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August 13, 2018

The Honorable Joseph J. Simons
Chairman
Federal Trade Commission
600 Pennsylvania Ave., NW
Washington, DC 20580

Dear Chairman Simons:

We are writing to request that the Federal Trade Commission (FTC) renew its law enforcement efforts against fraudulent and predatory practices by for-profit educational institutions. We also ask that the FTC engage in additional consumer outreach, focusing on low-income, minority, and veteran populations that are being disproportionately victimized. There is an urgent need for the FTC to step in to fill the void created by the Department of Education, which is rolling back regulations intended to protect consumers from fraud by for-profit colleges and has dismantled the enforcement unit charged with policing abuses in this industry.¹

The extent of fraud committed by for-profit colleges is alarming. Many of the largest institutions in this sector have been charged by the FTC and other federal and state agencies with falsifying job placement rates and income levels of their graduates.² Consumers are being lured to enroll by false promises of lucrative careers but are often left jobless with useless degrees and heavy debt.³ Recent research shows that these consumers are better off attending a public

¹ *Devos to Eliminate Rules Aimed at Abuses by For-Profit Colleges*, New York Times (July 26, 2018); *Education Department Unwinds Unit Investigating Fraud at For-Profits*, New York Times (May 13, 2018).

² See, e.g., Federal Trade Commission, *DeVry University Agrees to \$100 Million Settlement with FTC* (Dec. 15, 2016) (press release); U.S. Department of Education, *Department of Education and Attorney General Kamala Harris Announce Findings from Investigation of Wyotech and Everest Programs* (Nov. 17, 2015) (press release).

³ Brookings, *Gainfully Employed? New Evidence on the Earnings, Employment, and Debt of For-profit Certificate Students* (Feb. 9, 2018) (www.brookings.edu/blog/brown-center-chalkboard/2018/02/09/gainfully-employed-new-evidence-on-the-earnings-employment-and-debt-of-for-profit-certificate-students/).

college.⁴ For-profit students earn \$2,100 less per year and incur \$5,000 more debt on average than those attending public institutions.⁵ Calculations of net lifetime earnings and debt show that students of for-profit colleges are even worse off financially than those who have no college education.⁶

Unscrupulous for-profit colleges focus much of their predatory recruiting practices on lower-income, often minority students and military veterans who are more likely to qualify for federal student aid or have access to GI Bill money, making them lucrative targets.⁷ As a result, the majority of profits generated by these schools are actually coming from the federal government. A 2016 study found that nearly 200 for-profit colleges were receiving at least 90 percent of their money from the federal government in the form of Pell Grants, GI Bill benefits, and other student aid.⁸ As just one example, the for-profit college chain Corinthian Colleges received \$1.4 billion in federal student aid money every year, even as it was being sued by the Consumer Financial Protection Bureau and state Attorneys General for fraudulent conduct.⁹

In 2014, the Department of Education issued important regulations that required for-profit colleges to demonstrate gainful employment or their students would not be eligible for federally-backed student loans. Department rules also required that these for-profit institutions include in their advertising whether they met federal job placement standards. Unfortunately, the Department is apparently reversing itself.¹⁰

Not only is the Department of Education failing in this area, now consumers may not be able to turn to the CFPB for relief either. In the past, the CFPB collaborated with the Department of Education to stop abuse by for-profits, facilitating millions of dollars of student loan forgiveness for victims of the Corinthian Colleges chain.¹¹ The Department, however, ended that collaboration last September, and the CFPB reorganized the office tasked with protecting consumers from predatory schools in an apparent effort to stifle the program.¹²

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

⁷ *How For-Profit Colleges Sell 'Risky Education' to the Most Vulnerable*, NPR Fresh Air (Mar. 27, 2017); *Military Veterans are Being Targeted by an Industry 'Infamous for Saddling People with Debt and Useless Degrees, 13.'* Business Insider (Dec. 5, 2017).

⁸ *Nearly 200 For-Profit Colleges are Benefiting from a Federal Funding 'Loophole,'* Time (Dec. 22, 2016).

⁹ *For-Profit Corinthian Colleges Files for Bankruptcy*, Washington Post (May 4, 2015).

¹⁰ *DeVos to Eliminate Rules Aimed at Abuses by For-Profit Colleges*, New York Times (July 26, 2018).

¹¹ *The Department of Education Cuts Off a Student Loan Watchdog*, NPR (Sept. 20, 2017).

¹² *Worries That a Federal Student Loan Watchdog Will be Muzzled*, NPR (May 9, 2018).

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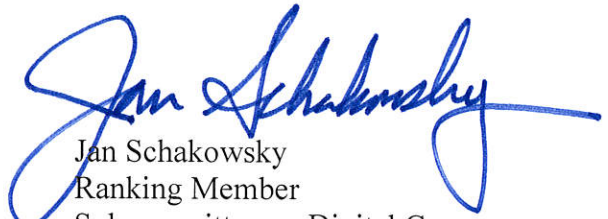
We, therefore, urge the FTC to intensify its efforts and make enforcement against fraud and deception in the for-profit college sector a priority.

We appreciate your attention to this matter and ask that you let us know what the FTC can do in the coming months to protect prospective students as they make decisions about where to enroll. If you have any questions, please contact Lisa Goldman of the Democratic Committee staff at 202-225-3641.

Sincerely,

A handwritten signature in blue ink that reads "Frank Pallone, Jr." in a cursive style.

Frank Pallone, Jr.
Ranking Member

A handwritten signature in blue ink that reads "Jan Schakowsky" in a cursive style.

Jan Schakowsky
Ranking Member
Subcommittee on Digital Commerce
and Consumer Protection