

Attorney General Raoul And CFPB Obtain Order Requiring Student Lender Prehired To Provide Students More Than \$30 Million In Relief

November 21 2023 9:26 AM



CHICAGO - Attorney General Kwame Raoul, along with the Consumer Financial Protection Bureau (CFPB) and 11 attorneys general, announced today that student lender Prehired will provide more than \$30 million in relief to student borrowers for making 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.

Raoul and the CFPB's [federal court-approved order](#) requires Prehired to cease all operations, pay \$4.2 million in redress to consumers that were affected by its illegal practices, and void all outstanding income share loans, valued by Prehired at nearly \$27 million.

“Prehired deceived student borrowers with false promises and lies of deferred payment until employment,” Raoul said. “I am proud of my office’s collaboration with the CFPB and a bipartisan group of attorneys general to ensure Prehired is held accountable and that borrowers receive the relief they deserve.”

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 high-figure salaries and job guarantees. Prehired offered students income share loans to help finance their program costs. Raoul and the CFPB’s order also names two affiliated companies, Prehired Recruiting, and Prehired Accelerator, that pursued collection on defaulted income share loans.

In July 2023, the states and the CFPB sued 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 a debt because the loan was contingent on job placement with a yearly salary over \$60,000. But, the company 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 loans 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 Prehired could collect more than the consumer legally owed.
- **Sued students in a faraway location:** Prehired Recruiting filed debt collection lawsuits in jurisdictions far away from where the consumers lived and where the consumers had not been 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 venue in Delaware, or the consumers had little or no opportunity to review or negotiate that provision.

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 the CFPB's Civil Penalty Fund to provide additional compensation to borrowers harmed by the company's illegal conduct.

Additional information about the court order, including how Prehired students affected by the action can submit a claim, can be found [here](#).

Joining Raoul and CFPB in the order are the attorneys general of California, Delaware, Massachusetts, Minnesota, North Carolina, Oregon, South Carolina, Virginia, Washington, and Wisconsin.