

## **University of Phoenix Borrower Defense Executive Summary**

The U.S. Department of Education (ED) has determined that, based on a preponderance of the evidence standard, the University of Phoenix (Phoenix) made substantial misrepresentations to federal student loan borrowers from Sept. 21, 2012, through Dec. 31, 2014, and borrowers reasonably relied on Phoenix's misrepresentations to their detriment.

In making this determination, ED relied on evidence provided by the Federal Trade Commission (FTC), which led a multi-year investigation that was ultimately resolved through a settlement in 2019. The FTC provided evidence it obtained through its investigation, which included internal emails, policies, and procedures; recorded phone calls with prospective students; and draft and final advertisements. ED's independent review of the evidence provided by the FTC and evidence obtained from Phoenix during ED's fact-finding process resulted in ED finding that Phoenix engaged in substantial misrepresentations related to its partnerships with thousands of corporate employers.

- **Hiring Partners Misrepresentations:** During its "Let's Get to Work" national advertisement campaign, as well as in person and over the phone during recruitment meetings, Phoenix misled borrowers about their employment prospects by misrepresenting the nature of Phoenix's relationships with thousands of companies. Phoenix represented that its relationship with these companies created job opportunities unique to Phoenix students. For example, Phoenix claimed that their degree would help "get your foot in a few thousand doors" and that their partners were "looking specifically at University of Phoenix students for hire instead of any other school." These representations led borrowers to believe that if they enrolled at Phoenix, they would benefit from hiring preferences with these companies; however, these corporate relationships did not exist.

Phoenix did not have relationships with companies that resulted in hiring preferences for its students. The relationships that Phoenix had with corporate partners pertained to things like tuition discounts for the corporate partner's employees. The agreements fell into two categories: First, Phoenix offered the corporation's existing employees tuition discounts and other enrollment incentives in exchange for the corporation advertising Phoenix to its employees. Second, corporations let Phoenix display their insignia and corporate name in a career database portal, which gave the impression that Phoenix offered unique job opportunities, when in reality all the jobs posted were available to the general public.

Phoenix management was aware that the relationships the school claimed to have did not exist. Several Phoenix executives questioned the integrity of portraying these corporations as "partners." For example, a senior vice president described in an email that an advertisement was merely "smoke & mirrors." Another senior vice president conceded in writing to other company executives that the Let's Get to Work campaign lacked factual support and needed improvement. Despite these concerns, Phoenix continued to falsely advertise its "connection" and "partnership" with employers until December 2014.

Phoenix borrowers reasonably relied on these misrepresentations when deciding to enroll or take out loans to attend Phoenix. The school's misrepresentations concerned materially important

information about the employability of its graduates by characterizing the degree as likely leading to employment with one of Phoenix's partners. Phoenix's misconduct harmed borrowers because borrowers expected programs that would provide unique employment opportunities with high-profile employers, but Phoenix borrowers did not benefit from Phoenix's corporate relationships.

The evidence demonstrated that Phoenix borrowers were promised unique employment opportunities or connections to high-profile employers and did not receive those promised benefits. At best, Phoenix borrowers received publicly available job listings and benefits of modest or no value. Due to this, and Phoenix's failure to rebut ED's presumption of 100% relief, ED determined that it is appropriate to grant 100% relief for Phoenix borrowers who have applied for borrower defense relief and who enrolled within the eligible period and enrolled based on Phoenix's employer partnerships misrepresentations.