

# Insult to Injury: How the DeVos Department of Education is Failing Defrauded Students



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## Executive Summary

What happens when a predatory college deceives a student in order to get that student to enroll?

For tens of thousands of students, this deception results in a useless education, academic credits that do not transfer, and a massive student loan debt with few options for help.

The Department of Education, however, has legal authority to provide defrauded students with complete, immediate, and automatic relief from their federal student loan debt under the Borrower Defense to Repayment provision of the Higher Education Act. Although this authority went largely unused for decades, following the collapse of for-profit giants Corinthian Colleges and ITT Technical Institute (“ITT Tech”), there has been a surge in Borrower Defense applications from defrauded students seeking relief from their loans.

This staff report examines the current status of Borrower Defense discharges under Education Secretary Betsy DeVos and the Trump Administration. It includes recent data on the tens of thousands of unprocessed claims for relief, and profiles of student borrowers currently being held in limbo as Secretary

DeVos and the Trump Administration refuse to act on their claims for loan cancellation. This report finds:

- According to data sent by the Department of Education to Senate Democrats, there were 65,169 borrower defense claims pending as of July 7, 2017. Since July, the number of pending claims has dramatically increased. According to recent reports, the number of pending borrower defense claims has ballooned to more than 87,000 as of October 24, 2017. **The total number of pending borrower defense claims are increasing under the Trump Administration, growing from 65,169 to 87,000 between July 2017 and October 2017.**
- **Since the Trump Administration took office, zero borrower defense claims have been approved.** In contrast, nearly 32,000 applications were approved by the Obama Administration between December 2015 and January 2017.
- Some borrowers have been waiting more than two years to hear whether their loans will be forgiven. **Individuals note significant mental and financial distress as they await the outcome of their Borrower Defense claim request.**

## Introduction

On May 4, 2015, almost a year after it became clear the company could not survive, for-profit giant Corinthian Colleges, Inc. filed for bankruptcy, closing nearly 30 campuses and leaving tens of thousands of students to pick up the pieces.<sup>1</sup> At the time, it was the largest collapse of an institution of higher education in American history.

For years before collapsing beneath the weight of its own wrong-doing, Corinthian was under investigation or being sued by nearly two dozen state and federal agencies, including the U.S. Department of Education (“the Department”), for defrauding students and exhibited the warning signs of financial mismanagement. The subsequent meltdown left an estimated 350,000 students with worthless degrees or credits and mountains of fraudulent student loan debt.<sup>2</sup>

Federal courts found that fraud was central into Corinthian’s entire operation. In October 2015, a

federal judge granted the Consumer Finance Protection Bureau default judgment against Corinthian for violating federal consumer protection labor laws. The judge ordered the defunct company to pay \$531 million for defrauding students.<sup>3</sup> And, in March 2016, then-California Attorney General Kamala Harris obtained a \$1.1 billion default judgment against the company for its predatory and unlawful practices.<sup>4</sup> Among Harris’ findings was Corinthian’s practice of providing prospective students with job placement rates that were 80% higher than the actual rate.<sup>5</sup> Unfortunately, the company’s bankruptcy letter meant Corinthian would never pay what it owed to students under these judgements.

Corinthian’s dramatic collapse left tens of thousands of students who had relied on what later turned out to be lies, misrepresentations, and false information—including falsified job placement rates and false guarantees of credit transferability—deep in student

loan debt without a meaningful degree or useable credits to show for it. As more and more fraud came to light, students, veterans, legal aid attorneys, consumer advocates, and Members of Congress began urging the Department to use its existing Borrower Defense

## Borrower Defense

In 1992, Congress amended the Higher Education Act to add the Borrower Defense provision, which directed the Secretary of Education to establish rules to allow students who were defrauded by their colleges to receive a discharge of their federal student loans, giving borrowers the legal right to have their loans cancelled due to their schools' misconduct:

**“Notwithstanding any other provision of State or Federal law, the Secretary shall specify in regulations which acts or omissions of an institution of higher education a borrower may assert as a defense to repayment of a loan made under this part,** except that in no event may a borrower recover from the Secretary, in any action arising from or relating to a loan made under this part, an amount in excess of the amount such borrower has repaid on such loan.”<sup>6</sup>

In 1994, the Department of Education—following Congressional directive—promulgated a regulation specifying the circumstances under which a student may assert a borrower defense. The 1994 regulation specifies that, “the borrower may assert as a defense against repayment, **any act or omission of the school attended by the student that would give rise to a cause of action against the school under applicable State law.**”<sup>7</sup>

In other words, the Department decided in 1994 that if a college or university engaged in behavior that would violate state law, borrowers could have their federal student loans obtained to attend that institution cancelled. The regulation also specified the defrauded borrower “is relieved of the obligation to repay all or part of the loan and associated costs and fees that the borrower would otherwise be obligated to pay.” The Department can also “[r]eimburse the borrower for amounts paid toward the loan,” “[d]etermine that the borrower is not in default on the

legal authority to provide complete, immediate, and automatic relief to all students who were the victims of Corinthian’s fraud arguing that students should not be left holding the bag for Corinthian’s predatory and fraudulent practices.

loan,” (making them again eligible for federal loans and grant), and “[u]pdat[e] reports to consumer reporting agencies” if the Department had made an adverse credit report with regard to the borrower’s student loan.<sup>8</sup> Around the same time, the Department added language to reflect this new regulation in its student loan contracts.<sup>9</sup> Since then, all federal student loan contracts with students have specified that borrowers can assert a defense against repayment. Over the years, the Borrower Defense Provision has been rarely used, but Corinthian’s implosion resulted in an avalanche of tens of thousands of claims into the Department of Education.

