April 21, 2020

Representative French Hill
The Honorable Bharat Ramamurti
Representative Donna Shalala
Senator Pat Toomey
Congressional Oversight Commission
United States Capitol
Washington, DC

Dear Commissioners:

The undersigned community of 42 consumer, labor, oversight, civil rights, and student advocacy organizations write to ask you to perform diligent oversight to ensure that relief funds allocated through the CARES Act are not used to perpetuate or reward predatory practices in higher education.1

The for-profit college sector has a long history of schools engaging in illegal practices, such as using deceptive marketing and advertising to enroll military-connected students,2 unfairly targeting communities of color with reverse redlining practices,3 and lying about career opportunities and job placement rates in order to boost student enrollment.4 For-profit schools do not have the structural checks and balances present in traditional public and nonprofit colleges where decisionmakers have no direct financial interest. For-profit schools have used these egregious tactics to grow rapidly in the years following the last financial crisis, ultimately recruiting millions of students into costly programs with minimal investment in training and instruction, leading many to high levels of debt and poor outcomes.5 These abuses led the U.S. Department of Education, the U.S. Department of Justice, the Federal Trade Commission, the Consumer Financial Protection Bureau, and numerous state attorneys general to take action against several companies now poised to receive millions of dollars under the CARES Act.6 In recent years, many for-profit schools have followed the trends of some of the largest chains of the early 2010s—precipitously shuttering their doors overnight, leaving hundreds of thousands of students with worthless degrees and mountains of debt.7

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3 See e.g., Complaint, Mary Morgan et. al. v. Richmond School of Health and Technology, Inc. (Dec. 11, 2011), (Case 1:11-cv-01066-GK), https://www.relmanlaw.com/media/cases/351_RSHT%20-%20Second%20Amended%20Complaint%2012.7.11.pdf.


According to public reports, the CARES Act could provide over $1.1 billion to for-profit schools.\(^8\) Recent data from the Department of Education show that operators of for-profit chains including Fortis Institute, Empire Beauty School, and Lincoln Technical Institute will likely receive a significant portion of CARES Act relief funds, despite previous actions by federal and state law enforcement agencies to halt illegal practices by these companies.\(^9\)

Given the already dire state of the student debt crisis affecting 45 million Americans, it is critical that any federal emergency spending support the interests of students without the waste, fraud, and abuse that has historically been the hallmark of the for-profit college industry. Because these institutions are being entrusted with taxpayer dollars through the CARES Act, it is critical that for-profit institutions receiving these funds be subject to additional oversight.

At a minimum, you must ensure that CARES Act funds are not misused or misappropriated by any school operated by individuals with a direct financial interest in the institution. We urge you to ask Secretary DeVos to confirm that no recipient of CARES Act funds is currently under investigation for misrepresentation or financial misconduct by the Department of Education, other federal agencies, or state and federal law enforcement organizations. We also request that you ask Secretary DeVos to confirm whether any recipient of CARES Act funds has been the subject of such an investigation or subsequently sanctioned for such conduct in the past five years by their accreditor or a state regulator, or settled a lawsuit with a federal or state law enforcement or regulatory authority.

Further, we ask that you require Secretary DeVos to provide a report on those institutions that are both receiving CARES Act funds and that are receiving Title IV funding under one of the Heightened Cash Monitoring methods of payment. Such a report should detail the steps that the Department is taking to ensure that the CARES Act student aid grant funds are properly distributed, including for example, steps to direct program reviewers to prioritize institutions with known compliance concerns. To protect these funds, Secretary DeVos must also confirm that no institution receiving CARES Act funds is operating under receivership. The Secretary should also provide what steps the Department is taking to ensure CARES Act funds are not improperly directed to creditors. Lastly, we request that you seek an explanation from the Secretary about what additional steps the Department is taking to ensure proper use of CARES Act funds by institutions that have one or more Letters of Credit currently on file with the Department. Such institutions have typically been determined to be at some level of financial risk to students and the Department, and, in these circumstances, merit additional oversight. For example, is the Department requesting that schools develop a plan to increase the surety amount?

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Is the Department requiring such institutions to submit teach-out plans and agreements to the Department and accreditors? Answers to these types of questions are necessary to ensure that students are protected in these difficult times.

In addition to demanding these answers from the Secretary, we urge you to perform critical oversight of CARES Act funds disbursed to the for-profit college sector, requiring any institution that has maintained a for-profit status in the last ten years to provide answers to the following requests for the last four quarters, as applicable, and to provide your committee with monthly status reports for the duration of the crisis including data responsive to each of the following questions:

1. The total dollar amount received through the CARES Act.
2. The total dollar amount spent on “emergency financial aid grants to students.”
3. The total dollar amount of non-student emergency grant aid that was spent on instruction.
4. The total dollars spent by each institution of higher education on executive compensation and bonuses.
   a. The total CARES Act dollars spent by each institution of higher education on executive compensation and bonuses.
5. The total dollars spent on corporate board compensation.
   a. The total CARES Act dollars spent on corporate board compensation.
6. The total dollars spent by each institution of higher education on advertising and marketing.
   a. The total CARES Act dollars spent by each institution of higher education on advertising and marketing.
7. The total dollars spent by companies operating institutions of higher education on dividends and/or stock buybacks.
   a. The total CARES Act dollars spent by companies operating institutions of higher education on dividends and/or stock buybacks.
8. The total dollars spent by institutions of higher education on compensating owner(s).
   a. The total CARES Act dollars spent by institutions of higher education on compensating owner(s).
9. The total dollars spent by institutions of higher education on any expenses related to the extension of financing to students which they are expected to repay, including any direct financial support, loan guarantees, debt payments, or other expenses related to institutional loan programs or other private student lending arrangements.
a. The total CARES Act dollars spent by institutions of higher education on any expenses related to the extension of financing to students which they are expected to repay, including any direct financial support, loan guarantees, debt payments, or other expenses related to institutional loan programs or other private student lending arrangements.

