Corinthian Colleges

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

Overview

- This publicly traded company offerd primarily 2-year degrees and certificate programs both online and at 105 campuses, operating under three brand names—Everest, Heald College, and Wyotech
- Student enrollment in 2011 totaled 94,000
- Highest tuition prices among the 30 companies examined, forcing students to borrow the maximum federal student aid and take on private debt
- 2012 Senate report concluded: "it is unclear that Corinthian delivers an educational product worth the rapidly growing Federal investment taxpayers and students are making in the company"
- In 2014, Corinthian reached an agreement with the Department of Education to sell or close all of its campuses (see below) and the Consumer Financial Protection Bureau filed a complaint against Corinthian because of its predatory practices involving private student loans
- Sale of 53 campuses to ECMC, a student loan guarantee agency and student loan debt collector with no experience running an education company, closed in February 2015

Tuition

- Cost for a diploma was among the highest and the cost of an Associate degree surpassed the next highest-cost school (ITT) by 17%
- Its tuition is also higher when compared to public colleges offering the same programs: Associate's degree in paralegal studies at a Corinthian California campus costs 17 times more than the same degree at a nearby community college—$41,149 compared to $2,392
- Corinthian implemented a 12% tuition increase in February 2011 and, like much of the industry, increases its tuition regularly

Federal Revenue

- 83.1% of Corinthian's revenue ($1.4 billion) was derived from taxpayer dollars—federal student aid plus military and veteran educational benefits in 2010

Expenditure Priorities

- Allocated 22.5 percent ($294.7 million) to marketing and recruiting and 9.1 percent ($119.2 million) to profit in 2009
- Per student, Corinthian spent $3,969 on instruction in 2009, slightly more than the $3,463 it spent on marketing and allocated to profit
- The company paid its CEO $3.3 million in fiscal year 2009—more than eight times the compensation of the president of the University of California at Irvine
- The company's compensation agreements make it clear that his pay is based on meeting enrollment and profit goals, not student success

Recruiting Tactics

- 22.5% of revenue ($294.7 million) was spent on marketing and recruiting in 2009, slightly less than the other 15 publicly traded companies
- Corinthian employed one recruiter for every 40 students while each career counselor was responsible for 145 students, and each student services staffer was responsible for 160 students
- Recruiters are trained to sell the program, not advise students and they are trained to discourage/deflect prospective students' questions about cost

Academic Quality and Student Outcomes

- It spent $3,969 per student on instruction in 2009, among the highest of the 15 publicly-traded companies surveyed, which paled in comparison to 4-year public and nonprofit colleges' investments of $30,000-$35,000 per student
- Overall, 50.5% of students who enrolled in 2008-09 had withdrawn by 2010, having been enrolled a median of just over 3 months before withdrawing
- Its student loan default rate was 36.1% for students entering repayment in 2008, and, at 13 campuses, over 40%

of students defaulted, which could result in the loss of federal student aid starting in 2014

- 60% of its faculty were part time employees, compared to an 80% sector average, meaning that it employed more fulltime faculty than the average
- Undercover Government Accountability Office investigation raised serious questions about the academic quality of its online programs. Few of the courses featured video or audio lecture components and interaction with teacher limited to text-based chat that required little time or attention from the teacher
- In addition, GAO identified several incidents of compromised academic integrity and rigor. For example, blatant plagiarism was tolerated until the end of one class and finally reported to school administrators, but no disciplinary action was ever taken
- State Attorneys General have or are investigating Corinthian: (1) California attorney general entered into a settlement with Corinthian in 2007 after establishing that the company deliberately and persistently misled prospective students about the school's placement rates by as much as 37%; (2) Florida attorney general was investigating school in 2012 for alleged misrepresentations concerning financial aid and unfair/deceptive practices regarding recruitment, enrollment, accreditation, placement, etc.
- In 2010, school admitted that administrators at one of its Everest College campuses in Texas had falsified the employment records of 288 graduates over 4 years
- In 2012, the Consumer Financial Protection Bureau (CFPB) was investigating Corinthian to determine whether the company engaged in "unlawful acts or practices relating to the advertising, marketing, or origination of private student loans"

2015 Update

- In June 2013, Corinthian Colleges received a subpoena from the Securities and Exchange Commission requesting the production of documents and communications related to student information in the areas of recruitment, attendance, completion, placement, defaults on federal loans and on alternative loans, as well as compliance with U.S. Department of Education financial requirements, standards and ratios (including the effect of certain borrowings under its credit facility, on its composite score, and on 90/10 compliance), and other corporate, operational, financial and accounting matters.