### *A Standard Process*

In June 2015, the Department announced a standard process and application for federal student loan borrowers, including Corinthian borrowers, to assert a Borrower Defense claim.<sup>10</sup> The Department also announced it would provide expedited relief through a simple attestation form for certain Corinthian borrowers covered by official Department findings against the school.<sup>11</sup>

“[If] you’ve been defrauded by a school, **we’ll make sure that you get every penny of the debt relief you are entitled to through a streamlined process** – as streamlined a process as possible. We’re going to make that as simple as we legally can, while also safeguarding the interest of taxpayers...” – Arne Duncan, Former Secretary of Education<sup>12</sup>

“[W]e are working to **find ways to fast track relief based on legal findings for large groups of students**, such as those enrolled in the whole program at a particular school at a particular time and place. That means that **there’s no need for these students to make any individual showing that they were affected by the school’s fraud,**



which will make for a much simpler and quicker process.” – Ted Mitchell, Former Under Secretary of Education<sup>13</sup>

On December 3, 2015, the Department of Education finally announced its first wave of Borrower Defense discharges. The Department initially discharged the loans of 1,312 students who had attended Heald, a school within the Corinthian network, and had submitted a Borrower Defense application.<sup>14</sup>

In March 2016, the Department announced additional findings of fraud and expanded its expedited relief program for additional Corinthian students who the Department acknowledged were defrauded at 91 former campuses.<sup>15</sup> Throughout 2016, the Department slowly approved more claims from former Corinthian College students, but the rate of incoming claims for discharge far outpaced the Department’s sluggish approval process as Members of Congress continued to call for automatic group relief for defrauded Corinthian borrowers that would not require an individual application.<sup>16</sup>

On September 6, 2016, after years of its own financial and legal troubles, ITT Technical Institute (“ITT Tech”) announced that it was shutting down all 130 of its campuses across the United States. The company filed for bankruptcy on September 16, 2016. ITT Tech’s well documented misconduct unleashed a new wave of viable Borrower Defense claims. Together, Corinthian and ITT Tech account for approximately 80% of pending borrower defense claims. As more misconduct from other for-profit schools has come to light, students from every state in the country have submitted Borrower Defense claims related to a slew of for-profit institutions.

On January 13, 2017, the Department announced that it had granted discharges for roughly 28,000 Corinthian students across the country and was beginning to award the first discharges to ITT Tech students.<sup>17</sup> The Department also announced its first automatic group discharge, meaning borrowers did not have to submit an individual Borrower Defense application to the Department, for 4,000 students at the American Career Institute in Massachusetts. This group discharge stemmed from an investigation conducted by Massachusetts Attorney General Maura Healey.<sup>18</sup>

## *The Trump Administration Hits the Brakes*

Upon taking office on January 20, 2017, the Trump Administration abruptly hit the brakes, halting relief. **Since President Trump’s inauguration nearly ten months ago, the Department of Education has not approved a single borrower defense claim for relief.**

Despite the growing backlog of borrower defense claims, the Department of Education, under Secretary Betsy DeVos, has demonstrated little interest in helping students get the relief to which they are legally entitled. Instead, the Department is reportedly developing – behind closed doors – a convoluted and legally dubious to grant partial relief to defrauded borrowers based on a Department judgment about how much student loan relief defrauded borrowers “deserve” rather than the full amount of their loans.<sup>19</sup> The Administration has also illegally delayed a set of Borrower Defense rules that would have established a federal standard for relief and would have further outlined a process for discharges.

Secretary DeVos has mischaracterized the ease by which students can get approved under borrower defense, suggesting:

**“Under the previous rules, all one had to do was raise his or her hands to be entitled to so-called free money.”<sup>20</sup> – Secretary Betsy DeVos**

In reality, there are reportedly over 87,000 students with claims for relief pending before the Department.<sup>21</sup> They include students who attended Corinthian and ITT Tech, but also schools like DeVry and the University of Phoenix and the defunct Westwood Colleges. While their claims for relief languish at the Department, their lives go on – the rent needs to be paid, children need to be fed.

They wake up every day with their enormous student loan burden hanging over their heads. Their time in college certainly changed their lives, but not in the way the glossy, colorful college brochure told them it would. This report tells a few of those stories - though for every student profiled in this report, there are countless other defrauded students out there living with student loan debt who qualify for relief, but for one reason or another have not yet applied.