10. The total dollars spent by institutions of higher education repaying debts or obligations owed by the school, especially obligations or debt that is not regularly scheduled for payment (i.e., prepaying debts, including debts to owners or other companies owned by owners or paying off overdue debts, especially when those debts were due before the crisis).

   a. The total CARES Act dollars spent by institutions of higher education repaying debts or obligations owed by the school, especially obligations or debt that is not regularly scheduled for payment (i.e., prepaying debts, including debts to owners or other companies owned by owners or paying off overdue debts, especially when those debts were due before the crisis).

11. The total dollars spent by institutions of higher education on outside counsel defending against federal or state consumer litigation or responding to government investigations regarding potential consumer law violations. In your initial response, please provide this data for each of the last four years.

   a. The total CARES Act dollars spent on outside counsel defending against federal or state consumer litigation or responding to government investigations regarding potential consumer law violations.

12. The total dollars spent by institutions of higher education on lobbying either federal or state legislators or federal or state executive agencies, including lobbying related to federal or state rulemaking. In your initial response, please provide this data for each of the last four years.

   a. The total CARES Act dollars spent by institutions of higher education on lobbying either federal or state legislatures or the executive branch, including rulemakings.

13. The total dollars spent by institutions of higher education on contributions to political candidates or Political Action Committees.

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14. The total dollars spent on programs designed to recruit servicemembers, military spouses, or veterans, including but not limited to payments to Morale, Welfare, and Recreation Programs.
It is critical that these funds are used as Congress intended—to provide emergency relief to students suffering during this crisis, not for personal enrichment or to line the pockets of corporate interests. And while we applaud Congress for stepping in to support students at all types of institutions during this unprecedented crisis, stronger oversight is needed to correct for unintended incentives created by profit-driven control structures.

Sincerely,

National Organizations

Allied Progress
American Federation of Teachers
Americans for Financial Reform
Association of Young Americans (AYA)
Children’s Advocacy Institute
Consumer Action
Consumers for Auto Reliability and Safety
Hildreth Institute
National Association of Consumer Advocates
National Education Association
Private Equity Stakeholder Project
Public Citizen
Public Counsel
Stephanie Hall, The Century Foundation
Student Action
Student Borrower Protection Center
Student Debt Crisis
Student Defense
U.S. Public Interest Research Group (PIRG)
Young Invincibles

State and Local Groups

American Federation of Teachers New Mexico
College Now Greater Cleveland
Communications Workers of America District 7
DevNW
Housing & Economic Rights Advocates
Indiana Institute for Working Families
Innovation Ohio
Louisiana Budget Policy
Maryland Consumer Rights Coalition
New Era Colorado
New Jersey Citizen Action
New Mexico Center on Law & Poverty
NextGen California
Ohio Student Association
PHENOM (Public Higher Education Network of Massachusetts)
Power Coalition for Equity and Justice
RAISE Texas
San Francisco Office of Financial Empowerment
Strong Economy For All Coalition
THE ONE LESS FOUNDATION
Virginia Poverty Law Center
YWCA Boulder County
April 21, 2020

Chairman Lamar Alexander
Ranking Member Patty Murray
Committee on Health, Education, Labor, and
Pensions
United States Senate
428 Senate Dirksen Office Building
Washington, DC 20510

Chairwoman Carolyn Maloney
Ranking Member Jim Jordan
House Committee on Oversight and Reform
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, DC 20510

Dear Chairs, and Ranking Members:

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Children’s Advocacy Institute
Consumer Action
Consumers for Auto Reliability and Safety
Hildreth Institute
National Association of Consumer Advocates
National Education Association
Private Equity Stakeholder Project
Public Citizen
Public Counsel
Stephanie Hall, The Century Foundation
Student Action
Student Borrower Protection Center
Student Debt Crisis
Student Defense
U.S. Public Interest Research Group (PIRG)
Young Invincibles

State and Local Groups

American Federation of Teachers New Mexico
College Now Greater Cleveland
Communications Workers of America District 7
DevNW
Housing & Economic Rights Advocates
Indiana Institute for Working Families
Innovation Ohio
Louisiana Budget Policy
Maryland Consumer Rights Coalition
New Era Colorado
New Jersey Citizen Action
New Mexico Center on Law & Poverty
NextGen California
Ohio Student Association
PHENOM (Public Higher Education Network of Massachusetts)
Power Coalition for Equity and Justice
RAISE Texas
San Francisco Office of Financial Empowerment
Strong Economy For All Coalition
THE ONE LESS FOUNDATION
Virginia Poverty Law Center
YWCA Boulder County