



December 6, 2016

Mr. Jeffrey Myhre
President
Globe University
8089 Globe Drive
Woodbury, MN 55125-5408

Sent Via [REDACTED]

Tracking #: [REDACTED]

Re: Denial of Recertification Application to Participate in the Federal Student Financial Assistance Programs – Globe University, 8089 Globe Drive, Woodbury, Minnesota 55125-3388; OPE ID: 00464200.

Dear Mr. Myhre:

The U.S. Department of Education (Department) has reviewed the application for recertification submitted by Globe University (Globe) to continue to participate in the student financial assistance programs authorized pursuant to Title IV of the Higher Education Act (HEA) of 1965, as amended, 20 U.S.C. §§ 1070 *et seq.* (Title IV programs). Globe's most recent Program Participation Agreement (PPA) expired on December 31, 2015. Globe, however, timely submitted its recertification application prior to that date. As a result, the Department extended Globe's PPA on a month-to-month basis while evaluating the application and related matters. *See* 34 C.F.R. § 668.13(b)(2).

For purposes of evaluating a recertification application, the Department reviews an institution's performance as a participant in Title IV programs and must ensure that the institution has met the standards of administrative capability, has complied with Title IV program requirements, and has operated under the high standards of care, trust, and diligence required of a fiduciary. A denial of an institution's recertification application is warranted if the Department determines that an institution does not meet all requirements and standards set forth in Title IV and regulations issued thereunder. HEA § 498, 20 U.S.C. § 1099c; 34 C.F.R. § 668.13. In reaching a decision on Globe's recertification application, the Department reviewed all materials submitted by Globe in support of its application. The Department also reviewed other relevant documents, including those associated with the litigation captioned *Minnesota v. Minnesota School of Business, Inc. d/b/a Minnesota School of Business and Globe University, Inc. d/b/a Globe University*, No. 27-CV-14-12558, Fourth Judicial District

of Minnesota (2016).¹ Some of these documents are enclosed with this letter and are incorporated herein by reference. Students and employees are referenced throughout this letter by the number assigned to them in the Student/Employee Crosswalk enclosed with this letter. References to trial exhibits are references to the exhibit numbered in the trial named above. References to the trial transcripts are references to the transcripts in the trial named above.

The Department's review of the materials described above establishes that: (1) Globe has been judicially determined to have committed fraud involving Title IV program funds; (2) Globe made substantial misrepresentations about the nature of its criminal justice program and the employability of the graduates of that program; and (3) Globe made substantial misrepresentations about its students' ability to transfer credits earned at Globe to other institutions. Consequently, Globe's application for recertification is denied.

As a result of this denial of its recertification application, Globe is no longer eligible to participate in the Title IV programs, effective December 31, 2016. *See* 34 C.F.R. § 668.13(b)(2). Specifically, this includes: Federal Pell Grant (Pell Grant), Federal Supplemental Educational Opportunity Grant (FSEOG), Iraq and Afghanistan Service Grants (IASG), Teacher Education Assistance for College and Higher Education (TEACH) Grant, Federal Work-Study (FWS), Federal Perkins Loan (Perkins Loan), and William D. Ford Federal Direct Loan (Direct Loan). The Direct Loan program includes the Federal Direct Stafford/Ford Loan Program, the Federal Direct Unsubsidized Stafford/Ford Loan program, and the Federal Direct PLUS Program.

I. GLOBE IS INELIGIBLE TO PARTICIPATE IN TITLE IV PROGRAMS BECAUSE IT HAS BEEN JUDICIALLY DETERMINED TO HAVE COMMITTED FRAUD INVOLVING TITLE IV PROGRAM FUNDS

An institution that has been judicially determined to have committed fraud involving Title IV program funds is not eligible to participate in Title IV programs. HEA § 102(a)(4)(B), 20 U.S.C. § 1002(a)(4)(B); 34 C.F.R. § 600.7(a)(3)(ii). "The phrase 'judicially determined to have committed fraud' means that a court of competent jurisdiction has made such a finding." Institutional Eligibility Under the Higher Education Act of 1965, as Amended, 59 Fed. Reg. 22,324-01, 22,329 (Feb. 10, 1994).

On July 22, 2014, the State of Minnesota sued Globe under several theories, including a violation of the Minnesota Consumer Fraud Act (CFA), which, in relevant part, prohibits "[t]he act, use, or employment by any person *of any fraud*, false pretense, false promise, misrepresentation, misleading statement or deceptive practice, with the intent that others rely thereon in connection with the sale of any merchandise, whether or not any person has in fact

¹ According to documentation Globe has provided to the Department regarding its ownership structure, Globe University, Inc., is the owner of Globe University, OPEID 00464200.

been misled, deceived, or damaged thereby.” Minn. Stat. § 325F.69, subd. 1 (emphasis added).

