

**From:** Antal Desai [adesai@cpmg-inc.com]  
**Sent:** Wednesday, July 07, 2010 11:48 AM  
**To:** Bergeron, David; Manheimer, Ann  
**Cc:** Kent McGaughy  
**Subject:** Homeless Shelter Letter  
**Attachments:** Homeless Coalition.pdf

Dear David and Ann:

We hope you are having a good summer. As you know, we have spent the better part of two years researching waste, fraud and abuse in for-profit post-secondary education.

We commend the Department of Education and Congress on recent efforts to better understand the reckless behavior of recruiting-centric for-profit marketing machines. No better example demonstrates this problematic behavior than predatory recruiting of the homeless by recruiting-centric for-profits. Two weeks ago, twenty homeless shelter directors from twelve cities sent a letter to Secretary Duncan outlining the vicious circle of indebtedness, default, joblessness and homelessness that this scam perpetuates. We have enclosed a copy of the letter, which we facilitated, in case you have not already seen it.

If your calendar permits, we would be happy to coordinate face-to-face or phone meetings between homeless shelter directors and the Department so that you can hear more about this problem firsthand.

Thanks for your time and please let us know how we can be helpful.

Best Regards,

Kent McGaughy

Antal Desai

July 30, 2010

The Honorable Arne Duncan  
Secretary  
U.S. Department of Education  
400 Maryland Avenue, SW  
Washington, D.C. 20202

Dear Honorable Secretary Duncan:

My name is Johnette Early and I work as an independent contractor doing business research on companies and industries. Approximately one year ago, I was only vaguely aware of the for-profit education industry when an investment firm asked me to do broad research into the industry. In the course of gathering primary research data, I learned not only that for-profit schools target the homeless for enrollment, but also that they use aggressive and manipulative practices to do so. I continued to follow the data where ever it led.

I have spent the past year building relationships with non-profit service agencies and homeless shelters learning how for-profit schools use reverse-redlining techniques to target some of their clients. On June 17, 2010 a group of 14 homeless shelters and transitional living programs, three service agencies, and one national policy group sent you a letter. These 18 organizations are located in 9 states and the District of Columbia. I have attached the letter as Exhibit 1. Though the depth of my research is far broader in number and in geographical reach across organizations serving the underprivileged, the message conveyed in the June 17 letter captures my broader national findings. The letter calls attention to the fact that for-profit education companies systematically recruit homeless men, women, and young adults throughout the United States. The purpose of the letter was to give a voice to homeless shelters and agencies that serve underprivileged populations. These organizations hoped to express their support for the Department of Education during the public comment period for negotiated rulemaking. I take great pride in the fact that I helped to draft – and facilitated the process of gathering signatures for – this important group letter.

On July 9, 2010 *Pro Publica* ran an article whose topic was the June 17 letter. While the *Pro Publica* article does not dispute the fact that for-profit education companies are recruiting the homeless (indeed, I know of no for-profit company that has challenged the truth of this finding), it distracts attention from this central issue by criticizing my motives. The article implies that because I am consulting for an investment firm, the June 17 letter does not represent a genuine expression of concern. I am writing to clear the air in hopes that the Department of Education is not distracted from the exceedingly important message contained in the letter. The *Pro Publica* article's characterization of me and my facilitation of the letter is unfair and inaccurate.

For example, the *Pro Publica* article quotes Neil Donovan, executive director and president of the National Coalition for the Homeless:

*"My next letter will be to Arne Duncan saying that I didn't know that, and I'm going to ask his inspector general to look into the fact that they received the letter where the source of the letter was misrepresenting themselves."*

I have included as Exhibit 2 an email correspondence I engaged in with Mr. Donovan on May 12, 2010. In this correspondence, I write:

*"I've attached my resume and information on the investment firm that is paying me for my time while I do this research."*

Mr. Donovan acknowledged receipt of my email later in the day on May 12, 2010. I made myself available to answer any question posed by Mr. Donovan and to get his input on any matter during the intervening month before execution of the June 17 letter. I do not know how I could have been clearer or more responsive to Mr. Donovan. In fact, Mr. Donovan must have opened the attachments since he quoted directly from my resume to *Pro Publica*.

