

Search...

## ARCHIVED INFORMATION

# U.S. Department of Education Announces Path for Debt Relief for Students at 91 Additional Corinthian Campuses

MARCH 25, 2016

**Contact:** Press Office, (202) 401-1576, [press@ed.gov](mailto:press@ed.gov) ([mailto: press@ed.gov](mailto:press@ed.gov)).

The U.S. Department of Education announced today that students who were defrauded at 91 former Corinthian Colleges Inc. (Corinthian) campuses nationwide have a clear path to loan forgiveness under evidence uncovered by the Department while working with multiple state attorneys general.

These campuses represent the largest group of borrowers eligible for loan relief so far from the ongoing investigation into Corinthian. In total, the Department has made findings of fraud against more than 100 of Corinthian's former campuses.

Students who attended Corinthian schools operated under its Everest and WyoTech brands in more than 20 states – Massachusetts, California, Illinois, Texas, Georgia, Colorado, Pennsylvania, Florida, Washington, Virginia, Ohio, West Virginia, Michigan, Minnesota, Nevada, Missouri, Indiana, Wisconsin, Oregon, New York, Utah, Maryland, New Jersey, and Wyoming – **can apply for debt relief through a form posted [here](https://studentaid.ed.gov/sa/about/announcements/corinthian) (<https://studentaid.ed.gov/sa/about/announcements/corinthian>)**. The Department is reaching out to those students through postal mail, email, partner organizations and other means.

U.S. Education Secretary John B. King Jr. made the announcement in Boston with Massachusetts Attorney General Maura Healey, whose office was instrumental in bringing forward evidence that Corinthian's two Everest Institute campuses in Massachusetts – Chelsea and Brighton – misrepresented their job placement rates to enrolled and prospective students. Students from multiple programs at those campuses can now apply for relief using the online process described above.

The Department's [Special Master Joseph A. Smith](http://www.ed.gov/news/press-releases/education-department-appoints-special-master-inform-debt-relief-process) (<http://www.ed.gov/news/press-releases/education-department-appoints-special-master-inform-debt-relief-process>) also attended the announcement. Smith delivered his [third report](http://www2.ed.gov/documents/press-releases/report-special-master-borrower-defense-3.pdf) (<http://www2.ed.gov/documents/press-releases/report-special-master-borrower-defense-3.pdf>) on borrower defense today, which outlined that the Department has approved loan discharges for more than 8,800 former Corinthian students nationwide, totaling more than \$130 million.

"When Americans invest their time, money and effort to gain new skills, they have a right to expect they'll get an education that leads to a better life for them and their families. Corinthian was more worried about profits than about students' lives," King said. "Through these important partnerships with states' attorneys general, we are

pleased to offer relief to Corinthian students who were defrauded. And we will continue to take action to protect students and taxpayers from unscrupulous companies trying to profit off of students who simply want to better their lives."

"For two years, our office has been working to secure loan forgiveness for students preyed upon by Corinthian. Today marks an important first step in providing the debt relief these students deserve," Healey said. "I thank the Department for its partnership and look forward to working together to help even more Corinthian students in Massachusetts and hold other predatory schools accountable for their illegal and unfair practices."

Last summer, the Department created a similar form for students at 12 Heald College campuses after fining the institution \$30 million (<http://www.ed.gov/news/press-releases/us-department-education-fines-corinthian-colleges-30-million-misrepresentation>) for misrepresenting job placement rates to current and prospective students. In November 2015, the Department, in conjunction with the California Attorney General, published additional findings of misrepresentation at 20 Everest and WyoTech campuses in California and Florida.

Smith and Department staff have been working closely with state attorneys general from Illinois, Wisconsin and other states across the country to identify wrongdoing that could provide former Corinthian students a basis for relief under federal law. The Department hopes to replicate these partnerships in other states.

"I'm pleased that the Special Master and his team are continuing to make it possible to provide relief to defrauded Corinthian students. To ensure students defrauded by other institutions can be made whole, the Department is currently drafting rules to simplify the process for submitting borrower defense claims," said Under Secretary of Education Ted Mitchell.

