

Drake College of Business Borrower Defense Executive Summary

The U.S. Department of Education (ED) has determined that all borrowers who enrolled in Drake College of Business (Drake) on or after Jan. 1, 2008, through Drake's closure on July 31, 2015, are eligible for an automatic discharge of their related federal student loans. Drake operated two campuses, one in Newark, New Jersey and a second campus in Elizabeth, New Jersey. This action covers borrowers who attended either location. This group discharge will facilitate relief to borrowers harmed by Drake'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 is based on ED's finding that Drake made pervasive and widespread substantial misrepresentations that borrowers relied upon to their detriment. ED relied on evidence from prior ED actions, including a 2019 Final Program Review Determination; a 2013 Office of Inspector General investigation; an investigation by Drake's accreditor, the Accrediting Council for Independent Colleges and Schools (ACICS); and a 2012 investigation into Drake by the Senate HELP Committee. As discussed in more detail below, ED's independent review of this evidence resulted in ED's findings that, between 2008 and Drake's closure in 2015, Drake engaged in substantial misrepresentations related to its stipend and externship programs and its graduate employment rates.

- **Stipend Program Misrepresentation:**

- From 2008 to 2010, Drake promised prospective students, many of whom were recruited from homeless shelters and other temporary housing facilities, biweekly stipend payments conditioned on in-class attendance and maintenance of a "C" grade point average. However, Drake did not inform prospective students that the so-called stipends were student loans taken out in students names that would require repayment. Instead, Drake admissions representatives assured students that when they graduated, students would not have to repay these stipends.
- Between 2010 and 2015, Drake admissions staff continued enrolling students from temporary housing facilities with promises of a biweekly stipend that did not have to be repaid if they graduated on time or with a 3.0 GPA. Drake did not inform students that only approximately 30% of students ever graduated, only a subset of whom graduated on time or with a 3.0 GPA, and that over 70% of students ultimately had to repay the stipend.

- **Externship Program Misrepresentation:**

- Between 2008 and 2015, Drake required students to complete program-specific externships to graduate. Students who did not satisfy the externship requirement failed and could not graduate. During recruitment and enrollment, Drake informed

prospective students of the externship requirement and promised to place students in externships related to their field of study. However, Drake failed to place many students in externships. When Drake did place students in externships, they were not related to their field of study. Students who managed to graduate despite an unrelated externship lacked the skills and experience of a relevant externship and were therefore unable to secure jobs in their field of study.

- **Graduate Employment Misrepresentation**

- Drake misrepresented the employability of its graduates and the placement assistance the school would provide graduates. Drake told prospective students that the school had a good reputation, would help them find jobs, and that finding jobs would be easy with a Drake degree. However, students reported that Drake failed to provide job placement assistance, that finding employment was difficult, and that Drake has a poor reputation in the community. During ED's program review of Drake, ED found that none of the 73 students interviewed worked in their field of study, and many of them were unemployed. Though Drake's course catalog states that the school does not guarantee employment, Drake rushed prospective students through the admission process without giving them time to read documentation, including the course catalog.

Drake communicated these three substantial misrepresentations to prospective students orally during the admissions process.

Prospective students reasonably relied on Drake's misrepresentations when deciding to enroll. Students attended Drake to obtain jobs in medical fields or offices. Drake marketed itself as a career-focused school with a good reputation among employers in the area. Drake targeted students who would be particularly susceptible to promises of a "free" stipend and better employment by recruiting from homeless shelters and other temporary housing facilities. Drake admissions rushed prospective students to enroll and told them that reading documentation was unnecessary. One borrower wrote, "They gave me papers to sign and I was told I didn't have to read because it was what a student advisor already explained to me."

These misrepresentations harmed borrowers because they were left with a high amount of debt without the degree or employment necessary to pay for their education. Only 30% of students graduated from Drake, contributing to high default rates on their loans. The Senate HELP Committee report found that Drake's default rate of 40.1% was the highest of the 30 for-profit schools examined in 2008. In its 2019 Final Program Review Determination, ED determined that Drake made misrepresentations to enroll as many students as they could "before students began defaulting on their loans."

Drake engaged in predatory recruitment and lending practices, recruited prospective students likely to enroll with the promise of free money, and then failed to deliver the externship experiences they needed to graduate or the promised placement assistance for graduates.

Due to its pervasive and widespread substantial misrepresentations that borrowers relied on to their detriment, ED concluded that Drake's misrepresentations likely would have negatively affected all or nearly all students who enrolled on or after Jan. 1, 2008, and on or before July 31, 2015, and therefore, a group discharge is appropriate.

Both Drake campuses closed by July 31, 2015.