November 3, 2018

Higher Learning Commission
230 South LaSalle Street, Suite 7-500
Chicago, IL 60604-1411

RE: Third-Party Comment on University of Phoenix

Dear Higher Learning Commission:

Thank you for the opportunity to comment on the Higher Learning Commission’s (HLC) review of accreditation for University of Phoenix (UOP). UOP has maintained its accreditation from HLC and its predecessor since 1978 despite numerous adverse federal agency actions, myriad lawsuits, and staggering numbers of student complaints. From January 20, 2017 to April 30th of this year, the Department of Education received over 1,100 federal fraud complaints from UOP students.1 Similarly, the Department of Veteran Affairs GI Bill comparison tool notes that there have been 575 student veteran complaints at UOP.2 UOP has far and away the most complaints out of any school recorded on the GI Bill comparison tool website, greater than the next five highest schools combined.3 Finally, the Federal Trade Commission maintains an open investigation on UOP for deceptive marketing tactics that began in 2015.4

As a nonprofit representing veterans and their families, Veterans Education Success (VES) has seen significant complaints raised against UOP from student veterans, running the gamut from recruiting/marketing issues to lack of post-graduate job opportunities (see Attachment 1: Student Veteran Complaints).

We urge HLC to carefully review the attached:

- Memo summarizing UOP student complaints prepared by Yale Law School’s Veterans Legal Clinic;
- Affidavit regarding UOP whistleblowers; and
- Letter to HLC from a current UOP employee whistleblower.

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2 Department of Veterans Affairs, GI Bill Comparison Tool, available at https://www.vets.gov/gi-bill-comparison-tool/search?name=University+of+Phoenix.
3 Id. at Data on All Schools excel spreadsheet.
We urge HLC to carefully consider UOP’s tactics and conduct.

**HLC Criteria for Accreditation**

In order for an institution to maintain its accreditation with HLC, there are three pathways open to the institution: Standard, AQIP, and Open; UOP is currently placed on the Standard Pathway (includes comprehensive evaluations in year 4 and year 10). HLC’s criteria for accreditation are organized under five main headings and outline what requirements the institutions have to meet: Mission; Integrity: Ethical and Responsible conduct; Teaching and Learning: Quality, Resources, and Support; Teaching and Learning: Evaluation and Improvement; and Resources, Planning and Institutional Support.

Additionally, HLC is required by the Department of Education (ED) to “assure that all of its affiliated institutions are complying with the expectations of specific federal regulations.” Some examples are complying with the Higher Education Act, VA regulations such as 38 U.S.C. § 3696 which prevents deceptive recruitment towards veterans, FTC regulations prohibiting “unfair or deceptive acts or practices in or affecting interstate commerce,” and DOD regulations on Tuition Assistance. Below, we will focus on the criteria and federal regulations that we believe UOP has failed to meet.

**Criterion 1- Mission**

HLC requires that each institution’s mission be “clear and articulated publicly,” and under Core Component 1.D., “[t]he institution’s mission demonstrates commitment to the public good.” The Core Components go on to discuss how the institutions academic programs and planning and budgeting priorities must align with its mission. UOP’s Mission is as follows:

> University of Phoenix provides access to higher education opportunities that enable students to develop knowledge and skills necessary to achieve their professional goals, improve the performance of their organizations, and provide leadership and service to their communities.

As the attached memo from Yale Law School Veterans Legal Clinic explains, student complaints about UOP indicate that, rather than providing access to higher education knowledge and skills to compete in the workforce, UOP frequently fails to teach the baseline information colleges are expected to impart to educate and prepare students; students fail to develop the skills needed to achieve their professional goals as evidenced by the various metrics publicly available from the Department of Education; and UOP’s structure as a for-profit university, with its primary fiduciary responsibility to shareholders, rather than students, leads to competing incentives that weaken the quality of education given to students. We believe that the below-demonstrated violations of accrediting standards prohibit UOP from fulfilling its mission to both its students and the public at large.
Criterion 2- Integrity: Ethical and Responsible Conduct

