country are evaluated by independent accreditation bodies, which use volunteers from peer institutions to evaluate colleges based on the accreditation group's standards. Colleges need an accreditor's approval to obtain access to federal student grant and loan funding. But accreditors have been under fire for rarely kicking out poor-performing schools.

A *Wall Street Journal* analysis found that the government sent \$16 billion in aid in 2014 to students at four-year colleges with dismal graduation rates.<sup>138</sup> At those schools, less than a third of students graduated within six years. The Journal also found that accrediting agencies, which are paid by the colleges they evaluate, see their role as helping colleges improve. "You're not there to remove an institution," Judith Eaton, president of the Council for Higher Education Accreditation, a trade group, told the *Journal*. "You're there to enhance the operation."<sup>139</sup>

The Accrediting Council for Independent Colleges and Schools, or ACICS, has been particularly problematic, having given its stamp of approval<sup>140</sup> to many institutions that ended up under federal or state investigation, including now-shuttered ITT and Corinthian Colleges. The Center for American Progress found 17 ACICS-approved institutions, campuses, or corporate entities that have been under investigation and 90 instances where ACICS "honor roll" institutions were under investigation by the state or federal government.<sup>141</sup> ACICS "produces the worst combined student outcomes of any major accreditation agency" and takes minimal to no public action against colleges despite red flags, the CAP report found.

Democratic Senators Elizabeth Warren, Richard Durbin and Brian Schatz have introduced legislation to improve the accreditation system by setting up standards that accreditors must use.<sup>142</sup> Sen. Chuck Grassley (R-Iowa) has also brought up concerns about several ACICS-approved schools that act as so-

<sup>135</sup> Paul Fain, "Gainful-Employment Disclosures Delayed Again" Inside Higher Ed (June 18, 2018) <http://bit.ly/2uKMufW>

<sup>136</sup> Press release, U.S. Department of Education, DeVos Presses Pause on Burdensome Gainful Employment Regulations (June 30, 2017), <http://bit.ly/2uMFOHf>

<sup>137</sup> U.S. Department of Education, "Gainful Employment Information" <https://studentaid.ed.gov/sa/about/data-center/school/ge>

<sup>138</sup> Andrea Fuller and Douglas Belkin, "The Watchdogs of College Education Rarely Bite" Wall Street Journal, (June 17, 2015) <https://on.wsj.com/2ICbsMJ>

<sup>139</sup> Id.

<sup>140</sup> Ben Miller, "ACICS Must Go," Center for American Progress (June 6, 2016) <https://ampr.gs/2uVVfx9>

<sup>141</sup> Id.

<sup>142</sup> Press Release, "Senators Warren, Durbin, and Schatz Introduce Bill to Reform Higher Education Accreditation and Strengthen Accountability for Students and Taxpayers (Sept 22, 2016) <http://bit.ly/2v48WKg>

called visa mills, or “surreptitious employment agencies for aliens seeking to work in the United States,” as Grassley put it.<sup>143</sup>

The Obama administration revoked ACICS’s recognition as an approved accreditor in December 2016 after the collapse of Corinthian and ITT.<sup>144</sup> That decision was put on hold in March 2018 when a court found the government had failed to consider relevant evidence submitted by the accreditor.<sup>145</sup>

Shortly after this court decision, the Education Department reinstated ACICS while it reconsiders the Obama administration’s decision, despite the advice of career Education Department officials who detailed serious concerns about ACICS in an internal analysis.<sup>146</sup> This analysis, which concluded that ACICS failed to meet criteria required for accreditors under federal law, was made public after a lawsuit from student advocates.<sup>147</sup>

### **Delaying Standards for Online Higher Ed Programs**

In December 2016, the Education Department moved to combat fraud by operators of online schools, who could escape state consumer-protection regulations due to the lack of a physical location in the state where the student lives. The new rules require institutions offering online courses to be authorized by every state where their students reside, if that state has an authorization requirement.<sup>148</sup> Under these rules, which establish standards for the growing online education field, schools must disclose whether their programs meet state licensure or certification requirements and detail any adverse actions taken by state agencies and accreditors. Without such a disclosure, a student could waste time on a nursing or teaching program that would not meet their state’s licensure requirements. But lobbyists for colleges and universities have called these regulations confusing and difficult to comply with,<sup>149</sup> and DeVos has delayed their implementation until summer 2020.<sup>150</sup>

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<sup>143</sup> Press Release, "Grassley Examines Lax Oversight of ‘Visa Mills’ Offering Visas to Foreign Students" (March 26, 2018) <http://bit.ly/2v6Auyu>

<sup>144</sup> Danielle Douglas-Gabriel, "Education secretary ousts one of the nation’s largest college accreditors from its oversight role" Washington Post (Dec.12, 2016) <https://wapo.st/2vITdX0>

<sup>145</sup> Doug Lederman, "Court Opens Door for For-Profit Accreditor's Future" Inside Higher Ed. (March 26, 2018) <http://bit.ly/2Lczcc7>

<sup>146</sup> Michael Stratford, "DeVos reinstated for-profit college accreditor despite staff objections, report shows" Politico (June 9, 2018) <http://bit.ly/2uPPKjp>

<sup>147</sup> Release, "DeVos Releases Career Staff Report On For-Profit College Accreditor, ACICS, Reveals Continued Noncompliance" The Century Foundation (June 8, 2018) <http://bit.ly/2uNdKUK>

<sup>148</sup> Press Release, "Education Department Announces Final Rule on State Authorization of Postsecondary Distance Education, Foreign Locations" U.S. Department of Education (Dec. 16, 2016) <http://bit.ly/2uL7E6Q>

<sup>149</sup> Lindsay McKenzie, "Confusion Over Distance Education Rules" Inside Higher Ed (March 9, 2018) <http://bit.ly/2uIV342>

<sup>150</sup> Doug Lederman and Lindsay McKenzie, "2-Year Delay for State Authorization Rule," Inside Higher Ed (May 25, 2018) <http://bit.ly/2JlakNy>



### Covert For-Profit Schools: How For-Profit Colleges Now Pose as Nonprofits

*“You know, education, it’s a product, I’ll admit that, but all products aren’t as profitable as other products, and education has a mission way beyond just the bottom line, And I think some of the corporate leaders lost sight of that.”*

*- Rick Jerue, former president, Art Institutes of Charleston.<sup>151</sup>*

In recent years, many for-profit colleges have sought to convert to nonprofit status in an effort to escape federal oversight and shed the poor reputation of for-profit schools.<sup>152</sup> Industry officials claim they are making this transition simply to improve their public image, which they claim is under an unfair attack. “The real reason that schools move to a nonprofit status is because there has been an attack on our sector that has clearly created some bad public relations and images,” the profit-college industry’s Steve Gunderson told the *Wall Street Journal*.<sup>153</sup>

But converting to non-profit status also helps colleges escape several regulatory requirements. Those include a federal law barring for-profit colleges from obtaining more than 90 percent of their revenue from federal student loans and grants. Many for-profit schools are already able to dodge this “90-10 rule” by enrolling military veterans, whose tuition assistance does not count toward the 90 percent cap because it does not come from the Education Department.<sup>154</sup>

The degree-granting programs of schools that convert to non-profit status would also escape the requirement set out in the Obama-era gainful employment rule that graduates must earn enough to pay down their debt. Plus, converting to nonprofit status also helps to avoid taxes and provides greater eligibility for state and charitable grants – even as the primary owners or backers of the schools still maneuver to pay themselves as if they were still collecting profits.

