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PRESS RELEASE

Career Education Corporation to Stop Collecting on Loans, Change Practices in Agreement with Maryland, 48 Other Attorneys General

Settlement Will Bring $493.7 Million in Nationwide Debt Relief for CEC Students

BALTIMORE, MD (January 3, 2019) – Maryland Attorney General Brian E. Frosh today announced a settlement with for-profit education company Career Education Corporation (CEC) in which CEC will forgo collecting more than $8.5 million in debts owed by 2,784 Maryland students. The settlement also mandates that CEC significantly reform its recruiting and enrollment practices and make a $5 million payment to the settling states. Maryland will receive $264,285.71 of this payment, with the rest distributed to the other settling states, the National Association of Attorneys General Financial Services and Consumer Protection Fund, and the State Center.

Illinois-based CEC currently operates online courses through American InterContinental University (AIU) and Colorado Technical University (CTU), and has closed or phased out many of its other schools over the past 10 years. Its brands have included Briarcliffe College, Brooks Institute, Brown College, Harrington College of Design, International Academy of Design & Technology, Le Cordon Bleu, Missouri College, and Sanford-Brown. There are no physical CEC-operated campuses currently in Maryland.

The Assurance of Discontinuance (Assurance) with attorneys general in 48 states and the District of Columbia, requires CEC to forgo any and all efforts to collect amounts owed by former students who either attended a CEC institution that closed before January 1, 2019, or whose final day of attendance at AIU or CTU occurred on or before December 31, 2013. These amounts total more than $493.7 million in outstanding loan debt held by 179,529 former students.

"CEC's unscrupulous recruitment and enrollment practices caused considerable harm to Maryland students," said Attorney General Frosh. "The company misled students. It claimed that students would get better jobs and earn more money, but its substandard programs failed to deliver on those promises. The school encouraged these students to obtain millions of dollars in loans, placing them at great financial risk. Now CEC will have to change its practices and forgo collection on those loans."

A group of attorneys general initially launched an investigation into CEC's recruitment and enrollment practices after receiving several complaints from students and a critical report on for-profit education by the U.S. Senate's Health, Education, Labor, and Pensions Committee. That investigation revealed that CEC:

- Used emotionally-charged language emphasizing the pain in prospective students' lives to pressure them into enrolling in CEC's schools;
- Deceived students about the total costs of enrollment by instructing its admissions representatives to only inform prospective students about the cost per credit hour without disclosing the total number of required credit hours;
- Misled students about the transferability of credits into CEC from other institutions and out of CEC to other institutions by promising on some occasions that credits would transfer;
- Misrepresented the potential for students to obtain employment in the field by failing to adequately disclose the fact that certain programs lacked the necessary programmatic accreditation, which it knew would negatively affect a student's ability to obtain a license or employment in the student's field of study; and
- Deceived prospective students about the rate that graduates of CEC programs obtained a job in their field of study, thereby giving prospective students a distorted and inaccurate impression of CEC graduates' employment outcomes.

The Attorneys General alleged that as a result of the unfair and deceptive practices described above, students enrolled in CEC who would not have otherwise enrolled, and subsequently could not obtain professional licensure and were saddled with substantial debts that they could not repay nor discharge. CEC denied the allegations of the Attorneys General, but agreed to resolve the claims through this multistate settlement. In addition to the debt relief and the payment to the states, the Assurance requires that CEC must:

- Make better disclosures to students at the time of enrollment. The settlement ensures this will be effectuated by requiring CEC to provide prospective students a disclosure concerning: a) anticipated total direct cost; b) median debt for completers; c) programmatic cohort default rate; d) program completion rate; e) notice concerning transferability of credits; f) median earnings for completers; and g) the job placement rate.
- Provide accurate information about job placement rate, graduation rates, and earnings.
- Require students before enrolling to complete an Electronic Financial Impact Platform Disclosure that will also provide more accurate data about debt burden and post-graduate income potential.
- Enhance student cancellation rights: seven days to cancel and receive a full refund for students enrolled at a physical campus and 21 days for students with fewer than 24 credits of past study enrolled in online programs.
- Not enroll students in programs that do not lead to state licensure or accreditation, or that otherwise will not qualify them for the profession targeted by their program of study.
- Not engage in a variety of other unfair or deceptive practices concerning recruitment, accreditation, selectivity, graduation rates, placement rates, transferability of credit, financial aid, veterans' benefits, or licensure requirements. CEC shall record online chats and telephone calls with prospective students and analyze these recordings to ensure compliance.
- Contact each qualifying former student by U.S. mail informing that student that their student account balance has been reduced to $0.

In addition to Maryland, the CEC investigation was led by Iowa, Connecticut, Illinois, Kentucky, Oregon, and Pennsylvania. An independent monitor will oversee the company's settlement compliance for three years and issue annual reports.

In making today's announcement, Attorney General Frosh thanked Assistant Attorney General Christopher Madaio for his work on the case.