New York City Comptroller
John C. Liu

NEWS RELEASE

PR13-04-047
Contact: Matthew Sweeney, (212) 669-3747

April 4, 2013
Page(s): 4

****

LIU, NYC FUNDS: FOR-PROFIT COLLEGES NEED TO OPEN THEIR BOOKS ON STUDENT DEBT

Investors Call on DeVry and Career Education To Provide Proof That Their Degrees Lead to Decent-Paying Jobs

****

NEW YORK, N.Y. — City Comptroller John C. Liu and the NYC Pension Funds today called on two of the largest for-profit universities — DeVry Inc. (NYSE: DV) and Career Education Inc. (NASDAQ: CECO) — to provide information on their students' debt levels and ability to repay their loans. Career-education programs are required to disclose students' median loan debt, graduation rates, and rate of job placement, but they do not provide data on their students' post-degree earnings or their rate of repayment, which would provide a picture of whether or not students are able to manage their debt.

For-profit universities like DeVry and Career Education are under federal and public scrutiny because of deep concerns over deceptive marketing practices, especially overblown promises of gainful employment, which are used to boost enrollment in costly degree programs that leave students deep in debt. These companies have seen their share values plummet as a result.

"We need to know if these for-profit degree programs are deceiving lower-income students with empty promises while drowning them in debt," Comptroller Liu said. "These companies rely heavily on federal dollars, and need to demonstrate to shareowners and students alike that the degrees they hand out are worth more than the paper they're printed on."

Such short-sighted and unethical business practices not only endanger students' futures but also put DeVry, Career Education, and other for-profit educators at risk of financial collapse. The U.S. Department of Education issued gainful employment regulations in 2011 and at least 20 states introduced 44 bills concerning for-profit colleges in 2012. Although a federal judge struck down a portion of the federal regulations, the judge affirmed the DOE's authority to issue such regulations. For-profit colleges rely on federal subsidies for as much as 80 percent of their revenues, and the potential loss of eligibility to receive them would be devastating.

Comptroller Liu and the Pension Funds have submitted a shareholder proposal calling on DeVry and Career Education, which combined enroll 230,000 students, to disclose for each of their degree programs:

- Their students' loan repayment rate, including the percentage of graduates' and non-completers' original federal student loan balances yet to be repaid.

- The ratio of students' debt-to-income, including the annual payments on student loans from all available sources compared to annual earnings for a typical graduate.

In the past, for-profit colleges have fought against making such information known to the public. In fact, Career Education unsuccessfully sought permission from the Securities and Exchange Commission to have the NYC Funds request barred from a shareowners' vote at its annual meeting. Details of that request, and the SEC's rejection of it, are available here: http://www.sec.gov/divisions/corpfin/cf-noaction/14a-8/2013/nycityers031813-14a8.pdf

A report by the U.S. Senate Health, Education, Labor, and Pensions Committee stated that one-in-five Career Education students default within three years, which "likely reflects an inability on the part of some students to find jobs that allow them to repay the debt they incur."

"Federal taxpayer dollars are funding for-profit degree programs that, in many cases, are not working for students," Comptroller Liu said. "Shareowners need to convince these firms to do the right thing by their students and long-term investors. Higher education needs to be not just attainable, but also viable for gainful employment, not only for the success of these companies but for our local economies as well."

New York City Comptroller John C. Liu serves as the investment advisor to, custodian, and trustee of the New York City Pension Funds. The New York City Pension Funds are composed of the New York City Employees' Retirement System, Teachers' Retirement System, New York City Police Pension Fund, New York City Fire Department Pension Fund, and the Board of Education Retirement System. The New York City Pension Funds hold a combined 689,978 total shares in Devry and Career Education for a combined asset value of $14,666,423.02 as of 4/3/2013.

In addition to Comptroller Liu, the New York City Pension Funds' trustees are:

(Bronx BP) and Diane Peruggia (Staten Island BP); and employee members Joseph D'Amico of the IUOE Local 891 and Milagros Rodriguez of District Council 37, Local 372.

FULL TEXT OF SHAREHOLDER PROPOSAL:

Resolved:

Shareholders request that the Board of Directors annually report to shareholders on the expected ability of students at Company-owned institutions to repay their student loans. At minimum, the report should include the following for each educational program leading to a degree or to gainful employment in a recognized occupation:

1. A loan repayment rate showing the percentage of graduates' and non-completers' original federal student loan balances actively being repaid.

2. A debt-to-income ratio showing the ratio of annual payments on student loans from all available sources to annual earnings for a typical graduate, based on actual loan balances and earnings data to the extent feasible.

3. A description of the data sources, definitions (e.g. cohorts and cohort periods) and methodologies used to calculate the quantitative indicators.

The Board may include only loans incurred to attend Company-owned institutions, and may exclude programs with too few students to generate reliable indicators. The report should omit confidential information and be prepared at reasonable cost by December 31, 2013.

Supporting Statement

For-profit college operators, including the Company, have lost substantial shareholder value in recent years amid scrutiny of the quality of the education they provide, the extensive federal subsidies they receive (equal to 79.2% of their revenue in 2010, according to a U.S. Senate report), the marketing tactics they use, and the success of their graduates in finding good jobs.

Recent reports by the U.S. Government Accountability Office (http://www.gao.gov/assets/130/125197.pdf;) and a U.S. Senate committee (http://www.help.senate.gov/imo/media/for_profit_report/PartI-PartIII-SelectedAppendixes.pdf) reinforce concerns that for-profit colleges use deceptive marketing practices and leave students with high debt and few employable skills.

These concerns prompted the Department of Education (DOE) to issue new "gainful employment" regulations in 2011 and have also prompted extensive legislation. In addition to a U.S. Senate bill, at least 20 states introduced 44 bills concerning for-profit colleges in 2012.

The DOE regulations, if implemented, would require programs to meet one of three tests or lose eligibility for federal student aid: at least 35% of graduates must be repaying their loans, the typical graduate's estimated annual loan payments must not exceed 12% of earnings, or they must not exceed 30% of discretionary income. The DOE estimated that 5% of schools would lose eligibility under the rules.

-more-

In June 2012 a federal judge struck down the 35% repayment rate threshold as arbitrary and vacated the debt ratios because they were designed to work together with the repayment rate. The judge, however, affirmed the DOE's authority to issue such regulations.

As long-term shareholders, we support practices that promote sustainable value creation. We believe annual disclosure of the requested metrics would allow shareholders to evaluate program performance in preparing students for gainful employment and assess the Company's exposure to legal and regulatory risk.

To ensure data integrity and comparability, we recommend the Company calculate the metrics using the formulas and procedures established in the DOE regulations, to the extent feasible.

We urge shareholders to support this proposal.

# # #