Career Education Corporation

Summary: 2012 U.S. Senate Committee Findings + 2015 Update

Overview

- CareerED, one of the largest publicly-traded for-profits with 83 campuses nationwide, operates under 11 brand names—American Intercontinental University, Briarcliffe College, Brooks Institute, Brown College, Collins College, Colorado Technical University, Harrington College of Design, International Academy of Design & Technology, Le Cordon Bleu, Missouri College, and Sanford−Brown
- Offers Certificates as well as Associate, Bachelor's, Master's, and Doctoral degrees in areas including visual communication and design, culinary arts, information technology, business studies and health education
- 40% of students attend online programs
- Enrollment increased from about 41,000 in 2001 to just over 118,000 in 2010
- 71 campuses were subject to a show-cause order from their accreditor over false job placement statistics, and, in 2012, 10 campuses were directed to show cause as to why their accreditaton should not be withdrawn
- Several state and federal entities opened investigations of CareerED in 2005, examining allegations about job placement rates and tuition
- 2011 investigations revealed that job placement rates were understated, contributing to the resignation of its CEO
- 2013 settlement with New York attorney general over misleading job placement rates

Tuition

- An Associate degree in Business Administration at a Georgia CareerED campus is $30,659 compared to about $9,000 at a nearby college; however, a Bachelor's degree in Business Administration at an Illinois campus is about $17,000 more expensive at the public sector college
- Schools delayed student aid disbursement in order to maintain compliance with the 90% cap on revenue from federal student aid

Federal Revenue

- 84% ($1.9 billion) of its revenue was derived from federal student aid plus military and veteran educational benefits in 2010

Expenditure Priorities

- In 2009, it allocated 26% ($477.9 million) to marketing and recruiting (4% points more than other publicly traded companies) and 12.1% ($222.6 million) to profit compared to 19.7% for other companies
- Its president and CEO received $4.6 million in compensation in 2009, more than 33 times as much as the president of the University of Illinois at Urbana-Champaign; after resignation, in the wake of the placement statistics revelations, he received a severance package worth an additional $5 million dollars over 2 years

Recruiting Tactics

- Spent $3,142 per student on marketing and $1,505 per student on profit, but only $1,521 on instruction
- Internal training document, "Telephone Tips, instructs its recruiters to "NOT GIVE TOO MUCH INFORMATION" and "create a sense of urgency" during calls with prospective students
- "Telephone Techniques" manual instructs recruiters to "limit the time frames that you offer to that student [for an in-person appointment] and always express to them how busy your schedule is. . . . If you offer too many time availabilities, it appears as though there is no urgency or demand"

- 2005 "60 Minutes" broadcast exposed that recruiters provided misleading information to prospective students involving graduation and admission rates
- One admissions officer said: You need three things to be admitted: $50, a pulse, and the ability to sign your name
- Enrollment agreement contains a binding arbitration agreement that limits students ability to pursue legal redress for grievances in court
- It employed 1 recruiter for every 44 students compare to 1 career counselor for every 403 students and student services staffer for each 137 students

Academic Quality and Student Outcomes

- Spent $1,521 per student on instruction in 2009, at the low end for the publicly-traded schools examined, compared to $11,776 at the University of Illinois at Champagne, $10,018 at DePaul University and $4,603 at College of DuPage
- 53.1% of student who enrolled in 2008-09 had withdrawn by 2010 after being enrolled for a median of 4 months; Associate degree withdrawal rates were close to the sector-wide average but certificate withdrawal rates were about 5 percentage points lower
- As with other companies examined, online withdrawal rates are significantly higher for online compared to brick and mortar degrees
- Its default rate has fluctuated from 18% in 2006 to 21.6% in 2008, which is close to the sector-wide average for 2008; at some CareerED campuses, the rate ranged from 27.3% to as high as 31%
- In order to avoid default, it engaged in a number of aggressive activities to contact students entering repayment, including contacting the student repeatedly, their relatives, and their employers, which is discouraged by statute
- In 2010, 73% of faculty were employed part-time, close to the 80% sector-wide average
- Enrolls students in programs that are not programmatically accredited, preventing them from obtaining jobs in their field of study after graduation

2015 Update

- In January 2014, CareerED received inquiries from 12 state Attorneys General regarding the Company's business practices relating to recruitment of students, graduate placement statistics, graduate certification and licensing results and student lending activities
- In August 2013, New York's Attorney General announced a $10.25 million settlement with CareerED over significantly inflated graduates' job placement rates.
- In February 2013, it received subpoenas from the Attorneys General of Florida and New York, civil investigative demands from the Illinois and Massachusetts Attorneys General and an investigative demand from the Oregon Attorney General relating to potential non-compliance with applicable state laws and regulations by certain of our schools
- In February 2013, CareerED reported that the Chicago Regional Office of the Securities and Exchange Commission was conducting an inquiry pertaining to its previously reported internal investigation of student placement determination practices and related matters
- According to a 2014 Senate HELP Committee Report, CareerED was one of the top 10 recipients of revenue from veterans using their Post-9/11 GI Bill benefits from 2009 through 2013, receiving $283 million
- The same report found that 48% of its program would have failed or been at risk of failing EDs new Gainful Employment regulations

Summary of findings a report by the Senate Health, Education, Labor and Pensions (HELP) Committee: *For-Profit Education: The Failure to Safeguard the Federal Investment and Ensure Student Success* (July 30, 2012). Find the full chapter on CareerED at: http://www.help.senate.gov/imo/media/for_profit_report/PartII/CEC.pdf