On September 8, 2016, following a multi-week trial, Judge James Moore of Minnesota’s Fourth Judicial District issued “Findings of Facts, Conclusions of Law, and Order” (the “Order”) in which he found that the evidence presented by the State was “*sufficient to establish fraud and/or deception in the marketing of Defendants’ Criminal Justice program.*” Order at 110, Conclusions of Law ¶ 14 (emphasis added). The court also found that numerous Globe students were injured by this fraud, and many of the students received Title IV funds to pay for the program.² Order at 111-13, Conclusions of Law ¶¶ 16-20. Based in part on these factual and legal findings and conclusions, the court found that Globe’s “actions in promoting [its] Criminal Justice Program . . . constitute violations of Minn. Stat. §§ 325F.69, subd. 1.” Order at 131, Conclusions of Law ¶ 1.

The Order, therefore, constitutes a judicial determination that Globe has committed fraud involving Title IV funds.³ Pursuant to HEA § 102(a)(4)(B), 20 U.S.C. § 1002(a)(4)(b), and 34 C.F.R. §§ 600.7(a) and 668.13(a), Globe is ineligible to participate in Title IV programs and may not be recertified for participation in those programs.

² Of the 15 students mentioned in on pages 111-13 (¶¶ 16, 19) of the Order, 14 received Title IV funds. In addition, numerous students who swore about Globe’s misrepresentations via affidavit received Title IV funds.

³ In addition to the court’s express determination of fraud with respect to Globe, the Department also notes that the court held Globe jointly liable for the fraudulent conduct of Minnesota School of Business (MSB). The court found that “[a]lthough Globe and MSB are separate corporate entities, they have shared management and share certain resources. Defendants are commonly owned by the Myhre family. Jeff Myhre serves as Defendants’ Chief Executive Officer (“CEO”), Terry Myhre serves as President, and Kaye Myhre serves as Vice President. Defendants also share the same corporate management team, which has included but is not limited to: Vice President of Operations, Jeff Myhre (before being named CEO in late 2013 or early 2014); Chief Operating Officer (“COO”), Jeanne Herrmann; Chief Admissions Officer, Roger Kuhl (through the fall of 2014); Chief Financial Officer (“CFO”), Ken McCarthy; Director of Institutional Quality and Effectiveness, Dr. Mitchell Peterson; and Executive Director of Enrollment Services, Seth Tesdall. *This management team or executive committee oversaw uniform operations of Globe and MSB campuses.*” Order at 5, Findings of Fact ¶ 13 (emphasis added) (internal citations omitted). Based upon those findings, the court held that “the evidence adduced at trial shows clearly that Defendants [MSB and Globe] were jointly operated and held themselves out to the public as separately titled, but factually indistinguishable entities.” Order at 108-09, Conclusions of Law ¶ 10. Thus, the Court found that Globe and MSB were “jointly liable for their violations.” *Id.* The Department notes that this shared management team is evidenced by the similarity of practices, including the substance of the misrepresentations made to prospective students regarding the nature of the two institutions’ criminal justice program and the transferability of the institutions’ credits, along with enrollment techniques such as pressuring students to enroll on their first visit. Accordingly, under these circumstances, the misrepresentations at each institution are buttressed by each other, as well as by the similar misrepresentations at the companion institution.

II. GLOBE DEMONSTRATED A LACK OF ADMINISTRATIVE CAPABILITY AND BREACHED ITS FIDUCIARY DUTY TO THE DEPARTMENT BY SUBSTANTIALLY MISREPRESENTING THE NATURE OF ITS CRIMINAL JUSTICE PROGRAM AND THE EMPLOYABILITY OF THAT PROGRAM'S GRADUATES

In Globe's PPA, which took effect on December 18, 2012, Globe agreed to comply with all conditions specified therein, including compliance with all Title IV, HEA program requirements. PPA at 3; *see also* 20 U.S.C. § 1094(a)(1); 34 C.F.R. § 668.14. By entering into the PPA, Globe and its officers also accepted fiduciary responsibility in the administration of the Title IV programs. 34 C.F.R. § 668.82(a). As fiduciaries, the institution and officers must act with the highest standard of care and diligence in administering the Title IV programs, accounting to the Secretary for the funds received, and in not allowing officers or employees to make substantial misrepresentations. 34 C.F.R. §§ 668.82(a), (b); *see e.g., In re Warnborough College*, Dkt Nos. 95-164-ST, 96-60-SF (Aug. 9, 1996) (finding an institution in violation of the required fiduciary standard due to its failure to properly oversee an employee who made substantial misrepresentations to students). To "continue participating" in any Title IV program, a school must be "capable of adequately administering that program." 34 C.F.R. § 668.16. A school is not considered to have such administrative capability if the institution fails to "administer[] the Title IV, HEA programs in accordance with all statutory provisions of or applicable to Title IV of the HEA" and "all applicable regulatory provisions prescribed under that authority." 34 C.F.R. § 668.16(a).

