

Congress of the United States
Washington, DC 20510

September 10, 2019

Andrew Sheiner
Founder, Managing Partner
Altas Partners
79 Wellington St. West, Suite 3500
Toronto, On, M5K 1K7

Dear Mr. Sheiner:

We write regarding Altas Partners' (Altas) investment in for-profit colleges and universities and to request information about Altas' structure and finances as it relates to these institutions.

We have broad concerns about the effect of private equity firms on a variety of industries and have introduced legislation to address these concerns.¹ But we have particular concerns about the effects of private equity takeovers in colleges and universities. A typical approach used by private equity firms is to purchase controlling interests in companies, which they typically hold for a short time and then attempt to sell at a profit, often drastically cutting costs and laying off workers in the process.

A recent study by economists with the National Bureau of Economic Research (NBER) shows that when the target company is a college, these profits are squeezed out of students and taxpayers, exacerbating other failures that have plagued the higher education sector over the past decade.² The study found that when a for-profit college is purchased by a private equity firm, "student outcomes deteriorate ... and reliance on federal aid and guaranteed loans increases."³ All the while, the firms disclose little to nothing about their funds and structure their ownership to capture all the institutions' profits while pushing more costs and risk on to students and taxpayers. The students attending these colleges and the public deserve to know more about these firms' practices and the role they continue to play in an industry fraught with problems.

¹ Stop Wall Street Looting Act, S.2155, <https://www.congress.gov/bill/116th-congress/senate-bill/2155>.

² MarketWatch, "when private equity firms buy colleges, students often pay more," Jillian Berman, September 11, 2018, <https://www.marketwatch.com/story/when-private-equity-firms-buy-colleges-students-often-pay-more-2018-09-07>; National Bureau of Economic Research, "When Investor Incentives and Consumer Interests Diverge: Private Equity in Higher Education," Charlie Eaton, Sabrina Howell, and Constantine Yannelis, August 2018, <https://www.nber.org/papers/w24976.pdf>.

³ University of California Merced, New York University, University of Chicago, "When Investor Incentives and Consumer Interests Diverge: Private Equity in Higher Education," Charlie Eaton, Sabrina Howell, Constantine Yannelis, August 17, 2018, http://uncipc.org/wp-content/uploads/2018/12/Eaton-Howell-Yannelis_wp_PE-in-Higher-Ed.pdf.

Enrollment in for-profit institutions skyrocketed following the 2008 financial crisis when students had few options but to go back to school to remain competitive in a declining job market – with total enrollment passing two million in 2010. Many more students have attended these institutions since then. As of 2017, over one million undergraduate students have enrolled in over 2,700 for-profit universities in the United States.⁴ For-profit schools owned or formerly owned by private equity firms currently account for a significant portion – approximately 35 percent – of enrollment, and are able to sustain themselves, primarily through federal student loans, which on average, make up 80% of their revenue.⁵

While private equity-owned for-profit schools claim to provide a high-quality education to their students, the NBER study found that a private equity buyout results in “higher tuition, lower education inputs, lower graduation rates, higher student borrowing, lower repayment rates, and lower wage earnings,” all of which is accompanied by a ten to twenty percentage point increase in federal aid reliance and a tripling of profits for the private equity firms.⁶

It is especially disturbing that private equity-owned for-profit colleges are the worst for-profit performers because for-profit colleges as a whole perform poorly in almost every possible metric when compared to other postsecondary institutions – like community colleges and four-year public schools. For-profit colleges charge higher tuition and fees, have the lowest completion rates for college entrants, and saddle their students with significantly higher amounts of student loan debt than their comparable alternatives. Notably, about 6% of all students are enrolled in for-profit colleges, and 88% of borrowers who graduated from for-profit colleges have student loan debt, a higher percentage than borrowers who graduated from public or private non-profit colleges.^{7,8} Moreover, students who attend for-profit colleges ultimately earn less, are less likely to find employment, and are more likely to default on their loans than students who attend alternative schools.⁹

The NBER research indicates that private equity involvement – specifically these firms’ reliance on federal student aid – has contributed to and exacerbated these problems. Average

⁴ National Center for Education Statistics, “Total fall enrollment in private for-profit degree-granting postsecondary institutions, by state or jurisdiction: Selected years, 1980 through 2017,” accessed on August 29, 2019, https://nces.ed.gov/programs/digest/d18/tables/dt18_304.22.asp; National Center for Education Statistics, “Postsecondary Institutions and Cost of Attendance in 2017-18; Degrees and Other Awards Conferred, 2016-17; and 12-Month Enrollment, 2016-17,” November 2018, <https://nces.ed.gov/pubs2018/2018060REV.pdf>.

⁵ National Bureau of Economic Research, “When Investor Incentives and Consumer Interests Diverge: Private Equity in Higher Education,” Charlie Eaton, Sabrina Howell, and Constantine Yannelis, August 2018, <https://www.nber.org/papers/w24976.pdf>; Private Equity Stakeholder Project, “Private Equity’s Failing Grade: Private equity investment in for-profit colleges,” March 2018, <http://pestakeholder.org/wp-content/uploads/2018/03/Private-Equitys-Failing-Grade-PESP-AFR-032218-2.pdf>.

⁶ University of California Merced, New York University, University of Chicago, “When Investor Incentives and Consumer Interests Diverge: Private Equity in Higher Education,” Charlie Eaton, Sabrina Howell, Constantine Yannelis, August 17, 2018, http://uncipc.org/wp-content/uploads/2018/12/Eaton-Howell-Yannelis_wp_PE-in-Higher-Ed.pdf.

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⁸ Forbes, “Student Loan Debt Statistics In 2019: A \$1.5 Trillion Crisis,” Zack Friedman, February 25, 2019, <https://www.forbes.com/sites/zackfriedman/2019/02/25/student-loan-debt-statistics-2019/>.

⁹ Center for Analysis of Postsecondary Education and Employment, “For-profit Colleges: By the Numbers,” <https://capseeecenter.org/research/by-the-numbers/for-profit-college-infographic/>.

loans for private equity-owned schools compared to other for-profits are 21% higher – and 102% higher compared to students at community colleges. Average tuition revenue at private equity owned for-profits is 23% higher than average tuition revenue at non-private equity for-profits, 59% higher than tuition at nonprofit or public 4-year colleges, and 377% higher than at community colleges.¹⁰

Additionally, for-profit colleges have a history of misleading and preying on vulnerable prospective students through deceptive and illegal marketing practices – especially targeting low-income students and students of color who ultimately enroll in these institutions at higher rates.¹¹ And the data show private equity owned for-profits are the most frequent offenders. As it turns out, “law enforcement actions related to misrepresentation and recruiting violations increase dramatically after private equity buyouts.”¹²

All for-profit colleges dedicate a significant portion of their budget to marketing and advertising – spending a total of over \$607 million in 2016 alone.¹³ However, marketing and advertising expenditures at for-profit colleges increase following a private equity buyout, while the number of faculty and the “share of expenditure devoted to instruction” decline. In fact, “private equity-owned schools have twice the share of employees in sales as other for-profits,” which explains – at least partially – why “private equity buyouts lead to a six percentage point decline in graduation rates.”¹⁴

A report published by the Senate Committee on Health, Education, Labor, and Pensions in 2012 found that “many companies that operate for-profit colleges appear to set tuition ... to maximize revenue without regard to the poor academic and employment outcomes faced by students.”¹⁵ In the case of private equity-owned schools – researchers found instances of private equity managers pressuring for-profit college executives to “maximize operating margins and maximize enrollment growth, and to not engage in things like better regulatory compliance.”¹⁶ The continued spread of private equity in the for-profit higher education sector, and thus the

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¹¹ New York Times, “For-Profit Colleges Accused of Fraud Still receive U.S. Funds,” Patricia Cohen, October 12, 2015, <https://www.nytimes.com/2015/10/13/business/for-profit-colleges-accused-of-fraud-still-receive-us-funds.html>.

