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September 5, 2018

Christopher N. Oberg, PhD
Vice President/Chief Operating Officer
WASC Senior College and University Commission
985 Atlantic Ave, Suite 100
Alameda, CA 94501

Re: The Problems with Ashford University's Proposed Conversion to Non-Profit Institution

Dear Dr. Oberg:

We, the undersigned Attorneys General of Maryland, California, Delaware¹, Hawaii, Illinois, Iowa, Minnesota, Massachusetts, New York², North Carolina, Oregon, Rhode Island, Vermont, Virginia, and Washington write to urge the WASC Senior College and University Commission ("WASC") to reject Ashford University's ("Ashford") proposal to convert to a non-profit institution for purposes of accreditation. As our States' primary consumer protection authorities, we write to you with serious consumer protection concerns regarding Ashford and the potential impact of such a conversion on our States' citizens. The proposed conversion ensures that the school will continue to operate for the financial benefit of Ashford's publicly traded parent company, Bridgepoint Education, Inc. ("Bridgepoint"), calling into question whether Ashford would actually become "non-profit" in any sense under the plan. The only clear impact of the plan is to allow Ashford to escape some critical regulatory oversight while shedding the marketing stigma associated with for-profit colleges to which it has itself contributed. Given their long and troubling history with law enforcement, Ashford and Bridgepoint require heightened scrutiny; however, the approval of the proposed conversion into a non-profit institution under accreditation standards would accomplish precisely the opposite. As such, WASC should deny Ashford's proposed conversion.

The proposed conversion is part of a recent and troubling trend of large for-profit colleges converting to non-profit status. As we have seen time and again, schools have approached such conversions in a manner that does not remove the financial incentives for the directors of the entity, as they should, and instead, maintain the incentive to engage in the same predatory tactics to recruit

¹ Delaware joins this letter by and through its Director of Consumer Protection in the Delaware Attorney General's Office.

² New York joins this letter by and through its Chief of the Consumer Frauds and Protection Bureau in the New York Attorney General's Office.

and retain students that were utilized when the schools were for-profit entities. In order to protect students from the kind of repeated unfair and deceptive conduct occurring at for-profit schools, some states have enacted legislation and regulations that apply only to for-profit schools.³ The Higher Education Act and various federal regulations, such as the Gainful Employment Rule,⁴ also recognize that for-profit schools need certain regulatory safeguards to protect students, which true non-profit schools may not necessarily require. The conversion of for-profit schools to non-profit status may allow such schools to avoid those legal requirements while continuing to operate in a manner that prioritizes financial gain for the owners of the school, thereby causing harm to students.

The Conversion Primarily Benefits Bridgepoint

Ashford's proposed continued relationship with Bridgepoint calls into question whether the new Ashford entity would actually be committed and loyal to its new duties as a non-profit. According to public filings, once Ashford converts to non-profit status, it will immediately contract with Bridgepoint for essentially the same suite of services Bridgepoint currently provides to Ashford.⁵ This new services agreement has been pre-negotiated—or at a minimum, preordained—before the proposed conversion occurs. To be clear, Bridgepoint has already announced to its investors and the public that it will serve as Ashford's online program management vendor with a revenue sharing agreement that provides at least 60% to 65% of Ashford's income to Bridgepoint,⁶ despite all of the decision makers who apparently approved this deal being currently employed by Bridgepoint and Bridgepoint having no experience providing services of any kind to a non-profit entity.⁷ The reason is clear: the deal benefits Bridgepoint, not the proposed non-profit school or its students. Even Bridgepoint's own Director of Communications was unaware of any benefit to Ashford: "Despite repeated requests for an explanation of what moving to a non-profit system would do for Ashford and University of the Rockies, [Bridgepoint's Director of Communications] was unable to name anything specific or reach anyone at either organization who could offer a substantive answer."⁸

Conversion to non-profit status would also serve as a powerful, yet deceptive, marketing tool by allowing Ashford to shed the self-created stigma that students might associate with for-profit colleges. Bridgepoint's Director of Communications explained this non-substantive, marketing benefit: "There is the ability of a non-profit organization to be judged and compared like other non-profit universities that are out there already instead of being seen as a for-profit and all the perceptions that go with that."⁹ Because the proposed non-profit institution will remain

³ See e.g., Md. Code Ann. Com. Law §13-320; Educ. §11-203.

⁴ Although the Department of Education has proposed a rule that rescinds the Gainful Employment Rule, the findings upon which the Rule was created, and the fact that 98% of borrower defense claims come from borrowers who attended for-profit schools, make clear that for-profits require additional oversight.

⁵ <http://bridgepoint.mediaroom.com/index.php?s=43&item=590>

⁶ <https://seekingalpha.com/article/4190222-bridgepoint-educations-bpi-ceo-andrew-clark-q2-2018-results-earnings-call-transcript?part=single>

⁷ <http://bridgepoint.mediaroom.com/index.php?s=43&item=590>

⁸ <https://www.denverpost.com/2018/03/13/ashford-university-of-the-rockies-nonprofit-merger/>

⁹ <http://www.sandiegouniontribune.com/business/technology/sd-fi-bridgepoint-spinoff-20180322-story.html>

financially tied to Bridgepoint, its representation to prospective students as a non-profit institution may be misleading and could prevent students from making informed decisions about whether to attend Ashford.