Under the Department's regulations, "[s]ubstantial misrepresentations are prohibited in all forms," 34 C.F.R. § 668.71(b), and the Department may deny institutional participation applications, including recertification applications, when it determines that the institution has engaged in a substantial misrepresentation. 34 C.F.R. § 668.71(a)(3). A "misrepresentation" is:

[a]ny false, erroneous or misleading statement an eligible institution, one of its representatives, or any ineligible institution, organization, or person with whom the eligible institution has an agreement to provide educational programs, or to provide marketing, advertising, recruiting or admissions services makes directly or indirectly to a student, prospective student or any member of the public, or to an accrediting agency, to a State agency, or to the Secretary. A misleading statement includes any statement that has the likelihood or tendency to deceive. A statement is any communication made in writing, visually, orally, or through other means. Misrepresentation includes the dissemination of a student endorsement or testimonial that a student gives either under duress or because the institution required the student to make such an endorsement or testimonial to participate in a program.

34 C.F.R. § 668.71(c).

A “substantial misrepresentation” is “any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person’s detriment.” *Id.* Substantial misrepresentations include misrepresentations made by the institution itself, or one of its representatives, regarding the nature of the institution’s academic programs or the employability of the institution’s graduates. 34 C.F.R. § 668.71(b). Substantial misrepresentations involving the nature of the institution’s education program include misrepresentations concerning: “[t]he particular type(s), specific sources, nature and extent of its institutional, programmatic, or specialized accreditation,” “whether a student may transfer course credits earned at the institution to any other institution,” “whether the successful completion of a course of instruction qualifies a student . . . to perform certain functions in the States in which the educational program is offered or to meet additional conditions that the institution knows or reasonably should know are generally needed to secure employment in a recognized occupation for which the program is represented to prepare students,” and the “appropriateness of its courses and programs to the employment objectives it states its programs are designed to meet.” 34 C.F.R. §§ 668.72(a), (b)(1), (c), and (g). Substantial misrepresentations involving the employability of an institution’s graduates include misrepresentations concerning “the institution’s knowledge about the current or likely future . . . employment opportunities in the industry or occupation for which the students are being prepared,” and “other requirements that are generally needed to be employed in the fields for which the training is required.” 34 C.F.R. §§ 668.72(c), (f). Each substantial misrepresentation is a sufficient ground for the Department to deny Globe’s recertification application.

The Department’s review established that Globe substantially misrepresented to students and prospective students the ability of graduates of Globe’s criminal justice program to become police officers and probation officers in the state of Minnesota. Moreover, by signing its PPA, Globe agreed that, because it advertised job placement rates as a means of attracting students to enroll in the institution, it will make available to prospective students relevant State licensing requirements of the State in which the institution is located for any job for which an educational program offered by the institution is designed to prepare those prospective students. PPA at 5; 34 C.F.R. §§ 668.14(b)(10)(i), (ii); 20 U.S.C. § 1094(a)(8). Here, Globe affirmatively misrepresented Minnesota’s licensing requirements for police and probation.

A. Globe made substantial misrepresentations regarding the ability of its criminal justice program graduates to become Minnesota police officers

In Minnesota, a person who is not eligible for reciprocity because of prior police service in another state may become a police officer only in one of two ways. First, a person may obtain a degree from a program designated by the Minnesota Peace Officer Standards and Training (POST) Board. Minn. Stat. § 626.84, Minn. Rules 6700.0100, 6700.0300; Trial Ex. 0046 (listing POST Board designated programs); Trial Transcript 4/4/16 99:19-101:25, 131:4-14;

4/22/16 AM 17:10-18:2, 39:13-44:16; *see also* Order at 12, Findings of Fact ¶ 38. Second, a person may obtain a degree from a regionally-accredited institution and then complete a certified program of Professional Peace Officer Education (PPOE), commonly known as “skills training.” *Id.* Globe’s criminal justice program does not meet the requirements for either of these options. *First*, the program is not currently POST-approved, nor was it POST-approved at the time that Globe made representations regarding the ability of its graduates to become police officers. *Second*, Globe is, and at all times relevant to this determination was, *nationally* accredited, not regionally accredited.⁴ Accordingly, a Globe graduate could not have used a Globe credential to become a police officer in Minnesota. Moreover, at trial, Defendants’ corporate manager of career services testified that these job titles were not representative of jobs entered into by Defendants’ graduates because Defendants’ criminal justice programs did not allow graduates to work as Minnesota police officers. *See* Trial Transcript 4/13/16 PM 99:10-19 (testimony from Globe’s corporate manager of career services, a role which she served in for both Globe and MSB concurrently).

