

United States Senate

WASHINGTON, DC 20510

February 14, 2018

Ms. Latanaya Johnson
Education Administrator
California State Approving Agency
for Veterans Education
1227 O Street, Suite 625
Sacramento, CA 95814

Dear Administrator Johnson:

We write today to share our concerns about Ashford University's history of predatory practices, including against veterans, as the California State Approving Agency for Veterans Education (CSAAVE) considers the company's application for approval.

For-profit Ashford University was established in 2005 when investors gamed the system – buying a small, not-for-profit Catholic college in Iowa and, with it, the school's valuable accreditation that opened the door to federal financial aid.ⁱ At that time, the campus enrolled around 300 students, but has since transformed into a national online enterprise enrolling more than 40,000 students – including more than 9,000 veterans using G.I. Bill benefits – across the country.ⁱⁱ Ashford has also become the for-profit college industry's poster child for unfair, deceptive, and abusive practices – engaging in many of the same practices as the now-defunct Corinthian Colleges and ITT Tech.

As has been reported in the media, California Attorney General Xavier Becerra is currently suing the company for “defrauding and deceiving students.”ⁱⁱⁱ In order to entice students to enroll, the Attorney General found that Ashford misrepresented “prospective students' ability to get financial aid; the costs of attendance; the likelihood that academic credits would transfer into and out of the school; and the ability of Ashford programs to prepare its students for careers in certain professions.”^{iv} As a result, Ashford students were often saddled with much more debt than they expected and that they could not afford.^v Ashford then used “aggressive and illegal” debt collection practices to try to collect that money.^{vi}

The Attorney General's lawsuit highlights instances of California veterans being deceived by Ashford. One Army Reserve veteran, referred to as “P.M.” in the complaint, was encouraged by Ashford representatives to attend courses at a local community college while taking classes at Ashford.^{vii} P.M. was told that by attending a ground-based campus rather than just Ashford's online classes, he would qualify for a higher monthly housing allowance under the G.I. Bill and he could transfer his community college credits toward his Ashford program.^{viii} He was later “alarmed” to find that Ashford limited the number of credits he could transfer and refused to recognize some of the courses he had previously completed.^{ix} As a result, P.M. had to

take additional courses at Ashford – receiving the lower housing allowance rate – to make up for the lost credits.^x He “fell behind on his rent, had to take on another job to keep up with his bills, and his credit score suffered.” In addition, he wasted part of his limited G.I. Bill education benefits on courses that he could not put toward a degree.^{xi}

Another veteran, “P.J.,” was told that Ashford would accept most of the 140 credits he had earned at other institutions and could expect to graduate within 18 months.^{xii} He was also assured that he would be able to transfer his Ashford credits to a community college.^{xiii} After he had already enrolled and begun taking classes at Ashford, P.J. discovered that Ashford had accepted none of his credits from other schools.^{xiv} When he later tried to transfer his Ashford credits to two other schools, he found that neither would accept them.^{xv}

California isn’t alone. In 2014, Ashford agreed to pay \$7.25 million in a settlement with Iowa Attorney General Tom Miller for consumer fraud.^{xvi} In its investigation, the Attorney General’s office found that Ashford recruiters made “false or misleading statements to prospective students in order to convince them to enroll” and used “unfair and high-pressure sales tactics, including emotionally-charged appeals to persuade prospective students to make uninformed decisions to enroll.”^{xvii} According to Miller, Ashford also misrepresented “to prospective students who wished to become teachers that an online Ashford education degree would allow them to become classroom teachers when, in fact, many Ashford graduates are subject to additional requirements that may require additional time, coursework, or money.”^{xviii}