Ashford Requires More, Not Less, Oversight

The continuing link to Bridgepoint is especially problematic given the serious allegations of misconduct that have been leveled against it by both state and federal law enforcement agencies. For example:

- Nine months ago, the California Attorney General sued Ashford and Bridgepoint for violations of the state's unfair competition and false advertising laws. The complaint alleges that, as a result of Ashford's toxic, boiler room culture, the school's sales people made a wide variety of false and misleading statements to prospective students to meet its enrollment growth targets, including how much financial aid its students would receive, how many prior academic credits would transfer into the school, and the school's ability to prepare students for careers in fields like social work, nursing, medical billing, and teaching. The complaint also alleges that Ashford and Bridgepoint used illegal debt collection practices when students struggled to pay their bills. The California Attorney General's lawsuit is ongoing.¹⁰
- In 2016, Ashford and Bridgepoint agreed to pay an eight million dollar civil penalty to the Consumer Financial Protection Bureau for allegedly deceiving students into taking out private student loans that cost more than advertised. The CFPB also ordered Ashford and Bridgepoint to provide over \$23.5 million in loan forgiveness and refunds to affected students.¹¹
- In 2014, Ashford and Bridgepoint agreed to pay \$7.25 million and to change certain recruitment and enrollment practices that the Iowa Attorney General alleged violated the state's consumer fraud act. That settlement capped a three year investigation into complaints filed by current and former Ashford students that the online school's conduct resulted in students not completing their educational programs, not obtaining professional licenses, and being saddled with substantial student loan debt. Specifically, the Iowa Attorney General alleged that Ashford used "unconscionable sales practices through which Ashford telemarketers, under significant pressure to enroll students," made false and misleading statements to perspective students.¹²

¹⁰ <https://oag.ca.gov/news/press-releases/attorney-general-xavier-becerra-sues-profit-ashford-university-defrauding-and>; https://oag.ca.gov/system/files/attachments/press_releases/Complaint_8.pdf

¹¹ <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-takes-action-against-bridgepoint-education-inc-illegal-student-lending-practices/>;
https://files.consumerfinance.gov/f/documents/092016_cfpb_BridgepointConsentOrder.pdf

¹² <https://www.iowaattorneygeneral.gov/newsroom/ashford-university-and-parent-company-bridgepoint-education-agree-to-7-25-million-payment-and-majo/>;
https://www.iowaattorneygeneral.gov/media/cms/Bridgepoint_Ashford_Iowa_Attorney_G_F0271005A595B.pdf

Several private lawsuits further illustrate how Ashford engages in unlawful, high pressure sales techniques that are inconsistent with the expected conduct of non-profit colleges. For example, in one recent case, a prospective student alleged that Ashford violated the Telephone Consumer Protection Act by calling him repeatedly even though he told Ashford he did not wish to be contacted. In response, Ashford *admitted* that it obtained the individual's contact information through a lead generator and called his cell phone 228 times, with calls continuing until February 2018.¹³ In two similar cases, Ashford admitted to calling the prospective students over 100 times each.¹⁴ To put that in perspective, the Department of Defense considers even *three* unsolicited calls to be a "high-pressure recruitment tactic" and prohibits schools that participate in the tuition assistance program from engaging in such behavior. Notably, Ashford has agreed to be bound by the Department of Defense prohibition and, therefore, could be in violation of that agreement.¹⁵

Despite an ongoing enforcement action and a history of alleged misconduct, Ashford University now seeks WASC approval to convert into a non-profit institution for accreditation purposes that will have reduced government oversight and less accountability for its educational operations and its student recruitment conduct. The conversion would be a marketing boon to Ashford that, in turn, benefits Bridgepoint, not students. Therefore, we urge WASC to investigate Ashford's past history and reject its proposal, or at a minimum, require Ashford to permanently cut all ties with Bridgepoint and commit to eliminating its improper marketing and sales practices. Moreover, to the extent that WASC may have been unaware of some of the serious allegations and admissions that are detailed in this letter, we urge WASC to investigate and take all appropriate action.

Sincerely,



Brian E. Frosh
Maryland Attorney General



Xavier Becerra
California Attorney General

¹³ See *Smith v. Ashford*, Case No. 2:18-cv-00081 (E.D. Wisc.). Plaintiff's Complaint and Ashford's Answer to Complaint (admitting in page 3 of the Answer that it made 228 calls to the Plaintiff) attached as **Exhibit 1**.

¹⁴ See *Atico v. Ashford*, Case No. 1:17-cv-276 (N.D.N.Y.). Plaintiff's Complaint and Ashford's Answer to Complaint (admitting in page 2 of the Answer that it made 100 calls to the Plaintiff) attached as **Exhibit 2**. See also *Kelley v. Ashford* 4:16-cv-03556 (S.D. Tex.) Plaintiff's Complaint and Ashford's Answer to Complaint (admitting in page 2 of the Answer that it made 118 calls to the Plaintiff) attached as **Exhibit 3**.

¹⁵ <https://www.ashford.edu/about/media-room/press-releases/ashford-university-to-sign-memorandum-of-understanding-to-continue-participating-in-department-of-defense-military-tuition-assistance-program>; <https://www.dodmou.com/InstitutionViewSignature/GetFile?institutionId=1817>

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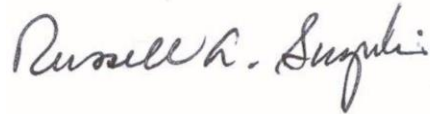
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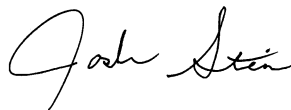
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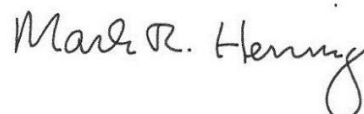
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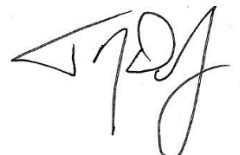
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A handwritten signature in blue ink, reading "Bob Ferguson". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

Bob Ferguson
Washington State Attorney General