- Borrower Defense is the process for student loan borrowers to have their federal student loan debts cancelled because the school they attended defrauded them and broke the law.
- The consumer protection principle that forms the basis of Borrower Defense is that someone who borrowed money for the purchase of a good or service, from someone other than the seller, should be released from that debt if the good or service turns out to be fundamentally defective. In the context of student loans, this principle means that student loan borrowers cannot be forced to repay their debt if their school broke the law by using unfair and deceptive practices.
- Borrower Defense applies to all federal student loans covered by 20 U.S.C. §1087e(h). The Department is legally bound to honor the right of borrowers to have their loans cancelled based on schools' unlawful activity where it is a term of student loan contracts.
- The Department has the legal authority to write the rules around Borrower Defense, but it cannot eliminate Borrower Defense altogether because it is a provision in the Higher Education Act, and Congress has specified that the Department must find a way to recognize school misconduct as a defense to loan repayment.
- Even absent the Higher Education Act, other federal consumer protection laws, such as the Federal Trade Commission Act, provide legal rights for student loans taken out to attend colleges that must follow these laws. Furthermore, the Department's relationship with schools participating in the federal student loan program is a basis for borrowers to raise severe misconduct of schools to nullify the Department's right to collect on related loans.
- School misconduct that creates a Borrower Defense includes misleading students or prospective students about employment prospects, program costs and the nature of loans, ability to transfer credits, availability of career services, and quality of educational services. These misrepresentations have been essential in convincing students to attend fraudulent schools.
- Participation agreements between the Department of Education and schools that receive federal student aid dollars require schools to act lawfully towards students, and give the Department the right to take money back from schools that violate these rules. The Department has the legal right to recover directly from the school every dollar of loans cancelled because of school misconduct. The Department also can limit or terminate a school's participation.

### *Why Students Don't Sue*

Students often don't bring lawsuits against fraudulent schools because schools may go out of business before students have the chance to even bring a lawsuit. And students of for-profit schools generally cannot bring lawsuits – either individually or as part of a class – because for-profit schools force students to sign away these rights as a condition of enrollment, as was the case with Corinthian and ITT Tech. Instead, students are forced to agree to pre-dispute arbitration. Arbitration lacks the procedures and precedents of the court system and stacks the deck in favor of the institution. The outcomes of these proceedings are often secret, which limits public disclosure of fraud and abuse and prevents appropriate scrutiny by accreditors and regulators.

## Methodology

This report consists of two main parts. It presents the most recent data on pending Borrower Defense claims. These data were received by Senate Democrats from the Department of Education through several data requests.

The second part of this report consists of profiles of

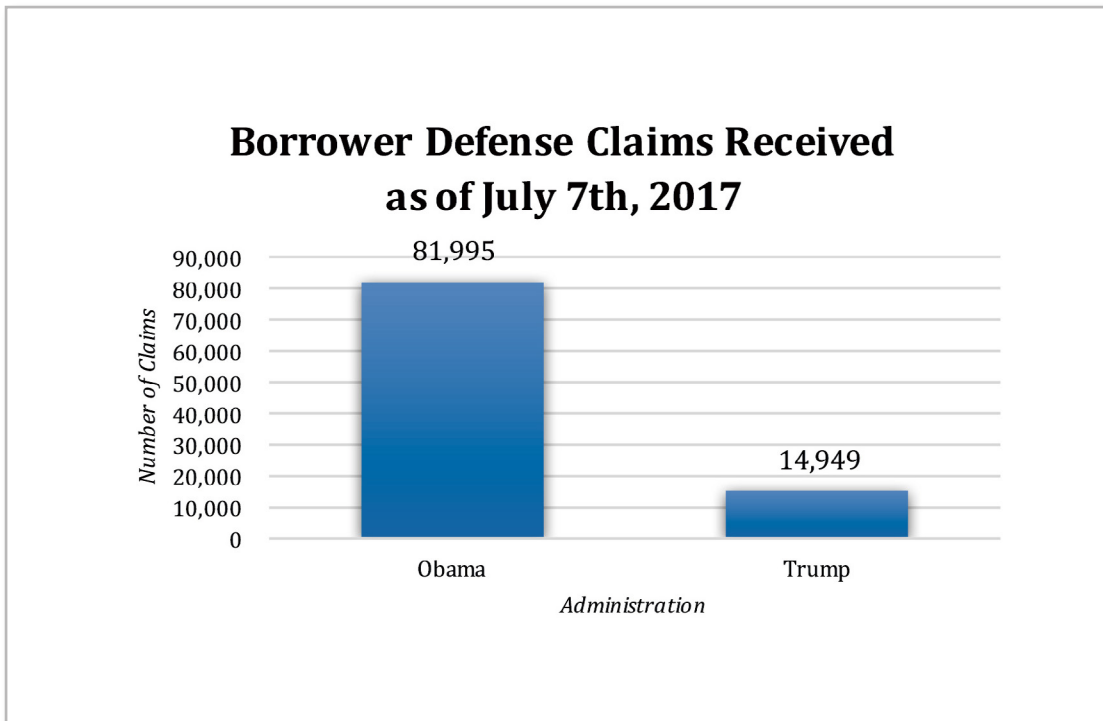
borrowers with pending Borrower Defense claims. The profiles included in this report were compiled using 40 to 60 minute interviews conducted during the Fall of 2017. Respondents identified in the report gave their permission to be listed and quoted, when applicable. Where necessary, minor edits to responses have been made for style and consistency.