Criterion two begins by stating: “The institution acts with integrity; its conduct is ethical and responsible.” From there, the Core Components of what integrity means in terms of institutional policy are laid out. UOP has a long history of questionable ethical conduct that has been amply shown through the various federal, state, and private actions taken against them. This history includes the HLC issuing a sanction of Notice against UOP in 2013 for potentially failing to comply with a number of criteria, including integrity. While this sanction was lifted in 2015, UOP continues to demonstrate troublesome behavior. Some Core Components that UOP has failed to comply with are below:

2.B. The Institution presents itself clearly and completely to its students and to the public with regard to its programs, requirements, faculty and staff, costs to students, control and accreditation relationships.

2.C.3. The governing board preserves its independence from undue influence on the part of donors, elected officials, ownership interests, or other external parties when such influence would not be in the best interest of the institution.

Similarly, HLC monitors the following practices as being adjacent to their criterion 2 standards. Regarding Title IV Program Responsibilities (FDCR.A. 10.060): “An institution shall demonstrate that it complies if required with the Title IV program responsibility requirements of the Higher Education Reauthorization Act as most recently amended.” The HLC is to take into account allegations of fraud against institutions as outlined below:

Federal Regulation: Fraud and Abuse (FDCR.A.20.010)

An institution shall not engage in fraud and abuse, as outlined in state and federal law and regulation, or in practices or procedures that are designed or have the tendency to create falsification or deceive students. If the Commission receives an allegation of fraud from the federal government, any state entity or other party, the Commission will determine whether the alleged fraud and abuse constitutes a violation of the Criteria for Accreditation, particularly related to institutional integrity.

As the attached memo from Yale Law School Veterans Legal Clinic outlines, UOP has violated these standards of ethical practice by misleading and deceiving students in order to induce them to enroll at UOP. Its history is instructive. In 2004, UOP accepted a $9.8 million fine from the Department of Education, without admitting wrongdoing, based on deceptive marketing practices, while in 2009, the Department of Education cooperated with the Department of Justice in a suit against UOP under the False Claims Act that resulted in a $67.5 million settlement.

www.VeteransEducationSuccess.org
Over the past 8 years, four state Attorneys General have launched investigations into UOP practices for targeting and deceptive practices, on top of a multitude of lawsuits.\(^7\) (See Attachment 1: Student Veteran Complaints which provides a comprehensive rundown of many these actions).

There have been voluminous allegations of fraud, misrepresentation, and deceptive practices by students, student veterans, and whistleblowers alike. The most common complaint that VES has received from veterans was that UOP misled them about the cost of their education. UOP misrepresented to students that their GI Bill would cover all of their tuition when it in fact would not, and encouraged them to take out unnecessary loans. Below are a small number of student veteran complaints illustrative of many others alleging deception by UOP:

- “I was enrolled into a loan for the first month of the programs and I wasn’t aware until I started getting the letters after I had graduated from the university of Phoenix. The loan was used to pay of the beginning class and the whole time I thought it was taken care of through my GI bill.” -JG
- “I was signed up by the U of P because they offered special pricing for Vets. Then when I spent two years they said that I no longer qualified for the special rates and classes doubled in price. I looked into other schools at that time and they wouldn’t take the credits. I had to stay at U of P to finish my degree at twice the price.” -TM
- “When talking to a recruiter for the University of Phoenix I was advised that they were accredited and that most traditional 4 year colleges and universities would accept transfer credits from them. This has been proven to be a fallacy.” -KZ
- “The onboarding process moved so fast I wasn’t really aware of what was happening.” -CW

Student veterans also allege that UOP lied to them about:

- Transfer of credits/ accreditation (“Halfway through my degree we were informed that the degree in psychology did not lead to accreditation for licensure in the state for counseling.” -MM);
- Quality of education (“However, overall I am very disappointed at the level of education I was provided. After getting my business marketing degree from the university of Phoenix and applying to several marketing firms and some firms claiming to be marketing firms. The only callbacks I got where multilevel marketing firms, also known as pyramid schemes, just trying to get recruits.” -KS);
- Recruiting/marketing (“the onboarding process moved so fast I wasn't really aware of what was happening.” -CW);
- Change in degree plan/requirements (“UoP kept adding classes to my degree stating that the course had changed.” -DZ); and

Release of transcripts (‘Now that I am switching schools they will not release my transcripts and they say I have an outstanding bill with some courses I didn't even take and withheld my FAFSA.’ -RF).

