

[Banking and Finance Law Daily Wrap Up, TOP STORY—Purchaser of for-profit colleges settles lending, collection complaints, \(Feb. 3, 2015\)](#)

Banking and Finance Law Daily Wrap Up

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By Richard A. Roth, J.D.

Zenith Education Group and its parent, ECMC Group, Inc., have reached a settlement with the Consumer Financial Protection Bureau and Department of Education that will release the two companies from any possible liability for the actions of Corinthian Colleges, Inc., a for-profit education company from which they purchased a number of schools. As part of the [settlement](#), Zenith and ECMC will provide more than \$480 million in loan forgiveness to Corinthian's borrowers, the CFPB has [announced](#).

ECMC Group is best known as a federal student loan collection company, but it says it plans to convert the schools it bought into not-for-profit colleges that will be run by Zenith, a subsidiary separate from the collection activities. A number of consumer advocacy organizations have raised concerns over the sale (see [Banking and Finance Law Daily, Dec. 22, 2014](#)). The organizations are worried about ECMC's collection activities and because the company has never before operated a school.

Corinthian suit. In September 2014, the CFPB sued Corinthian over the company's lending and debt collection practices. According to the bureau, the company used fraudulent statistics and false promises to enroll students, induced students to take out predatory loans to pay inflated tuition, and then used illegal tactics to collect the loans. The bureau alleged that Corinthian's tuition and fees were as much as five times the cost for similar courses at public colleges and that the company deliberately charged more than the federal loan limits in order to push students into taking out private loans, including the company's own "Genesis loans" (see [Banking and Finance Law Daily, Sept. 16, 2014](#)).

Corinthian still is contesting the CFPB's charges. However, it has sold more than 50 schools it operated under the names "Everest" and "WyoTech" to ECMC.

Settlement terms. According to the CFPB, ECMC has made significant commitments that will benefit students. These include providing more than \$480 million in debt relief to students. The bureau says this will result in an immediate 40-percent reduction in outstanding loan balances, with no action required of the students.

As part of the settlement, ECMC has agreed not to offer its own private student loans for at least seven years. The company also will provide students accurate information about job prospects and institute a five business day cooling-off period for new enrollees.

Also, a number of collection tactics which Corinthian is alleged to use will be off-limits. Students who owe outstanding balances will not be sued or threatened with suits, and they will not be harassed for collection. ECMC also has agreed to tell consumer reporting agencies to delete adverse information from the students' credit files.

The CFPB has published [FAQs](#) to help students understand the settlement and what it will mean for them.

Companies: Corinthian Colleges, Inc.; ECMC Group, Inc.; Zenith Education Group

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