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¹⁶ Education Dive, “Private equity’s role in the rise – and fall – of for-profit colleges,” Ben Unglesbee, May 6, 2019, <https://www.educationdive.com/news/private-equitys-role-in-the-rise-and-fall-of-for-profit-colleges/554077/>.

maximizing of short-term profits at the detriment of students, presents a serious concern for both students and taxpayers.

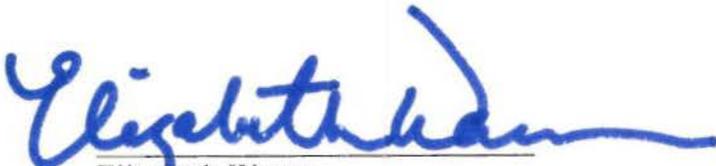
Altas is – or was recently – a large investor in the for-profit college sector.¹⁷ We have introduced legislation, the *Stop Wall Street Looting Act*, a comprehensive bill to reform the private equity industry that holds private equity firms jointly liable for the responsibilities and debts of companies under their control and increases transparency by requiring private equity managers to disclose fees, returns, and political expenditures. To inform our approach to passing this legislation and to better understand your firm's role in the for-profit college industry, we ask that you provide answers to the following questions no later than September 24, 2019.

1. Please provide the disclosure documents and information enumerated in Sections 501 and 503 of the *Stop Wall Street Looting Act*.
2. How many private for-profit colleges does Altas have a stake in or own?
 - a. How many private for-profit colleges has Altas had a stake in or owned in the past ten years?
3. For each Altas-owned for-profit college, please provide the following information for each year that you have had a stake in or owned this school and the five years preceding your ownership:
 - a. The name of the institution
 - b. Ownership stake
 - c. Total cost of attendance
 - i. Total tuition and fees per year
 - d. Total student enrollment
 - e. Graduation rate for each year
 - f. Average loan amount per student
 - i. Direct Subsidized Loans
 - ii. Direct Unsubsidized Loans
 - iii. Direct PLUS Loans
 - iv. Private student loans
 - g. Total revenue
 - i. Total Title IV fund revenue
 - ii. Per-student Pell Grant revenue
 - h. Net income
 - i. Total expenditures
 - i. Total expenditure related to instruction
 - ii. Total expenditure related to sales and non-instructional activities
 - iii. Total expenditures related to lobbying
 - j. Faculty per full-time student
 - k. Share of school employees in sales and non-instructional activities

¹⁷ *Id.*

4. According to recent reports, private-equity firms pressure for-profit college executives to “maximize operating margins and maximize enrollment growth and to not engage in things like regulatory compliance.”¹⁸
- a. Has any college under control of Altas been investigated for violation of any federal or state law or regulation?
 - b. Has any college under control of Altas been found to have violated any federal or state law or regulation? If so, please provide a complete list of all such violations.
 - c. Has any college under control of Altas reached a settlement with any federal or state law enforcement entity related to a potential violation of any federal or state law or regulation? If so, please provide a complete list of all such settlements.
 - d. Has any college under control of Altas reached a settlement with any individual student or group of students related to a potential violation of any federal or state law or regulation, or to any fraud or misrepresentation related to the institution? If so, please provide a complete list of all such settlements.
 - e. Has any college under control of Altas suddenly closed or collapsed? If so, when?
 - f. Has any college under control of Altas had students apply for or be granted student loan discharges from the U.S. Department of Education under the agency’s Borrower Defense authority? If so, how many students have submitted applications and how many students have been granted discharges?

Sincerely,



Elizabeth Warren
United States Senator



Mark Pocan
Member of Congress

¹⁸ Education Dive, “Private equity’s role in the rise – and fall – of for-profit colleges,” Ben Unglesbee, May 6, 2019, <https://www.educationdive.com/news/private-equitys-role-in-the-rise-and-fall-of-for-profit-colleges/554077/>.

Congress of the United States
Washington, DC 20510

September 10, 2019

Leon Black
Chairman and Chief Executive Officer
Apollo Global Management, LLC
9 West 57th Street, 43rd Floor
New York, NY 10019

Dear Mr. Black:

We write regarding Apollo Global Management, LLC's (Apollo) investment in for-profit colleges and universities and to request information about Apollo's structure and finances as it relates to these institutions.

We have broad concerns about the effect of private equity firms on a variety of industries and have introduced legislation to address these concerns.¹ But we have particular concerns about the effects of private equity takeovers in colleges and universities. A typical approach used by private equity firms is to purchase controlling interests in companies, which they typically hold for a short time and then attempt to sell at a profit, often drastically cutting costs and laying off workers in the process.

A recent study by economists with the National Bureau of Economic Research (NBER) shows that when the target company is a college, these profits are squeezed out of students and taxpayers, exacerbating other failures that have plagued the higher education sector over the past decade.² The study found that when a for-profit college is purchased by a private equity firm, "student outcomes deteriorate ... and reliance on federal aid and guaranteed loans increases."³ All the while, the firms disclose little to nothing about their funds and structure their ownership to capture all the institutions' profits while pushing more costs and risk on to students and taxpayers. The students attending these colleges and the public deserve to know more about these firms' practices and the role they continue to play in an industry fraught with problems.

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Enrollment in for-profit institutions skyrocketed following the 2008 financial crisis when students had few options but to go back to school to remain competitive in a declining job market – with total enrollment passing two million in 2010. Many more students have attended these institutions since then. As of 2017, over one million undergraduate students have enrolled in over 2,700 for-profit universities in the United States.⁴ For-profit schools owned or formerly owned by private equity firms currently account for a significant portion – approximately 35 percent – of enrollment, and are able to sustain themselves, primarily through federal student loans, which on average, make up 80% of their revenue.⁵

While private equity-owned for-profit schools claim to provide a high-quality education to their students, the NBER study found that a private equity buyout results in “higher tuition, lower education inputs, lower graduation rates, higher student borrowing, lower repayment rates, and lower wage earnings,” all of which is accompanied by a ten to twenty percentage point increase in federal aid reliance and a tripling of profits for the private equity firms.⁶

It is especially disturbing that private equity-owned for-profit colleges are the worst for-profit performers because for-profit colleges as a whole perform poorly in almost every possible metric when compared to other postsecondary institutions – like community colleges and four-year public schools. For-profit colleges charge higher tuition and fees, have the lowest completion rates for college entrants, and saddle their students with significantly higher amounts of student loan debt than their comparable alternatives. Notably, about 6% of all students are enrolled in for-profit colleges, and 88% of borrowers who graduated from for-profit colleges have student loan debt, a higher percentage than borrowers who graduated from public or private non-profit colleges.^{7,8} Moreover, students who attend for-profit colleges ultimately earn less, are less likely to find employment, and are more likely to default on their loans than students who attend alternative schools.⁹

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Additionally, for-profit colleges have a history of misleading and preying on vulnerable prospective students through deceptive and illegal marketing practices – especially targeting low-income students and students of color who ultimately enroll in these institutions at higher rates.¹¹ And the data show private equity owned for-profits are the most frequent offenders. As it turns out, “law enforcement actions related to misrepresentation and recruiting violations increase dramatically after private equity buyouts.”¹²