Despite the inability of Globe graduates to use the Globe credential to become Minnesota police officers, Globe substantially misrepresented that its programs prepared students for such careers. Globe advertisements and webpages contained false and misleading information that would lead a prospective student to reasonably believe that the criminal justice programs provided a necessary credential for a career as a Minnesota police officer. For instance, Globe published online testimonials from current criminal justice students asserting that they were working towards becoming sworn police officers. *See, e.g.*, Trial Exs. 11 (banner-style Globe advertisement with text “Make the world a better place” under a photograph of a person in a police uniform); 14 (banner-style Globe advertisement with text “Interested in Criminal Justice?” next to photograph of a person in a police uniform); 83-85 (three mobile-device web browser advertisements containing photographs of persons in police uniforms and the text “make a difference with a degree in criminal justice,” “advancing a career in law enforcement starts with the right degree,” and “become a criminal justice professional,” respectively).

Another webpage contained the text, “When designing our criminal justice degrees, we went to the source. We called on seasoned professionals in security, *law enforcement*, the court system, and corrections to advise us on exactly what skills and knowledge they look for in job candidates. And you can be sure, as a graduate of Globe University/Minnesota School of Business criminal justice program, *you will have those qualifications.*” Trial Ex. 28 (emphasis added). Another claims that “If you’re interested in working in law enforcement, the court system or corrections, the multidisciplinary field of criminal justice can lead down may different career paths. A degree in criminal justice is useful in a wide variety of positions including: -Police officer -Probation officer.” *See* Trial Ex. 34. Prospective

⁴ Globe’s online program chair and former interim criminal justice dean testified at trial that he would inform Globe admissions representatives that Globe is “not a POST Board school,” and that, if prospective students “want to become law enforcement officers in the State of Minnesota, [the admissions representatives] need to forward them to the POST Board website, where they can research the appropriate schools for that.” *See* Trial Transcript 4/22/16 AM 18:16-19:23.

students viewing these advertisements and webpages could reasonably assume that completing the criminal justice program could lead to employment in Minnesota as a police officer. Therefore, this advertising scheme, considered as a whole, constitutes a substantial misrepresentation. *Cf. In the Matter of Warnborough College*, U.S. Dep't of Educ. Dkt. Nos. 95-164-ST and 96-90-SF (Aug. 9, 1996) (reviewing various promotional materials and holding that, based upon those materials considered together, prospective students could be "reasonably convinced" that the institution was part of Oxford University and that the institution therefore committed a misrepresentation, notwithstanding that the promotional materials disclaimed that the institution was "independent").

Over the course of several years, Globe's admissions representatives and other personnel also misrepresented the ability of Globe's graduates to obtain employment in Minnesota as police officers. In multiple cases involving students whom Globe's representatives knew were enrolling to become police officers, Globe's representatives wrongly informed the prospective students, or otherwise led these individuals to believe, that the Globe criminal justice program would allow them to become police officers in Minnesota, or that they could attend the "skills training" after completing the Globe program. Those statements constituted substantial misrepresentations, as none of those students were able to attend skills training, or otherwise become police officers in Minnesota. In all, the Department reviewed the sworn testimony of seven students swearing to these substantial misrepresentations, including sworn affidavits and sworn testimony given by the students at trial.⁵ *See* Enclosure 1.

⁵ The court found that at some point in 2010, Globe inserted into its enrollment agreement a disclaimer indicating that criminal justice students were not eligible to become police officers in Minnesota. In Globe's role as a fiduciary of Title IV funds, it is incumbent upon the institution to not make substantial misrepresentations to Title IV recipients. Whether such misrepresentations are later disclaimed is immaterial to that duty. Likewise, after-the-fact contractual statements, especially when they are buried within a lengthy document, are generally insufficient to cure misrepresentations made to induce a person to enter the contract. *See, e.g., Giant Foods, Inc. v. FTC*, 322 F.2d 977, 986 (D.C. Cir. 1963), cert. dismissed, 376 U.S. 967, 84 (1964) (holding that a disclaimer in small print at the bottom of an advertisement did not cure deceptive language in the advertisement); *FTC v. EMA Nationwide*, 767 F.3d 611, 631-33 (6th Cir. 2014) (holding contractual disclaimers do not absolve seller's liability for false and deceptive practices). Here, the disclaimer was two sentences in an eight-page enrollment agreement, buried among such innocuous provisions as an acknowledgement of receipt for the student handbook and consent for use of the student's picture in advertisements. As the court stated, "Defendants' contractual disclaimer... was also ineffective and legally irrelevant as to liability for false and misleading statements made in advertising and by their admissions representatives. As the Court observed at summary judgment, even a contractual disclaimer that clearly contradicts prior misstatements does not prevent liability under [Minnesota's fraud laws]. . . . The Court finds that the disclaimer regarding the Criminal Justice Program that was buried in the enrollment agreement was eclipsed by the emphatic and repeated claims to the contrary in Defendants' advertising and sales presentations" Order at 114-15, Conclusions of Law ¶ 23. Finally, the statements of many students indicate that Globe affirmatively avoided the disclaimer by telling the students they needed to quickly sign the enrollment agreement without a meaningful opportunity to review it, or risk losing their opportunity to enroll. *See, e.g.,* Student 8's Affidavit ¶ 4 ("I explained to Globe's admissions representative that I was on my first college visit, and told him that I wanted to look at several other colleges to make sure I was choosing the right one. I also told him that I needed some time to think about whether it was the best time to enroll in college because I was working and raising a young child. Globe's admissions representative told me that if I wanted to make sure I got a spot in Globe's criminal justice program, I needed to enroll that day. He said that Globe's programs filled up quickly, and he would be hesitant to recommend me at a later date if I could not commit to continuing my education that day"); Student 9's Affidavit ¶ 6 ("I told Globe's

