NEWS RELEASE

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AG STRANGE ANNOUNCES MULTI-STATE SETTLEMENT WITH FOR-PROFIT EDUCATION COMPANY TO FORGIVE CERTAIN LOANS, REFORM PRACTICES

(MONTGOMERY)—Attorney General Luther Strange announced a multi-state settlement with for-profit education company Education Management Corporation (EDMC) to significantly reform its recruiting and enrollment practices, and forgive more than $2,673,129 in loans for approximately 2,135 eligible former students in Alabama.

EDMC, based in Pittsburgh, Pa., operates 110 schools in 32 states and Canada through four education systems, including Argosy University, The Art Institutes, Brown Mackie College and South University.

The agreement with attorneys general in 39 states plus the District of Columbia, through a consent judgment--filed by Alabama in Jefferson County Circuit Court--mandates added disclosures to students, including a new interactive online financial disclosure tool; bars misrepresentations to prospective students; prohibits enrollment in unaccredited programs; and institutes an extended period when new students can withdraw with no financial obligation.

Nationwide, the agreement requires the for-profit college company to forgive $102.8 million in outstanding loan debt held by more than 80,000 eligible former students.

Thomas Perrelli, former U.S. Associate Attorney General, will independently monitor the company's settlement compliance for three years and issue annual reports.

Interactive Financial Disclosure Tool

The agreement will put in place a significant interactive online financial disclosure tool required for all prospective students who utilize federal student aid or loans. The impending online system, called the Electronic Financial Impact Platform (EFIP), is currently under the final stages of development by the U.S. Consumer Financial Protection Bureau (CFPB) and state attorneys general.

Based on a prospective student's individual data, EFIP will produce a detailed financial report that includes the student's projected financial commitment, living expenses and potential future earnings.

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"I am pleased that our civil enforcement action holds EDMC accountable for its alleged unfair and deceptive recruitment and enrollment practices," said Attorney General Strange. "We assert that EDMC's practices were unfair to our students as well as to the nation's taxpayers who backed many of the federal student loans that were bound to fail. This important agreement provides relief to many former students whose loans will be forgiven, and also sets rigorous standards for substantial changes that will benefit future students."

Consumer Complaints, Multistate Investigation

After receiving numerous complaints from current and former EDMC students, state attorneys general initiated a multistate investigation in January of 2014. Attorneys and investigators reviewed consumer complaints, reviewed company documents, and interviewed former EDMC employees.

"The states' investigation showed how EDMC lured prospective students, and that often students left the programs with unfulfilled promises and tremendous debt," said Attorney General Strange. "Today's agreement addresses our greatest concerns about its practices and provides much-needed transparency and accountability."

As part of the agreement, EDMC does not admit to the conduct alleged by attorneys general; however, it agrees to adhere to significant reforms.

Agreement Highlights

Under the agreement, EDMC must:

- Not make misrepresentations concerning accreditation, selectivity, graduation rates, placement rates, transferability of credit, financial aid, veterans' benefits, and licensure requirements. EDMC shall not engage in deceptive or abusive recruiting practices and shall record online chats and telephone calls with prospective students.
- 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 picture of the student's projected education program costs, estimated debt burden and expected post-graduate income.

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- 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.
- Require incoming undergraduate students with fewer than 24 credits to complete an orientation program prior to their first class.
- Permit incoming undergraduate students at ground campuses to withdraw within seven days of the beginning of the term or first day of class (whichever is later) without incurring any cost.
- 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.
- Require that its lead vendors, which are companies that place website or pop-up ads urging consumers to consider new educational or career opportunities, agree to certain compliance standards. Lead vendors shall be prohibited from making misrepresentations about federal financing, including describing loans as grants or "free money;" sharing student information without their consent; or implying that educational opportunities are, in fact, employment opportunities.

Relief Eligibility

Those who will receive automatic relief related to outstanding EDMC institutional loans must have been enrolled in an EDMC program with fewer than 24 transfer credits; withdrew within 45 days of the first day of their first term; and their final day of attendance must have been between January 1, 2006 and December 31, 2014.

The agreement is expected to provide an average of $1,252 per person in loan forgiveness for Alabama students.

Separate Resolution of Federal False Claims Lawsuit

Today, EDMC also agrees to pay a $95 million settlement of a separate 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 admissions recruiters tied to the number of students they recruit.

Attorney General Strange commended those involved in bringing the state matter to a successful conclusion, noting in particular Assistant Attorney General Michael Dean of his Consumer Litigation Section.

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