All for-profit colleges dedicate a significant portion of their budget to marketing and advertising – spending a total of over \$607 million in 2016 alone.¹³ However, marketing and advertising expenditures at for-profit colleges increase following a private equity buyout, while the number of faculty and the “share of expenditure devoted to instruction” decline. In fact, “private equity-owned schools have twice the share of employees in sales as other for-profits,” which explains – at least partially – why “private equity buyouts lead to a six percentage point decline in graduation rates.”¹⁴

A report published by the Senate Committee on Health, Education, Labor, and Pensions in 2012 found that “many companies that operate for-profit colleges appear to set tuition ... to maximize revenue without regard to the poor academic and employment outcomes faced by students.”¹⁵ In the case of private equity-owned schools – researchers found instances of private equity managers pressuring for-profit college executives to “maximize operating margins and maximize enrollment growth, and to not engage in things like better regulatory compliance.”¹⁶ The continued spread of private equity in the for-profit higher education sector, and thus the

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maximizing of short-term profits at the detriment of students, presents a serious concern for both students and taxpayers.

Apollo is – or was recently – a large investor in the for-profit college sector.¹⁷ We have introduced legislation, the *Stop Wall Street Looting Act*, a comprehensive bill to reform the private equity industry that holds private equity firms jointly liable for the responsibilities and debts of companies under their control and increases transparency by requiring private equity managers to disclose fees, returns, and political expenditures. To inform our approach to passing this legislation and to better understand your firm’s role in the for-profit college industry, we ask that you provide answers to the following questions no later than September 24, 2019.

1. Please provide the disclosure documents and information enumerated in Sections 501 and 503 of the *Stop Wall Street Looting Act*.
2. How many private for-profit colleges does Apollo have a stake in or own?
 - a. How many private for-profit colleges has Apollo had a stake in or owned in the past ten years?
3. For each Apollo-owned for-profit college, please provide the following information for each year that you have had a stake in or owned this school and the five years preceding your ownership:
 - a. The name of the institution
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 - i. Total expenditures
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 - j. Faculty per full-time student
 - k. Share of school employees in sales and non-instructional activities

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4. According to recent reports, private-equity firms pressure for-profit college executives to “maximize operating margins and maximize enrollment growth and to not engage in things like regulatory compliance.”¹⁸
- a. Has any college under control of Apollo been investigated for violation of any federal or state law or regulation?
 - b. Has any college under control of Apollo been found to have violated any federal or state law or regulation? If so, please provide a complete list of all such violations.
 - c. Has any college under control of Apollo reached a settlement with any federal or state law enforcement entity related to a potential violation of any federal or state law or regulation? If so, please provide a complete list of all such settlements.
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Sincerely,



Elizabeth Warren
United States Senator

Mark Pocan
Member of Congress

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Congress of the United States
Washington, DC 20510

September 10, 2019

Henry R. Kravis
Co-Chief Executive Officer
KKR & Co. Inc.
9 West 57th Street, Suite 4200
New York, NY 10019

George R. Roberts
Co-Chief Executive Officer
KKR & Co. Inc.
9 West 57th Street, Suite 4200
New York, NY 10019

Dear Messrs. Kravis and Roberts:

We write regarding KKR's investment in for-profit colleges and universities and to request information about KKR's structure and finances as it relates to these institutions.

We have broad concerns about the effect of private equity firms on a variety of industries and have introduced legislation to address these concerns.¹ But we have particular concerns about the effects of private equity takeovers in colleges and universities. A typical approach used by private equity firms is to purchase controlling interests in companies, which they typically hold for a short time and then attempt to sell at a profit, often drastically cutting costs and laying off workers in the process.

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Enrollment in for-profit institutions skyrocketed following the 2008 financial crisis when students had few options but to go back to school to remain competitive in a declining job market – with total enrollment passing two million in 2010. Many more students have attended these institutions since then. As of 2017, over one million undergraduate students currently enrolled in over 2,700 for-profit universities in the United States.⁴ For-profit schools owned or formerly owned by private equity firms currently account for a significant portion – approximately 35 percent – of enrollment, and are able to sustain themselves, primarily through federal student loans, which on average, make up 80% of their revenue.⁵

While private equity-owned for-profit schools claim to provide a high-quality education to their students, the NBER study found that a private equity buyout results in “higher tuition, lower education inputs, lower graduation rates, higher student borrowing, lower repayment rates, and lower wage earnings,” all of which is accompanied by a ten to twenty percentage point increase in federal aid reliance and a tripling of profits for the private equity firms.⁶

It is especially disturbing that private equity-owned for-profit colleges are the worst for-profit performers because for-profit colleges as a whole perform poorly in almost every possible metric when compared to other postsecondary institutions – like community colleges and four-year public schools. For-profit colleges charge higher tuition and fees, have the lowest completion rates for college entrants, and saddle their students with significantly higher amounts of student loan debt than their comparable alternatives. Notably, about 6% of all students are enrolled in for-profit colleges, and 88% of borrowers who graduated from for-profit colleges have student loan debt, a higher percentage than borrowers who graduated from public or private non-profit colleges.^{7,8} Moreover, students who attend for-profit colleges ultimately earn less, are

⁴ National Center for Education Statistics, “Total fall enrollment in private for-profit degree-granting postsecondary institutions, by state or jurisdiction: Selected years, 1980 through 2017,” accessed on August 29, 2019, https://nces.ed.gov/programs/digest/d18/tables/dt18_304.22.asp; National Center for Education Statistics, “Postsecondary Institutions and Cost of Attendance in 2017-18; Degrees and Other Awards Conferred, 2016-17; and 12-Month Enrollment, 2016-17,” November 2018, <https://nces.ed.gov/pubs2018/2018060REV.pdf>.

⁵ National Bureau of Economic Research, “When Investor Incentives and Consumer Interests Diverge: Private Equity in Higher Education,” Charlie Eaton, Sabrina Howell, and Constantine Yannelis, August 2018, <https://www.nber.org/papers/w24976.pdf>; Private Equity Stakeholder Project, “Private Equity’s Failing Grade: Private equity investment in for-profit colleges,” March 2018, <http://pestakeholder.org/wp-content/uploads/2018/03/Private-Equitys-Failing-Grade-PESP-AFR-032218-2.pdf>.

⁶ University of California Merced, New York University, University of Chicago, “When Investor Incentives and Consumer Interests Diverge: Private Equity in Higher Education,” Charlie Eaton, Sabrina Howell, Constantine Yannelis, August 17, 2018, http://uncipc.org/wp-content/uploads/2018/12/Eaton-Howell-Yannelis_wp_PE-in-Higher-Ed.pdf.

⁷ College Board, “Trends in College Pricing 2018,” October 2018, <https://trends.collegeboard.org/sites/default/files/2018-trends-in-college-pricing.pdf>.

