AG Frosh: $1.4 Million in Loans Forgiven For Nearly 1,000 Maryland Students

For-profit education company will revise recruitment and enrollment practices, cancel $103 million in nationwide debt

Baltimore, MD (November 16, 2015) -- Attorney General Brian E. Frosh today announced a multistate agreement with for-profit education company Education Management Corporation (EDMC) that forgives more than $1.4 million in loans for nearly 1,000 former Maryland students who took courses online. The agreement also significantly reforms the company's recruiting and enrollment practices at its schools.

Pittsburgh-based EDMC operates 110 schools in 32 states and Canada through four education systems, including Argosy University, The Art Institutes, Brown Mackie College and South University. There are no physical campuses currently in Maryland.

The agreement with attorneys general in 39 states and the District of Columbia, through a consent judgment filed in Baltimore and in each participating jurisdiction, requires EDMC to forgive $102.8 million in outstanding loan debt held by more than 80,000 former students.

It further requires EDMC to provide access to a new, interactive online financial disclosure tool; bars them from making misrepresentations to students; prohibits them from enrolling students in unaccredited programs; and institutes an extended period when new students can withdraw with no financial obligation.

"EDMC practices were unfair to Maryland students and to taxpayers, who backed many federal student loans that were destined to fail," said Attorney General Frosh. "This is a comprehensive agreement that releases many former students from the burden of debt, and requires the company to put in place new transparency and accountability measures that will benefit future students."

State attorneys general initiated a multistate investigation in January 2014 after receiving numerous complaints from current and former students.

Under the agreement, EDMC must:

- Provide a single-page disclosure to each prospective student that includes the student's anticipated total cost, median debt for those who complete the program, the default rate for those enrolled in the same program, warning about the unlikelihood that credits from
some EDMC schools will transfer to other institutions, the median earnings for those who complete the program, and the job placement rate.

- Require every prospective student utilizing federal student loans or financial aid to submit information to the interactive Electronic Financial Impact Platform (EFIP) in order to obtain a personalized financial report of the student's projected education program costs, estimated debt burden, expected post-graduate income, anticipated living expenses and potential future earnings.
- Reform its job placement rate calculations and disclosures to provide more accurate information about students' likelihood of obtaining sustainable employment in their chosen career.
- Not enroll students in programs that do not lead to state licensure when required for employment or that, due to lack of accreditation, will not prepare graduates for jobs in their field.
- Permit incoming undergraduate students in online programs with fewer than 24 online credits to withdraw within 21 days of the beginning of the term without incurring any cost.

Former students eligible for automatic loan forgiveness must have been enrolled in an EDMC program with fewer than 24 transfer credits; must have withdrawn within 45 days of the first day of their first term; and their final day of attendance must have been between Jan. 1, 2006 and Dec. 31, 2014. EDMC will send notices to individuals whose loans are being forgiven.

The agreement is expected to provide an average of $1,370 per person in loan forgiveness. Under the agreement, EDMC did not admit to the conduct alleged by the attorneys general. Separately, EDMC also agreed to pay a $95 million settlement in a federal whistleblower lawsuit under the False Claims Act. In that case, brought by the U.S. Department of Justice on behalf of the Department of Education, the government alleged that EDMC illegally paid incentive-based compensation to its admission recruiters tied to how many students they recruited.