

Many Corporate School Chains Repeatedly Settled Lawsuits for Misleading Advertising, High-Pressure Recruiting, and False Certifications

On March 9, 2020, the Department of Veterans Affairs (VA) [notified](#) five institutions of higher education that it possessed evidence they had violated [Title 38 § 3696](#), which prohibits payments to schools that engage in misleading advertising and recruiting.

“The Secretary shall not approve the enrollment of an eligible veteran or eligible person in any course offered by an institution which utilizes advertising, sales, or enrollment practices of any type which are erroneous, deceptive, or misleading either by actual statement, omission, or intimation.”

The notifications summarized the evidence demonstrating that each of the schools had used misleading advertising and recruiting to enroll students and asked for evidence that they had taken the necessary corrective action to avoid the suspension of new GI Bill student enrollments. On May 26, 2020, VA sent another [notification](#) clarifying what constitutes corrective action and extending the deadline for transmitting evidence of corrective action to June 26.

“There are two factors that are conditions for a finding that a school has taken corrective action if such action is necessary: (1) whether the school has ceased utilization of prohibited actions; and (2) whether the school has taken appropriate steps to ensure future compliance with statutes and VA regulations.”

The five schools had faced law enforcement actions for deceptive recruiting. In practice, few law enforcement cases against schools go to trial; instead, most are resolved by a settlement in which the school, while not admitting guilt, pays a fine and agrees not to repeat the offense. Our review of law enforcement settlements found that many school chains had repeatedly settled charges over the use of misleading advertising and recruiting, yet they went on to use the same tactics over and over again (see Table 1).

All but one of the major law enforcement actions against postsecondary institutions in Table 1 involved schools owned by for-profit companies; the sole nonprofit institution (Everglades College) [purchased](#) for-profit Keiser University in 2011, essentially converting the university from a for-profit into a non-profit. For-profit schools (and some of the non-profit schools that were previously for-profit) are more likely to engage in aggressive and misleading marketing towards veterans to offset their dependence on Title IV federal student aid, which is capped under federal statute at 90 percent of total revenue. Even though GI Bill benefits are also federal revenue, for-profit schools count revenue from the GI Bill as part of the 10 percent that schools must receive from private payers (such as individuals and employers who reach into their own wallets to pay tuition). As a result of this [loophole](#), the market-based proxy for



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quality intended to protect taxpayers from supporting schools that fail their students—the objective of the 90/10 rule, which was [upheld](#) by the Supreme Court—has never been implemented.

Three of the schools that VA indicated could face the loss of their ability to enroll new GI Bill beneficiaries are operated by two for-profit companies—American InterContinental University and Colorado Technical University, both owned by Perdoceo (formerly called Career Education Corporation), and the University of Phoenix, operated by Apollo Education Group (which is in turn owned by a consortium of investors led by Apollo Global Management, Vistria Group, and Najafi Companies). Both sets of schools have settled lawsuits over misleading advertising multiple times. For example, the 2013 [settlement](#) between Career Education Corporation (CEC) and the New York Attorney General noted:

“CEC employees used several improper methods to inflate CEC’s placement rates including counting graduates’ employment at single one-day health fairs, some of which were held at the request of CEC and mischaracterizing graduates’ job duties in order to improperly count such students as employed in the field in which the student trained or a related field....The Attorney General’s investigation also uncovered that CEC failed to adequately disclose to prospective students that certain of its programs lacked programmatic accreditation, and that, as a result, graduates of such programs were unable to immediately sit for qualifying exams upon graduation, and thus were highly unlikely to obtain employment. CEC also failed to adequately disclose to prospective students that credits earned at certain CEC schools are not, in most cases, transferable to public or non-profit degree granting colleges.”

Six years later, in 2019, the CEC reached a [settlement](#) with 49 state Attorneys General over its use of many of the same deceptive and misleading advertising and recruiting tactics:

- *“Deceived students about the total costs of enrollment by instructing its admissions representatives to inform prospective students only about the cost per credit hour without disclosing the total number of required credit hours”;*
- *“Misled students about the transferability of credits into CEC from other institutions and out of CEC to other institutions by promising on some occasions that credits would transfer”;*
- *“Misrepresented the potential for students to obtain employment in their field by failing to adequately disclose the fact that certain programs lacked the necessary programmatic accreditation”;* and,
- *“Deceived prospective students about the rate that graduates of CEC programs got a job in their field of study, thereby giving prospective students a distorted and inaccurate impression of CEC graduates’ employment outcomes. For instance, CEC inaccurately claimed that its graduates were ‘placed’ who actually worked only temporarily or who were working in unrelated jobs.”*



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Seven months later, CEC [settled](#) yet another lawsuit, this time with the U.S. Federal Trade Commission (FTC). CEC had used sales leads from a company that falsely told consumers it was affiliated with the U.S. military; CEC’s lead generators also induced consumers to submit their information under the guise of providing jobs or benefits assistance and falsely told consumers that their information would not be shared.

