



Trump University

A Look at an Enduring Education Scandal

By Ulrich Boser, Danny Schwaber, and Stephenie Johnson March 30, 2017

When Donald Trump first launched Trump University in 2005, he said that the program's aim was altruistic. Coming off his success as a reality television show host, Trump claimed that the Trump University program was devoted to helping people gain real estate skills and knowledge. At the Trump University launch event, Trump told reporters that he hoped to create a "legacy as an educator" by "imparting lots of knowledge" through his program.¹

Today, it's clear that Trump University was far from charitable. In fact, Trump University's real estate seminars often didn't provide that much education; at some seminars, it seemed like the instructors aimed to do little more than bilk money from people who dreamed of successful real estate careers. As one person who attended the program wrote on a feedback form examined by the authors, "Requesting we raise our credit limits on our credit cards at lunch Friday seemed a little transparent."²

Lawyers eventually filed three separate lawsuits from 2010 to 2013 against Trump University for, among other claims, "deceptive practices."³ Donald Trump has agreed to pay a \$25 million settlement to the people who attended Trump University in 2007, 2008, 2009, or 2010.⁴

Founded in 2005, Trump University began by offering online courses but eventually transitioned into offering in-person seminars and mentorship services.⁵ Overall, Trump University functioned from 2005 until 2010 with thousands of students, 6,000 of whom are covered for damages under the settlement agreement.⁶ Over time, as Trump sought higher profits, the company's model shifted to offering more in-person seminars. Former Trump University Chief Learning Officer Roger Schank argued that financial hardship may have pushed Trump to push toward the bigger profits. He said, "I think Donald Trump was in bad times ... it changed because Donald Trump needed the money."⁷

Near the end, Trump University focused almost exclusively on the seminars, both running them and licensing the brand name out to an organization called Business Strategies Group.⁸ These seminars often began with a free session to get people in the door. Once individuals arrived, salespeople often tried to upsell them the “Trump Elite Packages,” ranging from the Bronze Elite Package for \$9,995 up to the Gold Elite Package for \$34,995.⁹ Once these seminars began to flourish, the program became, in essence, a series of hotel ballroom consultations with salespeople rather than any sort of academic course.¹⁰

Given Trump’s presidential election victory in November, the authors decided to do new research on Trump University. The authors believe that the management of Trump University illuminates a business approach that could be indicative of Trump’s dealings as president. The authors also believe that as the Trump University legal case comes to a close, it’s worth revisiting the statements of individuals who paid for the program and complained about being taken advantage of. As part of this work, the authors studied state records and court documents obtained through Freedom of Information Act requests from multiple sources, as well as previous research, and examined aspects of documents pertaining to Trump University that they believe have not previously been examined. The authors also studied Trump’s public statements on the case and examined customer surveys to shed light on participants’ experience in Trump University.

The findings provide some important insights, given the fact that Trump himself helped orchestrate Trump University.¹¹ Indeed, the evidence is clear that the president was involved in many key decisions surrounding the educational initiative, and at least for some prosecutors, it seemed that Trump engaged in “patterns of racketeering activity,” and did so “knowingly, willfully, and unlawfully,” through the management of the fraudulent organization.¹²

On March 30, a San Diego federal court will meet to decide¹³ on this settlement agreement, and observers widely believe that the hearing will reach the same decision as the preliminary approval in January, essentially ending the case. In January, the court granted preliminary approval to a \$25 million settlement proposal. The settlement allots \$21 million in funds to the students who were defrauded by Trump University and \$4 million to resolve the New York attorney general’s case. The Trump Entrepreneur Initiative, the new name given to Trump University after New York officials objected to the term ‘university’ being used, placed the \$25 million in an escrow account pending final approval of the settlement.¹⁴

Of the approximately 7,000 former students eligible to submit claims, more than 3,700 have submitted claims to receive payment through the settlement. Assuming the settlement is approved, these students will receive a large percentage of the funds that they paid to Trump University.¹⁵

Trump University's high survey ratings don't hold up under close scrutiny

Throughout his presidential campaign, Donald Trump regularly touted a 98 percent student satisfaction rate as proof of the quality of Trump University. To promote the 98 percent claim, Trump allies put out a selected batch of surveys on a now-defunct website called 98percentapproval.com. These surveys were completed by students after they attended seminars across the United States and Canada.

