

Zenith Education Group
Report of Independent Monitor
July 2017 – December 2017

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Introduction

This is the fourth report of the Independent Monitor (“Monitor”) selected by Zenith Education Group (“Zenith”) and approved by the United States Department of Education (the “Department”) to assess Zenith’s compliance with certain provisions (the “Conduct Provisions”) Zenith agreed to as a condition of the Department’s approval of its acquisition of 56 formerly for-profit colleges from the now defunct Corinthian Colleges (“Corinthian”). (The Conduct Provisions are available at: <https://www2.ed.gov/documents/press-releases/zenith-conduct-provisions.pdf>.) As with each of the other reports, (available at: <http://www.zenithmonitorship.com/>), this one covers multiple months.

Overview

The Monitor thinks it important to begin this period’s report by noting that there have been three momentous developments within the span of just a few months. The Monitor learned about two of them from press reports, and the other from the Department (which had been given little notice itself).

The first was the decision in July to change the name of Zenith’s career colleges from “Everest” to “Altierus.” In trumpeting the move, then President and Chief Executive Officer Peter Taylor explained, “The name Altierus is inspired by our mission to provide this new, alternative pathway for students by offering a best-in-class experience that is a tier above existing models in which all of us- faculty, career specialists and financial aid experts – serve as a team to care for the whole student. Simply put, we help students build strong professional and personal skills, we provide 1:1 guidance throughout their journey, and we surround them with a community of accountable students and faculty to ensure they stay on track,” <http://www.zenith.org/zenith-education-group-introduces-altierus/>.

A month later, after serving for only a year, Taylor stepped down and was replaced by a new President and Chief Executive Officer, Jeremy Wheaton, <http://www.ecmcgroup.org/news-Jeremy-Wheaton-president-ceo.html>. (Interestingly, though Wheaton’s appointment was to be effective August 31, Zenith’s website contains a “Message from the President and CEO Peter J. Taylor...” dated September 6, 2017, <http://www.zenith.org/message-president-ceo-peter-j-taylor-zenith-education-group-community/>, which timing suggests that this leadership change was made hastily.)

Most momentous of all, three months after that, Zenith decided to shutter 21 of its remaining schools. Zenith announced on November 8, <http://www.zenith.org/statement-regarding-changes-zenith-education-group/>, that it would stop enrolling new students at all of its WyoTech trade schools and all but three of its Altierus career colleges and “teach [them] out,” meaning, allow current students to complete their courses and then cease operations altogether.

Viewed collectively and coming in such quick succession, these developments are, to say the least, concerning. The obvious inference to draw is that even rebranding them and bringing in new management were not enough to stave off the closure of all but a handful of the schools. Zenith’s own explanation for the decision, “Zenith may teach out and close a school for a number of reasons, including low student enrollment, unacceptable student outcomes, or changes in market demand or resource allocation,” <http://www.zenith.org/schools/teach-schools/>, seems to support that conclusion.

Zenith will retain the Altierus schools in Tampa, Houston (the Bissonet campus only), and Norcross, Georgia, and it promises to expand them and to redouble its efforts to ensure that the students there succeed. In fact, Zenith maintains that these three schools will actually benefit from the failure of the others, “Over the past few years, it has become evident to us that many of our campuses are located in areas that are geographically inconvenient for underserved students or not built to accommodate the programs that we want and need to offer. We intend to use those learnings in a more focused three-campus approach to enhance initiatives, including employer partnerships and student support services, that have demonstrated success in improving academic and job placement outcomes for students. In addition, ECMC Foundation will continue to provide support to the three campuses through grant dollars dedicated to improving career and technical education. We will work with each and every student to help him/her achieve his/her educational goals, just as we did when we acquired the campuses in 2015. No student was left behind then and we will ensure each has the opportunity for success now. Our commitment – today and in the future – is to help students succeed. We believe the changes at Zenith are critical to fulfilling that promise by allowing us to focus our time and resources on further developing initiatives that offer a greater societal impact and finding new pathways for students to thrive, while improving the overall educational landscape,” <http://www.zenith.org/statement-regarding-changes-zenith-education-group/>.

Given that in the past two years its parent, ECMC Group, purportedly invested more than half a billion dollars cash in Zenith’s schools, and the associated ECMC Foundation invested \$21 million more, as well as undertaking radical initiatives like “a thorough phase-out of programs with poor graduation and/or job placement outcomes” and a “curriculum reform effort to ensure the programs our students enrolled in provided realistic job opportunities,” (Ibid) one can wonder whether the few Zenith schools that will remain will fare significantly better than the many that are being closed.

