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Attorney General Steve Marshall Announces Multistate Agreement with CEC, For-Profit Education Company, to Waive Loan Collections and Reform Practices

Settlement with 49 Attorneys General to Bring Students \$493.7 Million in Debt Relief

(MONTGOMERY) – Attorney General Steve Marshall announced a settlement between the Attorneys General of 48 states and the District of Columbia and the for-profit education company Career Education Corporation (CEC). The corporation has agreed to reform recruiting and enrollment practices and forgo collecting more than \$493.7 million in debts owed by 179,529 students nationally.

CEC is based in Schaumburg, Ill., and currently offers primarily online courses through American InterContinental University (AIU) and Colorado Technical University (CTU).

CEC agrees to forgo any and all efforts to collect amounts owed by eligible former students living in the states participating in the agreement. In Alabama, 2,032 students will get relief totaling \$3,732,371. Nationally, the average individual debt relief will be about \$2,750. CEC has also agreed to pay \$5 million to the states. Alabama’s share will be \$50,000.

CEC has agreed to forgo collection of debts owed to it by students who either attended a CEC institution that closed before Jan. 1, 2019, or whose final day of attendance at AIU or CTU occurred on or before Dec. 31, 2013. Former students with debt relief eligibility questions can contact CEC through [this web page](#).

CEC has closed or phased out many of its schools over the past 10 years. Its brands have included Briarcliffe College, Brooks Institute, Brown College, Harrington College of Design, International Academy of Design & Technology, Le Cordon Bleu, Missouri College, and Sanford-Brown.

The settlement, an Assurance of Voluntary Compliance, caps a five-year investigation.

“The investigation reinforced concerns that students were being misled about the costs they would incur, their courses of study and what real benefits were likely to be achieved,” said Attorney General Marshall. “This settlement restores a measure of fairness by removing the financial burden of having to pay back loans for programs that may have failed to prepare them for employment, and it mandates substantial reforms to protect future students.”



A group of attorneys general launched an investigation into CEC in January 2014 after receiving several complaints from students and following a critical report on for-profit education by the U.S. Senate's Health, Education, Labor and Pensions Committee.

That investigation revealed evidence demonstrating that:

- CEC used emotionally charged language to pressure them into enrolling in CEC's schools;
- CEC 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;
- CEC 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;
- CEC misrepresented the potential for students to obtain employment in the field by failing to adequately disclose the fact that certain programs lacked the necessary programmatic accreditation; and,
- CEC 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 worked only temporarily or who were working in unrelated jobs.

As a result of the unfair and deceptive practices described above, students enrolled in CEC who would not have otherwise enrolled, could not obtain professional licensure, and were saddled with substantial debts that they could not repay nor discharge. CEC denied the allegations of the attorneys general but agreed to resolve the claims through this multistate settlement.

Robert McKenna, former Washington state attorney general and current partner at the San Francisco-based law firm of Orrick, Herrington & Sutcliffe, will independently monitor the company's settlement compliance for three years and issue annual reports.

Under the agreement, CEC must:

- Make no misrepresentations concerning accreditation, selectivity, graduation rates, placement rates, transferability of credit, financial aid, veterans' benefits or licensure requirements.
- Not enroll students in programs that do not lead to state licensure when required for employment, or that due to their lack of accreditation, will not prepare graduates for jobs in their field. For certain programs that will prepare graduates for some but not all jobs, CEC will be required to disclose such to incoming students.

- Provide a single-page disclosure to each student that includes: a) anticipated total direct cost; b) median debt for completers; c) programmatic cohort default rate; d) program completion rate; e) notice concerning transferability of credits; f) median earnings for completers; and g) the job placement rate.
- Require students before enrolling to complete an Electronic Financial Impact Platform Disclosure, which provides specific information about debt burden and expected post-graduation income. CEC is working with the states to develop this platform.
- Not engage in deceptive or abusive recruiting practices, and record online chats and telephone calls with prospective students. CEC shall analyze these recordings to ensure compliance. CEC shall not contact students who indicate that they no longer wish to be contacted.
- Require incoming undergraduate students with fewer than 24 credits to complete an orientation program before their first class that covers study skills, organization, literacy, financial skills and computer competency. During the orientation period, students may withdraw at no cost.
- Establish a risk-free trial period. All undergraduates who enter an online CEC program with fewer than 24 online credits shall be permitted to withdraw within 21 days of the beginning of the term without incurring any cost. All undergraduates who enter an on-ground CEC program shall be permitted to withdraw within seven days of the first day of class without incurring any cost.

The CEC investigation was led by Iowa, Connecticut, Illinois, Kentucky, Maryland, Oregon, and Pennsylvania. The agreement also covers the District of Columbia and the following states: Alabama, Alaska, Arizona, Arkansas, Colorado, Delaware, Florida, Georgia, Hawaii, Idaho, Indiana, Kansas, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and Wyoming.