## Findings

### I. Thousands of Borrowers Have Pending Borrower Defense Claims with the Department of Education

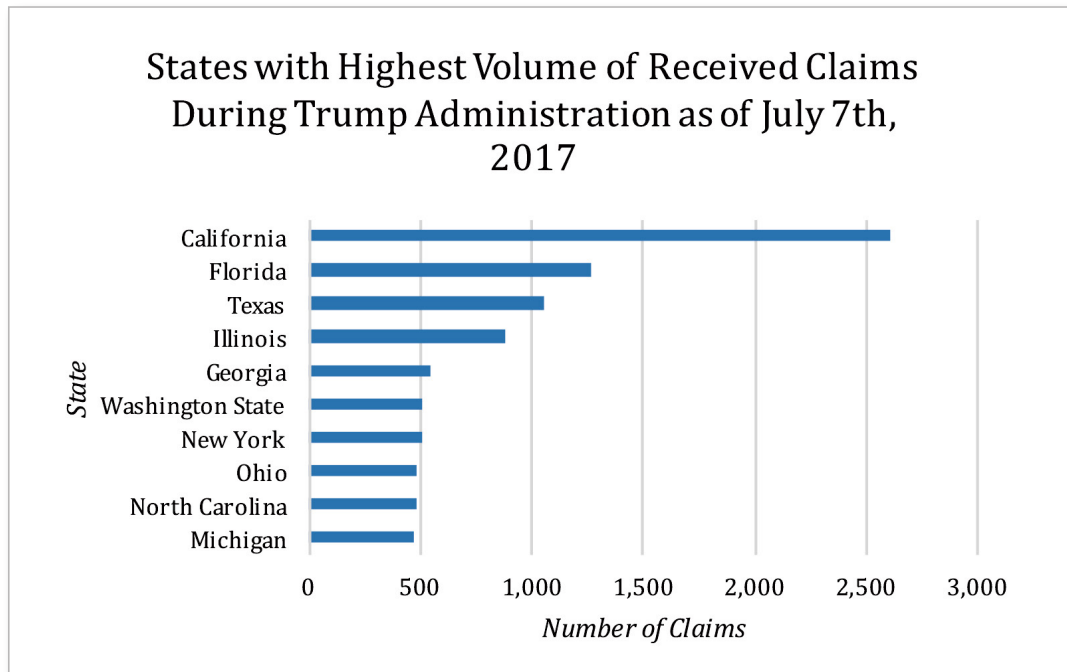
#### Data on Pending Borrower Defense Claims (As of July 7th, 2017) <sup>22</sup>

According to data sent by the Department of Education to Senate Democrats, since the collapse of Corinthian Colleges through July 7, 2017, 96,944 borrowers have submitted Borrower Defense claims to the Department of Education. The Obama Administration received 81,995 claims, while the Trump Administration has received 14,949. Importantly, these totals are individual borrower claims for relief and may not include thousands of group claims from state Attorneys General and legal aid attorneys.



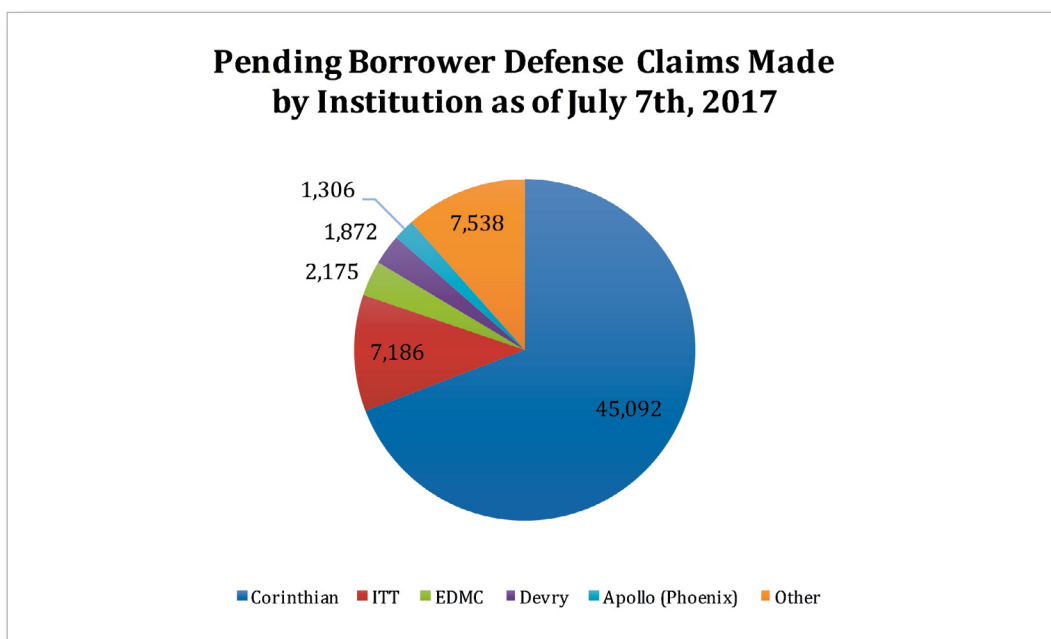


Among the 14,949 claims submitted under the Trump Administration, California submitted the most claims (2,605), followed by Florida (1,258), Texas (1,054), Illinois (877), Georgia (540), Washington State (507), New York (499), Ohio (477), North Carolina (476), and Michigan (468).