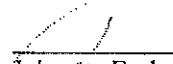
The July 9 article also states that Jennifer Brandon, executive director of Community Voicemail, "had no direct knowledge of for-profits recruiting homeless people." In a written statement on Monday July 12, Ms. Brandon states that *Pro Publica* misrepresented her point-of-view. Ms. Brandon's full statement is available upon request; the text below is an excerpt (including typos):

*"I wanted to let you know that I feel that my statements were misrepresented in the resulting article... I had heard from numerous partner agencies that provide Community Voice Mail that our clients had been seduced into these programs, only to be saddled with debt and unfulfilled promises ... this is an issue that deserves to be raised, and I had no problem signing the DOE letter because I knew that Community Voice Mail clients had been negatively affected by this practice... Since the article focused more on the fact that Ms Early was hired by an investment firm than on the practice itself, I also wanted to clarify that I knew that Ms Early was an independent researcher hired by an investment firm from the beginning of our correspondance nearly a year ago. She provided her CV and information about the invesmtment firm to me. Through my numerous discussions with her over many months and my own discussions with Community Voice Mail managers, I felt that her intentions were good."*

It has been my regular practice to tell service agencies, homeless shelters, policy groups, and others that I am an independent researcher, that I am being paid by an investment firm for my research into the for-profit education industry, and that I am happy to provide any follow-up information to clarify questions. The case of Larry James, also quoted by *Pro Publica*, provides further support. Mr. James is the President and CEO of Central Dallas Ministries; my contacts at Central Dallas Ministries are with people who work for Mr. James. While Mr. James and I did not know each other until after *Pro Publica* went to print, his associates know me and accurately understand my background and the funding source for my research. Mr. James has given me permission to share the fact that my disclosures to Central Dallas Ministries were accurate and timely.

Secretary Duncan, I encourage you to reach out directly to homeless shelters and agencies that serve the underprivileged to learn first-hand about the important problems associated with for-profit recruiting. If I can be of assistance to you, please do not hesitate to contact me.

Sincerely,

  
Johnette Early

(b)(6)



EXHIBIT 1

June 17, 2010

The Honorable Arne Duncan  
Secretary  
U.S. Department Of Education  
400 Maryland Avenue, SW  
Washington, D.C. 20202

Dear Honorable Secretary Arne Duncan:

The purpose of this letter is to call your attention to a growing problem at homeless shelters across the United States. For-profit trade schools and career colleges are systematically preying upon our clients. These companies employ predatory recruiting tactics, promising our clients free government money, quality education, rosy job prospects, and the chance for a better life. The companies fail to deliver on the promises they make. Quite the opposite, for-profit schools devastate the financial stability of our clients by initiating a vicious cycle of over-borrowing and student loan default. We find it difficult to help homeless clients who have defaulted on student loans: with credit records shattered by student debt default, potential employers are hesitant to hire our clients, and potential landlords are hesitant to lease to our clients. To put it simply, the for-profit education industry in the United States is perpetuating unemployment and homelessness.

The exploitation of our clients by the for-profit sector is not a new phenomenon. In 1990, then Georgia Senator Sam Nunn held a series of hearings that exposed rampant fraud, waste and abuse in the for-profit education sector.

"Unwary Americans are being lured into so-called educational schools by sophisticated sales pitches that offer promises of bright futures, high paying jobs and Federal loans for financing. In fact, the students often end up with little or no training, no job and a large bill to repay the student loan. In some cases the students recognize the training is useless and they withdraw midway and end up liable for the entire loan while the school operators pocket a handsome profit. As a result, the student is worse off than ever, often defaults on the loan, and the American taxpayer ultimately picks up the tab.... As we all know, the Federal student loan program was originally designed to help low and middle income students receive a quality education, specialized training and eventually a secure and well-paying job. It was clearly never intended to ensure soaring profits for schools whose main interest and expertise seems to be processing of Federal student loans.  
[Senator Sam Nunn. February 1990. *Abuses in Federal Student Aid Programs: Hearings Before the Permanent Subcommittee on Investigations of the Committee on Governmental Affairs. United States Senate. Pages 2 and 4*]

While predatory recruitment and lending to the homeless is not a new problem in the for-profit education industry, it is a substantially larger problem than it was nearly twenty years ago. In 1990, students attending for-profit education companies borrowed less than \$5 billion from the Title IV program; in 2009, students attending for-profit education companies borrowed \$28 billion from the Title IV program.<sup>1</sup>

The for-profit education industry's seductive marketing messages and well-trained, unethically-incentivized recruiters are out-maneuvering lower-priced, higher-quality post-secondary alternatives. For-profit recruiters opportunistically target homeless men, women, and youth, luring them into taking on thousands of dollars in excessive debt. Disturbingly, many of those targeted have significant literacy challenges and little possibility for benefit. Saddled with a mountain of debt that is unsupportable by educational outcomes promised but not delivered, our clients all-too-often default on their debts and fall into a downward spiral of recidivism. Our homeless clients are trapped after attending for-profit schools. These schools not only compromise their job and housing prospects, but also take away their opportunity for a real education. Sadly, after attending for-profit schools our clients cannot retrain or continue their education because student loan defaults disqualify them from receiving further federal financial aid.

We understand that the Department of Education is working to introduce new safeguards that would offer our homeless clients additional protection from these unscrupulous companies. For many, developing new skills and training through education is an enduring solution to homelessness. As such, we unequivocally support the Department of Education in its efforts, and we look forward to the day when our clients can return to higher education without fear.