⁸ Forbes, “Student Loan Debt Statistics In 2019: A \$1.5 Trillion Crisis,” Zack Friedman, February 25, 2019, <https://www.forbes.com/sites/zackfriedman/2019/02/25/student-loan-debt-statistics-2019/>.

less likely to find employment, and are more likely to default on their loans than students who attend alternative schools.⁹

The NBER research indicates that private equity involvement – specifically these firms’ reliance on federal student aid – has contributed to and exacerbated these problems. Average loans for private equity-owned schools compared to other for-profits are 21% higher – and 102% higher compared to students at community colleges. Average tuition revenue at private equity owned for-profits is 23% higher than average tuition revenue at non-private equity for-profits, 59% higher than tuition at nonprofit or public 4-year colleges, and 377% higher than at community colleges.¹⁰

Additionally, for-profit colleges have a history of misleading and preying on vulnerable prospective students through deceptive and illegal marketing practices – especially targeting low-income students and students of color who ultimately enroll in these institutions at higher rates.¹¹ And the data show private equity owned for-profits are the most frequent offenders. As it turns out, “law enforcement actions related to misrepresentation and recruiting violations increase dramatically after private equity buyouts.”¹²

All for-profit colleges dedicate a significant portion of their budget to marketing and advertising – spending a total of over \$607 million in 2016 alone.¹³ However, marketing and advertising expenditures at for-profit colleges increase following a private equity buyout, while the number of faculty and the “share of expenditure devoted to instruction” decline. In fact, “private equity-owned schools have twice the share of employees in sales as other for-profits,” which explains – at least partially – why “private equity buyouts lead to a six percentage point decline in graduation rates.”¹⁴

A report published by the Senate Committee on Health, Education, Labor, and Pensions in 2012 found that “many companies that operate for-profit colleges appear to set tuition ... to maximize revenue without regard to the poor academic and employment outcomes faced by

⁹ Center for Analysis of Postsecondary Education and Employment, “For-profit Colleges: By the Numbers,” <https://capseeecenter.org/research/by-the-numbers/for-profit-college-infographic/>.

¹⁰ National Bureau of Economic Research, “When Investor Incentives and Consumer Interests Diverge: Private Equity in Higher Education,” Charlie Eaton, Sabrina Howell, and Constantine Yannelis, August 2018, <https://www.nber.org/papers/w24976.pdf>.

¹¹ New York Times, “For-Profit Colleges Accused of Fraud Still receive U.S. Funds,” Patricia Cohen, October 12, 2015, <https://www.nytimes.com/2015/10/13/business/for-profit-colleges-accused-of-fraud-still-receive-us-funds.html>.

¹² University of California Merced, New York University, University of Chicago, “When Investor Incentives and Consumer Interests Diverge: Private Equity in Higher Education,” Charlie Eaton, Sabrina Howell, Constantine Yannelis, August 17, 2018, http://uncipc.org/wp-content/uploads/2018/12/Eaton-Howell-Yannelis_wp_PE-in-Higher-Ed.pdf.

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students.”¹⁵ In the case of private equity-owned schools – researchers found instances of private equity managers pressuring for-profit college executives to “maximize operating margins and maximize enrollment growth, and to not engage in things like better regulatory compliance.”¹⁶ The continued spread of private equity in the for-profit higher education sector, and thus the maximizing of short-term profits at the detriment of students, presents a serious concern for both students and taxpayers.

KKR is – or was recently – a large investor in the for-profit college sector.¹⁷ We have introduced legislation, the *Stop Wall Street Looting Act*, a comprehensive bill to reform the private equity industry that holds private equity firms jointly liable for the responsibilities and debts of companies under their control and increases transparency by requiring private equity managers to disclose fees, returns, and political expenditures. To inform our approach to passing this legislation and to better understand your firm’s role in the for-profit college industry, we ask that you provide answers to the following questions no later than September 24, 2019.

1. Please provide the disclosure documents and information enumerated in Sections 501 and 503 of the *Stop Wall Street Looting Act*.
2. How many private for-profit colleges does KKR have a stake in or own?
 - a. How many private for-profit colleges has KKR had a stake in or owned in the past ten years?
3. For each KKR-owned for-profit college, please provide the following information for each year that you have had a stake in or owned this school and the five years preceding your ownership:
 - a. The name of the institution
 - b. Ownership stake
 - c. Total cost of attendance
 - i. Total tuition and fees per year
 - d. Total student enrollment
 - e. Graduation rate for each year
 - f. Average loan amount per student
 - i. Direct Subsidized Loans
 - ii. Direct Unsubsidized Loans
 - iii. Direct PLUS Loans
 - iv. Private student loans
 - g. Total revenue
 - i. Total Title IV fund revenue
 - ii. Per-student Pell Grant revenue
 - h. Net income

¹⁵U.S. Committee on Health, Education, Labor, and Pensions, “For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success,” July 30, 2012, https://www.help.senate.gov/imo/media/for_profit_report/PartI-PartIII-SelectedAppendixes.pdf.

¹⁶ Education Dive, “Private equity’s role in the rise – and fall – of for-profit colleges,” Ben Unglesbee, May 6, 2019, <https://www.educationdive.com/news/private-equitys-role-in-the-rise-and-fall-of-for-profit-colleges/554077/>.

¹⁷ *Id.*

- i. Total expenditures
 - i. Total expenditure related to instruction
 - ii. Total expenditure related to sales and non-instructional activities
 - iii. Total expenditures related to lobbying
 - j. Faculty per full-time student
 - k. Share of school employees in sales and non-instructional activities
4. According to recent reports, private-equity firms pressure for-profit college executives to “maximize operating margins and maximize enrollment growth and to not engage in things like regulatory compliance.”¹⁸
- a. Has any college under control of KKR been investigated for violation of any federal or state law or regulation?
 - b. Has any college under control of KKR been found to have violated any federal or state law or regulation? If so, please provide a complete list of all such violations.
 - c. Has any college under control of KKR reached a settlement with any federal or state law enforcement entity related to a potential violation of any federal or state law or regulation? If so, please provide a complete list of all such settlements.
 - d. Has any college under control of KKR reached a settlement with any individual student or group of students related to a potential violation of any federal or state law or regulation, or to any fraud or misrepresentation related to the institution? If so, please provide a complete list of all such settlements.
 - e. Has any college under control of KKR suddenly closed or collapsed? If so, when?
 - f. Has any college under control of KKR had students apply for or be granted student loan discharges from the U.S. Department of Education under the agency’s Borrower Defense authority? If so, how many students have submitted applications and how many students have been granted discharges?

Sincerely,



Elizabeth Warren
United States Senator



Mark Pocan
Member of Congress

¹⁸ Education Dive, “Private equity’s role in the rise – and fall – of for-profit colleges,” Ben Unglesbee, May 6, 2019, <https://www.educationdive.com/news/private-equitys-role-in-the-rise-and-fall-of-for-profit-colleges/554077/>.

Congress of the United States
Washington, DC 20510

September 10, 2019

Jeffrey Leeds
Managing Partner
Leeds Equity Partners, LLC
590 Madison Avenue, 41st Floor
New York, NY 10022

Dear Mr. Leeds:

We write regarding Leeds Equity Partners' (Leeds Equity) investment in for-profit colleges and universities and to request information about Leeds Equity's structure and finances as it relates to these institutions.

We have broad concerns about the effect of private equity firms on a variety of industries and have introduced legislation to address these concerns.¹ But we have particular concerns about the effects of private equity takeovers in colleges and universities. A typical approach used by private equity firms is to purchase controlling interests in companies, which they typically hold for a short time and then attempt to sell at a profit, often drastically cutting costs and laying off workers in the process.

A recent study by economists with the National Bureau of Economic Research (NBER) shows that when the target company is a college, these profits are squeezed out of students and taxpayers, exacerbating other failures that have plagued the higher education sector over the past decade.² The study found that when a for-profit college is purchased by a private equity firm, "student outcomes deteriorate ... and reliance on federal aid and guaranteed loans increases."³ All the while, the firms disclose little to nothing about their funds and structure their ownership to capture all the institutions' profits while pushing more costs and risk on to students and taxpayers. The students attending these colleges and the public deserve to know more about these firms' practices and the role they continue to play in an industry fraught with problems.