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<sup>151</sup>Paul Bowers, "Students left dangling as Art Institute of Charleston shuts down" Charleston Post and Courier (July 23, 2018) <http://bit.ly/2v3Ok4H>

<sup>152</sup> Robert Shireman, "The Covert For-Profit" Century Foundation (Sept. 22, 2015) <http://bit.ly/2uPRbOP>

<sup>153</sup> Michelle Hackman, "After Obama-Era Crackdown, For-Profit Colleges Seek Nonprofit Status" Wall Street Journal (May 30, 2018) <https://on.wsj.com/2Ldi2Lr>

<sup>154</sup> Many for-profit schools are already able to dodge this “90-10 rule” by enrolling military veterans, whose tuition assistance does not count toward the 90 percent cap because it does not come from the Education Department See: Aaron Glantz, "Taxpayer funds are lifeline for more than 100 for-profit schools" Reveal from the Center for Investigative Reporting (Oct. 9, 2014) <http://bit.ly/2v8Rsg2>

**Regulatory Advantages of Not-for-Profit Status**

- Following the first full fiscal year after completion of the “conversion” transaction, institution is not subject to the 90-10 requirement
- Degree programs of not-for-profit institutions are not subject to GE rule
- Not clear whether DOE will require a transition period

#APSCU2012 Working Proud

*A 2012 presentation by higher education industry lawyers outlined reasons for a for-profit college to convert to non-profit. (Presentation obtained by Republic Report, a website run by Public Citizen board member David Halperin)<sup>155</sup>*

Under Obama, the Education Department raised red flags about the conversions of for-profit schools to nonprofit status. In 2016, the Education Department rejected a request by the Utah-based Center for Excellence in Higher Education (CEHE) to be considered a nonprofit for the purposes of receiving federal financial aid money.<sup>156</sup> CEHE, which previously had been granted nonprofit status for tax purposes, bought the Stevens-Henager and CollegeAmerica schools in 2012, and the schools’ founder, Carl Barney, was named as board chairman.

Barney is a former Scientologist and libertarian described by the *New York Times* as “guided by the heroic entrepreneurial creed of Ayn Rand, a champion of unalloyed selfishness and remorseless capitalism”<sup>157</sup> The structure of his schools came under scrutiny from the Obama Education Department, which said these schools didn’t meet the legal definition of “nonprofit”<sup>158</sup> for educational purposes. The Education Department found that the colleges’ ownership “was structured in such a way that that an income stream of over \$400 million was intended to continue to flow” to a trust benefiting Barney, just as before the non-profit conversion.<sup>159</sup> The decision to reject CEHE’s conversion “should send a clear message to anyone who thinks converting to non-profit status is a

<sup>155</sup> Neil Lefkowitz, Douglas M. Mancino, “Alternatives to For-Profit Status For Participating in Title IV Programs” (June 21, 2012) presentation posted on Republic Report <http://bit.ly/2uYLVbH>

<sup>156</sup> Melissa Korn, “Education Department Rebukes For-Profit College’s Request for Nonprofit Status” Wall Street Journal (Aug. 11, 2016) <https://on.wsj.com/2Ns0IDh>

<sup>157</sup> Patricia Cohen, “An Ayn Rand Acolyte Selling Students a Self-Made Dream,” New York Times (May 7, 2016) <https://nyti.ms/2uOn7Dk>

<sup>158</sup> Press Release, “Education Department Denies Request for Chain of For-Profit Colleges to Convert to Non-Profit Status,” (August 11, 2016) <http://bit.ly/2v6X6z9>

<sup>159</sup> Id.

way to avoid oversight while hanging onto the financial benefits: Don't waste your time" former Education Secretary John King said at the time.<sup>160</sup>

Weeks after this decision, Barney's colleges sued<sup>161</sup> to reverse the Obama administration's decision, and Barney expressed relief after Trump's election. "I've been expecting them to close us down for a year," he said in an interview with the *New York Times*. "Let's say the carnage for the for-profit sector has stopped."<sup>162</sup> Eric Juhlin, the chief executive of CEHE, told the *Wall Street Journal* in spring 2018 that CEHE was talking with federal officials "to see whether they might come to a different decision." Juhlin, whose company previously employed the Education Department's Diane Auer Jones as a consultant<sup>163</sup> appeared optimistic, telling the *Journal* that the Trump administration "is more open to rationally discussing issues."

In many cases, these converted institutions have continued to act like for-profit colleges rather than traditional nonprofits, with their aggressive recruitment practices, use of forced arbitration clauses in enrollment contracts and pervasive financial conflicts of interest. Aspects of their prior for-profit structure remain, as many institutions enter into long-term service contracts with a prior owner who is retaining for-profit status.<sup>164</sup> Several schools that have converted into nonprofits are led by administrators who were longtime executives at for-profit colleges. For instance:

- Florida-based Ultimate Medical Academy, which offers healthcare training programs, was acquired by a Colorado nonprofit in 2015.<sup>165</sup> Ultimate Medical Academy, which has kept its brand name, has employed administrators who worked at the defunct Trump University.<sup>166</sup>
- Brent Richardson, who helped engineer the transformation of Arizona-based Grand Canyon University from a religious non-profit school into a publicly-traded for-profit giant, is now CEO of Dream Center Education Holdings LLC, which is owned by a Los Angeles-based Christian nonprofit<sup>167</sup> that purchased 31 Art Institute schools, plus South University and Argosy University. Dream Center has hired a former Trump campaign advisor, Barry Bennett to lobby on its behalf and paid Bennett \$90,000 in the first quarter of 2018, according to a lobbying disclosure form.<sup>168</sup>

<sup>160</sup> Danielle Douglas-Gabriel, "Education Department stops for-profit college from sidestepping federal rules" (Aug. 11, 2016) <https://wapo.st/2uGtXdG>

<sup>161</sup> Patricia Cohen, "College Group Sues U.S., Saying It's Target of Political Agenda" *New York Times* (Aug. 30, 2016) <https://nyti.ms/2LoEtIm>

<sup>162</sup> Patricia Cohen "For-Profit Schools, an Obama Target, See New Day Under Trump" Feb. 20, 2017 <https://nyti.ms/2uJ1tA3>

