Congress of the United States
Washington, DC 20515

December 3, 2014

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

Dear Secretary Duncan:

Thank you for your efforts to ensure that schools at all levels are institutions whose primary goal is educating students.

We are writing to express concerns about the ECMC Group's proposed purchase of campuses owned by for-profit company Corinthian Colleges. Any sale of Corinthian's campuses should be approved by the Department of Education only if it, unlike Corinthian's practices, puts students first.

As a proprietary entity, Corinthian Colleges has operated to make money for its investors. Accounts of students' dealings with Corinthian demonstrate that educating students has been of secondary importance to the company. Corinthian may not have been operating with the best interest of its students in mind, as it has allegedly mismanaged funds, doled out high-interest student loans using questionable practices and falsified job placement data. We want to ensure that students on any future iteration of Corinthian campuses will receive a quality education and have access to legitimate, full-time employment opportunities without being unduly indebted with federal and high-interest private student loans they cannot repay.

Corinthian is liquidating its assets in the wake of years of investigations into the college for using aggressive tactics to encourage disadvantaged students to enroll, mismanaging finances and inflating employment rates of its graduates. In 2013, the California attorney general sued Corinthian for allegedly misrepresenting job placement rates to students, advertising programs that it does not offer, unlawfully using military seals in advertising and inserting unlawful clauses into enrollment agreements that purport to bar any and all claims by students. This year, the Massachusetts and Wisconsin attorneys general filed separate lawsuits alleging similar actions, and the Consumer Financial Protection Bureau (CFPB) filed a lawsuit in Illinois alleging that Corinthian lured its students into taking out federal and private student loans by giving them false and misleading representations about job placement assistance and employment opportunities. In addition, more than 20 other state attorneys general, the Department of Justice, and the Securities and Exchange Commission have open investigations into the company.

As a for-profit college, Corinthian appears to have operated by exploiting students as revenue generators rather than investing in educating them. According to a report prepared by the Senate Health, Education, Labor and Pensions (HELP) Committee staff, Corinthian spent barely half of its revenue on instruction in 2009—$3,969 per student—compared to $2,465 per student on marketing and $998 per student on profit. In 2010, Corinthian reported 81.9% of its revenue came from title IV federal financial aid programs. By 2012, it was 89.8%. This amount does not include revenue received from the Departments of Defense and Veterans Affairs education programs. Community colleges, by contrast, spend a comparable amount per student, but charge far lower tuition. Despite receiving such a high percentage of its operating expenses from federal dollars, Corinthian has used nearly half of that on marketing or profits rather than on educating students.

One of the largest hurdles to higher education, affordability, was raised even further by Corinthian. Despite targeting low-income and first-generation students, the suit filed by the CFPB alleges that Corinthian artificially increased tuition so that the college could meet 90/10 rule standards, ensuring that federal aid would not cover the entire cost. This practice forced many students to take out private student loans, often backed by Corinthian at high interest rates, to cover the cost of tuition. Such practices led to dramatically inflated tuition rates at Corinthian. According to the same HELP Committee report, some programs at Corinthian Colleges cost as much as 17 times more than comparable programs at other nearby credible academic institutions. Should Corinthian's campuses continue to operate, the Department should do everything possible to ensure that the students are not subjected to similar tactics.

As reported by the Department of Education last week, ECMC Group's newly-formed nonprofit education entity, Zenith Education Group, has submitted a proposal to acquire 56 of Corinthian's Everest and WyoTech campuses. We are concerned that neither the ECMC Group nor the Zenith Education Group has any previous experience in operating an academic institution. Rather, the ECMC Group, as one of the largest student loan guaranty agencies in the United States, has benefited by collecting loan payments from students, sometimes using dubious tactics. In 2012, a panel of bankruptcy appeal judges expressed concern that the ECMC Groups's collection activities "constituted an abuse of the bankruptcy process and defiance of the court's authority." Serious consideration should be given before transitioning management of Corinthian's campuses from one company that profited off deceptive lending practices to an umbrella company that also has a checkered history in student loans.

As a nonprofit entity, Zenith Education Group will no longer be held to the same 90/10 rule required of for-profit colleges, and its degree programs will no longer be subject to the Higher Education Act's gainful employment requirements. Thus, they will not be restricted by the percent of revenue that can be raised from government entities, nor required to demonstrate that their degree programs will prepare students for careers that will enable them to repay their student loan debts. Although the ECMC Group has proposed a tuition cut, the ECMC Group should do more reduce the dramatically inflated costs of attending in order to bring tuition down to a level in line with costs at credible academic institutions.

Additionally, if the acquisition is approved, we hope you will require the Zenith Education Group to identify and implement specific steps to achieve its expressed desire to improve job placement and increase individualized support. This plan should be received by the Department prior to approval of the purchase and Zenith held accountable for ensuring that the goals are met.

We hope that you will carefully scrutinize the acquisition offer from the ECMC Group to ensure that students at any future iteration of Corinthian's campuses are provided a worthwhile education that will enable them to repay their student loans. We appreciate your attention to our concerns.

Sincerely,

STEVE COHEN

RAUL M. GRIJALVA

MARK TAKANO