



**DEPARTMENT OF VETERANS AFFAIRS**  
**Veterans Benefits Administration**  
**Education Service**  
**Washington, D.C. 20420**

Todd Nelson  
President and CEO, Career Education Corporation  
231 Martingale Road  
Schaumburg, IL 60173

March 9, 2020

Dear Mr. Nelson:

I have concluded there is sufficient evidence to support a finding that Career Education Corporation (CEC) schools Colorado Technical University (CTU) and American InterContinental University (AIU) have utilized advertising, sales, or enrollment practices which are erroneous, deceptive, or misleading either by actual statement, omission, or intimation, in violation of 38 U.S.C. § 3696. Accordingly, this letter serves as notification that I intend to disapprove the enrollment of all individuals not already enrolled in CEC programs at CTU and AIU. Pursuant to 38 C.F.R. § 21.4210(e)(1), I am providing CEC 60 days to take corrective action. I am taking this action in accordance with 38 U.S.C. §§ 3690(b) and 3696(a) and 38 C.F.R. §§ 21.4210(d)(4)(iii) and 21.4211(a)(6).

I have reached my conclusion based on the following reasoning:

Pursuant to 38 U.S.C. § 3696(a), VA shall not approve the enrollment of an eligible person in "any course offered by an institution which utilizes advertising, sales, or enrollment practices which are erroneous, deceptive, or misleading either by actual statement, omission, or intimation." See *also* 38 C.F.R. § 21.4252(h)(1). However, information contained in a complaint by the Federal Trade Commission filed against CEC with the United States District Court, Northern District of Illinois, Eastern Division, demonstrates that CEC has failed to meet the section 3696(a) requirements. The complaint alleges violations of section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, and the Telemarketing Sales Rule, 16 C.F.R. Part 310. The complaint alleges that CEC and its subsidiaries have used illegal and deceptive telemarketing schemes to lure consumers to their post-secondary and vocational schools. CEC used three lead generators, Sun Key, EduTrek and Expand. These lead generators marketed these schools and used deceptive tactics to generate information from consumers, which was used to tele-market CEC's schools and sell enrollments to consumers. These lead generators falsely told consumers they were affiliated with or recommended by the U.S. military. As a result of these tactics, CEC lead generators also induced consumers to submit their information under the guise of providing job or benefits assistance.

CEC and its lead generators violated the Telemarketing Sales Rule by harassing consumers registered on the National Do Not Call Registry. Some of the targeted

consumers expressed no interest in college or CEC, while others expressed interest in CEC schools under false impression that the military, an independent education advisor, or an employer recommended or endorsed CEC schools.

The Iowa State Attorney General took action itself and on behalf of forty-eight other states and the District of Columbia following complaints from students and a report by the U.S. Senate. The investigation/report found that CEC used emotionally charged language emphasizing the pain in prospective students' lives to pressure them into enrolling in CEC's schools. Additionally, it found that CEC deceived students about the total costs of enrollment by instructing its admissions representatives to only inform prospective students about the cost per credit hour without disclosing the total number of required credit hours. It also found that CEC misled students about the transferability of credits into CEC from other institutions and out of CEC to other institutions by promising, on some occasions, that credits would transfer.

CEC also misrepresented the potential for students to obtain employment in their chosen field by failing to adequately disclose the fact that certain programs lacked the necessary programmatic accreditation, which it knew would negatively affect a student's ability to obtain a license or employment in the student's field of study. CEC further deceived prospective students about the rate that graduates of CEC programs got a job in their field of study, thereby giving prospective students a distorted and inaccurate impression of CEC graduates' employment outcomes. For instance, CEC inaccurately claimed that its graduates were "placed" when they worked only temporarily or were working in unrelated jobs.

Please note that if CEC fails to remedy its deficiency through corrective action within 60 days, I will disapprove the enrollment of all individuals not already enrolled in CEC programs. I will then refer the matter to the Committee on Educational Allowances (Committee) in accordance with 38 C.F.R. §§ 21.4210(g), 21.4211 and 21.4212, to assist me in making a determination as to whether educational assistance should be discontinued for all individuals enrolled in your institution, and, if appropriate, whether approval of all further enrollments or reenrollments in your institution should be denied to veterans, servicemembers, reservists, or other eligible persons pursuing those courses under educational assistance programs administered by VA. CEC will be provided with the opportunity for a hearing before the Committee in accordance with 38 C.F.R. §§ 21.4212-14. The Committee will make a recommendation to me, and I will render a decision pursuant to 38 C.F.R. § 21.4215 regarding discontinuance. CEC will then be afforded an opportunity to request a review of such decision by the Director, Education Service, Veterans Benefits Administration, pursuant to 38 C.F.R. § 21.4216.

Please submit any additional information relevant to this matter referenced above to [DIR.VBASTL@va.gov](mailto:DIR.VBASTL@va.gov), or [EDU.VBASTL@va.gov](mailto:EDU.VBASTL@va.gov), [DIR.VBAMUS@va.gov](mailto:DIR.VBAMUS@va.gov) or [EDU.VBAMUS@va.gov](mailto:EDU.VBAMUS@va.gov).

I look forward to working with you to ensure that our nation's Servicemembers and Veterans receive their earned education benefits.

Sincerely,

Stacey J.

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Mitzi A. Marsh  
Director, St Louis Regional Office

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Jason McClellan  
Director, Muskogee Regional Office