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The FTC's Efforts to Halt Deceptive Claims by Educational Institutions and Marketers of Educational Products: Enforcement Actions and Consumer Guidance

Cases

Online Diploma Mill Case (Sept. 2014)

Diversified Educational Resources, LLC (DER) and Motivational Management & Development Services, Ltd. (MMDS)

- Allegedly grossed \$11 million from marketing and selling fake high school diplomas online to consumers
 - Falsely claimed consumers could obtain “official”/accredited diplomas that could be used to enroll in college, join the military, and apply for jobs

FTC Lawsuit: alleges violation of FTC Act by misrepresenting that diplomas were valid high school equivalency credentials, and that online schools were accredited

- U.S. District Court in Florida granted temporary restraining order to halt business operations of DER and MMDS, and freeze assets
- Complaint seeks permanent injunction to stop deceptive business practices and to return illegal gains to consumers

WordSmart Student Performance Improvement Product Consent (Oct. 2014)

WordSmart Corporation

- Allegedly targeted parents who wanted to improve children's performance in school or help prepare for standardized tests (i.e., SAT)
- Other Offenses:
 - Falsely claimed full refund within 30 days if buyer was not satisfied
 - TSR Violations:
 - Called consumers on Do Not Call Registry;
 - Refused to honor requests to stop calling;
 - Failed to connect consumer to sales representative within 2 seconds after consumer answered the phone

FTC: Reached settlement with WordSmart Corporation and its President

- Prohibits defendants from misrepresenting benefits, performance, or efficacy of educational goods/services
- Bars defendants from misrepresenting terms of refund policy,
- Bars defendants from violating TSR's rules
- Imposes \$18.7 million judgment
 - Suspended when defendants have paid \$147,400
 - Full judgment due immediately if defendants found to have misrepresented financial condition

Policy

Revised Vocational Schools Guides (Nov. 2013)

2009: FTC sought public comment on Vocational Schools Guides as part of systematic review of all current FTC rules and guides; subsequently amended Guides

Amendments: address certain misrepresentations more specifically, including those:

- Commonly used in recruitment;
- Qualification to take a licensing exam;
- Admission test scores, length of program, and likelihood of success;
- Likelihood of financial aid/language assistance/accommodation of learning disabilities
- Amount of credit received for courses completed elsewhere

FTC Role in Enhancing Education-Related Complaint Collection for Veterans and Service Members (Jan. 2014)

Improving Transparency of Education Opportunities for Veterans

Consumer Education

Consumer Education About Choosing a College After Military Service (Oct. 2013)

FTC: advising service members, veterans, and their families that some for-profit schools more interested in gaining access to their post-9/11 GI Bill benefits

- For-profit schools may stretch the truth to encourage enrollment,
 - i.e., exerting pressure on service members to sign up for unnecessary courses, or take out loans that might be a challenge to pay off

FTC released “8 Questions to Ask When Choosing a College” – encourages service members, veterans, and their families to assess schools they are interested in attending by asking:

1. What is the total cost? How will I pay for tuition or expenses that my VA benefits do not cover?
2. Of the recent graduates who borrowed money to attend the school, what percentage is delinquent in paying back their loans?
3. Will a degree from this school get me where I want to go?
4. Is there pressure to enroll?
5. Can I get credit for my military training?
6. Can I transfer credit I earn at this school to other schools?
7. Is the school accredited?
8. Is the school committed to helping veterans?