## Protecting Students and Taxpayers

Over the past seven years, the Obama Administration has taken aggressive and comprehensive action to address fraudulent, illegal and abusive practices in higher education. The U.S. Department of Education is working on multiple fronts to ensure that poorly performing or predatory institutions will no longer be able to take advantage of students and taxpayers. The Department's forceful new steps to protect students and provide them with opportunities for a high-quality, affordable education that prepares them for their careers has resulted in improved options for college-goers and increased protections for taxpayers.

### Student Aid Enforcement Unit

In February 2016, the Department established the Student Aid Enforcement Unit (<http://www.ed.gov/news/press-releases/student-aid-enforcement-unit-formed-protect-students-borrowers-taxpayers>) to respond more quickly and efficiently to allegations of illegal actions by postsecondary institutions. The Enforcement Unit is led by Robert Kaye, a well-respected enforcement attorney who was most recently a leader in the Federal Trade Commission's (<https://www.ftc.gov/>) work protecting consumers. Through his work as the Bureau of Consumer Protection's Chief Litigation Counsel and as a manager in the Bureau's Division of Enforcement, Kaye has considerable experience supervising and advising managers and attorneys engaged in consumer protection investigations, as well as federal court and administrative litigation.

The new unit will collaborate with state and federal agencies and will incorporate evidence gathered in investigations by those agencies in building cases against postsecondary institutions. The unit will also collaborate with the Department's office of Program Compliance regarding evidence which may impact ongoing compliance reviews. Moreover, the unit will utilize a broad set of interventions and tools, including subpoena authority, document demands, and interviews to enforce against violations of federal law. The Enforcement Unit consists of the following four divisions: **Investigations Group, Borrower Defense Group, the Administrative Actions and Appeals Service Group, and the Clery Act Group.**

## Borrower Defense to Repayment

In June 2015, the Department appointed Smith, an advocate for consumers and taxpayers, as a Special Master to the Department to help create a process for reviewing borrower defense claims that is fair, transparent, and efficient. This decision is intended to simplify the process of discharging loans under the current regulations where students have valid claims that qualify as defenses to repayment of their federal loans (borrower defenses), and to ensure students who have been subject to fraudulent behavior by schools receive the relief for which the students are eligible—all while protecting taxpayers.

In his [first report](https://www2.ed.gov/documents/press-releases/report-special-master-borrower-defense-1.pdf) (<https://www2.ed.gov/documents/press-releases/report-special-master-borrower-defense-1.pdf>), Smith discussed the legal and regulatory basis for the Department's approach to BD and the sequence of events leading to his appointment and his process going forward to evaluate borrower defense claims. The [second report](https://www2.ed.gov/documents/press-releases/report-special-master-borrower-defense-2.pdf) (<https://www2.ed.gov/documents/press-releases/report-special-master-borrower-defense-2.pdf>) documented progress made on a number of student debt-relief goals. This report also discussed the issues that Smith and his team continue to examine. In particular, Smith described his plans to develop rules for resolving borrower defense claims still under review and to pursue additional engagement with state attorneys general to expedite relief to students. Smith's third report released today identifies the relief provided to borrowers so far and describes how borrowers who were enrolled in Corinthian Colleges Inc.'s Everest and WyoTech programs can seek borrower defense relief. Smith's work will help inform the work of the Enforcement Unit.

To further formalize this process going forward, the Department has begun a [negotiated rulemaking process](https://s3.amazonaws.com/public-inspection.federalregister.gov/2015-20669.pdf) (<https://s3.amazonaws.com/public-inspection.federalregister.gov/2015-20669.pdf>) whereby the Department will seek not only to clarify how Direct Loan borrowers who believe they were defrauded by their institutions can seek relief, but also to strengthen regulatory provisions to hold colleges accountable for wrongdoing that results in loan discharges.

## Gainful Employment Regulations

To protect students enrolled in career training programs from becoming burdened by student loan debt they cannot repay, in October 2014 the Department published regulations that require career training programs to meet minimum thresholds in student outcomes—or risk losing access to federal student aid. These regulations, also known as the "gainful employment rule," hold career training programs accountable for putting their students on the path to success, and they complement action across the Administration to protect consumers and prevent and investigate fraud, waste and abuse, particularly at for-profit colleges.