For example, Student 7 testified at trial that he informed a Globe admissions representative over the telephone that his career goal was to become a Minnesota police officer. Trial Transcript 4/5/16 211:6-21, 212:4-5; 4/6/16 2:9-23. On that phone call, Student 7 agreed to come to Globe’s campus for an in-person meeting. At that meeting, the student told a different Globe admissions representative that he wanted to become a police officer, and was assured that he would be able to do so by completing skills training after graduating from Globe’s criminal justice program. Trial Transcript 4/5/16 212:13-215:14. The student testified that he “thought [he] was on the right track.” *Id.* at 214:23. His coursework pertained to police work and his instructors had experience as Minnesota police officers. *Id.* at 220:4-221:21. Becoming a Minnesota police officer was even discussed among students on one of his program’s interactive “Blackboard” discussion boards. *Id.* at 218:15-219:24. Student 7 testified that none of his instructors advised him that he could not become a Minnesota police officer with a degree from Globe. *Id.* at 218-220. After graduating, he attempted to enroll in the skills training at Metropolitan State University, a public university in Minnesota. Metropolitan State University’s representative informed him that his Globe credential did not allow him to begin skills training, and he would have to begin his criminal justice studies over if he wanted to be eligible for that training. *Id.* at 230:15-232:7; 4/6/16 4:4-5:3. The testimony this student gave was subject to cross-examination by Globe, and the judge, sitting as trier-of-fact, found this student’s testimony to be credible. Order at 44, Findings of Fact ¶ 117(j).

As with Student 7, Globe’s admissions representatives made substantial misrepresentations to other students when instructors asked the students what they had hoped to do with their Globe degrees that were not corrected until long into the program. Student 4, the first person in her family to attend college, enrolled in Globe’s criminal justice associate program after being assured by Globe’s admissions representatives that it could lead to her being a police officer in Minnesota. Trial Transcript 4/6/16 141:19-142:22. Not until after having been enrolled for at least a year did this student learn – from a friend – that Globe’s credits would not allow her to attend skills training and become a police officer. *Id.* at 151:23-155:12. The testimony this student gave was subject to cross-examination by Globe, and the judge, sitting as trier-of-fact, found this student’s testimony to be credible. Order at 50, Findings of Fact ¶ 120(h).

Other students swore in affidavits to the same practice of admissions representatives making substantial misrepresentations regarding the ability of Globe graduates to become police officers in Minnesota. *See, e.g.*, Student 2’s Affidavit ¶ 2 (“Globe’s admissions representative recommended that I enroll in Globe’s associate degree criminal justice program and told me that unlike other schools, Globe’s classes were taught by instructors with real-world

admissions representative that I needed some time to think about enrolling, and planned to look at several other schools. Globe’s admissions representative told me that Globe’s classes filled up fast, and if I wanted to be sure I got a spot for the next quarter, I needed to enroll that day. She asked me why I would wait to make a better life for my daughter and me. Feeling pressured, I agreed to enroll in Globe’s associate degree criminal justice program”). When the misrepresentation comes from an individual holding themselves out to be an expert, such as Globe’s “admissions representatives,” the prospective student is even more entitled to rely upon it. *See, e.g.*, Restatement (Second) of Torts § 542(a) (1977).

experience. He told me that after earning this degree, I could complete a criminal justice bachelor's degree, which would allow me to apply to police officer skills training and become a police officer"); Student 3's Affidavit ¶ 2 ("Based on my interests, Globe's admissions representative recommended that I enroll in Globe's associate degree criminal justice program. She said that unlike other schools, Globe offered hands-on learning and experienced industry professionals that taught classes. Based on Globe's recommendation, I enrolled in its associate degree criminal justice program."); Student 6's Affidavit ¶¶ 3-4 ("I told Globe's admissions representative that I wanted a career as a game warden. I told her that to apply for game warden positions, I needed to first become a licensed Minnesota police officer. . . . Globe's admissions representative told me that Globe was the perfect school for me, because it offered both veterinary technician and criminal justice programs.").