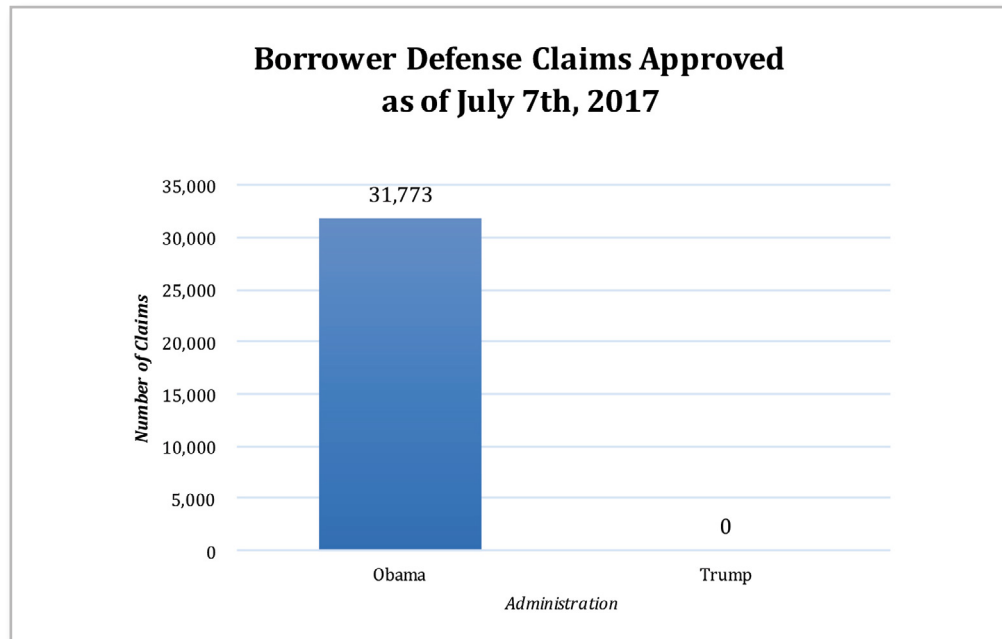
Across the two administrations, the data also reveal that as of July 7th, 2017, there were 65,169 borrower defense claims pending with the Department of Education.

The majority of these claims are from borrowers associated with for-profit colleges: Corinthian borrowers were the highest (45,092 or 69.2%), followed by ITT Tech borrowers (7,186 or 11.0%), and Education Management Corporation (EDMC) borrowers (2,175 or 3.3%).

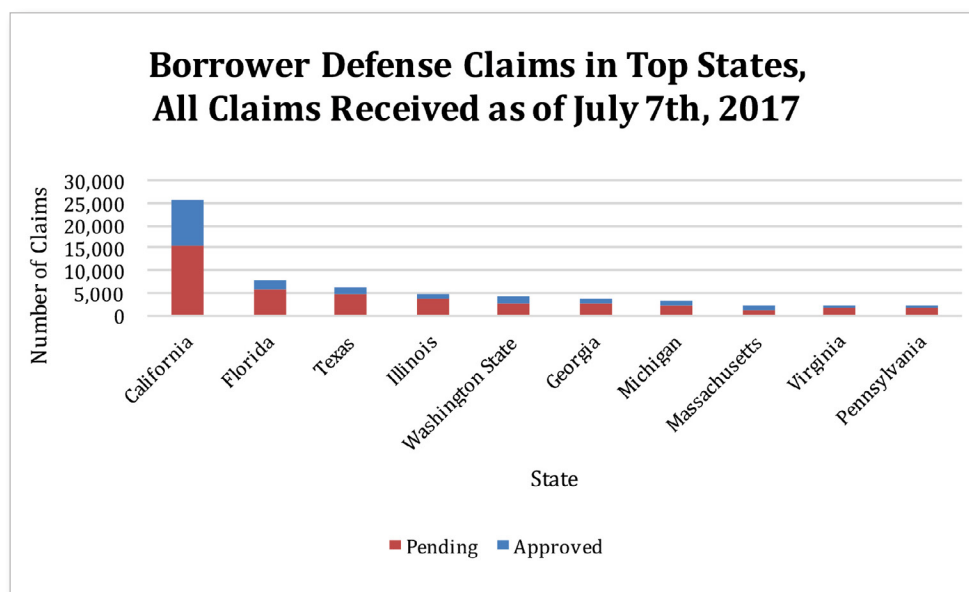


Since July, the number of pending claims has dramatically increased. According to recent reports, the number of pending borrower defense claims has ballooned to more than 87,000 as of October 24, 2017.<sup>23</sup> The total number of pending borrower defense claims are increasing under the Trump Administration, growing from 65,169 to 87,000 between July 2017 and October 2017.