Just last year, Ashford agreed to pay \$30 million in a settlement with the Consumer Financial Protection Bureau (CFPB) for deceptive acts and practices including misleading students about their student loan payments.^{xix} According to the CFPB, Ashford induced students to take out private, institutional loans by claiming that students would be able to repay the loans with monthly payments as low as \$25.^{xx} In reality, their monthly payments turned out to be much higher. The CFPB noted that its investigation into the matter was assisted by the California Attorney General and the U.S. Department of Education.^{xxi} In addition, Ashford’s most recent Annual Report reveals that the company is facing ongoing investigations by attorneys general in Iowa, Massachusetts, New York, and North Carolina, as well as, the U.S. Securities Exchange Commission and the U.S. Department of Justice.^{xxii}

Compounding Ashford’s lengthy history of consumer fraud, the company has long used mandatory pre-dispute arbitration clauses in student enrollment agreements to dodge accountability to its students, regulators, and the public – just like Corinthian and ITT Tech^{xxiii}. These mandatory pre-dispute arbitration clauses and class action bans are often buried in the fine print of stacks of enrollment documents that students must sign in order to take classes. The practice is a hallmark of the for-profit college industry and almost never used by legitimate public and not-for-profit institutions. Arbitration lacks the procedures and precedents of the court system and stacks the deck in favor of the institution. The outcome of these proceedings are often secret which limits public disclosure of fraud and abuse, preventing appropriate scrutiny by accreditors and regulators.

As you know, in order to be eligible to receive Department of Veterans Affairs GI Bill education funds, institutions of higher education must be approved by the State Approving Agency in the state in which their main campus is located.^{xxiv} When Ashford closed its Iowa campus in 2016, the Iowa State Approving Agency (SAA) withdrew its approval of Ashford, citing lack of jurisdiction.^{xxv} This put Ashford at risk of losing nearly \$38 million in GI Bill funds.^{xxvi} Instead of seeking approval from California, where its company headquarters is located, Ashford spent months on frivolous legal challenges and attempted to skirt federal regulations by seeking approval in the state of Arizona.^{xxvii}

A recent *Chronicle of Higher Education* article documents the mockery Ashford has made of the state approval requirements – using political pressure to get expedited approval from the Arizona SAA despite the state’s insistence that Ashford’s home state is California and that “California regulators would be responsible if any serious problems occurred.”^{xxviii} In addition, the *Chronicle* noted Ashford’s physical presence in Arizona is limited to a leased building “roughly the size of a Chipotle restaurant” which VA officials found to be dark and empty on two separate visits.^{xxix} The VA, rightfully, found that this scheme was “legally insufficient [for purposes of GI Bill eligibility] because the Arizona SAA lacks jurisdiction to approve Ashford.”^{xxx}

As a result, Ashford has applied to the CSAAVE for approval. Ashford’s long history of shady legal maneuvering, predatory practices, clear misrepresentations to students and veterans, and extensive ongoing legal liabilities is similar to that of Corinthian and ITT Tech – entities from which CSAAVE previously withdrew approval – and raises serious doubts about Ashford University’s current application. Approving Ashford under these circumstances would be inconsistent with CSAAVE’s previous actions to protect veterans from predatory schools and make the agency complicit in Ashford’s future exploitation of students and veterans.

Thank you for your consideration of our concerns. We urge you to uphold your responsibility to protect students and veterans. We anxiously await the outcome of your review.

Sincerely,



Richard J. Durbin
United States Senator



Patty Murray
United States Senator



Richard Blumenthal
United States Senator



Margaret Wood Hassan
United States Senator

Cc: Secretary David Shulkin, U.S. Department of Veterans Affairs

ⁱ S. COMM. ON HEALTH, EDUCATION, LABOR, AND PENSIONS, 112TH CONG., FOR PROFIT HIGHER EDUCATION: THE FAILURE TO SAFEGUARD THE FEDERAL INVESTMENT AND ENSURE STUDENT SUCCESS 308-09 (Comm. Print 2012).