Military veterans were also induced to enroll by false promises of being able to become police officers. These student-veterans did not learn that their Globe degrees would not allow them to become police officers until after they had exhausted all or much of their G.I. Bill benefits. *See* Student 1's Affidavit ¶ 8 ("I remain troubled that I wasted six months and thousands of dollars of my G.I. Bill benefits at Globe."); Student 5's Affidavit ¶ 10 ("It is disappointing to have spent three years and over \$65,000 of my hard-earned G.I. Bill money on degrees from Globe that have proved worthless.").

B. Globe made substantial misrepresentations regarding the ability of graduates of its associate's programs to become probation officers in Minnesota

In Minnesota, probation officers are employed by a county or by the State Department of Corrections. Those entities use one of three "delivery systems" for probation services: (1) the Department of Corrections ("DOC") delivery system, which is utilized by 28 counties; (2) the County Probation Officer ("CPO") delivery system, which is utilized by 27 counties and adheres to the educational standards for probation officers set by the Department of Corrections; and (3) the Community Corrections Act ("CCA") delivery system, which the remaining 32 counties utilize. Each of those delivery systems requires a person to have obtained a bachelor's degree to be a probation officer. Trial Transcripts 4/7/16 109:1-111:9, 111:10-114:13, 116:12-117:5, 118:7-9, 120:19-121:6, 123:15-124:20, 125:20-23, 127:24-129:19; Trial Ex. 0043; *see also* Order at 13-14, Findings of Fact ¶¶ 42-44. Therefore, only Globe's bachelor's programs could directly lead to employment as a probation officer.

Nevertheless, Globe urged students whom it knew to be enrolling to become probation officers to enroll in one of Globe's associate programs and claimed that those programs were a good fit for that goal. In all, the Department reviewed the testimony, given either through affidavit or at trial, of three students who swore to these misrepresentations. *See* Enclosure 2.

Student 8 testified that she wanted to become a juvenile probation officer so that she could give her son a better life and be a youth mentor. Trial Transcript 4/7/16 64:20-65:10. She expressed that desire to an admissions representative at Globe's Woodbury campus, who told her that Globe would be a "perfect fit" for her and recommended the school's criminal justice

associate's program. *Id.* at 67:2-68:13. This representative told her that Globe had "several connections in the criminal justice field . . . so [she] would be able to have a job placement after . . . graduating" as a juvenile probation officer. *Id.* at 68:6-10, 69:3-15. This student took on tens of thousands of dollars in debt to obtain her associate's degree, which did not make her eligible to become a probation officer. Student 8's Affidavit ¶ 6. She "currently work[s] as a personal banker, a job that does not require a college degree. [Her] Globe education has not bettered [her] life or [her] son's, but saddled [them] with thousands of dollars of debt." *Id.* ¶ 9. The testimony this student gave was subject to cross-examination by Globe, and the judge, sitting as trier-of-fact, found this student's testimony to be credible. Order at 63, Findings of Fact ¶ 123(g).

Student 9 decided to return to school after having her first child to provide a better life for them and to be a role model to the child. Student 9's Affidavit ¶ 2. "Globe's admissions representative told [her] that Globe's criminal justice associate degree program would give [her] the skills and education [she] needed to become a probation officer or corrections officer." *Id.* ¶ 5. This student graduated from Globe and learned that she needed a bachelor's degree to become a probation officer. *Id.* ¶ 7. Instead, "[she] was hired as a corrections officer, only to find out that after spending over \$30,000 on [her] MSB associate's degree, [she] did not need a college degree to work as a corrections officer." *Id.* She was unable to transfer her Globe credits to complete a bachelor's degree elsewhere and cannot afford to start her studies over. *Id.* ¶ 10.

Student 10 visited Globe University's Minneapolis campus in 2009 and told the admissions representative he wanted to be a probation officer. Student 10's Affidavit ¶ 3. In response, "Globe's admissions representative recommended Globe's associate criminal justice degree program because it would allow [him] to enter the workforce in two years or less. Based on Globe's presentation, [he] enrolled in its criminal justice associate degree program." *Id.* At graduation, Globe convinced the student to continue on into its bachelor's in criminal justice program, saying that "additional education would make [him] even more attractive to potential employers." *Id.* ¶ 4. This student, originally expecting to be employable as a probation officer after two years, ended up spending four years at Globe and spending \$40,000 on a degree. *Id.* ¶ 5. He has been unable to find a job in the criminal justice field and is unemployed. *Id.*

These substantial misrepresentations, upon which students relied when choosing to enroll at Globe, are incompatible with Globe's fiduciary duty to the Department and demonstrate the institution's lack of administrative capability.

