



Penn Foster College must pay more than \$73,000 after PCC refused Portland man's credits

MalcolmStrand.jpg

Malcolm Strand, 42, of Portland, complained about Penn Foster College to the Oregon Justice Department in 2013 after discovering that Portland Community College wouldn't accept credits he'd earned through the national online school. The department investigated and will make Penn Foster repay \$1,900 in tuition to Strand. Penn Foster must also reimburse the agency for its \$22,000 investigation and donate as much as \$50,000 to programs that give disadvantaged Oregonian youths access to education. *(Photo by Chris Hyde)*

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Malcolm Strand got a shock in May 2013 when he tried to transfer his **Penn Foster College** credits to **Portland Community College's Sylvania** branch.

A PCC guidance counselor told the Portland man that the community college couldn't accept any of the credits he'd earned at the national online school. That's because, the counselor said, **Penn Foster was not regionally accredited** -- despite **Penn Foster's** claims on its website that the school had regional accreditation and **transferable credits**.

Last week Strand, 42, received a nicer surprise. An official from the **Oregon Justice Department** called. She told Strand that -- because of his all-but-forgotten August 2013 complaint -- the agency had investigated and would make Penn Foster refund his \$1,900 in tuition.

Not only that, Strand learned, but Penn Foster must pay **Attorney General Ellen Rosenblum's** agency \$22,000 for the investigation's cost. The for-profit company must donate as much as \$50,000 to nonprofit or government organizations that give disadvantaged Oregonian youths access to education.

Under terms of a signed agreement, Penn Foster must be truthful when advertising its accreditation and the potential to transfer its credits. And the company must provide restitution to any other Oregon consumers who come forward with legitimate complaints concerning the college's accreditation and transfers.

"I was like, 'Wait a minute, what?'" said Strand, describing last week's phone call. "I'm totally blown away by this whole thing."

Federal and state agencies have been monitoring for-profit colleges more closely during the last few years, flagging numerous problems. **Last week Heald College shut all its branches**, including its Northeast Portland campus, and cancelled Friday's graduation -- affecting 300 students locally and 16,000 nationally.

The closure came after the meltdown of Heald's parent company, **Corinthian Colleges**, once one of the

country's largest for-profits, which the **U.S. Education Department fined \$30** million for allegedly falsifying student job-placement numbers. Another for-profit, **DeVry University**, will close its Portland campus and 13 other branches by the end of the year. The national chain is moving more students to on-line courses.

Dara Warn, a Penn Foster College senior vice president, put a positive spin Friday on the settlement agreement with the Justice Department, saying it resulted from a year of negotiations.

Warn said the school, which has about 150,000 students, **would change its advertising nationwide**, based on the Oregon agreement.

She welcomed the chance to donate to organizations helping disadvantaged youth -- an innovative feature of the settlement.

"The agreement does not represent any admission of wrongdoing," Warn said. "It did not find intent to deceive, or manifestly false statements, on the part of Penn Foster."

Warn acknowledged that the settlement amounted to an expensive lesson. "We've been at this for 125 years," she said of the school. "We've not been through many, or any, reviews like this."

Penn Foster dates from 1890

Unlike some other national for-profit colleges,

Penn Foster has a long and **storied**

background. Thomas J. Foster, a Civil War

veteran, newspaper editor and former miner,

founded its predecessor, the Colliery School of Mines, in 1890 in Scranton, Penn. He designed the school to teach miners safety and engineering through the mail.

Strand's brief consumer complaint, filed with the Oregon Justice Department in 2013, accused Penn Foster of false advertising. As a result of his complaint and the agency's investigation, the online school plans to change its marketing nationally.

Oregon Justice Department

Inventor Thomas Edison wrote one of the college's courses after it was renamed International Correspondence Schools. According to Penn Foster's website, Edison considered home study one of the 20th century's greatest innovations. In 2006, after many other milestones, the school rebranded itself as Penn Foster.

Three years later, The Princeton Review Inc., a test preparation and educational support services company, acquired Penn Foster Education Group Inc. from a private-equity firm for \$170 million. Bain Capital Venture Partners and another company invested in the deal.

Strand kept a 2013 screen shot of a Penn Foster web page that said the school was regionally accredited with "credits you can transfer."

Frank Britt, a Bain Capital executive, became Penn Foster's CEO in 2012, remaining an **advisory partner at Bain.** "Penn Foster's

educational model is becoming an attractive mainstream solution in today's disruptive educational environment," Britt said at the time, "and a proven source of career advancement for vocational and middle-skilled workers."

A Bain spokesman said Friday the company no longer holds a stake in Penn Foster. But **Britt**, who remains at

Penn Foster's helm, signed the Oregon settlement. He took a reporter's call Friday, but referred the matter to Warn. She said the private company does not disclose its **annual revenues, pegged at \$90 million** in 2008 by the Boston Business Journal.

Penn Foster **lists graduation rates** ranging from less than 6 percent, for a medical-assistant degree, to more than 27 percent, for marketing.

Strand's one-paragraph consumer complaint in 2013 said he was "in a battle" with Penn Foster over tuition. "I quit paying when I found out that my credits from Penn Foster were not recognized by my current college in Oregon," he wrote. "Penn Foster needs to make clear statements so other students like myself do not fall victim to false advertising."

Strand recalled Friday that Penn Foster, "had turned me over to collections, trying to get this money back." Because the company was based in Scottsdale, he tried complaining to the **Arizona State Board for Private Postsecondary Education**. "They basically were no help."

Strand worked full-time as a courthouse- and jail-facilities supervisor while he took classes through Penn Foster. Today he works for **Business Oregon**, in the state agency's international division, as a front-office and grant-management officer. He aims to complete his Associates of Applied Science in Management degree at PCC this fall.

From there, Strand is considering enrolling at **Portland State University** to complete a four-year undergraduate degree.

Regional accreditation important

In the United States, regional accreditation is more important than **national accreditation** for assessing and improving the quality of colleges and universities.

A team of regional volunteers – who can include college and university presidents, academic officers, professors and experts in finance, students, technology and libraries – meticulously reviews a school. Once a school passes and maintains regional accreditation, its credits can become transferable.

The Penn Foster agreement filed in Marion County Circuit Court requires the company's advertisements and website statements to accurately reflect licenses, affiliations and regional or national accreditations.

Penn Foster websites must state that no form of accreditation guarantees that any school will accept transfer credits. The online college **must not say that students can graduate "debt free"** from Penn Foster.

Judging from wording still on its website as of Tuesday, Penn Foster has some clean-up to do. For example, running the words "debt free" on the college's search engine produces an entry titled: "FOX Business Interviews Penn Foster CEO Frank Britt on our **debt-free** education."

in a 2012 news release posted in a collection of releases on its website, the college describes financial support for military spouses who take classes, and says: "This combined with the tuition assistance programs lead students to a clear path for **debt free** education...."

If Penn Foster violates any terms of the Justice Department agreement, the company could be subject to contempt-of-court proceedings, penalties of up to \$25,000 per violation and any further relief as deemed by the court.

Penn Foster also must pay restitution to any other misled students who file **consumer-complaint forms** with the Oregon Justice Department, which will evaluate the allegations. The school has between 600 and 800 students in Oregon, Warn said.

"I'm glad for all the other people out there who have gotten snowed by them," Strand said. "College students don't have money to just throw around."

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