<sup>163</sup> Financial disclosure form accessed at: <https://www.documentcloud.org/documents/4416584-Diane-Jones-Financial-Disclosure.html>

<sup>164</sup> Danielle Douglas-Gabriel, "The rise of the covert for-profit college" *Washington Post*, (Oct. 6, 2015) <https://wapo.st/2L9dgi6>

<sup>165</sup> David Halperin, "Ex-Trump University Executives Run College That Gets \$150 Million from Taxpayers (June 27, 2016) <http://bit.ly/2NPKPXI>

<sup>166</sup> Jerome R. Stockfisch, "Ex-Trump University executives are now guiding a Tampa academy" *Tampa Bay Times*. (July 22, 2016) <http://bit.ly/2LRFI8G>

<sup>167</sup> Ashley A. Smith, "New Nonprofit Owner for EDMC" *Inside Higher Ed* (March 6, 2017) <http://bit.ly/2uKPp1o>

<sup>168</sup> Lobbying disclosure accessed at U.S. Senate Office of Public Records <https://soprweb.senate.gov/index.cfm?event=getFilingDetails&filingID=81D65B8E-7073-47C1-A328-0B3F5CAC3DE3&filingTypeID=60>

Even after converting into nonprofits, some schools have run into trouble. In July 2018, the *Pittsburgh Post-Gazette* reported that a Chicago-based accreditation agency had removed its accreditation for four Art Institutes schools.<sup>169</sup> In response, Sen. Richard Durbin (D., Ill) called on the accreditation body to investigate the school's apparent failure to inform students about the change.<sup>170</sup>

In summer 2018, Dream Center said in an email to employees that it plans to stop enrolling new students at 30 campuses.<sup>171</sup> These shutdowns caused students to head for the exits. In Charleston, S.C., Dusty Rose Smith, a fashion design major told her local newspaper that her first two quarters at the Art Institute cost about \$25,000, and said she has been unable to find another school willing to accept credits from the Art Institute. "I lost this full semester, I'll lose the next semester, and then I'll have to retake classes," Smith said.<sup>172</sup> The school's former president, Rick Jerue, blamed company executives' thirst for profit for the school's woes. "You know, education, it's a product, I'll admit that, but all products aren't as profitable as other products, and education has a mission way beyond just the bottom line, And I think some of the corporate leaders lost sight of that," Jerue told the *Charleston Post and Courier*.<sup>173</sup>

Several Art Institutes employees detailed concerns about the school's admissions policies to *Republic Report*, a website run by Public Citizen board member and longtime for-profit college industry watcher David Halperin. An Art Institutes manager told Halperin, that "we're going back into predatory practices," such as pushing prospective students to enroll quickly rather than giving them time to consider other schools. With enrollment down, the school "will take anybody," another Art Institutes employee said. "[I]f we don't accept, the [campus] president reverses. It's open enrollment, but we're not equipped for it. We don't have the resources for unprepared students."<sup>174</sup>

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<sup>169</sup> Daniel Moore, "Deal under scrutiny as Art Institutes face Accreditation Setbacks" *Pittsburgh Post-Gazette* (June 19, 2018) <http://bit.ly/2JNa0HC>

<sup>170</sup> Letter from Sen. Richard Durbin to president of Higher Learning Commission (June 26, 2018) <https://www.durbin.senate.gov/imo/media/doc/Dream%20Center%20Letter%206.26.18.pdf>

<sup>171</sup> Doug Lederman, "Dream Center to End Enrollments at 30 Campuses" *Inside Higher Ed*, (July 3, 2018) <http://bit.ly/2uLlndM>

<sup>172</sup> Paul Bowers, "Students left dangling as Art Institute of Charleston shuts down" *Charleston Post and Courier* (July 23, 2018) <http://bit.ly/2v3Ok4H>

<sup>173</sup> Id.

<sup>174</sup> David Halperin, "DeVos Dystopia: More Art Institutes and Woz U Staff Speak," *Republic Report* (May 31, 2018) <http://bit.ly/2uLX1Au>

**Table 2: For-Profit College Conversions**

College	Description
<b>Education Management Corporation (EDMC):</b>	The owner of Art Institutes, Argosy University, South University and Western State College of Law, EDMC was acquired by Dream Center, a Los Angeles-based Christian <sup>175</sup> nonprofit, in a \$60 million deal that closed in Oct. 2017. <sup>176</sup> The school is run by Brent Richardson former CEO of Grand Canyon Education. <sup>177</sup> It has halted enrollment of new students at 30 campuses. <sup>178</sup>
<b>Grand Canyon University</b>	This Christian university received approval in March 2018 to convert back to a non-profit after spending several years as a for-profit, publicly traded company. <sup>179</sup> Under the \$875 million deal, the former owner, for-profit Grand Canyon Education Inc. signed a 15-year contract to provide services to the non-profit. <sup>180</sup>
<b>Stevens-Henager/CollegeAmerica</b>	Acquired by the Utah-based Center for Excellence in Higher Education in 2012. Under the Obama administration, the Education Department rejected the college's request to be considered a nonprofit <sup>181</sup> , but school executives are hopeful that DeVos will reconsider. <sup>182</sup>
<b>Bridgepoint Education</b>	Announced in March 2018 it would spin off its two institutions, Ashford University and University of the Rockies as a merged nonprofit. Under the deal, Bridgepoint is contracting with Ashford to run the schools' online education programs and providing services such as financial aid. <sup>183</sup>

<sup>175</sup> Molly Hensley-Clancy, "How The For-Profit College Art Institutes Found A Savior With Christian Roots" BuzzFeed News (Aug. 4, 2017) <http://bit.ly/2JLdzOU>

<sup>176</sup> Daniel Moore, "EDMC completes sale of schools to Dream Center" Pittsburgh Post Gazette <http://bit.ly/2JFngOt> (Oct. 18, 2017)

<sup>177</sup> David Halperin, "Inside a For-Profit College Conversion: Lucrative Ties, Troubling Actions" (May 16, 2018) Republic Report <http://bit.ly/2v3ZKFH>

<sup>178</sup> Doug Lederman, "Dream Center to End Enrollments at 30 Campuses" Inside Higher Ed (July 3, 2018) <http://bit.ly/2uLlndM>

<sup>179</sup> Anne Ryman, Arizona Republic, "Big news for Grand Canyon University: Accreditor Approves Non-Profit Application" (March 6, 2018) <http://bit.ly/2uPFZli>

<sup>180</sup> Joseph Flaherty, "Nonprofit in Name Only: Grand Canyon University's Conversion Criticized" Phoenix New Times (July 7, 2018) <http://bit.ly/2uYUxiw>