Notably, in an admittedly informal and unscientific survey of student opinion during the Monitor’s site visit to the Woodbridge, Virginia, campus a little over a year ago, one of the students’ complaints was that they were kept in the dark about the school’s financial condition, and they expressed concern that it might eventually be closed like the others before it. Though Zenith pilloried the Monitor’s account of his visit at the time, <http://www.ecmcgroup.org/news-zenith-response-independent-monitor-report.html>, it appears now that the students’ concern was well founded.

1. Review of Admissions Representatives’ Recruiting Calls

As noted in the report for the period, September-November, 2016, the Monitor engaged the nationally noted opinion research and data analytics firm, National Opinion Research Center, to, among other things, determine a statistically reliable number of calls each month by admissions representatives whose job is to make and receive calls to and from prospective students so that he can review those calls to ensure compliance with applicable laws, regulations, and the Conduct Provisions. In that report, the Monitor assessed calls sampled through the month of October 2016. In this report, the Monitor comments on calls sampled since.

During the month of November 2016, 319 calls were sampled by the Monitor’s call review team. Of that number, three were called to the Monitor’s attention for his review. In one of those calls, the representative implied that a job upon graduation is virtually guaranteed, boasting, “Companies are waiting on our students to graduate.” Another representative implied that financial aid was virtually guaranteed, assuring the caller with, “Don’t be afraid by the sticker price because most students don’t

pay that out of pocket.” As for the third call, it raised serious privacy concerns. The representative received a call from a woman who claimed to be the wife of a student who needed to know (or be reminded of) the password to access his Zenith-issued laptop. While calling the woman, “Joseph,” throughout, the representative gave her the requested information.

During the month of December, 2016, 313 calls were sampled by the review team. Of that number, three were called to the Monitor’s attention for his review.

In one call, the representative was following up with someone who had previously expressed interest in enrolling. The person explained that he was now undecided because he had since obtained a job and the lack of a job had been the reason for his initial interest. The representative tried to pressure him into enrolling nonetheless, drawing a distinction between a “career,” which, he claimed, enrollment in an Everest school would lead to, and “jobs,” which, he implied, are inherently tenuous and temporary. The representative pressed, “[The reason that you previously were interested in applying to our school] is that you wanted a career. You get a career and jobs come looking for you! It is a nine-month program. By this time next year, you should be doing quite well. If you put it off, life gets in the way. There is never an ideal time to go to school. It’s a short-term sacrifice for a long-term benefit.” To be fair, when, in the end, the prospective applicant insisted that he needed time to decide, commendably, the representative relented graciously. Still, this call was an example of attempting to pressure someone into applying, and an example of implying that enrollment in a Zenith school is a virtual guarantee of stable employment.

In the second call, a woman was interested in a criminal justice program, which was no longer offered. The representative spent considerable time trying to convince her to pursue a completely different field of study and one that *is* offered, namely, a medically oriented one. The prospective student then expressed concern about saddling herself with a student loan, whereupon the representative told her that she would probably qualify for grants “but that won’t cover everything.” He went on to argue that it should be worth it to her to incur some debt in order to get out of her present circumstances (she was cleaning houses for a living). When she asked, “Am I going to have a job to get me out of debt?” the representative responded, “Yeah, that’s the idea, right?” He then followed up with a leading question, “Do you think education would help you find a more stable career? For sure.” The medical program was a short-term one, 8-10 months, the representative assured, after which “you can then go for the big dream of criminal justice. These are short programs and you will always have this [the medical field] to fall back on.” When the caller mentioned that she had a course in medical technology in high school, the representative responded with, “sounds like Everest would be a *great* fit for you.”

The third call was somewhat similar to the second in that the prospective applicant was interested in a program (dental hygiene) that was no longer available. Alternatively, the caller was interested in a course that *was* offered (phlebotomy). The admissions representative told her that the phlebotomy (and EKG) course would take the same amount of time to complete as the dental hygiene one and that it would “get you working in a hospital.”

During the month of January 2017, 312 calls were sampled by the review team. Of that number, one was called to the Monitor’s attention for his review. In that call, the admissions representative helped the applicant cheat on the admissions test, repeatedly giving her the answers so she could pass.