As the attached whistleblower affidavit and employee letter make clear, students’ complaints are reinforced by information provided by UOP whistleblowers who have contacted VES to share their concerns. (See Attachment 2: Whistleblower Affidavit and Attachment 3: Employee Letter). As these longtime UOP employees-turned-whistleblowers have explained, UOP recruiters were often reprimanded for being too thorough in explaining the cost of attendance, and were discouraged from explaining to students the complete price and all the options available for financing. The recruitment process was hyper-focused on always bringing in new enrollees, with recruiters manipulating leads in various ways and being under intense pressure to bring in new students. Additionally, many recruiters were encouraged to attend UOP since UOP offered employees free tuition, but UOP would then facilitate additional loans for their own employees.

Furthermore, DOD had previously placed University of Phoenix on probation and suspended its Tuition Assistance program in 2015 for surreptitiously recruiting on military bases against DOD rules. Specifically, it was documented that UOP misused the sponsorship of military family events in order to get on base and had aggressive recruiting goals for each family event. Moreover, there may be current fraud from UOP regarding both the DOD and ED.

According to one whistleblower, UOP has been receiving money from the DOD Tuition Assistance program for student veterans to pay for part of the cost of each enrolled courses’ credit hour, while at the same time charging ED for the full credit hour price when receiving student loan payments, not the discounted number. (See Attachment 2: Whistleblower Affidavit). Finally, UOP has a history of deceptive recruitment tactics, and this whistleblower has outlined practices over the past few years that, while may not rising to the level of a violation, are no doubt ethically dubious and close to a violation.

As the attached affidavit and UOP employee letter explain, UOP whistleblowers also allege that UOP skirts the incentive compensation ban by doing the inverse: Threatening recruiters with sanctions and termination if they do not meet minimum quotas of recruiting new students. (See Attachment 2: Whistleblower Affidavit, and Attachment 3: Employee Letter). ED and the DOD have regulations preventing incentive based compensation for recruiters at universities in order

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to combat the perverse incentives offered by for-profit colleges to sign up as many students as possible through deceptive and manipulative recruiting practices.\textsuperscript{11}

**Criterion 3- Teaching and Learning: Quality, Resources, and Support**

Criterion 3 begins by declaring: “[t]he institution provides high quality education, wherever and however its offerings are delivered,” and goes on to detail the ways in which institutions must provide quality staff and appropriate resources towards teaching and learning. In particular, UOP has failed to reach the following Core Components: “3.C. The Institution has the faculty and staff needed for effective, high quality Programs and student services,” and “ 3.D.1. The institution provides student support services suited to the needs of its student populations.”

As the attached memorandum from Yale Law School Veterans Legal Clinic outlines, VES has received numerous complaints about the quality of teaching and support services; the quality of education is often not what has been promised, and the support staff is many times deficient or under-prepared in helping students. This is likely due to an inefficient distribution of spending throughout UOP, with a greater focus on spending on marketing, profits, and other expenses than education. (See Criterion 5 below for further explanation.) Similarly, UOP spent millions on custom technology that it did not fully utilize, another demonstration of an inefficient allocation of resources away from instruction.\textsuperscript{12}

Below are a few examples of student complaints VES has received that outline the poor quality of education and misallocation of resources that fail to foster a thriving learning environment:

- “After over a year of classes, I haven’t felt like I have learned a single thing, more than the fact the UOP is not for me.”-JN
- “The instructors were only there half the time and impossible to get a hold if you needed them quickly. I regret every second I went to that school.”-RH
- “When I needed help trouble disputing a disagreement with an instructor my academic counselor in a nutshell told me that she couldn’t advocate for me and that I'd essentially had to fail the course and she’d try to appeal a final failing grade should that be the grade I get. She also mentioned that she’s never seen an appealed grade actually be over turned which threw me for a loop (what's the point of appealing then). Everyone with the exception of a hand full of people doesn't know what the hell they're doing, it’s like a call center with nothing but new hires. You can call in multiple times about the same issue and get a different answer each time.”-JB