The facts suggest that VA should remain skeptical of assertions by schools that they have ceased misleading advertising or that they have taken steps to “ensure future compliance,” as called for in the VA’s May 26th letter. Such assurances should not be viewed through rose-colored glasses.

Table 1 summarizes settlements with the corporate owners of for-profit chains for employing misleading advertising, high pressure recruitment tactics, and false certifications to encourage students to enroll.

Table 1: Schools that Repeatedly Settled Lawsuits for Employing Misleading Advertising, High Pressure Recruitment Tactics, and False Certifications to Convince Students to Enroll

Corporate owner	Lawsuit	Settlement date	Settlement amount	Summary of settlement findings
Currently operating school chains				
Apollo Education Group ^a	U.S. Education Department	2004	\$9.8 million	Systematically and intentionally paid recruiters based on the number of students they enrolled in violation of the Education Department’s ban on incentive compensation.
	U.S. Justice Department	2009	\$78 million	Violation of the Education Department’s ban on incentive compensation regulations by paying recruiters based on the number of students they enroll.
	FTC	Dec. 2019	\$191 million	Deceptive advertisements that mislead prospective students about the school’s relationship and job opportunities with companies such as AT&T, Microsoft, Yahoo, Twitter, and the American Red Cross.
Bridgepoint Education ^b	Iowa AG	May 2014	\$7.25 million	Misleading recruiting practices.
	Consumer Financial Protection Bureau (CFPB)	Sept. 2016	\$31.5 million	Misleading private student loan interest rates.
Career Education Corporation ^c	New York AG	Aug. 2013	\$10.25 million	Significantly inflated job placement rates and provided misleading information about credit transfers.
	Employee false claims lawsuit	Feb. 2017	\$32 million	Providing false certifications to the federal government about compliance with accreditation standards and the Higher Education Act.
	49 state AGs	Jan. 2019	\$493.6 million in student debt relief and \$5 million to AGs to cover investigation costs	Misleading prospective students about actual costs, the transferability of credits, accreditation, program offerings, and accurate job placement rates.



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	FTC	Aug. 2019	\$30 million	Misleading recruiting practices using lead generators that targeted individuals interested in joining the U.S. military and other unlawful tactics to generate leads.
DeVry Education Group ^d	FTC	Dec. 2016	\$100 million	Misleading advertising claiming that 90 percent of graduates had jobs within 6 months and that bachelor's degree graduates earned 15 percent more 1 year after graduation than the graduates of all other colleges and universities.
	U.S. Education Department	Oct. 2016	\$68.4 million letter of credit for 5-years	Misleading advertising claiming that 90 percent of graduates had jobs within 6 months and ordered to cease this false marketing claim.
	New York AG	Jan. 2017	\$2.75 million	Lured students with ads that exaggerated graduates' success in finding employment at graduation and contained inadequately substantiated claims about graduates' salary success.
	Massachusetts AG	July 2017	\$455,000	Mislead prospective students with deceptive claim that 90 percent of its graduates were employed in their field within 6 months of earning a degree.
Everglades College, Inc. ^e	Florida AG	Oct. 2012	Assurance of voluntary compliance	Made misleading statements, omissions, or failed to disclose material information in connection with marketing and selling its schools to prospective students.
	U.S. Justice Department	April 2015	\$335,000	Submission of false claims.
Kaplan, Inc. ^f	North Carolina Community College Board	Jan. 2012	\$5 million and Kaplan surrendered its license to operate a dental assistant program	Kaplan mislead students in its dental assistant program about the type of credential they would earn.
	Florida AG	June 2014	Voluntary assurance of compliance	Misleading recruiting practices.
	Massachusetts AG	July 2015	\$1.375 million	Misleading advertising and recruiting, including inflating job placement rates and employing unfair recruiting tactics.
	U.S. Justice Department	Jan. 2015	\$1.3 million	Used unqualified instructors who did not meet minimum Texas standards in its medical assisting program.
Premier Education Group ^g	Massachusetts AG	Dec. 2014	\$3.5 million	Misrepresenting job placement rates and using deceptive enrollment tactics regarding their education.
	Massachusetts AG	July 2019	\$1.7 million	Misled students and deprived them of the information needed to make an informed choice.
Closed school chains				
Alta ^h	U.S. Justice Department	April 2009	\$7 million	Misled the Texas state licensing agency that the school had complied with state job-placement reporting requirements and that their interior design programs complied with requirements for a professional license.
	Colorado AG	March 2012	\$4.5 million	Provided misleading information to students on job placement rates, tuition, and transferability of credits. Veterans were falsely told that their GI Bill benefits would cover the cost of tuition.



