

# Congress of the United States

Washington, DC 20510

April 27, 2015

The Honorable Arne Duncan  
Secretary  
U.S. Department of Education  
400 Maryland Ave. SW  
Washington, DC 20202

Dear Secretary Duncan:

We are writing to request information about how the Department of Education advises federal student loan borrowers about the relief options available to them under federal law when their academic institutions are found to have engaged in unscrupulous or fraudulent activities.

Under the Higher Education Act, Congress provided the Department with a variety of tools to protect student loan borrowers and to ensure that they are treated fairly. For example, the Department has the authority to discharge student loan debts under certain conditions. Yet many times, borrowers are unaware that relief is available—even when the Department has information that would entitle borrowers to relief. We are concerned that students may not be receiving adequate information about the relief options available to them.

We are particularly concerned about the hundreds of thousands of students who attended Corinthian Colleges since 2009. As you know, federal and state regulators found that Corinthian Colleges engaged in unfair and deceptive practices to entice students to enroll and take on loans. Under a 2014 agreement with the Department of Education, Corinthian closed or sold 97 of its campuses.<sup>1</sup> In addition, two weeks ago, the Department fined Corinthian \$30 million for misrepresenting its graduate placement rates.

In instances like this, we believe the Department has the authority under the Higher Education Act to discharge certain loan debts of students who borrowed to attend Corinthian campuses.<sup>2</sup> We are aware that you have received similar requests for discharge from Senators, state attorneys general, and others on this matter as well.<sup>3</sup>

Corinthian students are not the only borrowers we believe may be eligible for relief. For example, more than 60,000 borrowers who attended schools owned or operated by Wilfred American Education Corporation were, according to a Department of Education Inspector

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<sup>1</sup> Department of Education, U.S. Department of Education Accepts Operating Plan from Corinthian Colleges, Inc. (July 3, 2014) (online at <https://www.ed.gov/news/press-releases/us-department-education-accepts-operating-plan-corinthian-colleges-inc>).

<sup>2</sup> 20 U.S.C. §1087e(h)

<sup>3</sup> See, e.g., Letter from Attorneys General of Massachusetts, California, Connecticut, Illinois, Kentucky, New Mexico, New York, Oregon, and Washington to The Honorable Arne Duncan (Apr. 9, 2015) (online at <https://oag.ca.gov/sites/all/files/agweb/pdfs/letter-asg-arne-duncan-04-09-2015.pdf>).

General report, duped into taking on loans for which they were not qualified.<sup>4</sup> Since most Wilfred American borrowers are not aware of these findings, the student loan program continues to take their money.<sup>5</sup>

Congress created these relief provisions to ensure that student loan borrowers are treated fairly. Students should not have to hire attorneys or become private investigators to find out what the government already knows—that they are eligible for student loan relief under federal law.

We request that you take immediate action to identify and inform students with loans eligible for relief that they may qualify for discharge or cancellation. In addition, we request that you provide the following information:

1. copies of Department policies and procedures for identifying and informing borrowers who are eligible to assert a defense to repayment or receive a discharge cancellation or other relief of a federal Direct or federally-guaranteed student loan based on an institution's acts or omissions, the closure of a school, unpaid refunds, or the false certification or unauthorized payment of a student loan;
2. guidance the Department provides to its servicers related to identifying and advising borrowers who are assert a defense to repayment or receive a discharge cancellation or other relief based on an institution's acts or omissions, the closure of a school, unpaid refunds, or the false certification or unauthorized payments of student loans;
3. the number of students over the past two years who the Department has determined had loans eligible for discharge, cancellation, or other relief; the total value of these loans; and the number of students who have been informed by the Department that they are eligible for discharge, cancellation, or other relief based on an institution's acts or omissions, the closure of a school, unpaid refunds, or the false certification or unauthorized payments of student loans; and
4. the number of students over the past two years who have requested discharge or cancellation, or other relief, and the total value of the loans that have been requested to be discharged or cancelled based on an institution's acts or omissions, the closure of a school, unpaid refunds, or the false certification or unauthorized payments of student loans.

Please provide all answers to questions three and four broken down by loan servicer. We would appreciate receiving your response to this letter by May 19, 2015. Should you have any questions regarding this matter, please contact Jimmy Fremgen of the Oversight and Government Reform Committee's Democratic staff at (202) 225-4741 or Brian Cohen of Senator Warren's staff at (202) 224-4543.


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<sup>4</sup> *Salazar v. Duncan*, 14 Civ. 1230, 5-6 (S.D.N.Y. 2015) (citing Inspector General report).

<sup>5</sup> *Id.*

Thank you for your attention to this matter.

Sincerely,



Elizabeth Warren  
United States Senator



Elijah E. Cummings  
Ranking Member




Richard J. Durbin  
United States Senator



Al Franken  
United States Senator



Jack Reed  
United States Senator



Edward J. Markey  
United States Senator