- On July 8, 2013, Corinthian received a civil investigative demand from the Minnesota Attorney General's Office seeking information on potential issues related to financial aid, admissions, students and other areas.
- In October 2013, the California Attorney General's office filed a civil complaint against Corinthian alleging that it had violated California law by misrepresenting job placement rates to students, misrepresenting job placement rates to investors, advertising for programs that it does not offer, unlawfully using military seals in advertising, and inserting unlawful clauses into enrollment agreements that purport to bar any and all claims by students."
- "On January 24, 2014, Corinthian Colleges was notified by the Iowa Attorney General's office that it is leading an investigation by thirteen states (Arkansas, Arizona, Connecticut, Idaho, Iowa, Kentucky, Missouri, Nebraska, North Carolina, Oregon, Tennessee, Washington and Pennsylvania) into the Company's business practices, including recruitment, tuition, loans, student qualifications, complaints, completion and placement, and graduate certification and licensing results. Since then, Colorado, Hawaii, and New Mexico have joined the lawsuit.

- In April 2014, the Massachusetts Attorney General filed a civil complaint alleging that Corinthian had aggressively recruited and misled students by falsely promising high quality, successful training programs, and instead left them with exorbitant student loan debt and without proper training or a well-paying career.

- In August 2014, Corinthian received a grand jury subpoena for documents from the United States Attorney's Office in the Central District of California. The subpoena seeks documents and records relating to matters including job placement representations, graduation rates, transferability of credits for its students, advertisements and marketing materials, and representations regarding financial aid, military connections, student loans, and defaults by Corinthian's students.
- In August 2014, Corinthian received a civil investigative demand from the United States Department of Justice, Civil Division, as part of a False Claims Act investigation concerning allegations related to student attendance and grade record manipulation, graduate job placement rate inflation and non-Title IV funding source misrepresentations.

Summary of findings from 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 Corinthian at: http://www.help.senate.gov/imo/media/for_profit_report/PartII/Corinthian.pdf

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- September 2014 CFPB complaint alleged the company instituted "above market price increases to create 'funding gaps'" in order to meet the requirements of the 90/10 rule. By statute, a for-profit school may receive no more than 90 percent of its revenue from federal student aid. By increasing tuition, Corinthian caused students, who otherwise would have been able to pay for the entire cost of tuition through federal student aid, to take out private student loans
- Department of Education (ED) threatened to delay disbursement of federal student aid to Corinthian in June 2014 because school had failed to address concerns about falsifying job placement data used in marketing and allegations of grade alteration. Corinthian indicated that it would be unable to pay its bills if the funds were delayed because its lenders were unwilling to extend additional credit. The chain signed agreement with ED requiring development of plan to either sell or "teach-out" all of its programs
- In November 2014, Corinthian proposed selling 56 campuses to Education Management Credit Corporation (ECMC), a debt collector and loan servicer. ECMC lacks any experience running an institution of higher education and its reputation for aggressive loan tactics make enforceable safeguards for the proposed sale all the more essential. The sale, which closed in February 2015 incorporated some improvements over the November terms, including an end to binding arbitration agreements and a 40% reduction in principal on Corinthian's private student loans
- In April 2015, the Department of Education announced a $30 million fine on Corinthian's Heald College for misrepresenting job placement rates to prospective students. In addition, it froze enrollment at Heald campuses, requiring them to inform students that it must prepare to help its current students to either complete their education or continue it elsewhere. Finally, the Department indicated that it intends to deny Corinthian's pending applications to continue to participate in the Title IV federal student aid programs at its Heald Salinas and Stockton locations.
- July 2014 Senate HELP Committee report found: (1) 50% of its programs would fail or were at risk of failing ED's proposed Gainful Employment test; and (2) it was one of the top 10 recipients of revenue from individuals using their Post-9/11 GI Bill benefits from 2009 through 2013, receiving $186 million
- Although currently on the verge of ceasing operations, it almost tripled the amount of Post-9/11 GI Bill benefits it received between 2009-10 and 2012-13
- Corinthian reported that it spent $396 million on marketing and recruiting in 2013 an increase of 20% from the $328 million it spent in 2010
- In October 2014, Wisconsin filed a lawsuit alleging that the school's Everest brand misrepresented information, like graduation rates and job-placement statistics, in order to attract students