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March 1, 2016

Hon. Linda Katehi, Ph.D.
Chancellor of the University of California, Davis
Fifth Floor, Mark Hall
University of California, Davis
One Shields Avenue
Davis, CA 95616
chancellor@ucdavis.edu

Re: Request That You Immediately Resign From The DeVry Education Group's Board of Directors

Dear Chancellor Katehi:

By this letter, the undersigned consumer, civil rights, veteran, and public interest groups respectfully request that you immediately resign your recently-announced post as a member of the DeVry Education Group's Board of Directors.

Respectfully, your position of fiduciary trust on the board of a company that is currently subject to numerous and deeply troubling investigations, including two federal actions filed in January alleging deceptive practices harmful to students and taxpayers, is inimical to your position of trust as a leader and officer of the University of California.

Your appointment likewise sends exactly the wrong message to the students who may be confused that your appointment lends your and the University of California's seal-of-approval to this much-investigated, for-profit education business.

The undersigned groups also respectfully request that you return any or all compensation that may be paid you, up to the \$70,000 per year listed as compensation by DeVry in its SEC filings.

With respect, your appointment could not be more ill-timed, as just last month the Federal Trade Commission (FTC) unanimously approved the filing of a broad-ranging lawsuit¹ against the company you, as a sitting University of California Chancellor, have just agreed to steward. The federal Department of Education filed a related action where the Department has notified

¹ Complaint may be found here: <https://www.ftc.gov/system/files/documents/cases/160127devrycmpt.pdf>

DeVry that it will be requiring the institution both to stop certain advertising regarding the post-graduation employment outcomes of its students and to take additional steps to ensure that DeVry can substantiate the truthfulness of its post-graduation employment outcomes.²

The allegations made by these federal government agencies are alarming and should, until resolved, have prompted you to avoid entangling yourself and the University of California with the company. The allegations include that:

- DeVry's claim that 90 percent of its graduates actively seeking employment landed jobs in their field within six months of graduation and its claim that its graduates had 15 percent higher incomes one year after graduation on average than the graduates of all other colleges or universities were both deceptive.
- DeVry showcased these allegedly deceptive claims in DeVry's advertising on television, radio, online, print and other media and that the 90 percent claim was central to its marketing efforts since at least 2008 and the income superiority claim began in 2013.
- DeVry counted numerous graduates as working "in their field" when they were not, including these examples from the 2012 graduating class:
 - ✓ a graduate who majored in business administration with a specialization in health services management working as a server at a restaurant;
 - ✓ multiple graduates with majors in technical management whose employment was listed as unpaid volunteer positions at medical centers;
 - ✓ a graduate who majored in technical management with a human resources specialization working as a rural mail carrier and another who worked as a driver delivering rain gutters for a construction company; and
 - ✓ a graduate who majored in business administration with a health care management specialization working as a car salesman.
- DeVry's calculations included graduates who were working in jobs they held prior to enrolling at DeVry, as opposed to those they landed after graduating.
- DeVry excluded graduates from their count of those "seeking employment" as inactive when they were in fact actively seeking employment. This included, for example, a graduate who had viewed more than 175 job openings in DeVry's jobs database, interviewed for six jobs in the two months prior to being classified as inactive, repeatedly e-mailed the DeVry career services department, and attended a DeVry career fair.

² <https://studentaid.ed.gov/sa/about/announcements/devry>

- DeVry made these claims even though, according to the FTC, a comparison between income information that DeVry obtained directly from its graduates with publicly available income data showed that DeVry graduates did not in fact earn significantly more than graduates from all other schools combined a year after graduating.

DeVry's marketing practices have previously come under intense scrutiny by state attorneys general from the states of New York, Illinois, and Massachusetts.

And just yesterday, California Attorney General Kamala Harris and seven other states attorneys general³ released a letter to the Secretary of the United States Department of Veterans Affairs urging greater protection of veterans from for-profit education business practices, and the letter twice singles out DeVry. Quoting:

Corinthian's misconduct is not unique. It is part of a pattern of predatory behavior that has been met with increasing scrutiny, such as the CFPB filing suit against ITT [and] the FTC filing suit against DeVry on January 27, 2016 ...

Unfortunately, Corinthian is not the only institution that employs aggressive and misleading marketing practices, as current actions surrounding DeVry ... show.

