



STATE OF CALIFORNIA

Department of Financial Protection and Innovation

GOVERNOR **Gavin Newsom** · COMMISSIONER **Manuel P. Alvarez**

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Lambda School Reaches Settlement with DFPI, Agreeing to End Deceptive Educational Financing Practices

****UPDATE: May 6, 2021****

The DFPI has received information that Lambda used potentially misleading marketing after executing its settlement with DFPI to resolve deceptive practices.

Lambda School recently published a public blog post that the DFPI believes could be misinterpreted by potential students or the public more generally. Specifically, Lambda School's post could give the public the impression that the DFPI has approved of its education financing agreement or business practices generally or that the DFPI asked Lambda School to remove a provision from the contract because it was "not required." To the contrary, the DFPI has not approved Lambda School's education financing agreement or its business practices generally, and the DFPI required Lambda School to remove a provision from its agreement because the DFPI determined it was misleading.

DFPI asked Lambda to correct the mischaracterization in the blog post, and Lambda agreed. However, because the misleading blog post contradicts the consent order and Lambda's agreement to ensure its marketing is accurate and not likely to mislead consumers, DFPI urges consumers to exercise caution when evaluating marketing and contracts for financial products and services offered by Lambda.

In California, Lambda is approved by the Bureau for Private and Post-Secondary Education (BPPE). Students may file a complaint with BPPE at www.bppe.ca.gov. To check whether a financial service provider is licensed in California, or to file a complaint with DFPI, consumers should go to www.dfpi.ca.gov or call 1-866-275-2677.

****Original Release: April 26, 2021****

SACRAMENTO – The California Department of Financial Protection and Innovation (DFPI) today finalized a settlement with San Francisco-based Lambda, Inc. which removes deceptive language from Lambda School's student contracts, clarifying for students that this type of financing can be discharged in a bankruptcy filing. The language violates the new California Consumer Financial Protection Law (CCFPL), which took effect this year and prohibits companies from engaging in practices that are unlawful, unfair, deceptive, or abusive.

As part of the settlement Lambda will (1) notify students that the bankruptcy dischargeability provision language is not accurate; (2) retain a third party to review the terms of the school's finance contract to ensure that it complies with all applicable laws; and (3) undergo a review of

its marketing materials to ensure that the information is accurate and not likely to mislead consumers. The settlement is the result of a DFPI investigation that found that Lambda was engaged in conduct that violated the new law.

“California has a strong interest in protecting the rights and financial well-being of students attending private postsecondary institutions,” said DFPI Commissioner Manuel P. Alvarez. “This action helps ensure that future students can confidently enter into educational financing contracts without being subjected to false or misleading terms.”

Lambda is a coding school that offers its California students the option of financing the cost of the program through a contract by which students defer tuition until they begin working in a specified job earning a specific income. Students are then obligated to make monthly installment payments until the contract amount is fully repaid. The DFPI’s investigation found that Lambda’s contract contains a provision that falsely asserts that the Contract is a “qualified educational loan...subject to the limitations on dischargeability contained in...the United States Bankruptcy Code.”

In addition to consumer finance products, DFPI regulates state-chartered banks and credit unions, commodities and investment advisers, money transmitters, the offer and sale of securities and franchises, broker-dealers, nonbank installment lenders, payday lenders, mortgage lenders and servicers, escrow companies, Property Assessed Clean Energy (PACE) program administrators, debt collectors, rent-to-own contractors, credit repair and consumer credit reporting agencies, debt-relief companies, and more.

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