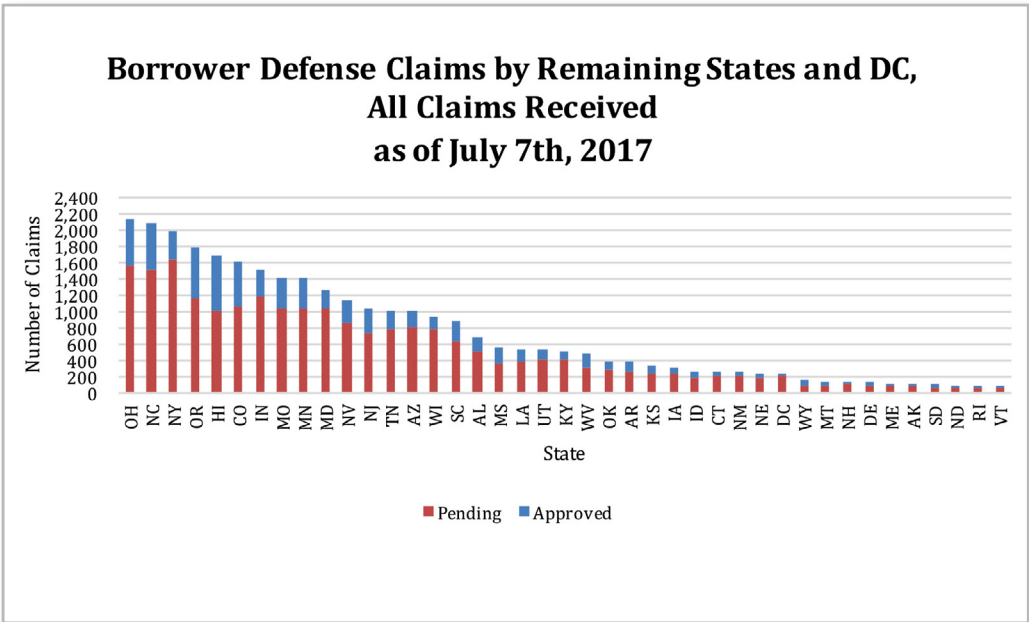
However, since the Trump Administration has taken office, zero borrower defense applications have been approved. In contrast, 31,773 applications were approved by the Obama Administration between December 2015 and January 2017, including around 4,500 claims in connection with the American Career Institute in Massachusetts.



Among states submitting claims, California submitted the most (25,653 total claims, 15,465 claims pending), followed by Florida (7,811 total claims, 5,744 claims pending), and Texas (6,274 total claims, 4,489 claims pending).

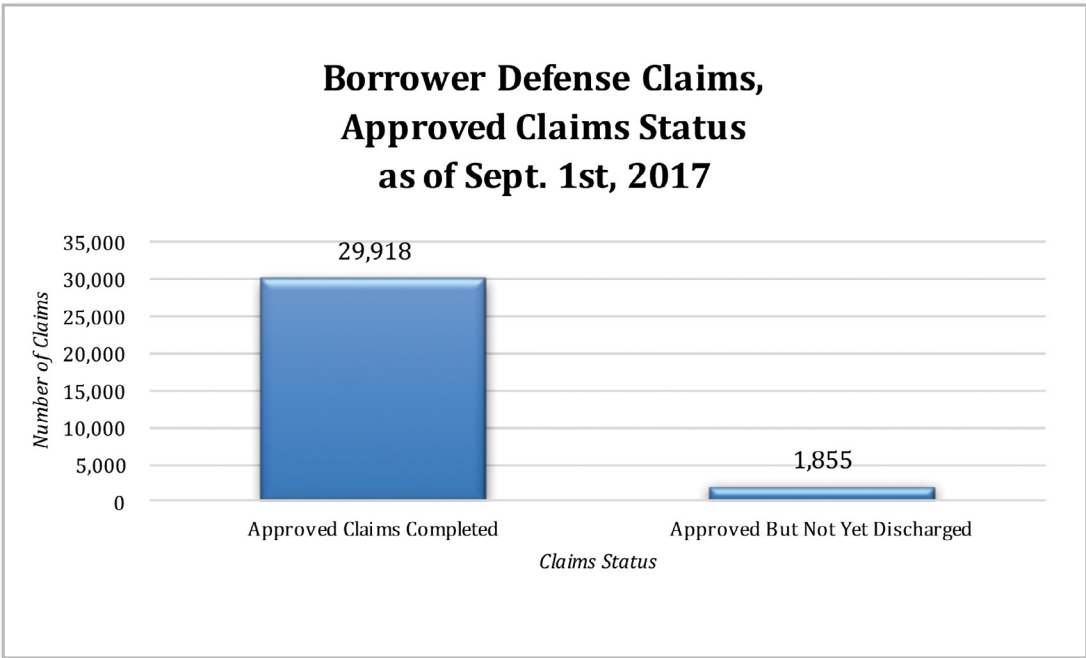


However, there are notably pending borrower defense claims in all 50 states and the District of Columbia.



On September 1, 2017, Senate Democrats received an update from the Department of Education on the status of claims that had been approved by the Obama Administration but not yet discharged.

