

United States Senate

WASHINGTON, DC 20510

September 28, 2017

The Honorable Mitch Daniels
President
Purdue University
Hovde Hall, Room 200
610 Purdue Mall
West Lafayette, IN 47907

Dear President Daniels:

We write today regarding Purdue University's bid to purchase the for-profit giant, Kaplan University, and urge you to take steps to protect students should the transaction be consummated.

First, let us say that we believe Purdue's embrace of Kaplan through this transaction poses major risks for your current students and your institution's reputation as one of the nation's top public universities. Kaplan, owned by Graham Holdings, has been a major player during a period of the last two decades that a group of state attorneys general referred to as "open season" due to the systemic defrauding of students and fleecing of taxpayers across the for-profit college industry.

For-profit colleges use high-pressure recruiting tactics and spend millions on marketing to lure students to enroll in their programs. Too often, the promises students hear when they're being recruited never materialize – leaving them with worthless degrees and mountains of debt. A 2015 Brookings report, entitled "A crisis in student loans?," found that more than half of Kaplan students graduating in 2009 defaulted on their federal student loans by 2014. During the same period, only 4 percent of Purdue students defaulted.

Like nearly every major for-profit college, Kaplan has been the subject of numerous state and federal investigations and lawsuits. In 2014, the company reached a settlement with Florida Attorney General Pam Bondi to settle allegations that it made misleading marketing claims to Florida students. Massachusetts Attorney General Maura Healey reached a settlement with Kaplan in 2015 related to inflated job placement numbers and unfair recruiting practices. Also in 2015, the company agreed to pay the U.S. Department of Justice more than \$1 million to settle a False Claims Act lawsuit.

Though it is subject to enforcement and legal actions by regulators, Kaplan has adopted a practice known as mandatory arbitration – long a hallmark of the for-profit college industry – to avoid accountability to its students. These clauses, often buried in stacks of enrollment documents, force students to give up their rights to sue or join a class action to hold a school accountable in a court of law when the school's misconduct has caused the students harm. In its use of mandatory arbitration, Kaplan more closely resembles Corinthian and ITT Tech than it

does Purdue. The Association of Public Land-Grant Universities, of which Purdue is a member, and other not-for-profit higher education member organizations have expressed how rarely, if ever, their institutions use mandatory arbitration as a condition of enrollment.

Despite this long history of troubling practices, if the transaction is consummated, Graham Holdings will reportedly continue to provide “key non-academic operations support” including “technological support, human resources, facilities management, and other administrative functions” for the new Purdue-owned not-for-profit institution dubbed “New University”. In other words, the very organization – and in some cases individuals – responsible for Kaplan’s shameful record as a for-profit college are slated to continue to be responsible for a variety of key functions of New University. Should this transaction move forward, we urge you and the Board of Trustees to put in place clear policies, including abandoning the use of mandatory arbitration clauses and class action bans, and independent oversight structures to ensure that New University is not operated like “Old Kaplan.”

Without clear protections for students built into this transaction by Purdue, itself, the Higher Learning Commission, and the Department of Education, Indiana taxpayers risk becoming owners of a predatory for-profit college cloaked in the aura of your outstanding university.

We appreciate your consideration of my concerns and look forward to your response.

Sincerely,



Richard J. Durbin
United States Senator



Sherrod Brown
United States Senator

Cc: Barbara Gellman-Danley, President, Higher Learning Commission
James Manning, Acting Under Secretary, U.S. Department of Education