¹ Stop Wall Street Looting Act, S.2155, <https://www.congress.gov/bill/116th-congress/senate-bill/2155>.

² MarketWatch, "when private equity firms buy colleges, students often pay more," Jillian Berman, September 11, 2018, <https://www.marketwatch.com/story/when-private-equity-firms-buy-colleges-students-often-pay-more-2018-09-07>; National Bureau of Economic Research, "When Investor Incentives and Consumer Interests Diverge: Private Equity in Higher Education," Charlie Eaton, Sabrina Howell, and Constantine Yannelis, August 2018, <https://www.nber.org/papers/w24976.pdf>.

³ University of California Merced, New York University, University of Chicago, "When Investor Incentives and Consumer Interests Diverge: Private Equity in Higher Education," Charlie Eaton, Sabrina Howell, Constantine Yannelis, August 17, 2018, http://uncipc.org/wp-content/uploads/2018/12/Eaton-Howell-Yannelis_wp_PE-in-Higher-Ed.pdf.

Enrollment in for-profit institutions skyrocketed following the 2008 financial crisis when students had few options but to go back to school to remain competitive in a declining job market – with total enrollment passing two million in 2010. Many more students have attended these institutions since then. As of 2017, over one million undergraduate students have enrolled in over 2,700 for-profit universities in the United States.⁴ For-profit schools owned or formerly owned by private equity firms currently account for a significant portion – approximately 35 percent – of enrollment, and are able to sustain themselves, primarily through federal student loans, which on average, make up 80% of their revenue.⁵

While private equity-owned for-profit schools claim to provide a high-quality education to their students, the NBER study found that a private equity buyout results in “higher tuition, lower education inputs, lower graduation rates, higher student borrowing, lower repayment rates, and lower wage earnings,” all of which is accompanied by a ten to twenty percentage point increase in federal aid reliance and a tripling of profits for the private equity firms.⁶

It is especially disturbing that private equity-owned for-profit colleges are the worst for-profit performers because for-profit colleges as a whole perform poorly in almost every possible metric when compared to other postsecondary institutions – like community colleges and four-year public schools. For-profit colleges charge higher tuition and fees, have the lowest completion rates for college entrants, and saddle their students with significantly higher amounts of student loan debt than their comparable alternatives. Notably, about 6% of all students are enrolled in for-profit colleges, and 88% of borrowers who graduated from for-profit colleges have student loan debt, a higher percentage than borrowers who graduated from public or private non-profit colleges.^{7,8} Moreover, students who attend for-profit colleges ultimately earn less, are less likely to find employment, and are more likely to default on their loans than students who attend alternative schools.⁹

The NBER research indicates that private equity involvement – specifically these firms’ reliance on federal student aid – has contributed to and exacerbated these problems. Average

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⁵ National Bureau of Economic Research, “When Investor Incentives and Consumer Interests Diverge: Private Equity in Higher Education,” Charlie Eaton, Sabrina Howell, and Constantine Yannelis, August 2018, <https://www.nber.org/papers/w24976.pdf>; Private Equity Stakeholder Project, “Private Equity’s Failing Grade: Private equity investment in for-profit colleges,” March 2018, <http://pestakeholder.org/wp-content/uploads/2018/03/Private-Equitys-Failing-Grade-PESP-AFR-032218-2.pdf>.

⁶ University of California Merced, New York University, University of Chicago, “When Investor Incentives and Consumer Interests Diverge: Private Equity in Higher Education,” Charlie Eaton, Sabrina Howell, Constantine Yannelis, August 17, 2018, http://uncipc.org/wp-content/uploads/2018/12/Eaton-Howell-Yannelis_wp_PE-in-Higher-Ed.pdf.

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⁹ Center for Analysis of Postsecondary Education and Employment, “For-profit Colleges: By the Numbers,” <https://capseecenter.org/research/by-the-numbers/for-profit-college-infographic/>.

loans for private equity-owned schools compared to other for-profits are 21% higher – and 102% higher compared to students at community colleges. Average tuition revenue at private equity owned for-profits is 23% higher than average tuition revenue at non-private equity for-profits, 59% higher than tuition at nonprofit or public 4-year colleges, and 377% higher than at community colleges.¹⁰

Additionally, for-profit colleges have a history of misleading and preying on vulnerable prospective students through deceptive and illegal marketing practices – especially targeting low-income students and students of color who ultimately enroll in these institutions at higher rates.¹¹ And the data show private equity owned for-profits are the most frequent offenders. As it turns out, “law enforcement actions related to misrepresentation and recruiting violations increase dramatically after private equity buyouts.”¹²

All for-profit colleges dedicate a significant portion of their budget to marketing and advertising – spending a total of over \$607 million in 2016 alone.¹³ However, marketing and advertising expenditures at for-profit colleges increase following a private equity buyout, while the number of faculty and the “share of expenditure devoted to instruction” decline. In fact, “private equity-owned schools have twice the share of employees in sales as other for-profits,” which explains – at least partially – why “private equity buyouts lead to a six percentage point decline in graduation rates.”¹⁴

A report published by the Senate Committee on Health, Education, Labor, and Pensions in 2012 found that “many companies that operate for-profit colleges appear to set tuition ... to maximize revenue without regard to the poor academic and employment outcomes faced by students.”¹⁵ In the case of private equity-owned schools – researchers found instances of private equity managers pressuring for-profit college executives to “maximize operating margins and maximize enrollment growth, and to not engage in things like better regulatory compliance.”¹⁶ The continued spread of private equity in the for-profit higher education sector, and thus the

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¹¹ New York Times, “For-Profit Colleges Accused of Fraud Still receive U.S. Funds,” Patricia Cohen, October 12, 2015, <https://www.nytimes.com/2015/10/13/business/for-profit-colleges-accused-of-fraud-still-receive-us-funds.html>.

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maximizing of short-term profits at the detriment of students, presents a serious concern for both students and taxpayers.

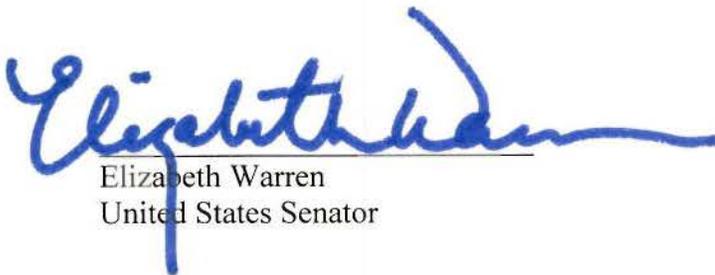
Leeds Equity is – or was recently – a large investor in the for-profit college sector.¹⁷ We have introduced legislation, the *Stop Wall Street Looting Act*, a comprehensive bill to reform the private equity industry that holds private equity firms jointly liable for the responsibilities and debts of companies under their control and increases transparency by requiring private equity managers to disclose fees, returns, and political expenditures. To inform our approach to passing this legislation and to better understand your firm’s role in the for-profit college industry, we ask that you provide answers to the following questions no later than September 24, 2019.