As for February 2017, 218 calls were sampled by the review team. Notably, literally none of them was objectionable. Zenith has assured the Monitor that all of that month’s calls, like those in previous

months, were randomly selected for his review. If that is the case, Zenith and its admissions representatives are to be commended for improving upon prior months' performance.

As for March 2017, 137 calls were sampled by the review team. Those calls, too, were notable. The calls to be sampled were either blank, with no content, or, if there was content, the calls raised no issues.

As for April 2017, 119 calls were sampled. Of that number, one was concerning. In that call, the prospective applicant was talked into applying for a paralegal program and then assured that she could work as a paralegal independently, without being supervised by an attorney. As evidence, the admissions representative cited the case of a friend of hers who had her own "storefront" as a paralegal and who prepared legal documents on her own (including some for the admissions representative).

As of this writing, calls for May and July 2017 are in the process of being reviewed. As for June 2017, 191 were reviewed. Of that number, one call was concerning. In that call, the admissions representative said, "Most students who take this [course of study] come out with a job."

2. Validating Claims in a Public Statement about School Closures

As noted previously, Zenith announced on November 8, 2017 that it was closing all but three of its schools. In the statement, certain claims were made about the steps that Zenith had taken since acquiring the schools from Corinthian in 2015 to, among other things, enhance the curriculum, reduce students' financial burden, and boost completion rates and job placement rates.

The Monitor asked Zenith to produce documentation to enable him to validate these claims. Zenith's response was that validating the claims was outside the scope of the Conduct Provisions and, thus, outside the scope of the Monitor's mandate.

The Monitor countered that the statement was in the nature of a press release; press releases in such circumstances are marketing tools; and, as such, the statement was intended to characterize the developments that are detailed in it in the best possible light in hopes that the relevant reader (in this instance, a prospective student seeking, or at least considering, a career or technical education) might be more inclined to "buy" the referenced product or service from the marketer issuing the statement. Accordingly, validating the accuracy of the assertions in the statement is part of the Monitor's broad responsibility, outlined in the Conduct Provisions, to ensure that Zenith's advertising materials are "fair and accurate," and to verify the accuracy of claims about completion rates and graduation rates. Further, the Monitor argued that if there is any doubt as to whether claims about Zenith's track record at the schools it is closing are related to the schools that are remaining open, these sentences remove it, "We will take what we've learned and focus our efforts to further hone our most effective initiatives and incubate innovative ideas that provide non-traditional underserved students with the best opportunities for career success."

Zenith continued to insist that the statement was not a press release because it was not "pushed out to media outlets." Upon the Monitor's further inquiry, Zenith confirmed that it did not make a public announcement that it was closing most of its schools. The press found out about this development on its own, and the statement was issued after the fact as a means of addressing questions.

Conceding for the sake of argument that the statement was not, strictly speaking, a press release, that itself raises a different concern. Doesn't the closure of most of Zenith's schools warrant what Zenith

defines as a press release, namely, a proactive public announcement that is actively and broadly disseminated? Zenith saw fit to issue a press release about something far less momentous, <https://www.prnewswire.com/news-releases/zenith-education-group-partners-with-big-brothers-big-sisters-to-create-600000-scholarship-program-300505021.html>, and it issued press releases about the name change to Altierus, <https://www.prnewswire.com/news-releases/zenith-education-group-introduces-altierus-300490260.html>, and the appointment of Wheaton, <http://www.prnewswire.com/news-releases/ecmc-group-appoints-jeremy-j-wheaton-as-new-president-and-ceo-300512382.html>.

After all, as noted in previous Monitor reports, in acquiring schools from Corinthian, Zenith pledged to hold itself to a higher standard than merely complying with the letter of applicable laws and regulations. On its website, in fact right next to the “News” section, is a “Transparency Center” that reads in part, “...We are committed to communicating in a transparent and timely manner about information that matters most to students, regulators and others...” <http://www.zenith.org/transparency-center/>. It is hard to conceive of anything that would matter more to students, regulators and others (like prospective students) than whether Zenith schools will remain in business. Accordingly, in the Monitor’s judgment, it would have been “transparent and timely” to have issued a press release, a proactive one, as soon as the decision was made to close most of the schools. Even Corinthian did so when it ceased operations, <https://www.businesswire.com/news/home/20150426005017/en/Corinthian-Announces-Cessation-Effectively-Operations>.