In contrast, you are quoted in DeVry's press release announcing your appointment as saying:

I look forward to participating on DeVry Education Group's board of directors and thank them for inviting me to join ... DeVry Group's goal to enable a quality learning experience that inspires and educates students to be our next generation of leaders is essential to our nation's progress.

Your quote, in fact, stands in unwelcome contrast to the statement issued by the Chair of the FTC coincident with the filing of the FTC's lawsuit. Whereas you, as a prominent California educator and public official, publicly endorse DeVry, Chairwoman Edith Ramirez states:

Millions of Americans look to higher education for training that will lead to meaningful employment and good pay ... Educational institutions like DeVry owe prospective students the truth about their graduates' success finding employment in their field of study and the income they can earn.

More broadly, your choice to lend your and, by inevitable extension, the University of California's prestige, to a for-profit education business at this time evidences very poor judgment. This sector is quite simply one of the most troubled in the nation's history. As exhaustively documented by the National Consumer Law Center, many major flagship for-profit education business are under some form of investigation.⁴

³ Signing the letter were the Attorneys General of Connecticut, Illinois, Massachusetts, New Mexico, Oregon, Kentucky and Washington. The letter may be found here: <https://oag.ca.gov/sites/all/files/agweb/pdfs/va-multi-state-letter.pdf>

⁴ <https://www.nclc.org/images/pdf/pr-reports/for-profit-gov-investigations.pdf>

As well, at least prior to the demise of Corinthian, California's over 400 for-profit education businesses enroll more students than in any other state, with overall enrollment at these institutions increasing over 60% over the last ten years, and enrollment of African- American and Latino students at for-profits growing twice as fast as enrollment of these populations at all other public and nonprofit colleges in California.⁵

As documented by reports from the National Consumer Law Center and, previously, the Senator Tom Harkin's Health, Education, Labor and Pensions Committee, these education businesses have enrolled disproportionate numbers of African American and Latino students, low-income students, veterans, and former foster youth. Seven of the eight top education business recipients of Post-9/11 GI Bill benefits have been under investigation by state attorneys general or federal agencies for deceptive and misleading recruiting or other possible violations of federal law,⁶ and an incredible 32 state attorneys general are investigating for-profits for deceptive recruiting and other poor practices.⁷ Once induced to enroll in a for-profit, low-income and students of color are more likely than their counterparts at public and private nonprofit institutions to incur enormous debt and default on this debt because they are unable to find employment in the field in which they were supposedly trained.⁸

As the Attorneys General of Arkansas, Connecticut, Illinois, Iowa, Kentucky, Maine, Maryland, Mississippi, Missouri, Nevada, New Mexico, Oregon, Pennsylvania and Tennessee observed, just two years ago, in a letter to Senator Richard Durbin (D-III), emphases supplied:

State Attorneys General across the country hear complaints from students who have attended for-profit schools. The students are **drowning in debt because they have huge student loan liabilities and no job to show for those huge debts**. Studies by the Senate HELP Committee documented that students from for-profit schools withdraw and default on their federal student loans at higher rates than comparable students at not-for-profit and public institutions. **For-profit schools tell consumers that their graduates get better jobs that pay better wages, but all too**

⁵ National Center for Educational Statistics, Integrated Postsecondary Education Data System, accessed on July 8, 2014, Calculations by Young Invincibles.

⁶ UNITED STATES SENATE HEALTH, EDUCATION, LABOR, AND PENSIONS COMMITTEE, *Is the New G.I. Bill Working?: For-Profit Colleges Increasing Veteran Enrollment and Federal Funds* (July 30, 2014). <http://www.harkin.senate.gov/documents/pdf/53d8f7f69102e.pdf>.

⁷ David Halperin, *State Attorneys General Open Major Investigations of Big For-Profit Colleges*, HUFFINGTON POST (Jan. 24, 2014), http://www.huffingtonpost.com/davidhalperin/state-attorneys-general-o_b_4677145.html.