<sup>181</sup> Melissa Korn, "Education Department Rebukes For-Profit College's Request for Nonprofit Status" Wall Street Journal (Aug. 11, 2016) <https://on.wsj.com/2Ns0IDh>

<sup>182</sup> Michelle Hackman, "After Obama-Era Crackdown, For-Profit Colleges Seek Nonprofit Status" Wall Street Journal (May 30, 2018) <https://on.wsj.com/2Ldi2Lr>

<sup>183</sup> Paul Fain, "Ashford Seeks to Become a Nonprofit" Inside Higher Ed (March 14, 2018) <http://bit.ly/2Lilhv0>

College	Description
Keiser University	Converted to non-profit status in 2011 through a sale to Everglades College, a nonprofit corporation owned by Keiser's chancellor, Arthur Keiser. <sup>184</sup> Subject of complaint filed with Internal Revenue Service over the legitimacy of its conversion. <sup>185</sup>
Ultimate Medical Academy	Tampa-based Ultimate Medical Academy, which offers healthcare training programs, was acquired by a Denver-based nonprofit in 2015. <sup>186</sup> Ultimate Medical Academy, which has kept its brand name, has employed administrators who worked at the defunct Trump University. <sup>187</sup>
Everest College	Formerly owned by the failed Corinthian Colleges, 57 seven Everest College and WyoTech campuses were sold to Zenith Education Group in 2015. <sup>188</sup> Zenith was created by the student loan guarantee nonprofit ECMC Group. The company announced in 2017 it would rename the Everest campuses as Alterius Career College <sup>189</sup> and later said it would close all but three locations. <sup>190</sup>
Herzing University	Milwaukee-based for-profit career college Herzing University announced in 2015 that it had completed its conversion to a tax-exempt nonprofit. The move sparked criticism that the company had used a small tax-exempt nonprofit entity to buy the college for \$86 million. <sup>191</sup> The move allowed Herzing to escape a state-level regulation that it had criticized. <sup>192</sup>
Remington College	In 2011, Florida-based Remington College was sold to a nonprofit with the sellers lending the nonprofit buyer \$136 million for the sale <sup>193</sup> , according to its 2013 tax return. <sup>194</sup> The nonprofit is expected to pay back the sales price over 15 years. <sup>195</sup>

<sup>184</sup> Kelly Field, "Keiser U. Goes Nonprofit" Chronicle of Higher Education, (Jan. 13, 2011) <http://bit.ly/2LkurBE>

<sup>185</sup> Patricia Cohen, "Some Owners of Private Colleges Turn a Tidy Profit by Going Nonprofit" New York Times (March 2, 2015) <https://nyti.ms/2Lm3CNp>

<sup>186</sup> David Halperin, "Ex-Trump University Executives Run College That Gets \$150 Million from Taxpayers" Republic Report (June 27, 2016) <http://bit.ly/2LS9XMT>

<sup>187</sup> Jerome R. Stockfish, "Ex-Trump University executives are now guiding a Tampa academy" Tampa Bay Times. (July 22, 2016) <http://bit.ly/2LRFI8G>

<sup>188</sup> Chelsey Dulaney and Alan Zibel, "Corinthian Colleges to Sell Campuses to Zenith Education" (Nov. 20, 2014) <https://on.wsj.com/2A9AqEg>

<sup>189</sup> Paul Fain "Zenith Unveils New Name for Everest Campuses" Inside Higher Ed July 19, 2017 <http://bit.ly/2LDJlCh>

<sup>190</sup> Paul Fain, "Corinthian's Long Wind-Down" Inside Higher Ed. (Nov. 9, 2017) <http://bit.ly/2uQXBOq>

<sup>191</sup> Robert Shireman, "How a regulatory blind spot puts the integrity of nonprofit higher ed at risk" Hechinger Report, (Oct 20, 2015) <http://bit.ly/2Lsz1On>

<sup>192</sup> Rick Romell, "Herzing University becomes a nonprofit organization" (Jan. 2, 2015) Milwaukee Journal Sentinel <http://bit.ly/2LqssLY>

<sup>193</sup> Scott Travis, "Remington College, like Keiser University, goes non-profit" The Sun-Sentinel (Jan 21, 2011) <http://bit.ly/2OrqXv4>

<sup>194</sup> Patricia Cohen, "Some Owners of Private Colleges Turn a Tidy Profit by Going Nonprofit" New York Times (March 2, 2015) <https://nyti.ms/2Lm3CNp>

<sup>195</sup> U.S. Senate Health, Labor and Pensions Committee "For-Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success" (July 30, 2012) <http://bit.ly/2vhBoZf>



## Part II: Student Loans: Nixing Efforts to Improve Borrower Treatment

Student loan borrowers have long had the right to have their loans discharged if their schools engage in misconduct including fraud. This type of loan relief is provided for in the Higher Education Act of 1965, but the first set of debt-relief regulations implementing this right were not established until 1995. Those rules did not set out a clear process for students to submit claims.

As a result, only a handful of borrowers submitted claims from the mid-1990s until two decades later, when unprecedented wave of debt-relief claims began in 2015 due to the collapse of large college chains.<sup>196</sup> Under the Obama administration, the Education Department attempted to improve and formalize the debt-relief process, finalizing new rules in November 2016. However, DeVos initially blocked this streamlined process from going into effect, and then proposed rules that would make it harder for students to get relief.<sup>197</sup>

Tellingly, DeVos has scoffed at this federal debt-relief process, known as “borrower defense,” claiming, falsely, that under Obama, “all one had to do was raise his or her hands to be entitled to so-called free money.”<sup>198</sup> Her remark showed little respect for the veterans, single moms and minorities preyed upon by for-profit colleges as seen in students’ stories collected by U.S. Senate Democrats<sup>199</sup> in a report published in November 2017. Some examples:

*“I wasted two years and a half of my life. They didn’t even say that I will be in debt after graduation. At the beginning they told me not to worry about having a loan because I was eligible for the highest financial aid. The whole thing was just a blur... The two years and a half of my life were all lies.” -Nino, ITT Technical Institute*

*“I took out loans for a quality education and that is not what I got...the closest I worked [to interior design] was an internship for a guy who ended up being a druggie who had a cabinet shop.” Heather Drattlo, The Art Institute of Indianapolis.*

*“I was excited, breaking my back, staying up late, and carrying all these books around, taking notes, for what? For nothing. At the end of the day all we end up with is debt.” Erika C., Everest College.*