ⁱⁱ College Navigator, Institute of Education Sciences National Center for Education Statistics, U.S. DEPARTMENT OF EDUCATION, <https://nces.ed.gov/collegenavigator/?q=ashford&s=all&id=154022>;

G.I. Bill Comparison Tool, Ashford University, U.S. DEPARTMENT OF VETERANS AFFAIRS, <https://www.vets.gov/gi-bill-comparison-tool/profile/21007103>.

ⁱⁱⁱ See, e.g., Anna M. Phillips, *California sues for-profit Ashford University, accusing the online school of ripping off students*, LOS ANGELES TIMES (Nov. 29, 2017) <http://www.latimes.com/local/education/la-me-edu-becerra-lawsuit-20171129-story.html>; Press Release, State of California Department of Justice Office of the Attorney General, Attorney General Xavier Becerra Sues For-Profit Ashford University For Defrauding and Deceiving Students (Nov. 19, 2017), <https://oag.ca.gov/news/press-releases/attorney-general-xavier-becerra-sues-profit-ashford-university-defrauding-and>.

^{iv} Complaint at 1, The People of the State of California v. Ashford University, LLC., No. RG17883963 (Cal. Super. 2017).

^v Id. at 3.

^{vi} Id.

^{vii} Id. at 20.

^{viii} Id.

^{ix} Id.

^x Id. at 21.

^{xi} Id.

^{xii} Id. 23.

^{xiii} Id.

^{xiv} Id.

^{xv} Id.

^{xvi} Press Release, Iowa Department of Justice Office of the Attorney General, Ashford University and Parent Company Bridgepoint Education Agree to \$7.25 Million Payment and Major Changes after Miller Alleges Consumer Fraud, (May 16, 2014), <https://www.iowaattorneygeneral.gov/newsroom/ashford-university-and-parent-company-bridgepoint-education-agree-to-7-25-million-payment-and-majo>.

^{xvii} Id.

^{xviii} Id.

^{xix} *Consumer Financial Protection Bureau Takes Action Against Bridgepoint Education, Inc. for Illegal Student Lending Practices*, CONSUMER FINANCIAL PROTECTION BUREAU (Sept. 12, 2016), <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-takes-action-against-bridgepoint-education-inc-illegal-student-lending-practices/>.

^{xx} Id.

^{xxi} Id.

^{xxii} *2016 Annual Report on Form 10-K for the Year Ended December 31, 2016*, BRIDGEPOINT EDUCATION 95-8 (Mar. 2017), http://s1.q4cdn.com/718184649/files/doc_financials/2016/2017/Bridgepoint-Annual-Report-2016_FINAL1.pdf.

^{xxiii} See Rosendahl v. Bridgepoint Educ., Inc., 2012 WL 667049 (S.D.C.A. 2012).

^{xxiv} *Important information for students attending Ashford University*, U.S. DEPARTMENT OF VETERANS AFFAIRS, <https://www.benefits.va.gov/gibill/ashford.asp>.

^{xxv} *Curtis L. Coy, Deputy Undersecretary of Economic Opportunity, email sent to students*, U.S. DEPARTMENT OF VETERANS AFFAIRS, (June 23, 2016) <https://www.benefits.va.gov/gibill/ashford.asp>.

^{xxvi} G.I. Bill Comparison Tool, Ashford University, U.S. DEPARTMENT OF VETERANS AFFAIRS, <https://www.vets.gov/gi-bill-comparison-tool/profile/21007103>.

^{xxvii} Michael Vasquez, *Inside the Scramble to Save Ashford U.*, CHRONICLE OF HIGHER EDUCATION (Nov. 10, 2017), <https://www.chronicle.com/article/Inside-the-Scramble-to-Save/241747>.

^{xxviii} *Id.*

^{xxix} *Id.*

^{xxx} *Potential Suspension of GI Bill Benefits for Enrollment at Ashford University*, U.S. DEPARTMENT OF VETERANS AFFAIRS (Nov. 2017), <https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/5a05dedd0d9297501e8241fe/1510334173434/VA+Announces+Potential+Suspension+of+Ashford.pdf>.