UOP has been closing many of their physical campuses over the past few years, thereby eliminating actual locations where students could receive in-person instruction and assistance.\textsuperscript{13}


The graduation rates at UOP campuses reflect a deficiency in instruction: the highest graduation rate of all UOP’s campuses is 31%, with the lowest graduation rate being 8%.\(^\text{14}\)

In short, UOP’s education quality is not compliant with HLC’s criteria when assessed against the outcome measures of students and their well-documented experiences.

Students also complain about the lack of career services after having been promised extensive career services and assistance. In 2009, UOP had zero career placement staff for a student population of nearly half a million.\(^\text{15}\) While this number has increased, the quality of career placement services at UOP is still woefully inadequate. “No job,” student veteran JC says, “seems to even consider this degree or sees it and passes over… No assistance with job placement or contact from anyone after degree. Seems like kicked to curb soon as your done [sic].”

**Criterion 4- Teaching and Learning: Evaluation and Improvement**

Criterion 4 mandates that: “[t]he Institution demonstrates responsibility for the quality of its educational programs, learning environments, and support services, and it evaluates their effectiveness for student learning through processes designed to promote continues improvement” In addition to failing to facilitate effective student learning, UOP has failed to meet the following criteria:

4.A.6 The institution evaluates the success of its graduates. The institution assures that the degree or certificate programs it represents as preparation for advanced study or employment accomplish these purposes. For all programs, the institution looks to indicators it deems appropriate to its mission, such as employment rates, admission rates to advanced degree programs, and participation rates in fellowships, internships, and special programs . . .

4.B. [T] institution demonstrates a commitment to educational achievement and improvement through ongoing assessment of student learning.

Review of Student Outcome Data (FDCRA.10.080): An institution shall demonstrate that, wherever applicable to its programs, its consideration of outcome data in evaluating the success of its students and its programs includes course completion, job placement, and licensing examination information.

As the attached memo from Yale Law School Veterans Legal Clinic makes clear, regarding specific grievances, VES has received many student veteran complaints detailing the inadequacy of their UOP education and degree for job placement. Here are just a few examples:


“I knew after starting with the University of Phoenix that anyone could pass and that the courses were a joke.” – JC
“T‘m a veteran currently enrolled in University of Phoenix. The only complain I have is that the quality of the education in receiving at Phoenix is far inferior than the education I received in community college. I have exhausted the post 9/11 GI Bill benefits afforded to me. I am still a few classes away from graduating. I am at a point where I need to ask for a student loan to complete my degree. But I don’t want to pay the price of a for profit university with a sub par quality of education.” -BR
“University of Phoenix had stated, very publicly, that they had job placement opportunities and that their education was the gateway to the IT industry. There was NO job placement assistance and the education that I received was barely entry level based on further interviews with IT human resource managers.” -DM
“Counsellors made it sound like this degree was going to help me get hired faster, promote faster, in the criminal justice field! Had to find out the hard way, I’m making the same amount of money with it or without it!! Feel like it was a waste of time and money! On top of all of this I’m paying over $500 a month in student loans!” -SC
“I was initially recruited at a job fair and was told that University of Phoenix was fully accredited and all law enforcement agencies accept this is a viable degree. I have applied for over a hundred probation officer jobs and rarely ever get a call back. I spoke with a recruiter once that told me I would have a very difficult time finding a job in probation with that degree and he was right. I owe over $40K in student loans and can’t get a job in the career field I trained so long to do.” -BH
“I am a 12 year US Navy Veteran with a Bachelor’s Degree as well as a Master’s Degree yet I earn less than before I enlisted in college.” -ND

In HLC’s Notice letter from 2015, UOP had sanctions lifted after it instituted new policies that were supposed to improve UOP’s ability to meet Criterion 4. UOP established a new “Education and University Learning Goals Committee,” utilized several nationally normed surveys and assessment tools to compare student’s success to national norms; UOP has “committed ample resources to assessment,” among other tools to improve their institution. But the number of student veterans’ complaints seen in Attachment 1 and outcome measures from the ED and the VA show a school that is still failing to prepare students for success and gainful employment.

