

Attorney General Ellison secures relief for students victimized by predatory for-profit educational provider

Prehired will void all outstanding income-share agreements, refund harmed borrowers, and permanently cease operations; Settlement secures \$31 million in relief nationwide, including debt relief and \$80K in refunds for Minnesota consumers

November 20, 2023 (SAINT PAUL) – Today, Minnesota Attorney General Keith Ellison, the Consumer Financial Protection Bureau (CFPB), and a bipartisan coalition of 10 other state attorneys general announced an approved settlement and more than \$30 million in relief to student borrowers to remedy false promises of job placement, trapping students with income-share loans that violated the law, and resorting to abusive debt-collection practices when borrowers could not pay. The order approved by a federal court requires Prehired to cease all operations and void all outstanding income-share loans, valued by Prehired at nearly \$27 million. The order also provides for \$4.2 million in refunded payments nationwide, with Minnesota consumers receiving \$79,577.08 in restitution.

“Scamming folks who are just trying to get an education, get a job, and afford their lives is as low as it gets, and that’s exactly what Prehired did,” said Attorney General Ellison. “Prehired lied when they promised good-paying jobs for their graduates, and Prehired lied when they promised not to collect on loans until those job placements happened. Today, we’re making Prehired repay consumers they ripped off, cancel outstanding loans, and permanently close their doors. Let this be a lesson to any other scammers even thinking about doing anything like this.”

Prehired was a Delaware-based company that operated a 12-week online training program claiming to prepare students for entry-level positions as software sales development representatives with “six-figure salaries” and a “job guarantee.” Prehired offered students “income-share” loans to help finance the costs of the program. These credit products are not marketed as student loans, but in effect create a very costly debt for many students by requiring them to pay a significant share of their income after they complete or discontinue the program. Today’s order also names two affiliated companies, Prehired Recruiting and Prehired Accelerator, that pursued collection on defaulted income-share loans.

In July 2023, Attorney General Ellison joined a bipartisan coalition of 11 states and the CFPB in suing Prehired to void the illegal loans and facilitate consumer redress. The states and the CFPB alleged that Prehired:

- **Deceived borrowers by claiming its loans were not loans:** Prehired’s marketing falsely claimed that its loans did not create debt because the loan was contingent on job placement with a yearly salary over \$60,000. But the company also deceptively buried terms in the loan that required graduates to pay even if they never got a job.

- **Kept borrowers in the dark about key loan information:** Prehired hid important loan terms from borrowers, including the amount financed, finance charges, and the loans' annual percentage rate.
- **Tricked consumers with deceptive debt-collection practices:** Prehired Recruiting and Prehired Accelerator pushed borrowers into converting their income-share loan into a revised "settlement agreement" that required them to make payments even if they had not found a job, and which contained more burdensome dispute resolution and collection terms. Prehired Recruiting and Prehired Accelerator also falsely represented the amount of debt owed by consumers and stated that Prehired could collect more than the consumer legally owed.
- **Sued students in a faraway location:** Prehired Recruiting filed debt-collection lawsuits in a jurisdiction far away from where the consumers lived and were not able to be physically present when they executed the financing contract. Many consumers were unaware that Prehired Recruiting could file an action in Delaware because Prehired's income-share loans did not provide for a venue in Delaware or the consumers had little or no opportunity to review or negotiate that provision.

Enforcement Action

Under the Consumer Financial Protection Act (CFPA), the CFPB, state attorneys general, and state regulators have the authority to take enforcement action against institutions that violate federal consumer financial laws, including the CFPA's prohibition of deceptive acts or practices and the Fair Debt Collection Practices Act.

Under the order approved by the court, Prehired will:

- **Refund \$4.2 million to student borrowers:** Prehired will pay \$4.2 million to student borrowers who made payments on income-share loans between May 2019 and March 2023.
- **Cancel all outstanding income-share loans:** All outstanding loans, which Prehired valued at nearly \$27 million, are permanently voided and cannot be sold or collected on by Prehired or anyone else.
- **Shut down permanently:** Prehired is permanently banned from offering income-share loans in the future, or any activities related to vocational education. The company has already filed for Chapter 7 bankruptcy and ceased operations, and under the terms of this order it will stay shut down for good.
- **Pay a civil money penalty:** In addition to the direct consumer redress above, Prehired will make a \$1 payment to the CFPB victims relief fund. The payment will make it possible for the CFPB to potentially use that fund to provide additional compensation to borrowers harmed by the company's illegal conduct.

Joining Attorney General Ellison and the Consumer Financial Protection Bureau in suing Prehired were the bipartisan attorneys general of California, Delaware, Illinois, Massachusetts, North Carolina, Oregon, South Carolina, Virginia, Washington, and Wisconsin.

Former Prehired students are encouraged to visit www.prehiredclaims.com to update their contact information and verify their payment information to ensure they receive compensation from this settlement.

Attorney General Ellison urges Minnesota consumers to report their concerns with educational entities or other consumer complaints by [submitting a complaint online](#) or by calling the Attorney General's Office at (651) 296-3353 (Metro), (800) 657-3787 (Greater Minnesota), or (800) 627-3529 (Minnesota Relay).