III. GLOBE BREACHED ITS FIDUCIARY DUTY AND DEMONSTRATED A LACK OF ADMINISTRATIVE CAPABILITY TO THE DEPARTMENT BY SUBSTANTIALLY MISREPRESENTING TO STUDENTS AND PROSPECTIVE STUDENTS THE TRANSFERABILITY OF GLOBE CREDITS

Globe made numerous misrepresentations to prospective students about the ability of students to transfer credits earned at Globe to other institutions.⁶ These misrepresentations were made as early as 2007 and continued through at least 2014, were made at each Globe campus, and were made to students who enrolled in a variety of programs of study, including criminal justice, health sciences, paralegal, accounting, business, and massage therapy programs. The individuals to whom Globe made these misrepresentations could reasonably have been expected to rely, or did in fact reasonably rely, on these misrepresentations to their detriment. Accordingly, these misrepresentations constituted substantial misrepresentations. 34 C.F.R. §§ 668.71, 668.72(b)(1).

The non-transferability of Globe's credits is partly a function of Globe's accreditation by a national accreditor rather than a regional accreditor. Credits earned at nationally accredited institutions often do not transfer to regionally accredited institutions.⁷ Thus, blanket statements Globe made to prospective students conflating national and regional accreditation, such as "because Globe is an accredited school, other schools would accept Globe's credits" constitute substantial misrepresentations. *See, e.g.*, Student 14's Affidavit ¶ 4. Likewise, some of the substantial misrepresentations at issue were made to prospective students who informed Globe that they were interested in transferring credits earned at Globe to an

⁶ On this issue, the court found in favor of Globe because, "[t]o the extent that witnesses were misinformed by admissions representatives by affirmative statements that credits would transfer, those statements were not authorized by Defendants." Order at 118, Conclusions of Law ¶ 33. This aspect of the court's decision is not dispositive to the Department's conclusion that Globe violated 34 C.F.R. § 668 Subpart F because, under those regulations, an institution is responsible for substantial misrepresentations made by its agents, irrespective of whether those substantial misrepresentations are "authorized." *See, e.g., In the matter of Philander Smith College*, U.S. Dep't of Educ. Dkt. No. 09-28-SA at 2 (Nov. 16, 2009) ("[A]n institution is fully responsible for the conduct of its employees. This Tribunal has consistently held that an institution is subject to liability arising from the conduct of its employees in administering Title IV expenditures even if the conduct is criminal."); *see also* 34 C.F.R. § 668.71(b) (establishing that a substantial misrepresentation can be made by "one of [an institution's] representatives").

⁷ *See, e.g.*, Government Accountability Office, *Transfer Students: Postsecondary Institutions Could Promote More Consistent Consideration of Coursework by Not Basing Determinations on Accreditation*, GAO-06-22, (October 18, 2005) *available at* www.gao.gov/products/GAO-06-22 (last visited December 1, 2016); U.S. Senate Committee on Health, Education Labor, and Pensions Majority Committee Staff Report and Accompanying Minority Committee Staff Views, *For Profit Education: The Failure to Safeguard the Federal Investment and Ensure Student Success* (July 30, 2012) *available at* www.help.senate.gov/imo/media/for_profit_report/PartI-PartIII-SelectedAppendixes.pdf? (last visited December 1, 2016).

institution within the University of Minnesota or within the Minnesota State Colleges and University system. All of those institutions are accredited by the Higher Learning Commission, a regional accreditor, and Globe's credits did not transfer. In addition, in some cases, the prospective student asked Globe about the transferability of Globe's credits to a particular institution, and Globe misrepresented the transferability of Globe's credits to that institution. *Infra*. In those cases also, the Globe credits did not transfer.⁸ In all, the Department reviewed affidavits prepared by nine former Globe students swearing that Globe's representatives made substantial misrepresentations to them regarding the transferability of Globe's credits. *See* Enclosure 3.

Several of these affidavits are illustrative of Globe's misrepresentation. For example, in one case, a student hoping to become a domestic violence advocate asked specifically whether Globe's credits would transfer to other schools, because this student had been warned by a family member that they might not. Student 11's Affidavit ¶ 4. Globe's admissions representatives told her that "Globe was fully accredited, so [she] would have no trouble transferring schools or continuing her education elsewhere. . . . Reassured, [she] enrolled in Globe's criminal justice associate's program." *Id.* This student later tried to transfer her Globe credits to three other schools in Minnesota, and each school refused to accept the Globe credits for transfer. *Id.* ¶ 6.

