



Durbin urges DeVos to protect students and taxpayers

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WASHINGTON—U.S. Senators Dick Durbin (D-IL) and Sherrod Brown (D-OH) pressed Education Secretary Betsy DeVos to carefully scrutinize Adtalem Global Education, Inc.’s – formerly known as DeVry Education Group – proposed transfer of DeVry University and Keller Graduate School of Management to Cogswell Education, which currently runs Cogswell College. Adtalem has a long record of abuse and mistreatment of students, according to multiple state and federal investigations and lawsuits. And if the transaction is finalized, it will fall to Cogswell Education to correct the widespread misconduct underpinning these claims while operating a large-scale educational enterprise. In a letter to Secretary DeVos, Durbin and Brown argue that there is little evidence to suggest that Cogswell is up to either of these tasks.

“We have serious doubts that this transaction, as proposed, is in the best interest of students and taxpayers. Given the many concerns raised and risks posed by this proposed transaction, the Department of Education, accreditors, and state regulators all have a responsibility to include protections for students and taxpayers should it be approved,” Durbin and Brown wrote.

Further raising concerns is that, if finalized, this transaction will take DeVry University and Keller Graduation School of Management private – threatening to limit the amount of information available to the public about these institutions. Currently, as a publicly-traded company, Adtalem is required to disclose information about its finances, executive compensation, state and federal investigations and lawsuits, and other key aspects of DeVry University and Keller’s operations in public filings with the Securities and Exchange Commission (SEC). As a private company, Cogswell will not be required to make these types of public filings.

Durbin also wrote to the Illinois Board of Higher Education (IBHE) to share his concerns about the proposed transaction. IBHE is expected to consider the matter at its Board meeting tomorrow. IBHE approval is necessary for the new entities to continue operating in Illinois. Full text of that letter is available [here](#).

Full text of Durbin and Brown's letter to Secretary DeVos is available below:

June 1, 2018

Dear Secretary DeVos:

We write today to express our concerns with Adtalem Global Education, Inc.'s proposed transfer of DeVry University and Keller Graduate School of Management to Cogswell Education, which currently runs Cogswell College. We urge the Department of Education (Department) to carefully scrutinize this proposed change in ownership and act in the best interest of students and taxpayers.

Adtalem, formerly known as DeVry Education Group, has a long record of abuse and mistreatment of students according to multiple state and federal investigations and lawsuits. In 2016, the company paid \$500,000 to the Massachusetts Attorney General as the result of an investigation into its advertising and recruitment practices. Just last year, an investigation by the New York Attorney General into false advertising and deceptive practices resulted in DeVry paying nearly \$3 million in student refunds and fines. Also in 2017, the company paid \$100 million in debt forgiveness and refunds to students after being sued by the Federal Trade Commission for misleading prospective students with ads that inflated job placement rates and income levels of graduates.

The Department of Education also investigated DeVry's misleading advertisements and reached a limited settlement with the company in 2017. A recent New York Times article noted that, despite the settlement, an investigation into potential fraud at DeVry continued – but later “ground to a halt” as a result of your irresponsible decision to gut the Student Aid Enforcement Unit. The article also reports that your own Department staff have urged, to no avail, that the investigation be restarted.

DeVry's systemic misconduct has led thousands of students to apply to the Department for relief under the Higher Education Act's borrower defense provision, which entitles student borrowers to federal student loan discharges if they are the victim of fraud or other illegal conduct by their schools. Illustrating the red flags that this should raise in the Department's review, the parties included an option in the terms of the transaction that allows Cogswell to back out if Adtalem's borrower defense claims exceed 2,250. According to The Century Foundation, borrower defense applications from DeVry

University and Keller have surpassed 8,200 as of March 2018— increasing from less than 100 in March 2016. The explosion of borrower defense claims at the institutions slated to be transferred to Cogswell, raises serious concerns and casts a long, dark shadow over the proposed transaction.

If the transaction is finalized, it will fall to Cogswell Education to correct the widespread misconduct underpinning these claims while operating a large-scale educational enterprise. There is little evidence to suggest that the company is up to either of these tasks.

First, Cogswell Education is a small California-based private for-profit education company with seemingly no experience managing a large educational enterprise. Currently, it operates Cogswell College – a school with a single campus of around 600 students taking in just \$6.2 million in Title IV funds in 2015-16. This contrasts starkly with the dozens of locations, tens of thousands of students, and hundreds of millions in Title IV dollars for which the company would become responsible for managing after acquiring DeVry University and the Keller Graduate School of Management.

Second, cleaning up a business operation with an entrenched culture of malfeasance will take experienced dedicated leaders – among executive and academic officers as well as the governing board. Unfortunately, Cogswell College’s website does not readily list the school’s President or other senior leadership – leaving who actually runs the school and what qualifications they may have a mystery.

