

Congress of the United States
Washington, DC 20515

December 21, 2018

Mr. Stu Reed
President and Chief Executive Officer
Education Corporation of America
3660 Grandview Parkway, Suite 300
Birmingham, Alabama 35243

Mr. John F. Kennedy, Esq.
Receiver
James Bates Brannan Groover, LLP
231 Riverside Drive
Macon, Georgia 31201

Dear Mr. Reed and Mr. Kennedy:

We write to obtain information regarding Education Corporation of America's (ECA) abrupt school closures within its chain of for-profit colleges, and to demand a full accounting of events leading up to its collapse. We are particularly concerned as to whether ECA took adequate steps to warn students and regulators about the company's precarious financial standing, and whether ECA took adequate steps to pursue "teach-out agreements" that would have protected its students' class credits and educational investments in the event of permanent school closure.

On Wednesday, December 5, 2018, ECA announced that it would immediately close more than 70 of its campuses across 21 states, including the campuses of Brightwood Career Institute, Brightwood College, Ecotech Institute, Golf Academy of America, and Virginia College.¹ ECA's collapse immediately displaced approximately 18,000 students.² In one instance, students enrolled at one of Brightwood's Maryland campuses were given as little as two days' notice of their school's closure, and must now find another school to accept their class credit.³

An administrative official at Ecotech stated he knew his school's "days were...numbered" after ECA told Ecotech "it would be closed in a year to a year and a half."⁴ Despite having this information, the school told its students "You guys will finish. You guys will be fine. Don't worry about it."⁵

¹ *Aurora's For-Profit Ecotech Institute Authority Abruptly Closes, Leaving Students on Their Own*, Colorado Public Radio (Dec. 7, 2018) (online at www.cpr.org/news/story/aurora-for-profit-tech-college-abruptly-closes-leaving-students-on-their-own).

² Receiver's Initial Report (Dec. 12, 2018), *VC Macon, GA LLC v. Virginia College LLC*, M.D. Ga. (No. 5:18-cv-00388).

³ *Brightwood College Suddenly Closes Leaving Students Frustrated*, WBALTV (Dec 6, 2018) (online at www.wbalv.com/article/brightwood-college-suddenly-closes-leaving-students-frustrated/25425539).

⁴ *Aurora's For-Profit Ecotech Institute Authority Abruptly Closes, Leaving Students on Their Own*, Colorado Public Radio (Dec. 7, 2018) (online at www.cpr.org/news/story/aurora-for-profit-tech-college-abruptly-closes-leaving-students-on-their-own).

⁵ *Id.*

Federal student loans are the primary means by which for-profit colleges sustain themselves.⁶ In 2016, Department of Education records show ECA took over \$390 million in taxpayer-funded federal student aid and GI bill benefits.⁷

Several thousand veterans are among the students harmed by ECA's collapse. According to Department of Veterans Affairs data, ECA's closure will impact nearly 4,000 student veterans who had been using their GI Bill funds at ECA campuses.⁸

Beginning in March 2015, the Department of Education, amid concerns about the schools' compliance and stability, placed many of ECA's campuses on a Heightened Cash Monitoring (HCM) financial restriction, resulting in additional federal oversight of federal student aid funds.⁹ In February 2018, the Department of Education levied additional financial and operational reporting requirements on ECA arising from a federal review of the company's 2016 financial statements.¹⁰

In May 2018, ECA's most enrolled institution, Virginia College, failed to obtain accreditation recognition from the Accrediting Council for Continuing Education and Training (ACCET) due to poor graduation rates, poor job placement rates, high faculty turnover rates, and the failure to provide students access to proper supplies.¹¹ That same month, multiple Brightwood College and Brightwood Career Institute campuses, two chains operated by ECA, were required by their accreditor to "show cause" and demonstrate why their accreditation should not be withdrawn, joining 50 campuses and the Virginia College chain already under this sanction.¹² In August 2018, ACCET denied ECA's appeal for recognition of many of its campuses.¹³

⁶ *For-Profit College Chain Closes, Shutting Out Nearly 20,000 Students*, New York Times (Dec. 6, 2018) (online at www.nytimes.com/2018/12/06/business/education-corporation-of-america-closing.html).

⁷ *Veterans Education Success, Could Education Corporation of America's Sudden Closure Have Been Avoided* (Dec. 2018) (online at <https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/5c17fc43c2241b89460a1977/1545075779356/Issue+Brief+on+ECA.FINAL.pdf>).

⁸ *Id.*

⁹ U.S. Department of Education, *Heightened Cash Monitoring* (online at <https://studentaid.ed.gov/sa/about/data-center/school/hcm>) (accessed Dec. 17, 2018).

¹⁰ Complaint (Oct. 16, 2018), *Education Corporation of America, Virginia College, LLC and New England College of Business and Finance, LLC v. United States Department of Education and Betsy DeVos*, N.D. Ala. (No. 2:18-cv-01698).

¹¹ *Another Setback for Programs Overseen by Trouble Accreditor*, Inside Higher Ed (May 22, 2018) (online at www.insidehighered.com/news/2018/05/22/profit-chain-falls-short-attempt-get-new-accreditors-approval).

¹² *Id.*

¹³ Letter from William Larkin, Executive Director, Accrediting Council for Continuing Education and Training, to John Carreon, Senior Vice President, Regulatory Affairs and Associate General Counsel, Virginia College, LLC (Aug. 31, 2018) (online at <https://s3.amazonaws.com/docs.accet.org/downloads/adverse/1539.pdf>).

