

Congressional Progressive Caucus
U.S. House of Representatives
Washington, D.C. 20515

April 20, 2015

The Honorable Arne Duncan
Secretary
U.S. Department of Education
400 Maryland Avenue, SW
Washington, D.C. 20202

Dear Secretary Duncan:

We write to ask that you provide debt forgiveness for the loans incurred from the predatory and deceptive practices by Corinthian Colleges Incorporated, which have left tens of thousands of current and former students with a huge amount of debt and little academic or vocational training to show for it. You have received petitions from current and former Corinthian students last month asserting a defense against repayment. While I commend you on the steps the Department has taken to hold these actors accountable, we ask that you exercise the full extent of your authority under the Higher Education Act to provide relief to the students who were harmed by Corinthian Colleges.

Complaints filed by the California State Attorney General's Office¹ and the Consumer Financial Protection Bureau² outline a clear pattern of abuse – all across the country potential students were lured into expensive education programs with false promises of job placement upon graduation. Executive level management at the schools stated in emails that their recordkeeping and auditing to determine job placement rates were inadequate. The same correspondence reveals that job placement rates for graduates were worse than the numbers the schools were reporting in marketing materials, disclosures to investors, and to the Department of Education.

These practices were so pervasive and egregious that they eventually agreed with the Department of Education, on July 3, 2014, that Corinthian would have limited access to Title IV funds and would sell off or close its U.S. schools. These schools should be shut down entirely so that current and former students may be refunded their tuition costs. While the Department of

¹ Filed Complaint: CA v Heald; Corinthian; Sequoia; Career Choices; Titan; Rhodes; Florida Metropolitan; Everest, https://oag.ca.gov/system/files/attachments/press_releases/Complaint%2C%20filed%20stamped_0.pdf

² Filed Complaint: Consumer Financial Protection Bureau v Corinthian Colleges Inc., http://files.consumerfinance.gov/f/201409_cfpb_complaint_corinthian.pdf

Education has chosen a different path forward, hundreds of students harmed by these schools continue to pursue relief from their predatory and debilitating debts.

The Department of Education's own promissory notes signed by all borrowers states³:

In some cases, you may assert, as a defense against collection of your loan, that the school did something wrong or failed to do something it should have done. You can make such a defense against repayment only if the school's act or omission directly relates to your loan or to the educational services that the loan was intended to pay for, and if what the school did or did not do would give rise to a legal cause of action against the school under applicable state law.

As the California Attorney General and Consumer Financial Protection Bureau complaints identify, these schools routinely violated state and federal consumer protection laws to mislead these students into taking on unsustainable debt to pay for educational services that were inadequate for obtaining employment. It has been widely reported that forgiveness of loans would cost taxpayers⁴, but the Department's own regulations at 34 CFR 685.206 clearly state:

The Secretary may initiate an appropriate proceeding to require the school whose act or omission resulted in the borrower's successful defense against repayment of a Direct Loan to pay to the Secretary the amount of the loan to which the defense applies.

We ask that the Department honor these students' defenses against repayment and collection on these fraudulent and predatory loans, and place the financial burden for these actions where it belongs – with the schools. We also request that the Department make it easier for students to submit such requests and provide clear guidance to Congress and to the public as to how the Department will evaluate similar requests in the future. The Department should also prevent dual-tracking by suspending wage garnishments and negative credit reporting while requests are being evaluated, and providing student loan servicers with clear instructions for handling defense against repayment petitions by students.

We are encouraged to see the Department is taking this matter seriously, as it recently fined Corinthian \$30 million and imposed other penalties on its remaining campuses based on findings of fraud and misconduct.

We worry for the future of these hardworking men and women who were responsibly pursuing an education only to be lured into inescapable debt, but we also fear that the Department's inaction on this matter could undermine the faith of future students in our education system.

³ Contents of Borrower Rights and Responsibilities Statement: <http://loanconsolidation.ed.gov/borrower/brights.html>

⁴ A Revolt is Growing as More People Refuse to Pay Back Student Loans, The Washington Post : <http://www.washingtonpost.com/news/get-there/wp/2015/03/30/a-revolt-is-growing-as-more-people-refuse-to-pay-back-student-loans/>

We look forward to your prompt and thoughtful response to these students' prayers for relief.

Sincerely,



Raúl M. Grijalva
Co-Chair
CPC



Keith Ellison
Co-Chair
CPC



Maxine Waters
Ranking Member
Financial Services