

December 17, 2014

The Honorable Arne Duncan
Secretary of Education
U.S. Department of Education
400 Maryland Ave, SW
Washington, DC 20202

The Honorable Eric H. Holder, Jr.
Attorney General of the United States
U.S. Department of Justice
950 Pennsylvania Avenue, NW
Washington, DC 20530-0001

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, D.C. 20552

Dear Secretary Duncan, Attorney General Holder, and Director Cordray:

As advocates for students, veterans, consumers, civil rights and college access, we write to express grave concerns about the proposed sale of 56 Corinthian Colleges campuses to ECMC Group, a debt collector and loan servicer. We urge you not to waive liability for any prospective buyer of Corinthian campuses unless the sale provides significant relief for current and former students and contains enforceable safeguards to protect students and taxpayers from future abuse.

Last year, the publicly traded Corinthian Colleges Inc. received more than \$1 billion in federal student grants, loans and GI Bill benefits and enrolled more than 70,000 students, 69% of whom are African-American, Hispanic or other minorities. Widespread evidence of fraud has led to multiple pending federal and state investigations of and lawsuits against Corinthian, including by the Justice Department and Consumer Financial Protection Bureau (CFPB). After Corinthian repeatedly failed to address concerns about its practices, including false job placement rates used in marketing claims and allegations of altered grades and attendance, the Education Department placed Corinthian on heightened cash management in June, prompting Corinthian to agree to sell or close all of its campuses.

ECMC's purchase of 56 Corinthian campuses with a combined enrollment of more than 39,000 students would render it the nation's largest nonprofit career college chain, yet ECMC is a debt collection and loan servicing entity with *no* experience running an institution of higher education. Further, in the field where ECMC *does* have experience, *The New York Times* [reports](#) that its actions have "veered more than occasionally into dubious terrain," using "ruthless tactics" to "hound" debtors to the point where the company has been sanctioned and reprimanded by judges for abusing

the bankruptcy process. ECMC's track record does not inspire confidence in its ability to provide high-quality educational opportunities under Zenith, its newly created nonprofit entity.

But no less troubling are the terms of the deal. The Education Department, CFPB, and multiple state attorneys general have conducted investigations that document that Corinthian inflated job placement rates and engaged in other fraudulent practices to induce students to enroll and take on federal and private loan debts. The Higher Education Act rightly provides for loan discharges for such students and students at schools that close. Yet, the terms of the proposed sale to ECMC would not give students the choice of completing or a fresh start, while leaving the campuses in the hands of a troubled entity with no educational experience. ECMC's lack of any experience running an institution of higher education and its reputation for aggressive loan tactics make enforceable safeguards all the more essential.

Students and taxpayers deserve better.

Given the evidence that Corinthian made false representations to secure enrollment, any waiver of liability for a purchaser of Corinthian campuses must ensure adequate relief for past and current students. We applaud the 13 senators who recently [urged Secretary Duncan](#) to use his authority under the Higher Education Act to immediately discharge the loans of current and former Corinthian students. We also urge Secretary Duncan to exercise his authority to expand the time period during which students who withdraw before a Corinthian school closure are eligible for closed school discharges. In addition, any waiver of liability must include enforceable safeguards to protect students and taxpayers by preventing further harm and ensuring that poor programs dramatically improve or close. By contrast, the proposed sale would effectively remove an incentive for many of Corinthian's worst programs to improve because degree programs run by this new nonprofit entity would no longer be subject to the gainful employment rule.