This update revealed that up to 1,855 borrower defense claims had been approved by the Obama Administration before January 20, 2017, but still had not been discharged by the Trump Administration as of September 1, 2017.



## II. Defrauded Borrowers Note Significant Mental And Financial Distress As They Await The Outcome Of Their Request.

### Borrower Profiles

#### Erika C., Massachusetts

**Institution:** Everest College (Corinthian)<sup>24</sup>

**Degree(s):** Diploma, Medical Administrative Assistant

**Total loan debt:** \$9,000

*“I was lied to...When we sign up for these schools we only know what we are getting because of what they tell us: ‘You’re going to get out in the field and make this much money’... I was excited, breaking my back, staying up late, and carrying all these books around, taking notes, for what? For nothing. At the end of the day all we end up with is debt.”*

Erika, a single mother of three, heard about Everest on TV. In the hope of starting a new career in a hospital, she enrolled in the medical administrative assistant program. The enrollment counselor emphasized job placement rates and suggested “there is going to be resources if they didn’t hire you from the externship.” Despite these lofty claims, Erika was quickly disappointed: **“everything felt like a waste. It was not useful information, when we had a test, we had a cheat sheet, and everyone had good grades. It felt like we were in elementary school.”**

When Erika was supposed to enter her externship, she had a medical emergency and was out of school for 2 weeks. Upon returning, Everest **“failed to put me in my externship because you couldn’t miss more than 5 days, even though I had a medical excuse. I ended up finding my own externship...I was in a dental office, Everest said I would be in a hospital—that was my goal.”**

After graduating, Erika discovered the real value of her Everest diploma: **“people kind of brushed [my education] off like it was nothing. Sometimes I don’t even mention that I went there.”** Erika’s diploma is “in my junk drawer.” When Erika tried to transfer to a Massachusetts Community College, no credits transferred, despite Everest telling her that **“any credits would roll over if I wanted to go to college.”**

Erika borrowed around \$15,000 in federal student loans: **“It made me feel nervous, it made me nervous**

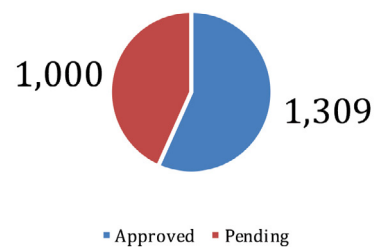
**that I would not have the money to pay it back.”**

Erika has been in repayment “faithfully,” leaving her with a current balance of \$9,000. She thinks about her student loans “almost every day”: **“it puts a dent in my income, but I was trying to pay as much as I can.”**

**“[Everest] failed to teach us valuable information, we thought we would all get good paying jobs, when we would call them [for job assistance], no one would help. We would call and they never called back.”**

Erika submitted her Borrower Defense application in October 2016 but has received only one email from the Education Department explaining that her application is being reviewed. Erika is frustrated by the lack of communication and action by the Department of Education: **“I am not asking for the money I paid, but if they can eliminate the money I owe now that would help [with my expenses and taking care of my kids].”**

**Claims Status, Massachusetts  
(All Claims)  
as of July 7th, 2017**



#### Mr. Brown, Tennessee

**Institution:** ITT Technical Institute

**Degree(s):** A.A.S., Computer Network Systems;

B.A.S., Data Communication System Technology

**Total loan debt:** \$100,000

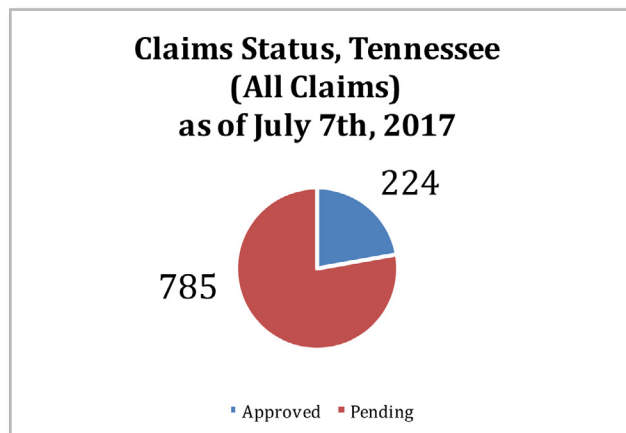
**“I put all my blood and sweat into that education and all I have is debt... My daughter asked, ‘why did you take your degrees off the wall?’ I said, ‘I want to do things the right way and these schools did everything the wrong way.’”**

Brown, a first-generation college student, began his education at ITT Technical Institute (“ITT Tech”) as a full-time, night student. Due to program offerings, ITT Tech was his first choice school. Brown thought he was in a unique situation because he “was pretty much working in my field” prior to enrolling. He also noted his boss “believed in hiring people from technical schools,” so he thought the degree would be worthwhile.