1. Please provide the disclosure documents and information enumerated in Sections 501 and 503 of the *Stop Wall Street Looting Act*.
2. How many private for-profit colleges does Leeds Equity have a stake in or own?
 - a. How many private for-profit colleges has Leeds Equity had a stake in or owned in the past ten years?
3. For each Leeds Equity-owned for-profit college, please provide the following information for each year that you have had a stake in or owned this school and the five years preceding your ownership:
 - a. The name of the institution
 - b. Ownership stake
 - c. Total cost of attendance
 - i. Total tuition and fees per year
 - d. Total student enrollment
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 - f. Average loan amount per student
 - i. Direct Subsidized Loans
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 - g. Total revenue
 - i. Total Title IV fund revenue
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 - h. Net income
 - i. Total expenditures
 - i. Total expenditure related to instruction
 - ii. Total expenditure related to sales and non-instructional activities
 - iii. Total expenditures related to lobbying
 - j. Faculty per full-time student
 - k. Share of school employees in sales and non-instructional activities

¹⁷ *Id.*

4. According to recent reports, private-equity firms pressure for-profit college executives to “maximize operating margins and maximize enrollment growth and to not engage in things like regulatory compliance.”¹⁸
- a. Has any college under control of Leeds Equity been investigated for violation of any federal or state law or regulation?
 - b. Has any college under control of Leeds Equity been found to have violated any federal or state law or regulation? If so, please provide a complete list of all such violations.
 - c. Has any college under control of Leeds Equity reached a settlement with any federal or state law enforcement entity related to a potential violation of any federal or state law or regulation? If so, please provide a complete list of all such settlements.
 - d. Has any college under control of Leeds Equity reached a settlement with any individual student or group of students related to a potential violation of any federal or state law or regulation, or to any fraud or misrepresentation related to the institution? If so, please provide a complete list of all such settlements.
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 - f. Has any college under control of Leeds Equity had students apply for or be granted student loan discharges from the U.S. Department of Education under the agency’s Borrower Defense authority? If so, how many students have submitted applications and how many students have been granted discharges?

Sincerely,


Elizabeth Warren
United States Senator


Mark Pocan
Member of Congress

¹⁸ Education Dive, “Private equity’s role in the rise – and fall – of for-profit colleges,” Ben Unglesbee, May 6, 2019, <https://www.educationdive.com/news/private-equitys-role-in-the-rise-and-fall-of-for-profit-colleges/554077/>.

Congress of the United States
Washington, DC 20510

September 10, 2019

Chris Hoehn-Saric
Senior Managing Director
Sterling Partners
401 N. Michigan Ave. Suite 3300
Chicago, IL 60611

Dear Mr. Hoehn-Saric:

We write regarding Sterling Partners' (Sterling) investment in for-profit colleges and universities and to request information about Sterling's structure and finances as it relates to these institutions.

We have broad concerns about the effect of private equity firms on a variety of industries and have introduced legislation to address these concerns.¹ But we have particular concerns about the effects of private equity takeovers in colleges and universities. A typical approach used by private equity firms is to purchase controlling interests in companies, which they typically hold for a short time and then attempt to sell at a profit, often drastically cutting costs and laying off workers in the process.

A recent study by economists with the National Bureau of Economic Research (NBER) shows that when the target company is a college, these profits are squeezed out of students and taxpayers, exacerbating other failures that have plagued the higher education sector over the past decade.² The study found that when a for-profit college is purchased by a private equity firm, "student outcomes deteriorate ... and reliance on federal aid and guaranteed loans increases."³ All the while, the firms disclose little to nothing about their funds and structure their ownership to capture all the institutions' profits while pushing more costs and risk on to students and taxpayers. The students attending these colleges and the public deserve to know more about these firms' practices and the role they continue to play in an industry fraught with problems.

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² MarketWatch, "when private equity firms buy colleges, students often pay more," Jillian Berman, September 11, 2018, <https://www.marketwatch.com/story/when-private-equity-firms-buy-colleges-students-often-pay-more-2018-09-07>; National Bureau of Economic Research, "When Investor Incentives and Consumer Interests Diverge: Private Equity in Higher Education," Charlie Eaton, Sabrina Howell, and Constantine Yannelis, August 2018, <https://www.nber.org/papers/w24976.pdf>.

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Enrollment in for-profit institutions skyrocketed following the 2008 financial crisis when students had few options but to go back to school to remain competitive in a declining job market – with total enrollment passing two million in 2010. Many more students have attended these institutions since then. As of 2017, over one million undergraduate students have enrolled in over 2,700 for-profit universities in the United States.⁴ For-profit schools owned or formerly owned by private equity firms currently account for a significant portion – approximately 35 percent – of enrollment, and are able to sustain themselves, primarily through federal student loans, which on average, make up 80% of their revenue.⁵

While private equity-owned for-profit schools claim to provide a high-quality education to their students, the NBER study found that a private equity buyout results in “higher tuition, lower education inputs, lower graduation rates, higher student borrowing, lower repayment rates, and lower wage earnings,” all of which is accompanied by a ten to twenty percentage point increase in federal aid reliance and a tripling of profits for the private equity firms.⁶

It is especially disturbing that private equity-owned for-profit colleges are the worst for-profit performers because for-profit colleges as a whole perform poorly in almost every possible metric when compared to other postsecondary institutions – like community colleges and four-year public schools. For-profit colleges charge higher tuition and fees, have the lowest completion rates for college entrants, and saddle their students with significantly higher amounts of student loan debt than their comparable alternatives. Notably, about 6% of all students are enrolled in for-profit colleges, and 88% of borrowers who graduated from for-profit colleges have student loan debt, a higher percentage than borrowers who graduated from public or private non-profit colleges.^{7,8} Moreover, students who attend for-profit colleges ultimately earn less, are less likely to find employment, and are more likely to default on their loans than students who attend alternative schools.⁹

The NBER research indicates that private equity involvement – specifically these firms’ reliance on federal student aid – has contributed to and exacerbated these problems. Average

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loans for private equity-owned schools compared to other for-profits are 21% higher – and 102% higher compared to students at community colleges. Average tuition revenue at private equity owned for-profits is 23% higher than average tuition revenue at non-private equity for-profits, 59% higher than tuition at nonprofit or public 4-year colleges, and 377% higher than at community colleges.¹⁰

Additionally, for-profit colleges have a history of misleading and preying on vulnerable prospective students through deceptive and illegal marketing practices – especially targeting low-income students and students of color who ultimately enroll in these institutions at higher rates.¹¹ And the data show private equity owned for-profits are the most frequent offenders. As it turns out, “law enforcement actions related to misrepresentation and recruiting violations increase dramatically after private equity buyouts.”¹²

All for-profit colleges dedicate a significant portion of their budget to marketing and advertising – spending a total of over \$607 million in 2016 alone.¹³ However, marketing and advertising expenditures at for-profit colleges increase following a private equity buyout, while the number of faculty and the “share of expenditure devoted to instruction” decline. In fact, “private equity-owned schools have twice the share of employees in sales as other for-profits,” which explains – at least partially – why “private equity buyouts lead to a six percentage point decline in graduation rates.”¹⁴

A report published by the Senate Committee on Health, Education, Labor, and Pensions in 2012 found that “many companies that operate for-profit colleges appear to set tuition ... to maximize revenue without regard to the poor academic and employment outcomes faced by students.”¹⁵ In the case of private equity-owned schools – researchers found instances of private equity managers pressuring for-profit college executives to “maximize operating margins and maximize enrollment growth, and to not engage in things like better regulatory compliance.”¹⁶ The continued spread of private equity in the for-profit higher education sector, and thus the

¹⁰ National Bureau of Economic Research, “When Investor Incentives and Consumer Interests Diverge: Private Equity in Higher Education,” Charlie Eaton, Sabrina Howell, and Constantine Yannelis, August 2018, <https://www.nber.org/papers/w24976.pdf>.