In September 2018, ECA announced that by early 2020, it would close and end new enrollment at 26 campuses, a third of its campuses at that time.¹⁴ In October 2018, the remaining ECA campuses were placed on “show cause” status by ACICS and were required by November 27, 2018, to have all campuses develop teach-out plans, a basic plan for orderly campus closures that specify how students would finish their programs of study.¹⁵ ECA’s mismanagement continued in October 2018 with reports showing the company unable to make on-time payments on its debt obligations, while “fighting eviction from multiple locations as creditors pursued judgments against the company.”¹⁶

ECA attempted to overhaul its corporate structure with a court-approved receivership, and in October 2018, sued the Department of Education in order to maintain access to federal student aid funds while it pursued a receivership plan.¹⁷ In the lawsuit, ECA revealed that unless a Receiver was appointed to oversee and administer teach-out plans “their students will suffer immediate and irreparable harm.”¹⁸ A federal judge dismissed that lawsuit on November 5, 2018, ruling that the court did not have jurisdiction in the case.¹⁹

Even after the federal judge dismissed ECA’s lawsuit in November, it appears ECA did not warn students that its colleges were on the verge of closing. ECA had several signals over an extended amount of time that its demise was potentially imminent, while its students across the country had none.

The educational pursuits and financial well-being of countless students have been disrupted and put at risk, while massive costs have been incurred by American taxpayers. In order to better understand ECA’s operations and actions leading up to its collapse, we ask that you please provide the following documents and information by January 21, 2019:

1. A full timeline, beginning in January 2015, of events leading up to ECA’s collapse, including all documents and communications ECA or the Receiver shared with the Department of Education, ACICS, and any other accreditor regarding ECA’s financial standing, instability, and eventual closure.

¹⁴ *For-Profit Chain Will Close Dozens of Campuses*, Inside Higher Ed (Sep. 12, 2018) (online at www.insidehighered.com/news/2018/09/12/profit-chain-will-close-dozens-campuses).

¹⁵ Letter from Michelle Edwards, President and CEO, Accrediting Council for Independent Colleges and Schools, to Stuart Reed, Chief Executive Officer, Education Corporation of America (Oct. 30, 2018) (online at [http://acics.org/uploadedFiles/Actions/00016224_ECA-VC_FinAdv-SC%20\(Revised\).pdf](http://acics.org/uploadedFiles/Actions/00016224_ECA-VC_FinAdv-SC%20(Revised).pdf)).

¹⁶ *For-Profit College Chain Sues to Keep U.S. Aid*, Inside Higher Ed (Oct. 19, 2018) (online at www.insidehighered.com/news/2018/10/19/profit-college-chain-sues-feds-keep-federal-aid-amid-restructuring).

¹⁷ *Id.*

¹⁸ Complaint (Oct. 16, 2018), *Education Corporation of America, Virginia College, LLC and New England College of Business and Finance, LLC v. United States Department of Education and Betsy DeVos*, N.D. Ala. (No. 2:18-cv-01698).

¹⁹ Memorandum Opinion (Nov. 5, 2018), *Education Corporation of America v. United States Department of Education*, N.D. Ala. (No. 2:18-cv-01698).

2. All documents and communications provided to students regarding ECA's financial position, instability, and eventual closure at each of its campuses.
3. All documents and communications provided to ECA's faculty and staff regarding ECA's financial position, instability, and eventual closure.
4. Documents reflecting the information that ECA communicated to students, faculty, and staff when campuses were placed on "show cause" by their accreditor in May 2018, as well as when all ECA campuses were placed on "show cause" in October 2018.
5. Documents indicating whether ECA ever asked the Department of Education to reduce its oversight of the company by removing any of its colleges from HCM or reducing the HCM level. If this was done in more than one instance, please provide documents regarding each time the request was made.
6. Copies of all teach-out plans prepared by ECA since January 1, 2015, including those produced in accordance with the November 27, 2018, "show cause" sanction.
7. Copies of all communications made to students enrolled at the 26 campuses slated for closure in 2020 during and after September 2018.
8. Documents and communications regarding or reflecting the timing of when ECA executive leadership learned that the school was likely to collapse, any plans made for the collapse, and any contingency plans that were developed to protect students in the event that ECA lost its lawsuit against the Education Department.
9. All copies of the document retention policies or directives issued to ECA campuses "skeleton crews" regarding document destruction.²⁰
10. Mr. Reed's total annual compensation, including salary and any bonuses for 2015, 2016, 2017, and 2018. Please describe the components of Mr. Reed's compensation individually.
11. The total annual compensation, including salary and any bonuses, for the top five highest compensated ECA employees besides Mr. Reed, for 2015, 2016, 2017, and 2018.
12. Documents and communications regarding or reflecting whether Mr. Reed or any other top ECA executive is currently scheduled to or expected to receive in the future any bonuses, incentive awards, or other special payments, including the amount of the payment, the reasons for the payment, and the dates the individual is expected to receive the payment.

²⁰ Receiver's Initial Report (Dec. 12, 2018), *VC Macon, GA LLC v. Virginia College LLC*, M.D. Ga. (No. 5:18-cv-00388).

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13. Indicate the total investment made by Willis Stein & Partners, the Chicago-based private equity investment firm with a majority ownership stake in ECA.

Thank you for your prompt attention to this request.


Sincerely,



Elizabeth Warren
United States Senator



Elijah E. Cummings
Ranking Member
House Committee on Oversight
and Government Reform



Suzanne Bonamici
Vice Ranking Member
House Committee on Education
and the Workforce

cc: Trey Gowdy, Chairman, House Committee on Oversight and Government Reform
Virginia Foxx, Chairwoman, House Committee on Education and the Workforce