



NEWS RELEASE

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FOR IMMEDIATE RELEASE

April 9, 2014

Lawsuit Against For-Profit Colleges Alleges Recruiting Violations and Other Breaches of Federal Law

SALT LAKE CITY - Today the Idaho federal district court clerk unsealed a complaint under the federal False Claims Act against a group of related for-profit colleges, Stevens-Henager College (campuses in Utah and Idaho), CollegeAmerica (campuses in Colorado, Arizona, Wyoming, and Idaho) and California College of San Diego (campuses in California), brought by two former recruiters ("admissions consultants"). The court clerk also revealed that the federal government has elected to intervene in part of the case, which is relatively rare.

The suit, which was filed in early 2013 but first made public today, alleges that the colleges "paid bonuses, commissions, and other forms of incentive compensation," which "violates the incentive compensation ban applicable to schools that participate in" federal student assistance programs, like the "Federal Pell Grant Program" and the "Federal Direct Loan Program."

The suit further alleges that "faculty members at [Stevens-Henager's] Orem campus did not have the required minimum qualifications, as established by the [the school's accrediting agency], to teach the courses that [Stevens-Henager] had assigned them to teach." The suit also alleges "certain practices at [Stevens-Henager's] Orem campus relating to the falsification of attendance records" and "grades by both faculty and administration."

Witnesses with information about the case, especially former admissions consultants, are encouraged to contact relators' counsel.

4815-7059-0490.1

The case is titled United States ex rel. Katie Brooks and Nannette Wride vs. Steven-Henager College, Inc., et al., Case No. 1:13-cv-00009 (District of Idaho).

Under the False Claim Act, private citizens with information about frauds committed against the federal government, called relators, can initiate a lawsuit for the government's benefit. Under the statute, the lawsuit is filed under seal, which means it is not made public. The suit remains under seal while the government investigates the claims and decides whether to intervene, or, in other words, take over the case. If the government declines to intervene, the relator can choose to pursue the case without the government's assistance. Under the qui tam provisions of the False Claims Act, relators are entitled to a share of any recovery they earn for the government.

In this case, the government has elected to intervene in the claims relating to the incentive compensation ban. Brandon Mark, an attorney who represents the relators, stated: "We are pleased that the government has decided to intervene in part of the case. The government typically intervenes in fewer than 25 percent of all False Claims Act cases [\[LINK\]](#), so we believe that the government's decision to intervene here demonstrates the significance of our clients' claims."

As explained by the General Accounting Office [\[LINK\]](#), "Congress instituted th[e] incentive compensation ban to eliminate deceptive recruiting practices and to protect federal student aid funds from fraud and abuse." In recent years, congressional investigations [\[LINK\]](#) into for-profit colleges have revealed rampant problems with recruiters misleading prospective students, including about the costs of the programs, the value of the degrees, whether the programs will lead to critical certifications, and the schools' history of success in finding jobs for graduates. Recently, a U.S. Department of Education analysis [\[LINK\]](#) found that "[s]tudents at for-profit colleges represent only about 13 percent of the total higher education population, but about 31 percent of all student loans and nearly half of all loan defaults. . . [T]he majority [of for-profit schools]—72 percent—produced graduates who on average earned less than high school dropouts."

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