¹¹ New York Times, “For-Profit Colleges Accused of Fraud Still receive U.S. Funds,” Patricia Cohen, October 12, 2015, <https://www.nytimes.com/2015/10/13/business/for-profit-colleges-accused-of-fraud-still-receive-us-funds.html>.

¹² University of California Merced, New York University, University of Chicago, “When Investor Incentives and Consumer Interests Diverge: Private Equity in Higher Education,” Charlie Eaton, Sabrina Howell, Constantine Yannelis, August 17, 2018, http://uncipc.org/wp-content/uploads/2018/12/Eaton-Howell-Yannelis_wp_PE-in-Higher-Ed.pdf.

¹³ Educational Marketing Group, “College Advertising at All-Time High,” October 5, 2017, <https://emgonline.com/2017/10/college-advertising-at-all-time-high/#fn1>.

¹⁴ National Bureau of Economic Research, “When Investor Incentives and Consumer Interests Diverge: Private Equity in Higher Education,” Charlie Eaton, Sabrina Howell, and Constantine Yannelis, August 2018, <https://www.nber.org/papers/w24976.pdf>.

¹⁵ U.S. Committee on Health, Education, Labor, and Pensions, “For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success,” July 30, 2012, https://www.help.senate.gov/imo/media/for_profit_report/PartI-PartIII-SelectedAppendixes.pdf.

¹⁶ Education Dive, “Private equity’s role in the rise – and fall – of for-profit colleges,” Ben Unglesbee, May 6, 2019, <https://www.educationdive.com/news/private-equitys-role-in-the-rise-and-fall-of-for-profit-colleges/554077/>.

maximizing of short-term profits at the detriment of students, presents a serious concern for both students and taxpayers.

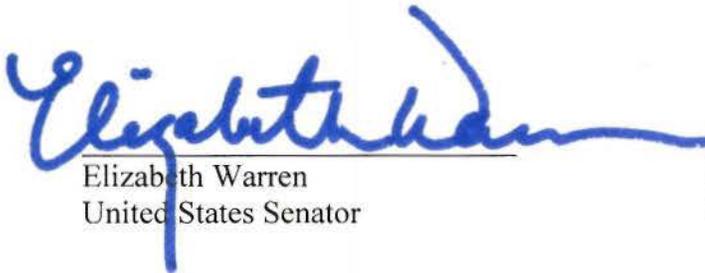
Sterling is – or was recently – a large investor in the for-profit college sector.¹⁷ We have introduced legislation, the *Stop Wall Street Looting Act*, a comprehensive bill to reform the private equity industry that holds private equity firms jointly liable for the responsibilities and debts of companies under their control and increases transparency by requiring private equity managers to disclose fees, returns, and political expenditures. To inform our approach to passing this legislation and to better understand your firm's role in the for-profit college industry, we ask that you provide answers to the following questions no later than September 24, 2019.

1. Please provide the disclosure documents and information enumerated in Sections 501 and 503 of the *Stop Wall Street Looting Act*.
2. How many private for-profit colleges does Sterling have a stake in or own?
 - a. How many private for-profit colleges has Sterling had a stake in or owned in the past ten years?
3. For each Sterling-owned for-profit college, please provide the following information for each year that you have had a stake in or owned this school and the five years preceding your ownership:
 - a. The name of the institution
 - b. Ownership stake
 - c. Total cost of attendance
 - i. Total tuition and fees per year
 - d. Total student enrollment
 - e. Graduation rate for each year
 - f. Average loan amount per student
 - i. Direct Subsidized Loans
 - ii. Direct Unsubsidized Loans
 - iii. Direct PLUS Loans
 - iv. Private student loans
 - g. Total revenue
 - i. Total Title IV fund revenue
 - ii. Per-student Pell Grant revenue
 - h. Net income
 - i. Total expenditures
 - i. Total expenditure related to instruction
 - ii. Total expenditure related to sales and non-instructional activities
 - iii. Total expenditures related to lobbying
 - j. Faculty per full-time student
 - k. Share of school employees in sales and non-instructional activities

¹⁷ *Id.*

4. According to recent reports, private-equity firms pressure for-profit college executives to “maximize operating margins and maximize enrollment growth and to not engage in things like regulatory compliance.”¹⁸
- a. Has any college under control of Sterling been investigated for violation of any federal or state law or regulation?
 - b. Has any college under control of Sterling been found to have violated any federal or state law or regulation? If so, please provide a complete list of all such violations.
 - c. Has any college under control of Sterling reached a settlement with any federal or state law enforcement entity related to a potential violation of any federal or state law or regulation? If so, please provide a complete list of all such settlements.
 - d. Has any college under control of Sterling reached a settlement with any individual student or group of students related to a potential violation of any federal or state law or regulation, or to any fraud or misrepresentation related to the institution? If so, please provide a complete list of all such settlements.
 - e. Has any college under control of Sterling suddenly closed or collapsed? If so, when?
 - f. Has any college under control of Sterling had students apply for or be granted student loan discharges from the U.S. Department of Education under the agency’s Borrower Defense authority? If so, how many students have submitted applications and how many students have been granted discharges?

Sincerely,


Elizabeth Warren
United States Senator


Mark Pocan
Member of Congress

¹⁸ Education Dive, “Private equity’s role in the rise – and fall – of for-profit colleges,” Ben Unglesbee, May 6, 2019, <https://www.educationdive.com/news/private-equitys-role-in-the-rise-and-fall-of-for-profit-colleges/554077/>.

Congress of the United States
Washington, DC 20510

September 10, 2019

Kip Kirkpatrick
Senior Partner and Co-Chief Executive Officer
Vistria Group
300 East Randolph Street, Suite 3850
Chicago, IL 60601

Marty Nesbitt
Senior Partner and Co-Chief Executive Officer
Vistria Group
300 East Randolph Street, Suite 3850
Chicago, IL 60601

Dear Messrs. Kirkpatrick and Nesbitt:

We write regarding Vistria's investment in for-profit colleges and universities and to request information about Vistria's structure and finances as it relates to these institutions.

We have broad concerns about the effect of private equity firms on a variety of industries and have introduced legislation to address these concerns.¹ But we have particular concerns about the effects of private equity takeovers in colleges and universities. A typical approach used by private equity firms is to purchase controlling interests in companies, which they typically hold for a short time and then attempt to sell at a profit, often drastically cutting costs and laying off workers in the process.

A recent study by economists with the National Bureau of Economic Research (NBER) shows that when the target company is a college, these profits are squeezed out of students and taxpayers, exacerbating other failures that have plagued the higher education sector over the past decade.² The study found that when a for-profit college is purchased by a private equity firm, "student outcomes deteriorate ... and reliance on federal aid and guaranteed loans increases."³ All the while, the firms disclose little to nothing about their funds and structure their ownership

¹ Stop Wall Street Looting Act, S.2155, <https://www.congress.gov/bill/116th-congress/senate-bill/2155>.

² MarketWatch, "when private equity firms buy colleges, students often pay more," Jillian Berman, September 11, 2018, <https://www.marketwatch.com/story/when-private-equity-firms-buy-colleges-students-often-pay-more-2018-09-07>; National Bureau of Economic Research, "When Investor Incentives and Consumer Interests Diverge: Private Equity in Higher Education," Charlie Eaton, Sabrina Howell, and Constantine Yannelis, August 2018, <https://www.nber.org/papers/w24976.pdf>.