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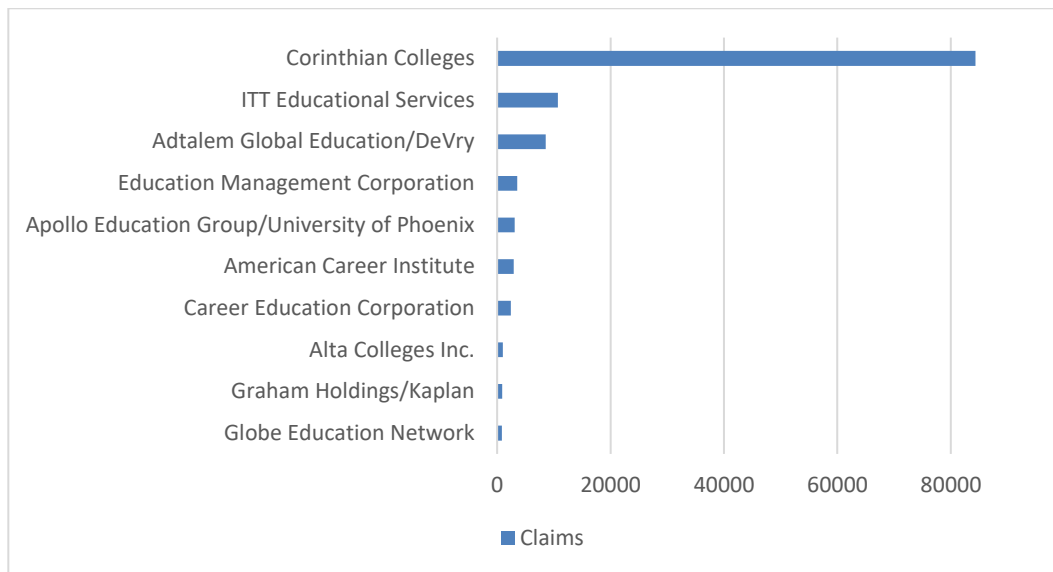
<sup>196</sup> U.S. Department of Education, Office Of Inspector General, “Federal Student Aid’s Borrower Defense to Repayment Loan Discharge Process” (Dec. 8, 2017) <http://bit.ly/2vm94VQ>

<sup>197</sup> Laura Meckler and Danielle Douglas-Gabriel, “Trump administration moves to make it harder for defrauded students to erase debt” Washington Post (July 25, 2018) <https://wapo.st/2NQMyvy>

<sup>198</sup> Jonathan Oosting, “DeVos on Mackinac: ‘Washington knows best’ is over,” Detroit News (Sept. 22, 2017) <https://detne.ws/2tTgnUK>

<sup>199</sup> U.S. Sens Elizabeth Warren, Richard Durbin “Insult to Injury: How the DeVos Department of Education is Failing Defrauded Students” (Nov. 2017) <http://bit.ly/2viQqOh>

### 10 Largest Sources of Debt Relief Claims Submitted to U.S. Education Department (January 2015-March 2018)



Source: Century Foundation Analysis of Education Department data obtained through Freedom of Information Act request.<sup>200</sup>

### DeVos Proposes New Roadblocks for Student Debt Relief

Under the DeVos debt relief proposal released in July 2018, the government would place the burden on students to prove that schools displayed “a reckless disregard for the truth,” a far more difficult standard than under Obama rules.<sup>201</sup> Under the Education Department proposal, borrowers would have to be in default before applying for assistance, eliminating relief for students who are unwilling to default on their loans.

Additionally, the Education Department proposal would require the government to assess each borrower’s relief claim individually, including an assessment of each borrower’s financial circumstances, an endeavor that would greatly prolong the relief process. This rule also would eliminate the prospect of automatic loan relief for students who attended shuttered schools and haven’t reenrolled in college.<sup>202</sup>

The DeVos proposal also would abandon an important protection designed to stop for-profit colleges from forcing students to give up their right to take schools to court for wrongdoing. It eliminates an Obama-era provision prohibiting schools from forcing students into private arbitration tribunals or requiring students to waive their rights to pursue class-action lawsuits if their schools engage in fraud or certain other types of wrongdoing.<sup>203</sup>

<sup>200</sup> Yan Cao, Tariq Habash “College Fraud Claims Up 29 Percent Since August 2017” The Century Foundation (May 30, 2018) <http://bit.ly/2NopXHI>

<sup>201</sup> Andrew Kreighbaum, “DeVos Rule Would Cut Billions in Student Loan Relief” Inside Higher Ed (July 26, 2018) <http://bit.ly/2M3aqvE>

<sup>202</sup> Id.

<sup>203</sup> Press release, U.S. Department of Education, U.S. Department of Education Announces Final Regulations to Protect Students and Taxpayers from Predatory Institutions (Oct. 28, 2016), <http://bit.ly/2M014Rq>



Such restrictions have stopped students from accessing the court system to bring claims of wrongdoing against for-profit schools, including the now-shuttered Corinthian Colleges and ITT Technical Institute. The results of private arbitration are usually kept confidential, which prevents students from establishing a pattern of illegal behavior by a school and impedes law enforcement agencies from investigating fraud. Given the difficulty of prevailing, the expense of litigating cases and the relatively modest damages for individual cases, lawyers are unlikely to take cases for individual students under the DeVos proposal.

In the years just before Corinthian went bankrupt, Corinthian relied on forced arbitration provisions to push case after case out of court. Forced arbitration provided no meaningful avenue of relief for students and did not stand as an effective deterrent to Corinthian. Using publicly available arbitration data, Public Citizen determined that between 2011 and 2015, only one Corinthian student was able to receive a monetary award against the company through an arbitrator's final decision, and only 71 students brought arbitration against Corinthian in the first place, a reflection of the high cost of litigating individual arbitration proceedings and the poor outlook for recovery in that biased forum.

Public Citizen and other consumer advocacy groups also have been battling with the Department of Education over its efforts to delay a large portion of the Obama-era borrower defense regulation from taking effect. Public Citizen and the Project on Predatory Student Lending have sued to block the Trump administration, arguing that the Education Department delay of the 2016 borrower defense rule was illegal and should be vacated. The groups represent two former students who were misled by a for-profit college, and who are now seeking to have their debts forgiven as well as the restoration of their right to sue the school despite its use of forced arbitration clauses.<sup>204</sup> Democratic attorneys general have also sued to prevent the 2016 borrower defense regulation from being delayed.<sup>205</sup>

### **Slowing Down Approvals of Debt Relief Applications**

During the Obama administration, the Education Department approved nearly 32,000 borrower defense applications. But under DeVos, the Education Department cut the number of workers processing those claims.<sup>206</sup> The *Washington Post* reported that Manning directed Education Department staffers to stop sorting through students' debt relief claims and slashed the number of contractors working on those claims even as submissions kept piling up.<sup>207</sup> The Trump administration halted approvals until December 2017. That month, an inspector general's report

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<sup>204</sup> Press release, Public Citizen, "Public Citizen and Project on Predatory Student Lending Represent Students Suing to Stop Education Department's Illegal Delay (July 6, 2017), <http://bit.ly/2u2cnQP>; Press release, Public Citizen, Public Citizen and Project on Predatory Student Lending Intervene in Suit To Protect Students Victimized by Predatory Schools (June 15, 2017), <http://bit.ly/2tO5zGh>.

