Heald College facing $30 million fine on job placement claims

By Nanette
Asimov

http://www.sfgate.com/education/article/Heald-College-facing-30-million-fine-on-job-6200437.php

SFGATE

Updated 10:00 pm, Tuesday, April 14, 2015

The U.S. Department of Education announced Tuesday it will fine the for-profit Heald College $30 million and will bar the once venerable business school from enrolling new students because a federal investigation found that its owner, Corinthian Colleges Inc., made nearly 1,000 misleading job placement claims.

“Heald College’s inaccurate or incomplete (job placement) disclosures were misleading to students,” the Education Department said Tuesday in a statement. Its review of data provided by Corinthian found the company “overstated the employment prospects of graduates of Heald’s programs,” which could improperly entice students to enroll.

Students deep in debt

The statement said the investigation was part of an effort to stop abuses by for-profit colleges that often attract low-income students who believe they will land good jobs — but find themselves deeply in debt.

More than 9,000 students are enrolled at Heald, founded in San Francisco in 1863. Notable graduates include A.P. Giannini, founder of the Bank of America. The school has campuses throughout California, including in Concord, Hayward, San Jose and San Francisco, as well as in Oregon and Hawaii. It employs about 1,000 faculty and staff.

According to the federal analysis, Heald’s improper practices included these:

• The school paid temp agencies to hire graduates to work on its own campuses for only a few days, then counted those as job placements.

• In a pattern of misleading claims, the school counted one graduate’s job in a Taco Bell kitchen as an accounting placement, and another’s clerk job at Macy’s as “business administration.”

• The school claimed 100 percent employment rates for 14 programs, including medical insurance billing in San Jose and medical office administration in San Francisco, even though many students were not actually working.

The announcement also “threatens Heald’s future by potentially imposing added financial and operational hurdles to prospective buyers,” the company said in a statement.

The federal findings aren’t Corinthian’s only problem. In 2013, California Attorney General Kamala Harris sued Corinthian, Heald and two other for-profit colleges — Everest and WyoTech — owned by Corinthian. Together the schools enrolled 81,000 students nationwide, 27,000 in California.

Corinthian has sold off most of the schools across the country, but it can’t sell in California because of the lawsuit and the potential liability to any buyer, said Joe Hixson of Abernathy MacGregor, a public relations firm hired to represent Corinthian.

Hixson said Corinthian believes the attorney general is blocking any sale because she says buyers would have to assume the liability — which would include the new $30 million fine.

'A going concern'

“Heald could be a going concern,” Hixson said. “There’s no reason not to allow a sale to a new buyer that would have none of the Corinthian baggage.”

Harris applauded Tuesday’s federal action and urged the Education Department to forgive students’ loan debts from what she has called “large, predatory, for-profit schools.”

On April 9, she and eight other state attorneys general sent a letter to the department asking for debt relief for thousands of students who attended schools owned by Corinthian.

As for Heald, the department is giving the school and its parent company 14 days to respond to the letter it sent Corinthian President Jack Massimino of its intent to fine the company.

Hixson said the department’s findings are based on flawed data. “It’s fair to say we’ll contest this,” he said.

Nanette Asimov is a San Francisco Chronicle staff writer. E-mail: nasimov@sfchronicle.com Twitter: @NanetteAsimov