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# U.S. to Join Suit Against For-Profit College Chain

By TAMAR LEWIN

The Justice Department plans to intervene in a whistle-blower lawsuit charging that one of the nation's largest [for-profit college](#) companies, the Education Management Corporation, defrauded the government by illegally paying recruiters based on the number of students they enrolled, according to a [Securities and Exchange Commission](#) filing on Monday.

The filing by Education Management, known as EDMC, said "several states" also planned to join in the False Claims Act case, in federal court in Pittsburgh, alleging violations of their state laws.

This is the first time prosecutors have joined such a case, one of dozens in recent years that accuse the for-profit college industry of illegal practices devised to increase federal student aid revenue.

The company, which enrolls nearly 150,000 students, operates several career-college chains, including the Art Institute, Argosy University, Brown Mackie College and South University.

EDMC, 40 percent of which is owned by Goldman Sachs, said in its securities filing that its compensation plan for recruiters did not violate the law, and that it would "vigorously defend itself."

In federal whistle-blower, or qui tam, suits filed under the False Claims Act, private citizens file fraud complaints on behalf of the federal government, seeking to recover public money that was wrongly paid out. The lawsuits are filed under seal, giving the government an opportunity to investigate and decide whether to intervene, so the one against EDMC has yet to be made public.

Some such suits have been settled for significant amounts of money. In 2009, Apollo Group, which operates the University of Phoenix, the largest chain of for-profit colleges, agreed to pay \$78.5 million to settle one.

For-profit schools enroll about 12 percent of the nation's higher-education students yet receive about a quarter of all federal student aid; their students account for almost half of all defaults.

In general, these institutions get more than 80 percent of their revenues from federal student aid.

The [United States Department of Education](#) and Senator [Tom Harkin](#), an Iowa Democrat who is the chairman of the Health, Education, Labor and Pensions Committee, have become concerned in recent years that such colleges too often leave their students with mountains of debt and no marketable job skills.

The Education Department has taken action to rein in abuses by the for-profit sector but has so far delayed the most controversial regulation it has proposed, the “[gainful employment](#)” rule that would cut off federal aid to programs whose graduates have high debt loads and not enough income to pay them.

The for-profit schools are lobbying intensely against the rule, and last week more than 100 members of Congress wrote to [President Obama](#) asking that his administration drop the gainful employment rule, which they say would cut off access to higher education for many poor minority students.

Supporters of the rule say it would not harm poor students but rather protect them from taking out large loans to enroll in expensive programs that would not lead to good jobs.