<sup>205</sup> Danielle Douglas-Gabriel, "Attorneys general sue DeVos over delay of rule to protect students from predatory colleges" *Washington Post* (July 6, 2017) <https://wapo.st/2uKn0s6>

<sup>206</sup> Danielle Douglas-Gabriel, "Trump administration undermined student debt relief unit while claims mounted, watchdog finds" *Washington Post* (June 14, 2018) <https://wapo.st/2NoH2kA>

<sup>207</sup> *Id.*

called for the debt-relief process to resume<sup>208</sup> and four state attorneys general sued DeVos over the stalled relief claims.<sup>209</sup>

Shortly thereafter, the Education Department approved nearly 12,900 claims from Corinthian students and denied 8,600 claims.<sup>210</sup> According to data obtained through a Century Foundation public-records request, more than 98 percent of the 128,000 debt-relief claims filed since 2015 involve for-profit colleges, with nearly 70 percent coming from Corinthian Colleges.<sup>211</sup>

In late 2017, DeVos acknowledged that students “deserve relief” under the federal law creating the borrower defense system “if the school they attended acted dishonestly,” but has emphasized that taxpayers should be protected from “massive costs that may be unjustified.”<sup>212</sup>

But DeVos shifted the Education Department’s policy away from giving full debt relief to defrauded students. Instead, she granted partial debt relief to Corinthian Colleges students, depending on student’s average earnings.<sup>213</sup> Under this “partial relief” plan, borrowers who earn more money get less student loan debt wiped out, while students with lower earnings or no income get more debt wiped out. Under this “tiered” debt relief system, Corinthian students have received relief levels as low as 10 percent rather than full relief.<sup>214</sup> Consumer lawyers are challenging the legality of the government’s plan in court, arguing that students are entitled to full relief, and that the Education Department’s tiered relief system would treat Corinthian students under Trump far worse than students from the same schools who already received relief under Obama.<sup>215</sup> In late May 2018, a federal judge ruled that the Education Department’s partial relief plan violated federal privacy law by obtaining earnings data from the Social Security administration for use in making debt relief calculations.<sup>216</sup>

### **DeVos Lets Student Loan Giants off the Hook**

The U.S. Education Department manages more than \$1.4 trillion in federal student loans to 43 million borrowers.<sup>217</sup> The government farms out collection of payments on those loans to private companies

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<sup>208</sup> U.S. Department of Education, Office Of Inspector General, “Federal Student Aid’s Borrower Defense to Repayment Loan Discharge Process” (Dec. 8, 2017) <http://bit.ly/2vm94VQ>

<sup>209</sup> Danielle Douglas-Gabriel, “Betsy DeVos hit with two lawsuits in one day over backlog of student debt relief claims” Washington Post (Dec.14, 2017) <https://wapo.st/2ulrShD>

<sup>210</sup> Katie Lobosco, “Betsy DeVos limits debt relief for defrauded students,” CNN Money (Dec. 21, 2017) <https://cnnmon.ie/2JxuyE3>

<sup>211</sup> Yan Cao, Tariq Habash “College Fraud Claims Up 29 Percent Since August 2017” The Century Foundation (May 30, 2018) <http://bit.ly/2NopXHI>

<sup>212</sup> Maria Danilova, “Students defrauded by for-profits may not get full relief” Associated Press (Dec. 20, 2017) <http://bit.ly/2uKWCi6>

<sup>213</sup> Erica L. Green, “For Students Swindled by Predatory Colleges, Relief May Only Be Partial” New York Times (Dec. 21, 2017) <https://nyti.ms/2JffomE>

<sup>214</sup> U.S. Department of Education, “Borrower Defense Relief Methodology for CCI Claims” (Dec. 15, 2017) <http://bit.ly/2M6odBP>

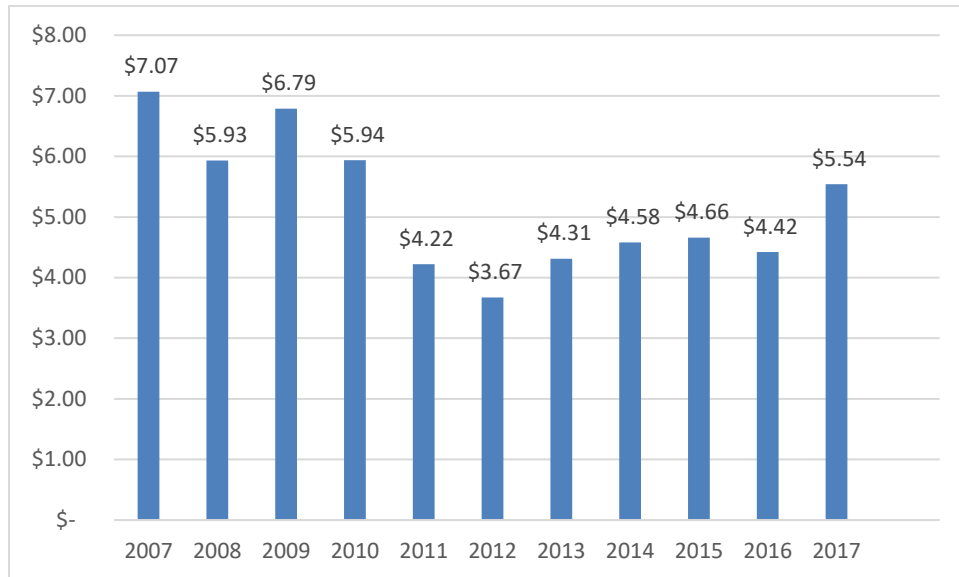
<sup>215</sup> Danielle Douglas-Gabriel, “Consumer lawyers want to end Education Department’s partial student debt relief plan,” Washington Post, (March 19 2018) <https://wapo.st/2ul7U6z>

<sup>216</sup> Danielle Douglas-Gabriel, “Courts halt DeVos’s partial student debt relief plan” May 29, 2018 <https://wapo.st/2M3eonS>

<sup>217</sup> Federal Student Aid portfolio data for second quarter of 2018 accessed at <https://studentaid.ed.gov/sa/sites/default/files/fsawg/datacenter/library/PortfolioSummary.xls>

called student loan servicers, paying them about \$1 billion per year to collect payments from nearly 43 million people.<sup>218</sup> The industry's lobbying efforts in DC grew in Trump's first year in office after declining sharply, then gradually increasing, under Obama.

