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EDITORIAL

An Industry in Need of Accountability

Published: August 15, 2011

The Justice Department sent a powerful message last week when it filed suit against the nation's second-largest for-profit college company, charging it with fraudulently collecting \$11 billion in federal student financial aid from 2003 through June 2011.

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The suit against the Education Management Corporation, which enrolls about 150,000 students in more than 100 schools, puts the for-profit sector on notice that the government is at last prepared to

move decisively against the unscrupulous conduct that appears to be all too common in the industry.

The Education Management case began in 2007 when two former employees of the company filed a lawsuit charging that the company had knowingly defrauded the government by illegally paying recruiters based on the number of students they enrolled. Federal rules that forbid incentive compensation are supposed to discourage companies from recruiting unqualified students for their federal student aid dollars.

Earlier this year, the Justice Department took the unusual step of saying that it would join the whistle-blower lawsuit, which described a "boiler room" atmosphere in which recruiters sought out poorly prepared students who had no chance of graduating.

The Justice Department's complaint, filed jointly with California, Florida, Illinois and Indiana, asserts that schools operated by Education Management falsely certified that they were complying with the law to make themselves eligible to receive student aid. The suit was filed under the False Claims Act that provides for triple damages, which could be as much as \$33 billion in this case.

The for-profit schools are fighting a new Department of Education rule that will eventually cut off federal education aid to programs whose graduates end up saddled with debt they cannot repay. Having taken a strong stand, the Obama administration must now hold the line against lobbying pressure from this troubled industry that clearly needs more regulation, not less.

A version of this editorial appeared in print on August 16, 2011, on page A20 of the New York edition with the headline: An Industry in Need of Accountability.

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