



DEPARTMENT OF VETERANS AFFAIRS
St. Louis VA Regional Office
St. Louis, MO

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

July 2, 2020

Dear Mr. Nelson:

In a letter dated March 9, 2020, we informed you of our determination that there is sufficient evidence to support a finding that Perdoceo Education Corporation (PEC) 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, the March 9, 2020, letter served as notification that we intended to disapprove the enrollment of all individuals not already enrolled in PEC programs unless PEC took corrective action within 60 days. On May 5, 2020, we provided you a 30-day extension. Lastly, on May 26, 2020, we provided more guidance and afforded you another 30-day extension to take appropriate corrective actions. Our offices have been engaged in dialogue throughout this time to help address your questions and our concerns in the hopes of resolving this matter in a manner consistent with the protective principle embodied in 38 U.S.C. § 3696 for the safeguarding of GI Bill benefits on behalf of our Servicemembers, Veterans, and their dependents.

After reviewing all relevant information and evidence, we have concluded that PEC has taken sufficient corrective action; therefore, we will not disapprove enrollments for new students. This matter has been satisfactorily resolved. We will not be referring this case to our Committee on Educational Allowances.

Nature of the Evidence Relied Upon

Our conclusions are based on the following evidence and 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). Information contained in a complaint by the Federal Trade Commission (FTC) filed against PEC with the United States District Court, Northern District of Illinois, Eastern Division, constitutes evidence that PEC may have 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 PEC and its subsidiaries have used illegal and deceptive telemarketing schemes to lure consumers to their post-secondary and vocational schools. PEC 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 PEC'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, PEC's lead generators also induced consumers to submit their information under the guise of providing job or benefits assistance.

PEC 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 PEC, while others expressed interest in PEC schools under a false impression that the military, an independent education advisor, or an employer recommended or endorsed PEC schools.

The Iowa State Attorney General (IaAG) also 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 PEC used emotionally charged language emphasizing the pain in prospective students' lives to pressure them into enrolling in PEC's schools. Additionally, it found that PEC 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 PEC misled students about the transferability of credits into PEC from other institutions and out of PEC to other institutions by promising, on some occasions, that credits would transfer.

PEC 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. PEC further deceived prospective students about the rate that graduates of PEC programs got a job in their field of study, thereby giving prospective students a distorted and inaccurate impression of PEC graduates' employment outcomes. For instance, PEC inaccurately claimed that its graduates were "placed" when they worked only temporarily or were working in unrelated jobs.

Efforts to Obtain Corrective Action

1. On March 9, 2020, we sent PEC notification of our initial determination that there is sufficient evidence to support a finding that PEC engaged in prohibited advertising, sales, or enrollment practices.

2. Since March 9, 2020, until today, we have engaged in several conversations and correspondence (by standard mail, electronic mail, telephone) with the schools to assess whether PEC has taken sufficient corrective action.

Actions Taken by the Schools Which We Have Determined to Be Sufficient Corrective Action

1. PEC, CTU, and AIU have ceased engaging in the conduct described in the Nature of the Evidence Relied Upon section, above.
2. PEC, CTU, and AIU undertook agreed-upon corrective actions, before receipt of the cure letter, to address the FTC and IaAG concerns.
3. PEC agreed to corrective actions, memorialized respectively in a stipulated federal court order, approved unanimously by the FTC and an identical series of Assurance of Voluntary Compliance agreements (AVC) with the IaAG and Attorneys General of 48 states and the District of Columbia.
4. PEC, CTU, and AIU are currently in compliance with these resolutions. PEC's compliance with the corrective action measures to which they committed is subject to oversight and enforcement by the FTC, a federal court in Illinois, the AVC Administrator, the 49 AGs and multiple state courts.
5. With both the FTC order and the AVCs, PEC has committed a combined total of approximately \$524 million to enable restitution to affected students, including Veterans.
6. PEC has enhanced its pre-existing compliance practices by developing new technology to evaluate lead generator content prior to its purchase and use by instituting industry-leading compliance practices.

We have reviewed all relevant information and evidence and have concluded PEC has taken sufficient corrective action. We will not disapprove enrollments for new students. This matter has been satisfactorily resolved.

We appreciate the actions your schools have taken and your continued cooperation to safeguard GI Bill benefits for our Servicemembers, Veterans, and their dependents.

Sincerely,

Mitzi Marsh
Director, St. Louis Regional Office

Jason McClellan
Director, Muskogee Regional Office