

## **Center for Excellence in Higher Education Borrower Defense Executive Summary**

The U.S. Department of Education (ED) has determined that all borrowers who enrolled at any Center for Excellence in Higher Education (CEHE) school on or after Jan. 1, 2006, and before Aug. 1, 2021, are eligible for an automatic discharge of their related federal student loans. This covers borrowers who attended Independence University, CollegeAmerica, Stevens-Henager College, and California College San Diego. This group discharge will provide relief to borrowers harmed by CEHE's actions, including borrowers who have not yet applied for borrower defense. **Borrowers do not need to take any action to receive their discharge.**

This group discharge expands on ED's previous approval of discharges for all borrowers who enrolled at a Colorado campus of a CEHE CollegeAmerica school on or after Jan. 1, 2006, and before July 1, 2020, based on the findings that CEHE's CollegeAmerica schools had misrepresented how much students could expect to increase their salary with a CEHE degree; how many students were successfully obtaining in-field employment after graduation; the affordability of the school's gap-funding loan program, EduPlan; and the availability of programs. Now, ED has concluded that CEHE's misrepresentations about increased salary, in-field employment, and the affordability of EduPlan were pervasive and widespread across all CEHE campuses and online, and borrowers relied on these misrepresentations to their detriment.

ED relied heavily on evidence provided by Colorado Attorney General Philip Weiser, who led a multi-year investigation of and lawsuit against CEHE and its leadership, as well as evidence provided by the Arizona Attorney General Kris Mayes. As discussed in more detail below, ED's independent review of this evidence resulted in ED's finding that CEHE engaged in widespread and pervasive substantial misrepresentations related to salaries, employment rates, and the affordability of EduPlan across its online programs and brick-and-mortar campuses nationwide.

- **Salary Misrepresentations:** From 2006 through 2021, CEHE engaged in an extensive nationwide marketing campaign that featured a chart with national salary averages based on degree level to show upwards trajectory of earnings with the language "Education Pays Off" and "The More You Learn, The More You Earn." These advertisements led students to believe that CEHE graduates were earning salaries comparable to the national averages, which was not true. CEHE collected data on the outgoing salaries of its graduates, and its internal records clearly showed that its students were making far below the national averages. For example, in 2009 and 2010, CEHE's Education Pays Off campaign advertised that associate degree holders earned an average of \$36,645 per year. But CEHE's Founder and CEO testified that average actual earnings of CEHE associate degree graduates were sometimes \$10,000 or more lower than that average and ranged from \$26,000 to \$29,000 for various states. Other CEHE advertising and admissions materials claimed that students could earn a million dollars more over their lifetime if they obtained higher education, like a degree from CEHE. However, CEHE had no evidence to support that its students were earning a million dollars more or that its students were making salaries comparable to the national averages.
- **Employment Rate Misrepresentations:** CEHE provided misleading employment rates to prospective students online and on campus during recruitment across all schools.

Employment rates misled students because the rates did not accurately depict how many students obtained in-field employment.

- CEHE artificially inflated its employment rates by counting as successfully placed students who were not working in their field of study, students who had merely maintained the same job they had before enrolling at CEHE, and students who were only employed in a short-term job. For example, CEHE counted as successfully placed in-field a business administration graduate reported to be working as a shipping/receiving clerk. In another example, CEHE counted 32 graduates as successfully employed, but 17 of those students had found their jobs prior to starting their programs at CEHE.
- CEHE further inflated its employment rates by excluding the employment status of certain graduates when these graduates should have been included in the calculation. For instance, CEHE classified some students as “unavailable for employment,” but the only documentation provided to support the students’ unavailability were ultrasound photos, which CEHE’s accreditor found to be insufficient to explain why their job statuses were excluded from the overall job placement rates.
- When recalculated in accordance with its accreditor’s standards, CEHE’s reported employment rates fell 30% or more for specific programs and campuses.
- CEHE’s accreditor informed CEHE of its failure to comply with job placement calculation standards in 2012, 2016, 2017, 2018 and 2020, demonstrating CEHE’s knowledge during this time that its calculation methods were leading to artificially inflated placement rates.
- **Misrepresentations about EduPlan:** CEHE created EduPlan—a 2-to-10-year term loan accruing 7% interest and requiring monthly payments while in school—to increase enrollment at all schools nationwide. CEHE’s admissions materials and course catalogs described the EduPlan as “affordable” and a “convenient budget plan.” However, CEHE students could not afford EduPlan loans, and CEHE knew this. Between 2003 and 2006, 70% of borrowers defaulted on their EduPlan loans. Between 2010 and 2016, CEHE charged late fees on over 80% of EduPlan accounts. And, in 2013, CEHE projected that 40% of borrowers would not make any payments on their EduPlan loans in the following year. Not only were CEHE borrowers unable to afford the EduPlan payments, but the loan was inherently not geared toward affordability. Monthly payments on EduPlan loans were always higher when compared with monthly payments for private student loans, regardless of the amount of the loan, resulting in a higher likelihood that EduPlan borrowers would default (and face collections) in the first year of repayment.

CEHE disseminated misleading information about multiple areas of importance to borrowers across all campuses nationwide and online for over a decade. In advertising campaigns, CEHE distributed misleading salary expectations across media types, including in newspapers, direct mailers, emails, television commercials, and online. CEHE reiterated misleading representations about expected salaries during recruitment, using form letters claiming students could “double”

their income by attending and admissions presentations with the chart of national salary averages to convince students to enroll. During this time, CEHE operated with central corporate control and utilized uniform and co-branded course catalogs, admissions materials, and advertising across all CEHE schools with policies and procedures being issued school wide by CEHE leadership.

Prospective students relied on CEHE's misrepresentations when deciding to enroll. CEHE focused its advertising on areas it knew were important to students: increased salaries and employment. CEHE also engaged in aggressive admissions practices that pressured students to enroll by rushing students through the enrollment process without providing students the time or resources to make an informed decision about enrolling. Further, in its findings specific to CollegeAmerica Colorado campuses, ED identified that CollegeAmerica targeted individuals with low socioeconomic status, including homeless individuals, who were particularly susceptible to claims about higher earnings, employment rates, and affordable ways to pay for tuition.

CEHE's misconduct harmed borrowers, because they left CEHE without receiving the benefits of the increased salaries or in-field employment prospects promised by CEHE. To make matters worse, some CEHE borrowers were saddled with high monthly payments to pay back debt from their EduPlan loans that they could not afford despite CEHE's representations for over a decade that the EduPlan would make college "affordable."

ED's findings are based on its independent review of the evidence, including trial testimony from over 40 witnesses and more than 300 trial exhibits. The attorney general of Colorado provided materials obtained as a part of an investigation into and lawsuit against CEHE and its leadership, including the trial record of a litigated case against CollegeAmerica that it won on the merits. The trial record included over 40 witnesses, several expert reports, and 300 exhibits documenting advertisements, admissions training materials, course catalogs, and internal correspondence. The Arizona attorney general provided information obtained by the Arizona State Board for Private Postsecondary Education and its communications with CEHE, which showed CEHE's financials, corporate structure and governance, accrediting issues, and marketing materials. Federal Student Aid's Borrower Defense Group conducted an independent review of this evidence, information in borrower defense applications, and other materials.

Due to its pervasive and widespread substantial misrepresentations that borrowers relied on to their detriment, ED concluded that CEHE misrepresentations likely would have negatively affected all or nearly all students who enrolled on or after Jan. 1, 2006, and before Aug. 1, 2021, and thus a group discharge is appropriate.

All CEHE campuses had closed by Aug. 1, 2021.