Another student visited Globe's Minneapolis campus with his father and told the admissions representative that his goal was to earn an associate's degree in computer science and later transfer those credits to the University of Minnesota or another public institution to complete

⁸ At trial, Globe noted that the transferability of credits is ultimately the decision of the institution a student transfers to. That is correct, and had Globe's admissions representative made solely that statement and not affirmatively represented that Globe credits *would* transfer, it would not have been a misrepresentation. But Globe, as a fiduciary to the Department, may not falsely inform prospective students that credits *will* transfer, receive Title IV funds because of those students' attendance, and then claim that transferability is out of its control. Likewise, Globe's course catalogs, which were hundreds of pages long, contain disclaimers regarding the transferability of Globe credits to other institutions. Pro forma statements or disclaimers, buried within a document of hundreds of pages, do not cure otherwise deceptive messages, particularly when those deceptive messages were conveyed by a person such as a Globe admissions representative who holds themselves out as an expert. *Supra* note 5. Moreover, according to affidavits of former Defendants' employees, the companies' representatives affirmatively avoided the disclaimer contained in the course catalog by not providing the catalog to the prospective students until they were signing their enrollment agreements or thereafter. *See, e.g.,* Employee 1's Affidavit ¶ 17, Enclosure 4 ("MSB's goal was to enroll as many students as possible, and quickly transition them to financial aid to fill out financial aid paperwork before they had time to think about their enrollment decision. MSB's practice was to have admissions representatives "recommend" students for acceptance and ask them to sign an enrollment agreement which was supposedly contingent on acceptance. As students signed the enrollment agreement, not beforehand, we would give them copies of MSB's Course Catalog, I never saw a student stop the enrollment process to review the dense catalog."); Employee 2's Affidavit ¶ 16, Enclosure 4 ("I was trained to have him sign an enrollment agreement in which he acknowledged that he had been given copies of MSB's Student Handbook and Course Catalog. We did not give students these materials before they signed the enrollment agreement, rather, we were trained to hand them the materials as they were signing the agreement. I never saw any students review these voluminous materials before signing the enrollment agreement, as the materials were provided while they were busy signing the enrollment agreement.").

a bachelor's degree. Student 13's Affidavit ¶ 3. The admissions representative told this student that "Globe's computer science program was recognized by state universities and [he] would have no problem transferring his credits to another school to complete a bachelor's degree. Based on Globe's presentation, [he] signed [] up for Globe's associate degree computer science program that day." *Id.* ¶¶ 4, 5. Partway through his studies, Globe discontinued its computer science program. *Id.* ¶ 6. This student attempted to transfer his credits to the University of Minnesota and Minneapolis Technical and Community College. *Id.* ¶7. Those institutions "told [the student] that it would not take any of Globe's credits because Globe was not properly accredited." *Id.* Now, "[i]f and when [the student] decides to return to college, he will have to start all over." *Id.* ¶ 9.

* * * *

The denial of recertification will be effective on December 31, 2016. Should Globe have factual evidence to dispute the Department's findings and demonstrate their inaccuracy, Globe may submit that evidence via overnight mail to me at the following address:

Administrative Actions and Appeals Service Group
U.S. Department of Education
Federal Student Aid/Enforcement
830 First Street, NE (UCP-3, Room 84F2)
Washington, DC 20002-8019

If any such material is received by December 20, 2016, the Department will review it and notify Globe if the recertification denial will be modified, rescinded, or left in place. There will be no additional opportunity for appeal or reconsideration. If the recertification denial remains in effect following the Department's review of such submission, or if the school opts not to make such a submission, the Chicago-Denver School Participation Division will then contact Globe concerning the proper procedures for closing out Globe's Title IV program accounts.

In the event that Globe submits an application to participate in the Title IV programs in the future, that application must address the deficiencies noted in this letter. If you have any questions about this letter, you may contact Kerry O'Brien at [REDACTED].

Sincerely,

[REDACTED]

Susan D. Crim
Director
Administrative Actions and Appeals Service Group

Enclosures

cc: Roger Williams, Interim President, ACICS, via rjwilliams@acics.org
Betsy Talbot, Manager, Institutional Registration and Licensing, Minnesota Office of
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VA State Council for Higher Education via peterblake@schev.edu
Department of Defense, via osd.pentagon.ousd-p-r.mbx.vol-edu-compliance@mail.mil
Department of Veteran Affairs, via INCOMING.VBAVACO@va.gov
Consumer Financial Protection Bureau, via CFPB_ENF_Students@cfpb.gov