

Congress of the United States
Washington, DC 20510

September 9, 2019

Mr. Stu Reed
President and Chief Executive Officer
Education Corporation of America
3660 Grandview Parkway, Suite 300
Birmingham, Alabama 35243

Mr. John F. Kennedy, Esq.
Receiver
James Bates Brannan Groover, LLP
231 Riverside Drive
Macon, Georgia 31201

Dear Mr. Reed and Mr. Kennedy:

We write regarding your attempts to collect the outstanding accounts receivable financial obligations from former students of the for-profit colleges operated by the now defunct Education Corporation of America (ECA). As a result of ECA's sudden closure, thousands of former students have been left with incomplete degrees, credentials, and college credits with nowhere to turn. Given the precarious situation these former students find themselves in, we urge you to cease all attempts to collect outstanding accounts receivable or any other financial obligations from former ECA students.

On December 5, 2018, after several years of declining enrollment and revenue, in addition to continued concerns surrounding the schools' compliance and financial stability, ECA announced that it would immediately close its 70 campuses across the country.¹ ECA had many signals over several years that it had significant financial and compliance problems—most notably its placement on “heightened cash monitoring 2” status. The abrupt closure impacted nearly 18,000 students, many of whom had taken out thousands of dollars in federal student loans.² This number includes approximately 4,000 student veterans who had been using their GI Bill funds at ECA campuses.³

Shortly before the collapse, a Receiver was appointed to oversee and manage debts held by ECA. Upon ECA's collapse the following month, the Receiver became responsible for settling the business matters and debt ECA held at the time of its collapse. Last month, through a motion filed in the U.S. District Court for the Middle District of Georgia, the Receiver requested permission from a federal judge to collect the outstanding student loan debt and accounts receivable held by former students to help settle ECA's remaining debts. In fact, the Receiver has already reached an asset sale agreement to sell the accounts receivable to debt collector Elevation Capital Partners.⁴

Any attempt by the Receiver to collect outstanding accounts receivable or any other financial obligations from former students after nearly a year would be deeply concerning. The Receiver's apparent plan to sell these accounts receivable to third-party debt collectors to satisfy

¹ Letter from ECA to Senator Warren, Representatives Cummings and Bonamici, February 7, 2019

² *Ibid.*

³ Veterans Education Success, “Could Education Corporation of America's Sudden Closure Have Been Avoided” December 2018,

<https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/5c17fc43c2241b89460a1977/1545075779356/Issue+Brief+on+ECA.FINAL.pdf>

⁴ Asset Sale Agreement, VA Macon GA, LLC v. Virginia College, LLC' and Education Corporation of America, no. 5"18-cv-00388, August 30, 2019

ECA's creditors is an unconscionable assault on the financial lives of former students, who have already suffered enough.

ECA's collapse left former students who took out thousands of dollars in federal student loans with partially completed degrees or credentials with little to no value. Recent data released by the U.S. Department of Education show that students affected by the closures of ECA and other for-profit colleges have not been able to receive discharges of those loans.⁵ Just 11 percent of eligible borrowers have received a closed school discharge of their student loans, and only four percent of those enrolled at the time of closure have transferred to another college.⁶ Given the hardships many of these former students already face with regard to federal student aid, collecting on former students' accounts receivable adds insult to injury.

While the Receiver has reportedly agreed not to collect the accounts receivable from students attending ECA colleges at the time of collapse, it has not made such a commitment for other former ECA students, including those who withdrew prior to ECA's collapse. As a result of the collapse, ECA is now unable to provide its graduates with any form of career support or guidance that students expect from their schools. Former ECA students deserve the right to move on with their lives and not be saddled by financial obligations to a third-party debt collector due to ECA's mismanagement.

The financial well-being and educational pursuits of these former students have been jeopardized, in no small part due to ECA's failure to clearly and directly disclose to students the institution's precarious situation. We recognize you have an obligation to settle the debts of ECA. However, targeting students who are already grappling with the consequences of ECA's sudden closure is cruel and callous, particularly when ECA did not take adequate steps to protect its students. We urge you to end your attempts to collect any money from ECA's former students.

We appreciate your attention to this matter.


Sincerely,



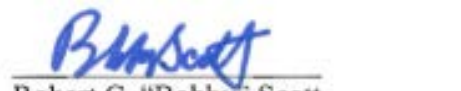
Elizabeth Warren
United States Senator



Doug Jones
United States Senator



Patty Murray
Ranking Member, Committee on
Health, Education, Labor, and Pensions
U.S. Senate



Robert C. "Bobby" Scott
Chairman, Committee on Education
and Labor
U.S. House of Representatives



Elijah E. Cummings
Member of Congress

⁵ Responses by U.S. Department of Education to Senator Patty Murray, Ranking Member, Senate Appropriations Subcommittee on Labor, Health and Human Services, Education, and Related Agencies. Questions for the Record regarding the March 28th, 2019 Committee Hearing on the FY2020 Department of Education Budget <https://www.help.senate.gov/imo/media/doc/SenMurrayQFRresponses32819LHHShearing.pdf>

⁶ *Ibid.*



Sherrod Brown
United States Senator



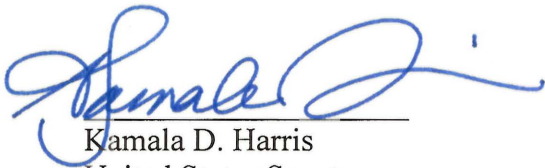
Suzanne Bonamici
Member of Congress



Richard Blumenthal
United States Senator



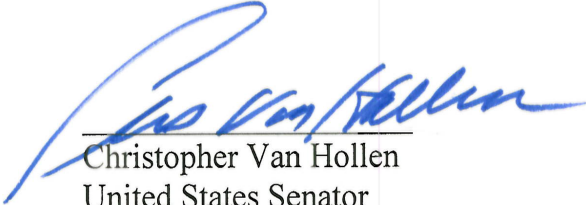
Raja Krishnamoorthi
Member of Congress



Kamala D. Harris
United States Senator



Catherine Cortez Masto
United States Senator



Christopher Van Hollen
United States Senator