A quick review of the Department of Education’s College Education Scorecard shows in stark detail how students are adversely affected by UOP’s behavior and how the policies UOP have implemented (in response to the notice letter and in general) have failed to provide results. Students at UOP have substantial trouble graduating and paying down their federal debt. At the Tempe, Arizona, campus which includes the online program (with over 100,000 undergraduates), the graduation rate is 17%, with 50% of students receiving federal loans, but only 27% of that number paying down their debt within three years of leaving school. Further examination regarding UOP’s outcome data and success in training students to succeed in the workplace should reveal similar outcomes, which shows that the return on the education is not

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16HLC letter, supra 3.
enough to warrant acceptance of such misleading and manipulative behavior; the return for all parties involved, minus UOP, is not worth the cost.

**Criterion 5- Resources, Planning and Institutional Support**

Finally, HLC mandates that institutions have the appropriate processes and structures in place to ensure they meet their mission and, “improve the quality of [their] educational offerings, and respond to future challenges and opportunities.” Additionally, the institutions must meet the following Core Components:

5.A.2. The institution’s resource allocation process ensures that its education purposes are not adversely affected by elective resource allocations to other areas or disbursement of revenue to a superordinate entity.

5.A.4. The institution’s staff in all areas are appropriately qualified and trained.

When examining the data on the Department of Education’s IPEDS website, UOP’s Tempe, Arizona, campus allocates only about 20% of their tuition and fees on instruction, as of fiscal year 2016. When compared with other nonprofit institutions such as Columbia University (which spends over 200% of tuition and fees on instruction) and public colleges like Arizona State (which spends over 60%), 20% of tuition and fees is woefully too little resources dedicated to ostensibly the main purpose of the university: to instruct and educate. It is clear, from a combination of the student outcome measurements, coupled with copious anecdotal evidence from student veterans and students in general, that the educational purposes of UOP are adversely affected by the elective and inappropriate misallocation of resources.

UOP recorded $1.1 billion in profit in 2009 for its parent company Apollo Education Group. Likewise, in fiscal year 2016, UOP recorded net revenues of over $2.1 billion. In 2017, UOP was acquired by Apollo Global Management for more than $1.1 billion, and has been converted to a private company. A focus on profit maximization and fiduciary responsibility to shareholders has led to resource misallocation. A focus on recruitment in order to increase enrollment and revenue likely plays a large role in this misallocation. The Tempe campus has 35% of its core expenses tied up in student services that includes recruitment, for which UOP has come under fire for in the past. Moreover, when comparing the revenue generated by UOP compared to its student outcomes, you get a macro sense of the systemic issues with its planning and resource management.

From 2012-2015, UOP reported that it made $1.45 billion in operating income (in 2014 tuition and fees for educational services represented 87% of total consolidated net revenue), while an average of 23.8% of its students defaulted on federal government loans over the same timeframe.

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17 Senate HELP report, *supra* 12.
as reported by the ED. 20 According to the HLC letter removing the sanction of Notice from UOP, “The President has developed an atmosphere of enhance communication transparency, and collaboration to the benefit of internal stakeholders, particularly (emphasis added) in terms of prioritizing faculty and student needs.” It is clear that faculty and student needs are not being prioritized at UOP.

Conclusion

As the attached affidavit regarding whistleblowers, letter from a UOP employee, and memo from Yale Law School Veterans Legal Clinic make clear, and given UOP’s history of malfeasance, coupled with its ongoing policies and poor student outcomes, a serious and thorough review of UOP is needed in order to ensure students and taxpayers are protected.

Should you have further questions, please do not hesitate to contact us.

Sincerely Yours,

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