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Brown Mackie College & EDMC Schools to Forgive \$632,000 in Loans Made to New Mexico Students; Change Practices in Settlement with Attorney General

Settlement with Pennsylvania-based for-profit education company addresses consumer complaints and investigation by state attorneys general

Albuquerque, NM - For-profit education company Education Management Corporation (EDMC) will significantly reform its recruiting and enrollment practices, and forgive more than \$632,000 in loans for approximately 553 New Mexico former students, through a qui tam settlement with Attorney General Hector Balderas and a group of state attorneys general. EDMC, based in Pittsburgh, Pennsylvania, operates 110 schools in 32 states and Canada through four education systems, including Argosy University, The Art Institutes, Brown Mackie College and South University. EDMC operates a Brown Mackie campus in Albuquerque and numerous residents statewide have enrolled in various online programs as well.

“Over 550 students will have their student loans forgiven thanks to today’s agreement for a total of \$632,000 in loan forgiveness for New Mexicans,” said Attorney General Balderas. “My office will continue to hold corporations accountable when they employ unfair tactics and prey on New Mexicans’ desires to build better lives for their families. Today’s agreement will not only have a great impact on former students, but on all New Mexico students going forward thanks to the changed business practices of EDMC.”

The agreement with attorneys general in 39 states plus the District of Columbia mandates added disclosures to students, including a new interactive online financial disclosure tool; bars misrepresentations to prospective students; prohibits enrollment in unaccredited programs; and institutes an extended period when new students can withdraw with no financial obligation. Nationwide, the agreement requires the for-profit college company to forgive \$102.8 million in outstanding loan debt held by more than 80,000 former students.

Agreement Highlights

Under the agreement, EDMC must:

- Not make misrepresentations concerning accreditation, selectivity, graduation rates, placement rates, transferability of credit, financial aid, veterans’ benefits, and licensure requirements, or otherwise engage in deceptive or abusive recruiting practices.
- Provide a single-page disclosure to each prospective student that includes the student’s anticipated total cost, median debt for those who complete the program, the student loan default rate for those enrolled in the same program, warning about the unlikelihood that credits from

some EDMC schools will transfer to other institutions, the median earnings for those who complete the program, and the job placement rate.

- Require every prospective student utilizing federal student loans or financial aid to submit information to the interactive Electronic Financial Impact Platform (EFIP) in order to obtain a personalized picture of the student's projected education program costs, estimated debt burden and expected post-graduate income.
- Reform its job placement rate calculations and disclosures to provide more accurate information about students' likelihood of obtaining sustainable employment in their chosen career.
- Not enroll students in programs that do not lead to state licensure when required for employment or that, due to lack of accreditation, will not prepare graduates for jobs in their field.
- Require incoming undergraduate students with fewer than 24 credits to complete an orientation program prior to their first class.
- Permit incoming undergraduate students at ground campuses to withdraw within seven days of the beginning of the term or first day of class (whichever is later) without incurring any cost.
- Permit incoming undergraduate students in online programs with fewer than 24 online credits to withdraw within 21 days of the beginning of the term without incurring any cost.
- Comply with New Mexico law prohibiting the use of third parties in student recruitment and enrollment.

Relief Eligibility

Those who will receive automatic relief related to outstanding EDMC institutional loans must have been enrolled in an EDMC program with fewer than 24 transfer credits; withdrew within 45 days of the first day of their first term; and their final day of attendance must have been between January 1, 2006 and December 31, 2014.

The agreement is expected to provide an average of \$1,370 per person in loan forgiveness.

Separate Resolution of Federal False Claims Lawsuit

EDMC also agrees to pay a \$95 million settlement of a separate federal whistleblower lawsuit under the False Claims Act. In that case, brought by the U.S. Department of Justice on behalf of the Department of Education, the government alleged that EDMC illegally paid incentive-based compensation to its admissions recruiters tied to the number of students they recruit. New Mexico is also a beneficiary of this qui tam settlement.

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