

Dear Secretary Duncan:

I write today to request information about the actions the Department of Education has taken, and will take, to investigate and respond to fraud and other wrongdoing at the for-profit education companies Career Education Corporation (CEC), Education Management Corporation (EDMC), and ITT Tech.

The collapse of Corinthian Colleges, Inc. should be a wake-up call for the Department of Education and lead to earlier and more aggressive oversight of for-profit colleges. Unfortunately, Corinthian is not unique in the for-profit industry. Other major for-profit education companies, including CEC, EDMC, and ITT Tech, face a litany of investigations and lawsuits similar to Corinthian and are all on the Department's own Heightened Cash Monitoring list. The Department must investigate these companies and aggressively hold them accountable for wrongdoing in order to protect students and taxpayers.

Failure to do so risks another Corinthian-style debacle. Despite evidence of serious wrongdoing that prompted a host of state and federal investigations and lawsuits dating back years, the Department allowed Corinthian to continue to receive billions in federal Title IV dollars and to enroll new students. Even after the Department, in January 2014, raised concern about "systemic deficiencies" in Corinthian's operations and noted that Corinthian "has admitted to falsifying placement rates and/or grade and attendance records," the Department sent more than \$1.01 billion in student aid funds to the company and allowed Corinthian to enroll more than 26,000 new students. Those mistakes must not be repeated. Failure to act now with respect to wrongdoing by other for-profit colleges will harm a large population of student borrowers and subject the Department to a new wave of legitimate claims for loan relief.

I request that you provide the information discussed below:

#### Career Education Corporation

CEC is under investigation by 21 state Attorneys General and the U.S. Securities and Exchange Commission. In 2013, the New York Attorney General settled an investigation of CEC, which found that the company "significantly inflated its graduates' job placement rates." The Attorney General found a variety of tactics used to inflate placement rates including counting students who were employed at a single one-day health fair and counting Criminal Justice graduates working in retail sales positions as being employed in their field of study. The company then published the inflated rates on their public website which "gave the misleading impression to current and prospective students that a higher percentage of graduates were employed in their field of study or a related field than was actually the case." According to the New York Attorney General, CEC advertised job placement rates ranging from 54.9% to 80.2% when the true rates ranged from 24.1% to 64.1%.

I wrote to the Department in 2013 about similar findings by the California Attorney General, publicized by the Huffington Post, related to Corinthian. In its response, the Department assured me that it "takes these matters very seriously, and reviews all such allegations to determine if there is merit to them, and, if so, what appropriate actions the Department should take..." As such, has the Department reviewed the allegations made by the New York Attorney General against CEC? What action did the Department take against CEC as a result? Did CEC provide false job placement data to the Department and accreditors? What steps has the Department taken to determine whether the practices found in New York were or are widespread within the company and when the practices began?

#### Education Management Corporation

EDMC is under investigation by at least 14 state Attorneys General related to deceptive marketing and recruitment, compensation of admissions representatives, job placement rates, and other issues. In 2013, the Colorado Attorney General filed suit against the company for "deceiving, misleading, and financially inuring students..." The investigation found that starting in 2007, EDMC's Argosy affiliate deceptively marketed its doctorate of education program by leading students to believe it was seeking programmatic accreditation and that students would be eligible to become licensed psychologists after completing the program. Neither were the case. Instead, the Attorney General found "a long and elaborate pattern of deceptive behavior by the school." Has the Department reviewed the allegations made by the Colorado Attorney General against EDMC? What action did the Department take against EDMC as a result? What steps has the Department taken to determine whether the practices found in Colorado were or are widespread within the company?

EDMC is currently being sued by the Department of Justice under the federal False Claims Act for "falsely certifying compliance with provisions of federal law that prohibit a university from paying incentive-based compensation to its admissions recruiters that is tied to the number of students they recruit." Five states have joined the Justice Department in its case. Based on these findings, what steps has the Department of Education taken to ensure the company's compliance with incentive-based compensation rules?

In addition to these troubling allegations, the San Francisco City Attorney found that EDMC engaged in marketing tactics that "underestimated program costs for students and inflated job placement figures for graduates." Has the Department reviewed the findings of the San Francisco City Attorney against EDMC? What action did the Department take against EDMC as a result? Did EDMC provide false job placement data to the Department and accreditors? What steps has the Department taken to determine whether the practices found in California are widespread within the company?

#### ITT Tech

ITT Tech is under investigation by at least 18 state Attorneys General related to marketing and recruiting, job placement rates, and other matters. In addition, the New Mexico Attorney General is suing ITT Tech for making misrepresentations to students about their accreditation status and engaging in unfair, deceptive and unconscionable practices. According to the Attorney General, ITT Tech falsely told students its nursing program held programmatic accreditation, which was required for students' ITT Tech credits to count toward an advanced nursing program in New Mexico and ultimately get a job in nursing. The Attorney General also found that ITT Tech placed students into loans without their knowledge, falsely stated the number of credits a student had to take in order to push them into taking on more debt, failed to issue refunds of tuition and fees in compliance with federal law, and engaged in a variety of other despicable practices. Has the Department reviewed the findings of the New Mexico Attorney General against ITT Tech? What action did the Department take against ITT Tech as a result? What steps has the Department taken to determine whether the practices found in New Mexico are widespread within the company?

Further, the Consumer Financial Protection Bureau (CFPB) filed suit against ITT Tech for predatory lending. According to CFPB, ITT Tech coerced students into high-cost private loans, with interest rates as high as 16.25%, that they knew were likely to end in default. The CFPB's complaint states that it believes ITT Tech misrepresented future job prospects to lead students to believe they would be able to repay the loans. Has the Department reviewed the findings of the CFPB against ITT Tech? What action has the Department taken against the company as a result? What steps has the Department taken to protect students from any ongoing private lending by ITT Tech?

The Securities and Exchange Commission recently charged ITT Tech, CEO Kevin Modany, and CFO Daniel Fitzpatrick with fraud for concealing the poor performance and looming financial impact of its institutional loan programs from investors. Has the Department reviewed the findings of the Securities and Exchange Commission against ITT Tech? What action has the Department taken against the company, Mr. Modany, or Mr. Fitzpatrick as a result?

On Friday, the California State Approval Agency for Veteran Education suspended GI Bill approval for ITT Tech in that state. The notice of suspension prohibits ITT from future enrollment or reenrollment of veterans using GI Bill benefits provided by the U.S. Department of Veterans Affairs. The action was the result of ITT Tech's failure to "produce audited financial statements required by the SEC and the U.S. Department of Education." What action will the Department take based on the company's failure to file these documents?

For each of these companies, what steps has the Department taken to ensure that current and prospective students are informed of ongoing investigations and lawsuits?

Finally, as the for-profit education industry continues to experience financial upheaval in the wake of Corinthian's collapse and increased scrutiny by regulators, major companies may seek buyers for some of their brands or campuses. CEC, for example, is actively seeking buyers for several of its campuses, including its Le Cordon Bleu brand. In August 2014, with respect to the sale of Corinthian campuses, you assured me in writing that "the Department will not approve a sale to another entity if that entity is currently under State and/or Federal investigation..." Today, I ask you to make that same commitment with respect to the potential sale of brands or campuses owned by CEC, EDMC, and ITT Tech. The Department of Education should not allow these students to be put in jeopardy again.

Thank you for your consideration of these requests. I look forward to your prompt reply.