³ University of California Merced, New York University, University of Chicago, "When Investor Incentives and Consumer Interests Diverge: Private Equity in Higher Education," Charlie Eaton, Sabrina Howell, Constantine Yannelis, August 17, 2018, http://uncipc.org/wp-content/uploads/2018/12/Eaton-Howell-Yannelis_wp_PE-in-Higher-Ed.pdf.

to capture all the institutions' profits while pushing more costs and risk on to students and taxpayers. The students attending these colleges and the public deserve to know more about these firms' practices and the role they continue to play in an industry fraught with problems.

Enrollment in for-profit institutions skyrocketed following the 2008 financial crisis when students had few options but to go back to school to remain competitive in a declining job market – with total enrollment passing two million in 2010. Many more students have attended these institutions since then. As of 2017, over one million undergraduate students have enrolled in over 2,700 for-profit universities in the United States.⁴ For-profit schools owned or formerly owned by private equity firms currently account for a significant portion – approximately 35 percent – of enrollment, and are able to sustain themselves, primarily through federal student loans, which on average, make up 80% of their revenue.⁵

While private equity-owned for-profit schools claim to provide a high-quality education to their students, the NBER study found that a private equity buyout results in “higher tuition, lower education inputs, lower graduation rates, higher student borrowing, lower repayment rates, and lower wage earnings,” all of which is accompanied by a ten to twenty percentage point increase in federal aid reliance and a tripling of profits for the private equity firms.⁶

It is especially disturbing that private equity-owned for-profit colleges are the worst for-profit performers because for-profit colleges as a whole perform poorly in almost every possible metric when compared to other postsecondary institutions – like community colleges and four-year public schools. For-profit colleges charge higher tuition and fees, have the lowest completion rates for college entrants, and saddle their students with significantly higher amounts of student loan debt than their comparable alternatives. Notably, about 6% of all students are enrolled in for-profit colleges, and 88% of borrowers who graduated from for-profit colleges have student loan debt, a higher percentage than borrowers who graduated from public or private non-profit colleges.^{7,8} Moreover, students who attend for-profit colleges ultimately earn less, are

⁴ National Center for Education Statistics, “Total fall enrollment in private for-profit degree-granting postsecondary institutions, by state or jurisdiction: Selected years, 1980 through 2017,” accessed on August 29, 2019, https://nces.ed.gov/programs/digest/d18/tables/dt18_304.22.asp; National Center for Education Statistics, “Postsecondary Institutions and Cost of Attendance in 2017-18; Degrees and Other Awards Conferred, 2016-17; and 12-Month Enrollment, 2016-17,” November 2018, <https://nces.ed.gov/pubs2018/2018060REV.pdf>.

⁵ National Bureau of Economic Research, “When Investor Incentives and Consumer Interests Diverge: Private Equity in Higher Education,” Charlie Eaton, Sabrina Howell, and Constantine Yannelis, August 2018, <https://www.nber.org/papers/w24976.pdf>; Private Equity Stakeholder Project, “Private Equity’s Failing Grade: Private equity investment in for-profit colleges,” March 2018, <http://pestakeholder.org/wp-content/uploads/2018/03/Private-Equitys-Failing-Grade-PESP-AFR-032218-2.pdf>.

⁶ University of California Merced, New York University, University of Chicago, “When Investor Incentives and Consumer Interests Diverge: Private Equity in Higher Education,” Charlie Eaton, Sabrina Howell, Constantine Yannelis, August 17, 2018, http://uncipc.org/wp-content/uploads/2018/12/Eaton-Howell-Yannelis_wp_PE-in-Higher-Ed.pdf.

⁷ College Board, “Trends in College Pricing 2018,” October 2018, <https://trends.collegeboard.org/sites/default/files/2018-trends-in-college-pricing.pdf>.

⁸ Forbes, “Student Loan Debt Statistics In 2019: A \$1.5 Trillion Crisis,” Zack Friedman, February 25, 2019, <https://www.forbes.com/sites/zackfriedman/2019/02/25/student-loan-debt-statistics-2019/>.

less likely to find employment, and are more likely to default on their loans than students who attend alternative schools.⁹

The NBER research indicates that private equity involvement – specifically these firms’ reliance on federal student aid – has contributed to and exacerbated these problems. Average loans for private equity-owned schools compared to other for-profits are 21% higher – and 102% higher compared to students at community colleges. Average tuition revenue at private equity owned for-profits is 23% higher than average tuition revenue at non-private equity for-profits, 59% higher than tuition at nonprofit or public 4-year colleges, and 377% higher than at community colleges.¹⁰

Additionally, for-profit colleges have a history of misleading and preying on vulnerable prospective students through deceptive and illegal marketing practices – especially targeting low-income students and students of color who ultimately enroll in these institutions at higher rates.¹¹ And the data show private equity owned for-profits are the most frequent offenders. As it turns out, “law enforcement actions related to misrepresentation and recruiting violations increase dramatically after private equity buyouts.”¹²

All for-profit colleges dedicate a significant portion of their budget to marketing and advertising – spending a total of over \$607 million in 2016 alone.¹³ However, marketing and advertising expenditures at for-profit colleges increase following a private equity buyout, while the number of faculty and the “share of expenditure devoted to instruction” decline. In fact, “private equity-owned schools have twice the share of employees in sales as other for-profits,” which explains – at least partially – why “private equity buyouts lead to a six percentage point decline in graduation rates.”¹⁴

A report published by the Senate Committee on Health, Education, Labor, and Pensions in 2012 found that “many companies that operate for-profit colleges appear to set tuition ... to maximize revenue without regard to the poor academic and employment outcomes faced by

⁹ Center for Analysis of Postsecondary Education and Employment, “For-profit Colleges: By the Numbers,” <https://capseeecenter.org/research/by-the-numbers/for-profit-college-infographic/>.

¹⁰ National Bureau of Economic Research, “When Investor Incentives and Consumer Interests Diverge: Private Equity in Higher Education,” Charlie Eaton, Sabrina Howell, and Constantine Yannelis, August 2018, <https://www.nber.org/papers/w24976.pdf>.

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Vistria is – or was recently – a large investor in the for-profit college sector.¹⁷ We have introduced legislation, the *Stop Wall Street Looting Act*, a comprehensive bill to reform the private equity industry that holds private equity firms jointly liable for the responsibilities and debts of companies under their control and increases transparency by requiring private equity managers to disclose fees, returns, and political expenditures. To inform our approach to passing this legislation and to better understand your firm’s role in the for-profit college industry, we ask that you provide answers to the following questions no later than September 24, 2019.

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¹⁵U.S. Committee on Health, Education, Labor, and Pensions, “For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success,” July 30, 2012, https://www.help.senate.gov/imo/media/for_profit_report/PartI-PartIII-SelectedAppendixes.pdf.

¹⁶ Education Dive, “Private equity’s role in the rise – and fall – of for-profit colleges,” Ben Unglesbee, May 6, 2019, <https://www.educationdive.com/news/private-equitys-role-in-the-rise-and-fall-of-for-profit-colleges/554077/>.

¹⁷ *Id.*

- i. Total expenditures
 - i. Total expenditure related to instruction
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 - iii. Total expenditures related to lobbying
 - j. Faculty per full-time student
 - k. Share of school employees in sales and non-instructional activities
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- a. Has any college under control of Vistria been investigated for violation of any federal or state law or regulation?
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