The college’s website does list members of the “Board of Trustees” – among them, Fardad Fateri, CEO of International Education Corporation which owns the for-profit UEI Colleges. Previously, he served as a high ranking DeVry official, including as President, and then as Chief Academic Officer for Corinthian Colleges, Inc. – a company that has become synonymous with fraud and ruined the lives of tens of thousands of students before collapsing.

Fateri is also a Commissioner on the discredited Accrediting Council for Independent Colleges and Schools (ACICS). ACICS enabled Corinthian and ITT Tech in exploiting students and bilking taxpayers for years by turning a blind eye to evidence of fraud – accrediting both companies to the day they collapsed. Today, ACICS continues to accredit what has been referred to as “the bottom of the barrel.” As of February 2018, only 35 percent of students receiving federal aid at ACICS-accredited institutions earned more than the average high school graduate within six years from enrolling. In addition, 3 out of 4 students at ACICS-accredited institutions today are not able to pay down at least \$1 on their federal student debt within three years of entering repayment.

Also listed on the Board are Brad Palmer and Jason Woody of Palm Ventures, LLC. Palm Ventures sold Heald Colleges to Corinthian in 2009 and, until recently, reportedly listed Cogswell as an investment on the company's website. We don't see how it can possibly be in the public interest to throw thousands more students and millions more taxpayer dollars into the clutches of an organization owned and led by individuals whose tangled web of corporate affiliations can be traced back to some of the most notorious bad actors in for-profit education.

Cogswell College's performance also raises some serious red flags. Like most for-profit colleges, it is incredibly expensive. Its Bachelor's degree in Digital Audio Technology costs more than \$100,000 and only 11 percent of students complete the program within 4 years. Just this year, Cogswell's accreditor, the WASC Senior College and University Commission, gave the school a "warning" for "factors affecting academic quality" and which require "additional oversight."

In 2017, Adtalem implemented a series of "Student Commitments" – voluntary standards to which it pledged to hold itself and which included a mechanism to measure its results. Among the promises was responsible recruitment – including transparency related to its marketing expenditures, a ban on the use of mandatory arbitration clauses so that students have the right to sue the company in court as individuals or part of a class, and limiting federal revenue to 85 percent – including Department of Defense and Department of Veterans Affairs education funding. While Adtalem's commitments were a step in the right direction, keeping the commitments it has made to current students and that future students expect is what matters – a responsibility that will fall to Cogswell should this transaction go forward. Unfortunately, there is no indication that Cogswell intends or is able to meet that responsibility.

Further raising concerns is that, if finalized, this transaction will take DeVry University and Keller private – threatening to limit the amount of information available to the public about these institutions. Currently, as a publicly-traded company, Adtalem is required to disclose information about its finances, executive compensation, state and federal investigations and lawsuits, and other key aspects of DeVry University and Keller's operations in public filings with the Securities and Exchange Commission. As a private company, Cogswell will not be required to make these types of public filings – which could help hide poor student outcomes, shaky finances that could lead to closure, exorbitant executive bonuses, and state and federal enforcement scrutiny from prospective students, taxpayers, and policymakers.

We have serious doubts that this transaction, as proposed, is in the best interest of students and taxpayers. Should the Department take the questionable step of allowing this transaction to move forward, at minimum, it must condition approval on protections

for students and taxpayers similar to those contained in the Department's December 7, 2016, preacquisition review letter (enclosed) considering the acquisition of the publicly-traded Apollo Education Group by the private AP VIII Queso Holdings, L.P. These protections include:

- Requiring Cogswell to post a letter of credit to the Department;
- Prohibiting the addition of new programs and locations;
- Prohibiting enrollment growth and requiring increased enrollment monitoring;
- Requiring increased financial reporting to the Department;
- Requiring Cogswell to notify the Department of any adverse actions, financial events, government investigations and lawsuits, and student complaints;
- Prohibiting the use of mandatory arbitration clauses or class action bans as a condition of student enrollment;
- Requiring regular reporting of retention and graduation rates;
- Prohibiting aggressive recruitment practices; and
- Cogswell offering a "30 day free trial" whereby all students, in all programs, who do not persist beyond 30 days do not incur Title IV debt, and Cogswell repays the Department any Pell Grant aid disbursed to such students.

In addition, the Department must require Cogswell Education to uphold Adtalem's "Student Commitments" for all current and future DeVry University and Keller students.

Given the many concerns raised and risks posed by this proposed transaction, the Department of Education, accreditors, and state regulators all have a responsibility to include protections for students and taxpayers should it be approved. Thank you for your consideration and I look forward to your prompt response.

Sincerely,