**Student loan industry lobbying (\$ Millions)**



*Source: Center for Responsive Politics*

Student loan servicers have been the subject of numerous complaints about how they treat student loan borrowers. The industry's largest player, Navient Corp., was spun off from student loan giant Sallie Mae in 2014. Navient faces numerous accusations of mistreating students from several state attorneys general and the Consumer Financial Protection Bureau in a case filed just before Trump's inauguration.<sup>219</sup>

State and federal officials accuse Navient of failing to enroll students in repayment plans and engaging in deceptive debt collection programs. The company "repeatedly failed to tell those borrowers about affordable repayment plans that were available to them," Illinois Attorney General Lisa Madigan said.<sup>220</sup> The company has denied the allegations.<sup>221</sup> In July, a federal judge ruled that the state's case can proceed, rejecting Navient's argument that it could not be sued under state consumer-protection law.<sup>222</sup>

<sup>218</sup> Michelle Hackman and Josh Mitchell, "Trump Administration Tells States to Stop Regulating Federal Student Loans" (March 9, 2018) <https://on.wsj.com/2uR1LG2>

<sup>219</sup> Stacy Cowley and Jessica Silver-Greenberg, "Student Loan Collector Cheated Millions, Lawsuits Say," New York Times (Jan. 18, 2017) <https://nyti.ms/2uHWMGW>

<sup>220</sup> Press Release, "Attorney General Madigan Sues Navient and Sallie Mae for Rampant Student Loan Abuses" (Jan. 18, 2017) <http://bit.ly/2vkfuoa>

<sup>221</sup> Stacy Cowley and Jessica Silver-Greenberg, "Student Loan Collector Cheated Millions, Lawsuits Say," New York Times (Jan. 18, 2017) <https://nyti.ms/2uHWMGW>

<sup>222</sup> Jillian Berman, "Lawsuit against Navient can proceed—why student loan borrowers should pay attention" MarketWatch, (July 25, 2018) <https://on.mktw.net/2v6U3ab>

Under the Trump administration, Navient has pressed the CFPB to drop the agency's lawsuit, meeting with a top political appointee at the CFPB in spring 2018, according to *Politico*.<sup>223</sup> Navient's CEO, Jack Remondi, wrote directly to Trump's CFPB Director, Mick Mulvaney, in February 2018 seeking an in-person meeting with Mulvaney, according to a letter obtained by Politico through an open-records request.

## NAVI=NT

Jack Remondi  
President and Chief Executive Officer  
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Wilmington, DE 19801  
Telephone: 302-283-8460  
E-Mail: [Jack.Remondi@navient.com](mailto:Jack.Remondi@navient.com)

February 22, 2018

The Honorable Mick Mulvaney  
Acting Director  
The Consumer Financial Protection Bureau  
1700 G Street, NW  
Washington, DC 20552

Dear Acting Director Mulvaney:

I am writing with respect to the open litigation between the Consumer Financial Protection Bureau and Navient. Based on various news reporting, it is my understanding that you are reviewing all enforcement and legal actions. I would appreciate the opportunity to meet with you in person to discuss student loans in general, the work Navient does and the extraordinarily positive results we achieve, the respective roles of the Bureau and the Department of Education in the regulation of federal student loans, and the facts regarding our matter. As we have consistently stated, we believe the allegations made by the Bureau against our company in January 2017 are unfounded.<sup>1</sup> We remain confident that an impartial review of the facts will support this view and confirm our positive track record of supporting borrower success.

I firmly believe that the Bureau plays an important role to help protect consumers and to help ensure they have access to a competitive marketplace of cost-effective financial products that meet their financial needs. I also believe that financial services providers should work with the Bureau to ensure that markets function with a clear set of rules, a high level of integrity and with strong protections for consumers. Until the start of the litigation, Navient consistently sought to be a productive partner with the CFPB, holding regular meetings with Director Cordray, the student loan ombudsman and Bureau policy personnel.

*Excerpt of letter from Navient CEO to CFPB Director Mick Mulvaney obtained by Politico through an open-records request*

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<sup>223</sup> Michael Stratford, "Navient CEO Met With CFPB as Company Seeks to End Lawsuit" Politico Morning Education (June 28, 2016) <http://bit.ly/2v4c48Y>

Trump's Education Department also ended an agreement<sup>224</sup> to share consumer complaints about student loans and information about student loan payment collectors with the CFPB,<sup>225</sup> an arrangement that benefited consumers by allowing both agencies to crack down on predatory institutions and compensate students. But even under Mulvaney, CFPB enforcement attorneys appear to still be pursuing Navient. A court filing revealed that the CFPB is sparring with the Education Department over its refusal to allow Navient to turn over documents in the case, with a top CFPB enforcement official demanding records from the Education Department in a May 30 letter.<sup>226</sup>

**Table 3: Lobbying of Student Loan Industry, 2017**

Company	Description	2017 Federal Lobbying Spending
<a href="#"><u>Navient Corp</u></a>	Collection of student loan payments	\$2,236,981
<a href="#"><u>SLM Corp</u></a>	Sallie Mae/Sallie Mae Bank	\$1,880,000
<a href="#"><u>Ceannate Corp</u></a>	Debt collection, loan servicing	\$410,000
<a href="#"><u>Missouri Higher Education Loan Authority</u></a>	Loan Servicing	\$280,000
<a href="#"><u>US Education Servicing LLC</u></a>	U.S. Education Finance Group	\$280,000
<a href="#"><u>NelNet Inc</u></a>	Loan Servicing	\$227,000
<a href="#"><u>Texas Guaranteed Student Loan Corp</u></a>	Loan Servicing (company now known as Trellis Co.	\$80,000
<a href="#"><u>Education Finance Council</u></a>	Trade group for non-profit and state higher education finance organizations	\$71,240
<a href="#"><u>Iowa Student Loan Liquidity Corp</u></a>	Iowa nonprofit student lender	\$62,400
<a href="#"><u>Natl Assn of Student Financial Aid Admin</u></a>	Group for student financial aid administrators	\$17,217
<b>Total</b>		<b>\$5,544,838</b>

*Source: Center for Responsive Politics*

Concerned about mistreatment of student borrowers, states including California, Connecticut, Illinois, Washington<sup>227</sup> and the District of Columbia – have set up licensing requirements for student loan servicers. In reaction, student loan servicers campaigned for protections against state-level rules. In summer 2017, the National Council of Higher Education Resources, which represents higher education finance companies, asked the Education Department to provide guidance stating that servicers are governed by federal rules rather than state laws. In reaction to this and other efforts by the student loan industry, a bipartisan group of 25 state attorneys general urged the Education

<sup>224</sup> Anya Kamanetz, "The Department Of Education Cuts Off A Student Loan Watchdog" NPR News (Sept, 20, 2017) <https://n.pr/2v5RJAI>

<sup>225</sup> The public disclosure of a breakdown of this information-sharing agreement triggered a call by labor unions for a probe of potential insider trading. See Pete Schroeder, "AFL-CIO wants SEC to probe trading in shares of loan servicer Navient" Reuters (Oct. 10, 2017) <https://reut.rs/2uSZwlv>