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	Illinois AG	Nov. 2015	\$15 million	Misrepresented costs and employment opportunities in its criminal justice program.
Corinthian ⁱ	U.S. Education Department	April 2015	\$30 million	Misrepresented job placement rates to current and prospective students and to its accreditors.
	CFPB	Oct. 2015	\$530 million	Used misleading advertising to encourage students to enroll and deliberately inflated tuition to force students to take out private loans with interest rates two to five times higher than federal student loans. Corinthian then used illegal debt collection tactics to strong-arm students into paying back those loans while still in school.
	California AG	March 2016	\$1.1 billion	Misleading advertising and recruiting, including job placement rates, transferability of credits, and unlawful use of U.S. military seals to suggest Corinthian was endorsed by our armed forces.
Education Management Corporation ^l	Colorado AG	Dec. 2013	\$3.3 million	Falsely claimed that graduates of the doctor-of-education in in counseling psychology could become licensed clinical psychologists even though its program was not accredited by the American Psychological Association.
	San Francisco City Attorney	June 2014	\$4.4 million	Used illegal marketing practices, including providing misleading data on placement rates, actual or average salaries, and graduation/completion rates.
	U.S. Justice Department	Nov. 2015	\$95.5 million	The school ran a high-pressure boiler room that violated the Dept. of Education incentive compensation regulations by paying recruiters based on the number of students they enroll.
	40 State AGs	Nov. 2015	\$103 million	Used misleading and deceptive recruiting practices.
ITT Educational Services, Inc. ^k	CFPB ^l	June 2019	\$168 million	ITT's inflated costs created a tuition gap that it pressured students to fill with the school's private student loans with an origination fee as high as 10 percent and interest rates as high as 16.25 percent. ITT was aware that many of the students did not understand the terms of the loans and could not afford them.
	CFPB ^m	Aug. 2019	\$60 million	ITT enrolled students in loans that in many cases they did not want, did not understand, or did not realize they were getting.

Source: Veterans Education Success' analysis of federal, state Attorneys General, and other settlements with chain-owned schools.

^aApollo Education Group owns the University of Phoenix, which was a publicly traded corporation until 2017 when it was [sold](#) to a consortium of private investors including Apollo Global Management, Vistria Group, and Najafi Companies.

^bBridgepoint, which owns Ashford University, is now known as Zovio.

^cCareer Education Corporation is now known as Perdoceo. The NY AG settlement involved the online brands American InterContinental University and Colorado Technical University, as well as two brick and mortar campus brands that have since closed (Sanford Brown and Briarcliffe).

^dThe DeVry Education Group is now known as Adtalem. In 2017, it [sold](#) DeVry University to Cogswell Education LLC. Adtalem still owns several medical schools, including Chamberlain University (nursing and public health) and Ross University School of Medicine.

^eEverglades College, Inc. is a nonprofit that [purchased](#) Keiser University in 2011; Keiser University had previously operated as a for-profit school. The nonprofit also owns Everglades University.

^fIn 2017, Kaplan, Inc. sold Kaplan University to Purdue University, a public institution, which rebranded them as Purdue Global. Kaplan has a 30-year [contract](#) to provide services including technology support, help desk functions, human resources, admissions support, financial aid administration, marketing, international student recruiting, business office functions, accounting, first-year student advising, and some test-preparation services.



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^gPremier Education Group owns several school brands, including Salter College, Harris School of Business, Branford Hall Career Institute, and Salter School. In its 2019 [settlement](#) with the Massachusetts Attorney General, the company agreed to stop enrolling students in Massachusetts. The schools' [accreditor](#) placed the Premier Education Group on “warning” in September 2019 and notified the company that it was scheduling a review for February 2020.

^hAlta owned Alta and Westwood Colleges.

ⁱCorinthian owned Heald College, Everest College, and WyoTech. After Corinthian failed to provide documentation for the Department’s investigation of the chain’s job placement rates, the Department placed the chain on heightened cash monitoring, which would have delayed the school’s receipt of Title IV funds. Corinthian notified the department that the delay would force it to declare bankruptcy. In June 2014, the Education Department secured an [agreement](#) with Corinthian to sell or close all of its campuses.

^jEducation Management Corporation owned several brands, including Argosy University, South University, and the Art Institutes. In 2017, it [sold](#) these three brands to the nonprofit Dream Center Foundation.

^kITT Educational Services owned ITT Tech.

^lITT declared bankruptcy in 2016 and this settlement was with a company that ITT had set up to hold and manage its private loans.

^mITT declared bankruptcy in 2016 and this settlement was with the ITT trustee.