As part of this issue brief, the authors examined the written comments on all available surveys, and the comments make clear that despite “high” ratings on a 5-point scale, a number of Trump University students had serious complaints about their experiences. Many individuals complained about the cost, content, and tactics used by the instructors of the university, even as they gave 4- or 5-point ratings. For example, one customer gave all 5-point ratings to the course but complained in the comments that they felt “depressed” and “discouraged” by the aggressive sales tactics given their inability to afford further lucrative courses.¹⁶

Many people who gave the program high marks also noted that the seminar rooms were exceptionally cold, a common way to keep people awake. Other complaints on the surveys were about upselling. “Don’t ridicule people who need to get up for a break. Don’t make everything a sales pitch. We paid \$1,500 for information, not for a sales pitch,” one person wrote on a survey in 2008.¹⁷ In another survey from 2008, an individual made the same complaint, writing, “I paid \$1,500 to learn not to listen to advertising.”¹⁸

Time magazine argued that the surveys relied on “shaky math,”¹⁹ given the large refund request rate from unsatisfied consumers—32 percent for the three-day seminar and 16 percent for the Gold Elite package.²⁰ According to *The New York Times*, Trump University students were also consistently pressured to give high ratings on course evaluation surveys, regardless of their opinions of the course.²¹

The authors looked through the surveys and identified dozens of examples of surveys where customers rated the course highly—a 3, 4, or 5 on a 1 to 5 scale of satisfaction—but then complained about aspects of the course.

The written comments in the surveys also illustrate some of the intense sales tactics used by Trump University instructors. Many of the students complained that the tactics made them uncomfortable. The students also felt pressured into making decisions they didn’t want to make. For example, one 2008 customer complained that they “request[ed] we increase our credit limits on our credit cards” during the first day of the seminar.²²

This was not an aberration. There was literally a “playbook” spelling out these tactics.²³ While the playbook has been previously reported on in the press, a few examples of the tactics are noted below, since they underscore the written comments on the surveys.

Staff members were instructed to target vulnerable people for sales, with a clear effort to identify targets such as single mothers and the elderly. The 2010 Playbook, with the mantra of “One Company. One Culture. One Goal. Achieving Sustained Profitability in 2010,” spelled out scripts and sales tactics that preyed on consumers’ vulnerabilities. Within the examples given to salespeople, instructors were told to target these vulnerabilities— “[f]or example: are they a single parent of three children that may need money for food?” A former instructor described it as an effort that “preyed upon the elderly and uneducated to separate them from their money.”²⁴

The survey comments also underscore the fact that staff were instructed to aggressively push students to buy the most expensive options, and even to max out their credit to pay for more expensive courses such as the \$35,000 Gold Package. The same playbook instructed employees to convince customers to use a “technique” called “OPM,” or “Other People’s Money,” as a means of pushing them to use credit upfront.²⁵ In response to these tactics, one student wrote, “Just teach the topics and stop pushing products and invoking fear. We are not ignorant!”²⁶

One former Trump University event manager, Corrine Sommer, testified that her colleagues were trained to ask students to “call their credit card companies and raise their credit limits two, three, or four times so that they would be able to invest in real estate. They would tell students to max out their credit card because they would make their money back.” In fact, some were told to “charge the course to multiple credit cards” or “to open up as many credit cards as they could.”²⁷

In the end, it’s clear that almost all of the Trump University real estate seminar programs were built for sales, not for education and that staff were provided with strict written scripts and fully orchestrated sales presentations. Or as the playbook itself argues, staff were supposed to frame their presentations with a “sales mindset” and be “Ready to Sell! Sell! Sell!”²⁸

Little evidence supports Trump’s claim that universities supported his program

In public statements on Trump University, Trump argued that the institution was supported by major universities, and he named three schools specifically: Northwestern, Stanford, and Columbia Business School.²⁹ The authors reached out to all three universities, and each one distanced themselves from Trump University.

Stanford University was the most direct in its refutation of Trump's claims. A spokesperson said simply, "Stanford University has no involvement with Trump University."³⁰ Northwestern also denied involvement; a spokesperson for the school said that Trump University "apparently involves a former professor here named Roger Schank. He retired from Northwestern in about 1998. We do not have any information regarding any subsequent affiliation he may have had with Trump University."³¹

Columbia Business School made clear that "individual faculty" helped develop early programs but have nothing to do with the real estate program that became the heart of Trump University. In a statement provided by the university, Don Sexton, a professor at the business school, said, "If the allegations are true, then they took something that was designed to help struggling small business owners and corrupted it."³²

Finally, some have noted that Roger Schank helped Trump University develop its education curriculum. But Schank denies being involved at the time of the real estate seminars: "I wasn't there," he wrote in a 2016 blog post.³³

