

Congress of the United States

Washington, DC 20510

November 9th, 2015

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

Joseph A. Smith
Special Master
U.S. Department of Education
400 Maryland Avenue, SW
Washington, D.C. 20202

Dear Secretary Duncan and Special Master Smith:

We write to urge the Department of Education (ED) to rely on the recent federal district court ruling that Corinthian Colleges, Inc. broke federal consumer protection laws as further justification for granting immediate, class-wide debt relief to former Corinthian students. The Department has said that it is "working to find ways to fast track relief based on legal findings for large groups of students" that would remove the need for students "to make any individual showing that they were affected by the school's fraud."¹ The Department should use this judgment to make good on that promise to students and move expeditiously in granting relief for Corinthian's former students who were the victims of harmful and deceptive practices.

In September 2014, the Consumer Financial Protection Bureau (CFPB) filed a lawsuit in the U.S. District Court for the Northern District of Illinois, alleging that Corinthian engaged in unlawful, unfair, abusive, and deceptive practices, luring tens of thousands of students into taking out predatory private loans by making material misrepresentations or omissions to students regarding the likelihood of receiving a job upon graduation.² On October 27, a federal judge agreed, granting a default judgment against Corinthian for violating federal consumer protections laws and ordering the company to pay \$531 million to the CFPB.³

Among several findings of wrongdoing, the judgment specifically found that Corinthian violated the Consumer Financial Protection Act of 2010 (CFPA) ban on deceptive practices by misrepresenting job prospects and career services available to students to induce them into taking on debt.⁴ The company then engaged in predatory collections practices that directly interfered

¹ Under Secretary of Education Ted Mitchell, Press Call on Student Borrower Protections, Assistance, June 8, 2015 http://www.huffingtonpost.com/davidhalperin/arne-duncan-transcript-so_b_7557408.html

² Complaint, Consumer Financial Protection Bureau v. Corinthian Colleges, Case No. 1:14-cv-07194, Doc. No. 1, (N.D. Ill. Sept. 16, 2014)

³ Default Judgment and Order, Consumer Financial Protection Bureau v. Corinthian Colleges, Case No. 1:14-cv-07194, Doc. No. 58, (N.D. Ill. Oct. 27, 2015)

⁴ U.S.C. § 5536(a)(1)(B).

with the educational services for which students were paying. The judge further ruled that Corinthian caused “substantial injury” to students by “...barring or pulling them from class, withholding educational resources, and otherwise preventing them from gaining access to educational courses or materials for which they had already paid...” to pressure students into repaying their homegrown loans with sky-high interest rates.⁵

Corinthian’s fraudulent actions ultimately led to its collapse and bankruptcy. As such, Corinthian and its executives are off the hook for financial liability in this and other judgments. We remind the Department that former students who were defrauded by Corinthian are not afforded this escape hatch, and remain liable for their debts unless the Department uses the tools that Congress has given it to grant immediate relief.

A federal judge has ruled that Corinthian lied to students by misrepresenting job prospects in order to get them to take on more and more federal and private debt, and in doing so, the school broke the law. The Department has already publicly documented this wrongdoing at Heald and three Everest campuses in Georgia, Minnesota, and West Virginia.⁶ The law gives the Department broad authority to discharge loans when schools break the law, and we urge you to act to ensure that students *receive* the relief to which they are entitled under the law. Corinthian’s unlawful and deceptive acts also give rise to a cause of action under state laws, most of which have standards that are the same as, or similar to, the CFPA standards. Therefore, the Department should rely on the Northern District of Illinois’ judgment as sufficient proof of Corinthian’s unfair and deceptive practices, thus warranting a defense to repayment for Corinthian students.

This federal court ruling gives the Department a clear basis for implementing full, immediate, class-wide discharge to Corinthian’s former students who were the victims of harmful and deceptive practices, including all Direct and FFEL Loan borrowers who attended Corinthian since 2008 when the school began issuing its predatory loans. This judgment provides ample justification for the Department to expedite defense to repayment claims.

Rather than requiring Corinthian’s students to opt into relief, the Department should proactively grant relief to the borrowers it knows were cheated, without requiring borrowers to submit any onerous applications or other paperwork. There is no need for borrowers who were victims of harmful practices to have to jump through any additional hoops to verify information that the Department can already ascertain from enrollment records, state and federal investigations, and now, this federal judgment.

Thank you for your attention to this issue and we look forward to continuing to work with you.

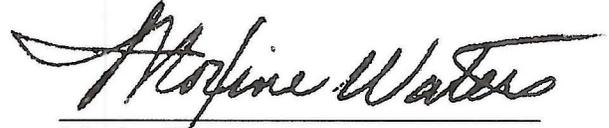
⁵ Default Judgment and Order, Consumer Financial Protection Bureau v. Corinthian Colleges, Case No. 1:14-cv-07194, Doc. No. 58, (N.D. Ill. Oct. 27, 2015)

⁶ Department of Education, “U.S. Department of Education Fines Corinthian Colleges \$30 million for Misrepresentation,” April 14, 2015 <http://www.ed.gov/news/press-releases/us-department-education-fines-corinthian-colleges-30-million-misrepresentation>; Mary E. Gust, Federal Student Aid, “Denial of Recertification Application to Participate in the Federal Student Financial Assistance Programs,” Letter to Jack Massimino, CEO, Corinthian Colleges, August 22, 2014, available at <http://www.republicreport.org/2014/dept-of-education-letter-corinthian-misled-students-and-overseers-about-job-placement/>.

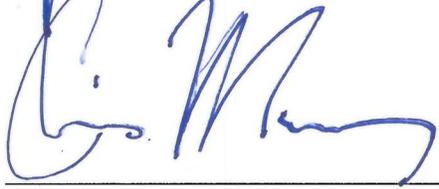
Sincerely,



Elizabeth Warren
United States Senator



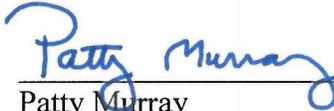
Maxine Waters
Member of Congress



Christopher S. Murphy
United States Senator



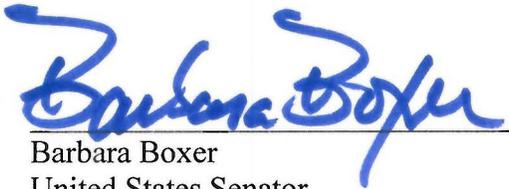
Robert C. "Bobby" Scott
Member of Congress



Patty Murray
United States Senator



Elijah Cummings
Member of Congress



Barbara Boxer
United States Senator



Keith Ellison
Member of Congress



Richard J. Durbin
United States Senator



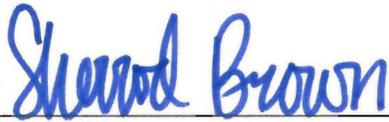
Janice Hahn
Member of Congress



Jack Reed
United States Senator



Jeff Merkley
United States Senator



Sherrod Brown
United States Senator



Sheldon Whitehouse
United States Senator



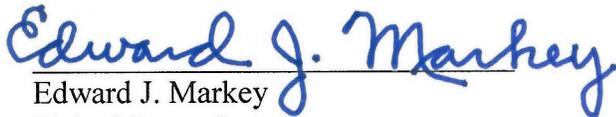
Al Franken
United States Senator



Richard Blumenthal
United States Senator



Tammy Baldwin
United States Senator



Edward J. Markey
United States Senator

Cc: Consumer Financial Protection Bureau, Director Richard Cordray