To qualify for federal student aid, the law requires that most programs at proprietary institutions and certificate programs at all institutions prepare students for "gainful employment in a recognized occupation." By defining what "gainful employment" means, the new regulations distinguish programs that provide affordable training that leads to well-paying jobs from programs that leave graduates with poor earnings prospects and unmanageable debt. The regulations also support greater accountability for colleges by requiring institutions to disclose key information on program costs, graduation rates, employment outcomes, and student indebtedness. These disclosures empower students to compare across career training programs when searching for and selecting a program. The regulations also help the Department in its efforts to protect students from deceptive practices.

Based on available data, the Department estimates that about 1,400 programs serving 840,000 students would not pass the accountability standards. Institutions will have the opportunity to make immediate changes to their programs that could help them avoid sanctions, but if programs do not make these changes, they will ultimately become ineligible for federal student aid.

## Joint Task Force on the Oversight and Accountability of For-Profit Postsecondary Institutions

In October 2014, the Department formalized an [interagency task force \(http://www.ed.gov/news/press-releases/obama-administration-announces-final-rules-protect-students-poor-performing-career-college-programs\)](http://www.ed.gov/news/press-releases/obama-administration-announces-final-rules-protect-students-poor-performing-career-college-programs) to complement and build upon other actions by the Administration to protect students by addressing problems at poorly performing institutions of higher education, particularly in the for-profit sector. The purpose of the task force is to provide a means for federal agencies to share strategies and collaborate on the most effective ways to produce complementary protections for the public.

These strategies include developing more streamlined information sharing practices, producing effective consumer tools like updates to the College Scorecard and Financial Aid Shopping Sheet and sharing program expertise to identify best practices that minimize negative impacts from poorly performing institutions. Examples of these efforts include sharing relevant information of interest to task force members, such as the work underway at the [Department to develop processes and systems \(http://www.ed.gov/news/press-releases/us-department-education-takes-further-steps-protect-students-predatory-higher-education-institutions\)](http://www.ed.gov/news/press-releases/us-department-education-takes-further-steps-protect-students-predatory-higher-education-institutions) to provide relief to federal student loan borrowers who have legal claims against the institutions of higher education they attended.

## Calling on Congress to Do Its Part

The Department continues to take aggressive action to ensure that defrauded borrowers get the debt relief they are entitled to, to step up oversight and enforcement to identify colleges that present the greatest risk to students and taxpayers, and to hold schools accountable for their actions. But to fully address these issues, Congress must also take action. Congress should strengthen, not roll back, both consumer protections for students and accountability for colleges to make sure there are better oversight and enforcement tools in place to prevent colleges from harming students and leaving taxpayers holding the bag. The Department looks forward to working with Congress on such efforts.

The President's FY2017 budget calls on Congress to require that no more than 85 percent of a proprietary institution's revenue come from all federal sources – including grants to servicemembers, veterans and their family members from the Department of Defense (DoD) and Veterans Affairs (VA) . Under current law, proprietary institutions participating in federal student aid programs may receive no more than 90 percent of their revenue from the federal student loans and grants available through the Higher Education Act. But federal grants to servicemembers, veterans and their family members from the Department of Defense (DoD) and Veterans Affairs (VA), such as the post-9/11 GI Bill, that are used to pay for education are not counted in this calculation. This loophole allows institutions to receive almost all their revenue – and far more than 90 percent – from a combination of Department of Education grant and loan programs, DoD and VA student aid, and other federal sources. Closing the loophole and returning to 85 percent will discourage aggressive, and sometimes predatory and deceptive, marketing and recruitment of veterans and servicemembers who receive student aid under DoD and VA programs.

In addition:

- Congress needs to enact rules that hold colleges and their executives responsible for fraudulent acts, instead of leaving taxpayers with the bill when rules are broken.
- Students deserve truth in advertising. Congress needs to ensure students have access to meaningful information about college costs and outcomes and are not bombarded by aggressive and deceptive marketing.
- Students deserve better borrower protections. Congress should also consider preventative action to protect prospective and current students by ensuring that students are not pressured by schools into enrolling and can get relief when the program they signed up for is not what they were promised.