Trump University instructors were not hand-picked by Trump himself

In public, Trump argued that he hand-picked the best professors to lead Trump University's seminars. But a close look reveals this to be far from the truth. The statement originated with a video featuring Trump himself, who states that he chose "terrific" people. He claimed that he had personally selected these people because they were the "best of the best." The video was often played at the real estate seminars and served to help convince people that they should pay thousands of dollars for Trump University courses.³⁴

After the video played, instructors reinforced the idea that they were "handpicked" by Donald Trump.³⁵ Indeed, as a sales tactic, several Trump University instructors told the audiences that they had been chosen personally by Trump to be instructors, including Melvin Rich, Mike Kasper, Gerald Martin, and others.³⁶ For example, in a 2009 presentation, Rich stated:

*Just so you guys know, tonight, the reason that I was flown here by Mr. Trump in Trump University is to train you guys is (sic) because I have been successfully investing in real estate for the last eight years. I have also taught thousands of people all across the country and Great Britain how to invest in real estate successfully. So, this is why Mr. Trump picked me to come out here and train with you guys...*³⁷

But Trump did not hand-pick Melvin Rich; Trump did not even know whether Rich worked at Trump University, much less that he was a Trump University instructor. In fact, none of the speakers were handpicked by Trump.

As Michael Sexton admitted in his testimony, “none of our instructors at the live events were hand-picked by Donald Trump ... Indeed, only one of the live event speakers for Trump University—an instructor for one of the advanced courses—had ever even met Donald Trump.”³⁸

Not only had Trump never met most of the instructors, but in his deposition, he could not identify their names or recall what role they played in Trump University. For example, several of the instructors touted James Harris as the top instructor, someone whom Trump had known for years and mentored, as someone who could now make students rich.³⁹ Keith Sperry, a Trump University instructor, claimed that Trump University students would learn directly from Harris, calling him Trump’s “number one instructor.”⁴⁰ In deposition, Trump claimed to not recall whether Harris was an instructor, mentor, or student at Trump University.⁴¹ This was not an isolated case. As name after name was read aloud to Trump, he admitted that he did not recall who they were or whether they were qualified.

In short, it is clear that the Trump University instructors never met Trump and that Trump did not know any of them, based on his sworn answers in deposition.⁴² These individuals were not “terrific” or “successful” or the “best of the best,” as Trump claimed.⁴³ His statements in the promotional video seem to have been a sales tactic used to lure people into shelling out thousands of dollars.

Conclusion

Observers such as Julián Castro have worried that Trump’s administration might be the most corrupt in history.⁴⁴ While that remains to be seen, what’s clear is that Trump himself managed an effort that was often little more than a real estate sales pitch. The Trump University saga shows fairly conclusively that the nation’s current president has a history of ethics problems and is often willing to take advantage of people for his own profit.

Trump University was no institution of higher learning. Seminars were often a matter of successive sales pitches, at times urging customers to cash out their savings and max out their credit cards for a higher-priced program. In the end, more than 6,000 students seem to have essentially received a theatre-style sales presentation when they should have received a deep and robust real estate education. Some people who entered the program in the hopes of finding a meaningful pathway to prosperity instead found a salesperson who preyed on their financial solvency.

The misrepresentation of Trump University is but another testament to Trump’s willingness to manipulate others for the sake of a larger paycheck, and Trump seems to have capitalized on his television celebrity and appealed to consumers’ fascination with his reality show persona.

The bigger question is this: How far will Trump go as president to enrich himself at the expense of the poor, the elderly, and single mothers? If the affairs of Trump University are any indication, then Trump has proven himself to be quite comfortable exploiting the hopes, dreams, and fears of vulnerable Americans.

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Appendix

“Just teach the topics and stop pushing products and invoking fear. We are not ignorant!”⁴⁵

“I paid \$1,500 to learn not to listen to advertising.”⁴⁶

“I felt depressed and discouraged that we couldn’t make it [without] investing another \$35k that we don’t have. Maybe offer more encouragement for people who don’t have the money.”⁴⁷

“Requesting we raise our credit limits on our credit cards at lunch Friday seemed a little transparent.”⁴⁸

“Less selling for other programs ... Worse than TV.”⁴⁹

“Don’t ridicule people who need to get up for a break. Don’t make everything a sales pitch. We paid \$1,500 for information, not for a sales pitch.”⁵⁰

“Promise what you are going to deliver. We were promised professional advisors for a year and on the second day James said they are not professionals, they are hired from the Newspaper, you are on your own.”⁵¹

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