In this report, the Monitor is unable, then, regrettably, to verify the accuracy of Zenith’s claims about the success of the schools that it is closing and, in so doing, to help prospective students determine whether it is a safe bet to enroll in the few schools that remain.

3. Web and Television Advertising

Representations on Altierus’ website, <https://www.altierus.edu/>, are, in the Monitor’s judgment, misleading. “Enroll as a Student, Leave as a Professional,” implies that an Altierus student will find a job, in his/her field of study, upon graduation. It is one thing to say that a student will be “ready for” a profession, or “will be trained for” a profession. It is another to say that the student will “leave as a professional.” Doubling down, the website goes on to promise a job, at least implicitly, in a short time frame, “...Our mission is to help you find the career path that’s right for you *and become a professional in as little as 10 months.*” The term, “mission,” is much stronger than alternate terms that could have been chosen like, for example, “goal” or “aspiration.” The use of “mission” suggests that Zenith is so committed to placing its students in jobs that employment upon graduation is all but guaranteed.

Further, the website contains a number of videos in which instructors tout Altierus. The tagline of each, “Be ready to start your new career in as little as 10 months,” likewise suggests that a job will be waiting for the schools’ graduates when they conclude their studies. “Be ready” is materially different from, “You will be ready.” The latter means simply that a graduate will have the necessary training and skills to get a job in his/her field, which, if true, is the most that Zenith can claim, as a matter of both fact and law.

In searching for other Zenith advertising to evaluate, the Monitor noticed that there were television ads that were identical or similar to the website ads. See <https://www.ispot.tv/brands/nxj/altierus>.

It appears that these ads last aired in October, prior to the announcement of the decision to close most of the schools. If, though, these ads are in fact still running anywhere, they should be pulled because they are misleading.

4. Inconspicuous Gainful Employment “(GE)” Disclosures

Zenith’s schools are subject to the federal “gainful employment rule,” which requires schools that receive funding under the Higher Education Act to prepare students for “gainful employment in a recognized occupation.” One of the requirements of the rule is that schools subject to it meet minimum thresholds with respect to the debt-to-income ratios of graduates so as to ensure that students in vocational programs are not saddled with debt that their post-graduation employment income will not enable them to repay.

34 CFR 668.412 (c)(1) provides, “On any Web page containing academic, cost, financial aid, or admissions information about a GE program maintained by or on behalf of an institution, the institution must provide the disclosure template for that program or a prominent, readily accessible, clear, conspicuous, and direct link to the disclosure template for that program.”

Zenith maintains that it is in compliance with the gainful employment rule because its “system-wide home page,” to use its term for it, www.altierus.edu, contains a link to “Programs.” To quote Zenith’s position, “If you click on “programs” and then choose one of the program pages presented, you’ll see that “Disclosures” is one of the five prominently featured, ‘above-the-fold’ links presented. Users can then select the campus for which they’re interested in program information, and will receive a direct link to that specific campus-program’s GE template.”

This position ignores this guidance from the Department, <https://ifap.ed.gov/GainfulEmploymentInfo/GEFAQV2.html#Disclosure>, specifically, the answer to the second question about disclosures. The question is, “The GE regulations require that all promotional materials for a program include the required information specified in the regulations at 34 CFR 668.412(d). How does that requirement apply to postcards, invitations, flyers, billboard and transit advertising, radio, television, web and similar advertising and solicitations?”

The answer to the question is as follows, “If the invitation, advertisement, or solicitation mentions or otherwise refers to a specific GE Program or programs, the disclosure information must be included wherever feasible. If providing the information is not feasible because of the size or format of the invitation, advertisement or solicitation, the institution may display the URL or provide a live link to the webpage where the required information is located, *with a clear explanation of the information that is available at that webpage. The link must be identified as ‘important information about the educational debt, earnings, and completion rates of students who attended this program.’* For promotional materials that advertise more than one GE Program, institutions have the option of (1) providing one link to the promotional material where prospective students can be redirected to a list of the web links for all of the GE Program webpages, or (2) providing a direct link for each program on the promotional material. *This single webpage is in addition to the disclosure information placed on each program’s web page.* (Emphasis added).