Any transaction involving Corinthian campuses should include standards that federal and state entities and the public can help enforce, including those below. Many are typical of nonprofit colleges or required of all new colleges receiving funding from the Education Department. Given ECMC's stated commitment to operating a reputable, nonprofit college that offers high-quality programs, it should have no objections to such conditions, including:

1. **No mandatory arbitration clauses or bans on class action lawsuits in enrollment agreements.** Nonprofit colleges do not require mandatory arbitration or ban class action lawsuits as a condition of enrollment.
2. **Apply the standards required for all new colleges, including that no more than 33 percent of students withdraw in any academic year.** ECMC has said it will run the campuses as new schools, not as they had been run under Corinthian ownership, and it should be required to meet the [standards](#) for all other new colleges.
3. **Immediately post all faculty names and credentials on the web.** Nonprofit colleges typically make public their faculty names and credentials, enabling prospective students to better evaluate the quality of the programs and faculty.
4. **Apply gainful employment regulation standards and consequences to all programs for seven years.** According to the latest public data, many of Corinthian Colleges' degree and certificate programs would fail the gainful employment metrics or fall in the "zone," which requires rapid improvement. The purchase of these programs by ECMC must not eliminate

requirements for such poor degree programs to rapidly improve or close. The gainful employment requirements should continue to be applied during the “earn out” period, just as the Department continues to apply the 90/10 rule requirements after a for-profit college is purchased by a non-profit entity to ensure the transaction does not evade the law.

5. **Require all recruiting calls be recorded and allow state and federal officials to monitor a random sample.** Given the history of deceptive recruiting to attract students to overpriced, low-quality programs, all calls should be recorded and subject to federal and state monitoring.

To be clear, these are the minimum standards that should be adopted, and even if they were all adopted, we have serious concerns that the proposed sale is not in the best interest of students and taxpayers and sets a dangerous precedent.

For example, we understand that the Department plans to prohibit ECMC from any involvement with the loans of students at its schools to avoid a conflict of interest. Yet the [terms of the proposed sale](#) create a serious conflict of interest by having ECMC share revenue with the Education Department during the “earn out” period. The Department should not benefit from enrollment growth at the ECMC campuses that the Department is charged with overseeing.

We also understand that ECMC plans to establish a separate board for its new educational subsidiary, but that the board may have many of the same highly compensated people who are on ECMC’s current boards, which raises questions about whether the board will provide the necessary independent oversight required of nonprofit college boards.

Finally, ECMC’s commitment to reduce tuition by 20% and close certain programs is not sufficient; its programs will still cost many times more than higher quality programs available at existing colleges, and it does not address many of Corinthian’s worst performing programs, including many failing the gainful employment requirements, that have default rates over 30%, and whose *graduates* earn less than \$17,000 per year.

According to press reports, the California Attorney General has refused to waive liability for ECMC because the proposed terms do not provide adequate relief for past and current students and do not provide enforceable safeguards against future harm. We urge you to stand up for students by insisting on sale terms that provide adequate student relief and protections.

Sincerely,

Air Force Sergeants Association (AFSA)
AFL-CIO
American Association of University Professors
(AAUP)
The American Association of State Colleges
and Universities (AASCU)
American Federation of Teachers (AFT)
Americans for Financial Reform
Center for Public Interest Law
Center for Responsible Lending
Children's Advocacy Institute

NAACP
National Association for College Admission
Counseling
National Association of Consumer Advocates
National Consumer Law Center (on behalf
of its low-income clients)
National Consumers League
National Education Association
National Women Veterans Association of
America
New Economy Project

Consumer Action
Consumer Federation of California
Consumers Union
Covenant House
Demos
East Bay Community Law Center
The Education Trust
Generation Progress
Higher Ed, Not Debt
Housing and Economic Rights Advocates
The Institute for College Access & Success
Iraq and Afghanistan Veterans of America
The Leadership Conference on Civil
and Human Rights
League of United Latin American Citizens
Military Officers Association of America
(MOAA)

One Wisconsin Now
Paralyzed Veterans of America
Project on Predatory Student Lending of the
Legal Services Center of Harvard Law School
Public Advocates Inc.
Public Citizen
Public Counsel
Public Law Center
Service Employees International Union
(SEIU)
Student Debt Crisis
Student Veterans of America
United States Student Association
U.S. PIRG
Veterans Education Success
Veterans Student Loan Relief Fund
VetJobs
Vietnam Veterans of America
Woodstock Institute
Young Invincibles

Please note: This letter was updated the afternoon of December 17, 2014 to include organizations that asked to sign the letter after it was initially submitted the morning of December 17, 2014.