Advocates File Complaint with FTC; Urge Enforcement Action Against Vemo Education for Its Deceptive Marketing of Income-Share Agreements to Students

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Contacts: National Consumer Law Center: Jan Kruse (jkruse@nclc.org)

Student Borrower Protection Center: Moira Vahey (moira@protectborrowers.org)

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Vemo-Built Comparison Shopping Tools for University of Utah and Purdue University Falsely Promote ISAs As Less Expensive than Other Student Loans

Washington, D.C.- The National Consumer Law Center and the Student Borrower Protection Center filed a complaint yesterday with the Federal Trade Commission (FTC) urging it to investigate Vemo Education, Inc. (Vemo) for unfair and deceptive business practices under the Federal Trade Commission Act in the marketing and promotion of income-share agreements (ISAs) for students at certain universities. Left unchecked, Vemo's deceptive marketing could lead to some ISA borrowers paying thousands of dollars in unexpected costs. The complaint also asks the FTC to prohibit future violations and order relief for the affected borrowers harmed by these practices.

View the complaint here: https://bit.ly/vemo-complaint

"The law couldn't be clearer. This is a classic case of a company obscuring the true cost of its financial product to the detriment of consumers who are doing their best to comparison shop and to the detriment of lenders who are playing by the rules," **said National Consumer Law Center attorney Joanna Darcus.**

"Vemo lured students by overstating the cost of student loans made by the federal government while understating the cost of its ISAs," **said Tariq Habash, Head of Investigations at the Student Borrower Protection Center.** "Vemo engaged in a deceptive marketing scheme that is predatory and dangerous to students in order to pad its investors' pockets. Regulators must step in to put a stop to Vemo's abuses."

Vemo markets ISAs to students and their families as a tool to finance all or a portion of a student's education. In exchange, the student agrees to repay a specified percentage of their income after graduation for a period of time – often nearly ten years. The company has worked with dozens of colleges as well as alternative education programs not eligible for federal financial student aid, such as coding bootcamps through General Assembly.

Vemo created proprietary Comparison Tools so that students could compare ISAs with federal Parent PLUS Loans and traditional private student loans. An investigation by the SBPC and NCLC found that Vemo's Comparison Tools, as displayed on Purdue University and University of Utah websites, used deceptively understates the cost of its ISAs and overstate the cost of other loan options. Specifically, the complaint alleges Vemo's Comparison Tools misleadingly promote ISAs to students by:

- **Overstating the cost of other student loan options:** Vemo's Comparison Tools used false information about the repayment terms for federal Parent PLUS Loans. This resulted in inflated cost estimates and misled students about the true cost of their federal loan options.
- **Understating borrowers' starting incomes**: Vemo's Comparison Tools used outdated, misleading estimates of graduates' starting incomes, thereby understating the true cost of Vemo's products. Vemo's use of artificially-low estimated starting incomes caused its Comparison Tools to systematically understate the repayment costs of an ISA.
- **Undercalculating income growth:** Vemo's Comparison Tools rely on faulty math—misleading borrowers about the way the Comparison Tools project future incomes of students who attended University of Utah and Purdue University. Because of this faulty math, the Comparison Tools inaccurately reduce the projected cost of a Vemo-backed ISA by hundreds of dollars. This deception makes the ISAs appear to be a better deal for students.

Ultimately, Vemo's misrepresentations affect students' financial-decision-making processes, especially where the data is presented through their school's financial aid office. These practices obscure costs and mislead borrowers who use Vemo's Comparison Tools and believe the ISA is truly a more affordable option than other student loans when it is not.

Background on Income-Share Agreements

Over the past several years, income share agreements have gained traction among venture capital firms and Silicon Valley backers looking to purchase stakes in students' futures earnings. For instance, the number of ISA programs has grown from 1 active program in 2016 to 76 by 2019, according to Vemo's website. Participation in ISAs also appears to be growing: Purdue University noted that during the 2016-17 academic year, 160 students in Purdue's boilermaker program had received ISAs; by the fall of 2019, the university had signed agreements with 1,000 students.

At the same time, advocates and policymakers have continually raised concerns that ISAs risk being predatory and harmful for students given, among other things, their often-obscure terms and the industry's track record of asserting that consumer financial protections should not, or do not apply. During the coronavirus pandemic, ISA providers have ramped up marketing and enrollment pitches to students and educational institutions, touting these products as a fix for financing education during uncertain economic times. However, policymakers and institutions—like students— need to be aware of the significant potential harm ISAs could involve. The SBPC and NCLC will continue to advocate on behalf of students and scrutinize the ISA industry's practices for borrower harm.