

Why This For-Profit College Will Cancel \$500 Million Of Student Loans



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U.S. Secretary of Education Betsy DeVos (Photo Credit: Al Drago/Bloomberg)

Career Education Corporation, a major for-profit college operator, has agreed to cancel nearly \$500 million of student loans as part of a settlement with 48 states and the District of Columbia.

Here's what you need to know and how it can affect you.

The Settlement: What Happened

Career Education, which operates the for-profit colleges Colorado Technical University and American InterContinental University and serves approximately 34,000 students, agreed to cancel \$493.7 million in student debt for nearly 180,000 former students. The Illinois-based company faced allegations of fraud and deceptive practices, including allegedly misleading students about its job placement rate and actual cost of earning a degree, among other practices.

“[Career Education]’s practices were unfair to students as well as taxpayers who supported federal student loans that were destined to fail,” said Iowa Attorney General Tom Miller, the settlement's co-lead negotiator, said in a [statement](#). “This agreement not only provides relief to former students but also protects future students and advances our efforts to clean up the for-profit education industry.”

The settlement follows a multi-year investigation by states attorneys general and a report from the U.S. Senate, which found that Career Education:

- used emotionally charged language to pressure students into enrolling in their schools;
- deceived students about the total costs of enrollment by instructing its admissions representatives to inform prospective students only about the cost per credit hour without disclosing the total number of required credit hours;
- misled students about the transferability of credits and promised that certain credits could be transferred when they could not;
- misrepresented the potential for students to obtain employment in the field by failing to adequately disclose the fact that certain programs lacked the necessary programmatic accreditation; and,
- gave prospective students a distorted and inaccurate impression of graduate employment outcomes.