<sup>226</sup> Ken Sweet, "Watchdog says Education Dept. stonewalls student loan suit," Associated Press (July 12, 2018) Jul. 12, 2018 <https://www.apnews.com/fff1107c996f477788f76477a5be514c>

<sup>227</sup> Katherine Long, "Washington's New Law-Regulating Student-loan Servicers Could Face Legal Challenge From-Feds " Seattle Times, (March 21, 2018) <http://bit.ly/2uXTeQQ>

Department to “reject an ongoing campaign by student loan servicers and debt collectors to secure immunity for themselves from state-level oversight and enforcement.”<sup>228</sup>

Nevertheless, the Education Department has done the industry’s bidding. In response to state efforts to address student loan servicer abuses, the Education Department has taken the position in a policy statement and in litigation<sup>229</sup> that federal law broadly overrides state consumer-protection measures.<sup>230</sup> In January 2018, the Education Department argued in a court filing that Massachusetts could not pursue a lawsuit alleging that a major student loan firm violated the state’s consumer protection laws because only the federal government has power to regulate student loans.<sup>231</sup> Weeks later, the Education Department attempted to block states from taking similar actions, posting a notice in March 2018 contenting that only the federal government has the power to adopt regulations in numerous areas of importance to consumers, and that state-led efforts to improve customer service would increase costs for the industry.<sup>232</sup>



July 17, 2017

Ms. Kathleen Smith  
Acting Assistant Secretary for Postsecondary Education  
U.S. Department of Education  
400 Maryland Avenue, NW  
Washington, DC 20202

Dear Ms. Smith:

The National Council of Higher Education Resources (NCHER) urges the Department to issue regulatory guidance that clearly states that federal student loan servicers and guaranty agencies are governed by the Department’s rules and requirements and those of other federal agencies, and preempt state and local laws and actions that purport to regulate the activities of participants in the federal student loan programs, including federal contractors.

*Source: National Center of Higher Education Resources letter to Education Department<sup>233</sup>*

DeVos also has made several other decisions that will hurt student loan borrowers. The Trump administration decided to no longer protect some student loan borrowers from being hit with hefty collection fees provided they enter into a repayment plan within two months of receiving a notice of

<sup>228</sup>Michael Stratford, "Trump administration fights states' crackdown on student loan collectors" Politico (Feb 26, 2018) <https://politi.co/2vnvaY2>

<sup>229</sup> Nate Raymond, "U.S. backs student loan servicer in lawsuit by Massachusetts," Reuters (Jan. 10, 2018) <https://reut.rs/2v27b0c>

<sup>230</sup> U.S. Department of Education, "Federal Preemption and State Regulation of the Department of Education's Federal Student Loan Programs and Federal Student Loan Servicers," (March 12 2018) <http://bit.ly/2vkG28H>

<sup>231</sup> Nate Raymond, "U.S. backs student loan servicer in lawsuit by Massachusetts," Reuters (Jan. 10, 2018) <https://reut.rs/2v27b0c>

<sup>232</sup> U.S. Department of Education, "Federal Preemption and State Regulation of the Department of Education's Federal Student Loan Programs and Federal Student Loan Servicers," (March 12 2018) <http://bit.ly/2vkG28H>

<sup>233</sup> National Center of Higher Education Resources letter to U.S. Education Department (July 17, 2017) <http://bit.ly/2LJI1Kt>

default.<sup>234</sup> Finally, the Education Department withdrew<sup>235</sup> an Obama administration decision to evaluate student-loan debt collectors' track record — including customer service standards — when deciding whether to award a new contract.<sup>236</sup> This move may benefit problematic servicers who are trying to obtain lucrative government contracts.<sup>237</sup>

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<sup>234</sup> Danielle Douglas-Gabriel, "Trump administration rolls back protections for people in default on student loans" Washington Post (March 17, 2017) <https://wapo.st/2vk1xGT>

<sup>235</sup> Id.

<sup>236</sup> Memo from Ted Mitchell, Under Secretary, U.S. Department of Education to James Runcie, Chief Operating Officer, Federal Student Aid, Re: Policy Direction on Federal Student Loan Servicing (July 20, 2016), <http://bit.ly/2tKjDSV>

<sup>237</sup> Id.



## Conclusion

For decades, the U.S. government failed to adequately respond to waste, fraud and abuse by for-profit colleges using taxpayer dollars. The push for quick profits has led to relentless pressure to sign up as many students as possible, regardless of whether the program would help them to charge astronomical tuition, and yet spend very little on instruction. Unscrupulous colleges gave false information about accreditation, job placement, starting salaries; used bait and switch lead generation tactics and high pressure sales pitches. Without strong, well-enforced rules, bad actors are not compelled to stop misbehaving. This failure to regulate has resulted in a race to the bottom in the for-profit college sector, disproportionately harming people of color and low-income students.

In recent years, the Obama administration had started getting a handle on the problem. It canceled recognition of a weak accreditor, stepped up enforcement against abuses and established rules that would save taxpayers billions and help students by channeling federal aid toward programs and schools that do a better job of training students for careers. But under Betsy DeVos, the Education Department has taken the side of predatory schools that defraud students and offer useless degrees, putting taxpayers at risk as student defaults skyrocket. Even amid healthy economic conditions, 4.6 million Americans hadn't made a student loan payment in at least a year, as of fall 2017 – twice as high as in fall 2013.<sup>238</sup>

Strangely enough, a report issued by Trump's own Treasury Secretary, Steven Mnuchin, aptly describes these problems. The Treasury Department said in summer 2018 it "remains concerned about the lack of institutional accountability in student lending. Colleges and universities have very few accountability requirements related to the performance of the loans their students receive through the federal student loan program."<sup>239</sup> Furthermore, the report said that Treasury "is concerned about schools that do not provide student loan borrowers good value, often leading to indebtedness the borrower cannot repay in a reasonable time period."<sup>240</sup>

There is little sign, however, that these concerns expressed by her Trump administration colleagues trouble Betsy DeVos. While DeVos professes concern about burdening taxpayers with the cost of providing relief to defrauded students, she seems unconcerned about preventing institutions from offering a shoddy education at high prices. Instead, Betsy DeVos has told scam artists, from the strip mall to Wall Street, that they're back in business, siding with predatory companies and against hardworking people seeking better lives.

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<sup>238</sup> Josh Mitchell, "Nearly 5 Million Americans in Default on Student Loans," Wall Street Journal (Dec. 13, 2017) <https://on.wsj.com/2JbMeFb>

<sup>239</sup> U.S. Treasury Department "A Financial System That Creates Economic Opportunities, Nonbank Financials, Fintech and Innovation" (August 2018) <https://home.treasury.gov/sites/default/files/2018-07/A-Financial-System-that-Creates-Economic-Opportunities---Nonbank-Financi....pdf>

<sup>240</sup> Id.