⁸ *Ensuring Educational Integrity: 10 Steps to Improve State Oversight of For-Profit Schools*, NATIONAL CONSUMER LAW CENTER, 9-12 (June 2014). See also DROWNING IN DEBT: FINANCIAL OUTCOMES OF STUDENTS AT FOR-PROFIT COLLEGES, TESTIMONY TO THE SENATE HEALTH, EDUCATION, LABOR AND PENSIONS COMMITTEE OF LAUREN ASHER, PRESIDENT, THE INSTITUTE FOR COLLEGE ACCESS AND SUCCESS (2011), available at <http://www.help.senate.gov/imo/media/doc/Asher.pdf>; see also THE GOVERNMENT ACCOUNTABILITY OFFICE, POSTSECONDARY EDUCATION: STUDENT OUTCOMES VARY AT FOR-PROFIT, NONPROFIT, AND PUBLIC SCHOOLS (2011), available at <http://www.gao.gov/new.items/d12143.pdf> (discussing what research shows about "graduation rates, employment outcomes, student loan debts, and default rates for student at for-profit schools compared to those at nonprofit and public schools, taking differences in student characteristics into account").

often the students are left in a financial position far worse than when they enrolled in the program with little to no hope of financial recovery. Overall student loan debt in the United States now exceeds \$1 trillion dollars. Federal taxpayers are left footing the bill for unpaid debts as corporations and for-profit school executives line their pockets with the very same federal taxpayer dollars.

Consumers complain to us that some of the programs of study at for-profit colleges **do not have qualified instructors and necessary equipment for their courses of study.** They complain that **employers refuse to hire graduates from the schools because the employers have learned from past experience that the graduates simply are not well-trained or well-prepared.** State Attorneys General have investigated **and filed suits against several for-profit colleges for a multitude of consumer protection violations, including providing false and inflated job placement rates to prospective students** and selling consumers vocational programs that do not have the programmatic accreditation necessary to sit for a state licensure exam or the accreditation employers prefer.⁹ **Yet, these for-profit schools, many of whom have misled students and even offered worthless degrees, remained authorized to receive Title IV funds as programs that prepare students for gainful employment in a recognized occupation. The nationwide abuses by some for-profit colleges of Title IV funds are clear symptoms of a system that lacks appropriate oversight and real accountability.**

In summary, you have lent your personal prestige and the prestige of your taxpayer-subsidized employer to this business just one month after federal regulators have filed their actions against it alleging deceptive practices harmful to students, at a time when California is still grappling with the recent failure of for-profit Corinthian Colleges that, like DeVry, was alleged to have engaged in deceptive practices and advertising.¹⁰ This decision is, respectfully, baffling.

⁹ See e.g., *California v. Corinthian College*, Case No. BC374999, Consent Judgment entered July 31, 2007; *California v. Heald College, Corinthian College, Inc., et al.*, complaint filed October 10, 2013; *State of Colorado v. Alta Colleges d/b/a Westwood College, et al.*, Case No. 12 CV1600, Consent Judgment entered March 14, 2012; *State of Colorado v. Education Management CO1p.*, Consent Judgment filed December 13, 2013; *State of New York v. Career Education CO1p.*, Assurance of Discontinuance entered August 19, 2013; *Illinois v. Alta Colleges, Inc., et al.*, complaint filed January 18, 2012; *Commonwealth of Massachusetts v. Sullivan & Cogliano Training Centers*, complaint filed April 3, 2013; *Commonwealth of Massachusetts v. Corinthian Colleges, Inc. and Corinthian Schools, Inc.*, complaint filed April 3, 2014; *Commonwealth of Kentucky v. National College*, complaint filed September 27, 2011, *Commonwealth of Kentucky v. Sullivan University System d/b/a Spencerian College*, complaint filed January 16, 2013.

¹⁰ <http://www.mass.gov/ago/docs/press/2014/everest-complaint.pdf>

A Chancellor of the University of California should not be serving on the Board of Directors of a corporation that is currently alleged by two federal regulators to have, bluntly put, deceived students.

Please, resign.

Sincerely,

Carmen Balber
Executive Director
Consumer Watchdog

Robert Fellmeth
Executive Director
Center for Public Interest Law
Children's Advocacy Institute
University of San Diego School of Law

Robert Muth
Managing Attorney and Marine Veteran
Veterans Legal Clinic
University of San Diego School of Law

Paul Leonard
Senior Vice President
Center for Responsible Lending

Noah Zinner
Senior Attorney
Housing and Economic Rights Advocates