Altierus’ system-wide home page is an “advertisement” or “solicitation” that “mentions” or “otherwise refers to” specific GE programs. The page touts Altierus schools and encourages people to consider them. As noted above, there is clear advertising and solicitation language like, “Enroll as a Student,

Leave as a Professional.” At the very bottom of the system-wide home page, in small font against a black field and third from the end, is a link to “Disclosures and Consumer Information.” Once you click on that link, one is, indeed, re-directed to a list of the web links for all of the program webpages, but the link is certainly not “prominent,” “clear,” or “conspicuous,” nor is it in the Monitor’s view “readily accessible.” One can argue about whether “Disclosures and Consumer Information” is a “clear explanation of the information that is available at that webpage,” but it certainly does not include the specific words, “Important information about the educational debt, earnings, and completion rates of students who attended this program,” and those words “*must*” be included, according to this Department guidance.

At literally the very bottom of the system-wide home page, also in this black field, is this, “For more information about our graduation rates, the median debt of students who completed the program, and other important information, please visit our website at www.altierus.edu/disclosures,” which takes one to the very same “Disclosure and Consumer Information” link, and which is closer to the language that must be included. But, again, it is not prominent, clear, or conspicuous, and, in the Monitor’s view, not readily accessible.

Note also the last sentence in the guidance, “This single webpage is in addition to the disclosure information placed on each program’s web page.” This means that the proper disclosure must be made on the system-wide home page as well as the program-specific web pages, if, as here, the system-wide home page is an advertisement or solicitation that refers to one or more GE programs. Underscoring that this page is, indeed an advertisement or solicitation, the penultimate paragraph reads, “Altierus.ed. is the official website of Altierus Career College. Our campuses provide students with short-term career training in a variety of in-demand fields. Our schools offer diplomas and/or degrees in business, computer technology, dental assistant, HVAC, pharmacy technician and much more. Programs, program lengths and program schedules vary by campus.” Not only is this language an advertisement and/or solicitation, it also constitutes general “academic” information.

Finally, as for the program-specific pages, the required disclosures are not “direct” or “readily accessible,” on those pages, either. For example, to get to the GE disclosures for the Medical Assistant program at Colorado Springs, it can take five clicks from the system-wide home page, namely: (1) a click onto “Programs;” (2) a click onto “Medical Assistant;” (3) a click onto “Disclosures;” (4) a click onto “Colorado Springs;” and (5) a click onto “Colorado Springs Program Disclosures.” Five clicks is not “direct” or “readily accessible.” The whole point of the rule is that prospective students should not have to hunt for and persevere to find information that can help them determine whether it is worth their time and money to enroll in a career school.

Moreover, even if there were no gainful employment rule at all, the “Transparency Center” link on Zenith’s home page pledges to communicate in a “transparent” manner “information that matters most to students, regulators, and others,” as noted above. Requiring five clicks to find the information required by the gainful employment rule to be disclosed is not “transparent.”

5. Status of Monitor Recommendations to Date

As readers of previous reports will recall, the Monitor reviewed representative application forms, enrollment agreements, catalogs, addenda thereto, and other documents (a housing handbook, for example) for Zenith’s then “Everest” campuses and its WyoTech campuses. The Monitor has inquired which, if any, of his numerous recommendations and suggestions concerning those materials have been implemented. The reply was that Zenith has yet to put this information “into a trackable spreadsheet or

other medium.” As far as the Monitor knows, then, none of his recommendations has been implemented. It is the Monitor’s understanding from Zenith that, aside from changing the name in Everest materials to “Altierus,” the materials for both Everest and WyoTech schools are materially the same as when the Monitor reviewed them some months ago. So, the Monitor’s recommendations and suggestions from previous reviews should continue to be relevant for the materials Altierus and WyoTech currently use, and the Monitor continues to hope that Zenith will implement at least some of them.

Conclusion

At the Department’s insistence, the Monitor’s term has been extended on a month-to-month basis until the final possible extension date, January 30, 2018. Accordingly, the Monitor expects to issue only one additional short report.

If possible, during the short time that remains, the Monitor hopes to, at a minimum, review more admissions representatives’ calls; visit at least one of the three campuses that remain; and make some assessment of the efficacy of Zenith’s complaint resolution process.

Finally, given the foregoing concerns and those expressed in previous reports, the Monitor believes that it would be in the best interest of students if there were some independent review of the “teachout” of the schools being closed. Given the inevitable cost pressures and the fact that these schools will be ceasing operations in the not too distant future, there will doubtless be a temptation to cut corners as the closing dates near.