Sincerely,

(b)(6)

Jane Burch, CEO  
New Beginnings for Women and Children, Tucson, AZ

(b)(6)

Carol Fredrich  
President & CEO  
Lutheran Metropolitan Ministry  
Cleveland, Ohio

(b)(6)

Larry James, President & CEO  
Central Dallas Ministries  
Dallas, Texas

(b)(6)

Jennifer D. Brandon, Executive Director  
Community Voice Mail National  
Seattle, WA

(b)(6)

Michael P. Meehan, Ph.D.  
Epworth Children & Family Services  
St. Louis, Missouri

(b)(6)

Richard Trickett, CEO  
The City Mission  
Cleveland, OH

(b)(6)

Neil J. Donovan  
Executive Director and President  
National Coalition for the Homeless  
Washington, DC

(b)(6)

Nancy L. Panico, MBA, Executive Director  
Open Inn, Tucson Arizona

(b)(6)

Ella Nimmers, Executive Director  
Our House, Inc., Monroe, LA

(b)(6)

Eileen McComb  
Program Director  
Noel House Programs  
Seattle, WA

(b)(6)

Executive Director  
Lakewood Area Shelter Association  
Tacoma, WA

(b)(6)

Kurt Schmidt, Community Services/Shelter Supervisor  
North Central WV Community Action Association, Inc.  
Scott Place Homeless Shelter

(b)(6)

Lin Tyler  
Board President  
Lakewood Area Shelter Association  
Tacoma, WA

(b)(6)

Roy E. Tullgren III  
Executive Director - Pastor  
Gospel Rescue Mission  
Tucson, AZ

(b)(6)

*CFO for*

(b)(6)

Alma Duldulao-Ybarra, Interim President & CEO  
Coalition For The Homeless, Houston, Texas

*Interim President of CEO*

(b)(6)

Chip Joseph, Executive Director  
YMCA/Y-Haven, Cleveland, Ohio

(b)(6)

Sara Cohen, Case Manager  
Shelter NOW, Meriden, Connecticut

(b)(6)

Dennis H. Parnell, MSW, LCSW, LCAS, CCS  
President/CEO  
The Healing Place of Wake County  
Raleigh, NC

(b)(6)

Shaelene Plank, Director of Community Services  
Youth Emergency Services, a program of Epworth Children & Family Services  
6816 Washington Avenue  
St. Louis, MO 63130

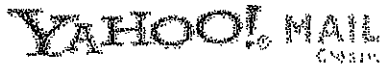
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Ed Gernerchak, MA, MSW, LISW  
Associate Director, Men's Shelter Services  
MHS, Inc.,  
1550 Superior Ave., Cleveland, OH 44114

*PS Homeless men & women in Cleveland, OH  
are being targeted by for-profit schools. I know  
of 6 cases in one of my shelters today. We hope  
you can help address this important issue. Thank you.*



EXHIBIT 2



RE: For-profit schools & the homeless

Wednesday, May 12, 2010 1:21 PM

From: "Neil Donovan" <ndonovan@nationalhomeless.org>

To: "Johnette Early" <@yahoo.com>

Thanks so much for the packet and its follow up information. Neil.

Neil J. Donovan  
Executive Director  
National Coalition for the Homeless  
2201 P Street, NW  
Washington, DC 20037-1033

202.462.4822 x228

**From:** Johnette Early [mailto: @yahoo.com]

**Sent:** Wednesday, May 12, 2010 1:52 PM

**To:** ndonovan@nationalhomeless.org

**Subject:** For-profit schools & the homeless

Neil,

In the rush to get a research packet to you, I may have forgotten to include references for me that might be helpful to consider on the advocacy front. I've attached my resume and information on the investment firm that is paying me for my time while I do this research. Also, please feel free to contact

Shelter in

men's shelter in

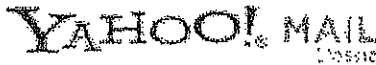
Another person to speak with is

is a shelter and transitional housing program.  
and have been willing to field questions  
so I think they can give you a feel for the work. I hope this proves helpful

to you.

Thanks,

Johnette



For-profit schools, the homeless, and letter to DOE

Friday, May 7, 2010 12:50 PM

From: "Johnette Early" <[redacted]@yahoo.com>

To: ndonovan@nationalhomeless.org

2 Files (134KB)



ArneDunc... ForProfits...

Neil,

Thanks so much for taking my call to hear about the research. I've attached the letter to the DOE for you to review. A research packet will come to you on Monday. I've also attached a quick PowerPoint presentation that basically tells how the scam works in the words of homeless clients and shelter staffers.

Also, FrontLine did a recent piece looking at for-profit schools that you might find informative in general.

[http://www.pbs.org/wgbh/pages/frontline/collegeinc/?utm\\_campaign=homepage&utm\\_medium=proglis&utm\\_source=proglis](http://www.pbs.org/wgbh/pages/frontline/collegeinc/?utm_campaign=homepage&utm_medium=proglis&utm_source=proglis)

Thanks,

Johnette  
(214)