Brown’s optimistic outlook on his education changed: “If I did not get a masters [from another school], I would be in a world of trouble. If you only have ITT Tech on your resume, it is a problem...**The brand integrity of [ITT Tech] has been compromised. I am not going to pay this back...I have a resume that has degrees from ITT Tech. I fight with taking them off.**” Although Brown had some knowledge about loans, the process around repayment was less clear. He attributed this, in part, to being a night student and not having “the full onslaught of financial aid folks.” Subsequently, Brown was repeatedly contacted by a debt collection company about his student loans until he submitted an application for Borrower Defense in December 2016.

Brown submitted an application for Borrower Defense in December 2016, along with 36 documents—far more than required—but received limited communication from the Department of Education. In September 2017, after contacting the Education Department, the Department told Brown that the Borrower Defense process takes “one year at best, maybe two years.”

**“It has been a year, what are we waiting on? The application requires four documents!”**



## **Ami Schneider, Illinois**

**Institution:** The Illinois Institute of Art (EDMC)

**Degree(s):** B.F.A., Digital Photography

**Total loan debt:** \$30,000

***“The school defrauded me plain and simple, and I have the evidence.”***

Ami is a first-generation college student, who enrolled at The Illinois Institute of Art due to its geographic proximity to home and ability to fit with her work schedule. She believed it would allow her to save money on housing and room and board.

Ami was disappointed by her poor education experience: **“In class, we did not learn the skills we were supposed to be learning...The industry was over saturated and I did not have the skills to be a good photographer.”**

Despite being on the Dean’s list and graduating with honors, Ami found it nearly impossible to find a job upon graduation: “Employers don’t see it as a reputable institution...If it is on my resume, it looks bad or they don’t care. The degree has never opened any gainful employment.”

Ami is now saddled with debt. “[Illinois Institute of Art] convinced my mom that I would get grants... **Grants and scholarships barely did anything. \$76,000 was the tuition they quoted. Ended up with loans over \$100,000...They just took us out of classes and had us sign things...**[We] only met with financial aid at the beginning of school...”

“[M]y loans ran out. They had [my mom] come in and write a check for \$5,000.”

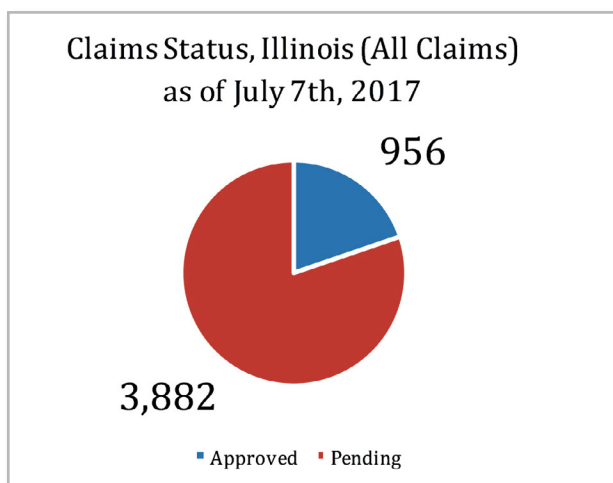
Since graduating, Ami recalled being harassed by Navient about her student loans: “They would robocall me all hours of the day, sometimes 20 times a day. They called my grandparents in Florida. They had nothing to do with my loans.”

Ami ended up filing for bankruptcy, but that only discharged \$5,000 of her debt. Ami’s financial struggles have caused significant distress in her relationships and with her personal health: “[My mother and I] would fight about finances every time we talked. I got really depressed. **I was hospitalized for depression. I thought maybe I am better off dead.**”



Ami learned about borrower defense from the news following the closure of Corinthian Colleges and applied in August 2015. She has received a “generic email a couple months ago” with no other communication with the Department of Education.

Ami’s loans, which are now in forbearance, still cast a shadow over her head: **“I thought eventually my claim would be discharged... I was starting to feel hopeful. Now, [my debt] is impacting [my family] because we can’t get married, we can’t sign for anything together and have a normal life without having this huge burden over our heads... I cannot move forward and fix my credit. It is a huge sacrifice of my time and my life.”**



### Nino, California

**Institution:** ITT Technical Institute

**Degree(s):** A.A.S., Computer Networking Systems

**Total loan debt:** \$29,000

*“The whole [education] was basically a scam, it ruined my life and I wasted two years and a half of my life. They didn’t even say that I will be in debt after graduation. At the beginning they told me not to worry about having a loan because I was eligible for the highest financial aid. The whole thing was just a blur... The two years and a half of my life were all lies.”*

Nino attended ITT Tech because he “wanted to pursue a Bachelor’s or Master’s [degree]” in computer network systems. Upon graduating, the institution “guaranteed” he would have a job, “won’t be in debt,”

and that **“the credits transfer to most universities.”** However, his experience did not match these basic expectations.

Nino explained: “My education experience was basically there was one teacher that taught most of the classes. No matter what the title of the class was, he taught the same topic. You can imagine that was a waste of time. We had only 3-4 teachers overall. One was teaching 80% of the classes. If you didn’t go to class it did not impact your grade. It was not that serious of a school. Whatever you turned in would get a decent grade no matter how wrong you were. **I took a calculus class and I did not learn anything about calculus. At the end of the semester I did not even know what the symbols were. I do not think the teacher even knew calculus. I ended up getting an A.”**

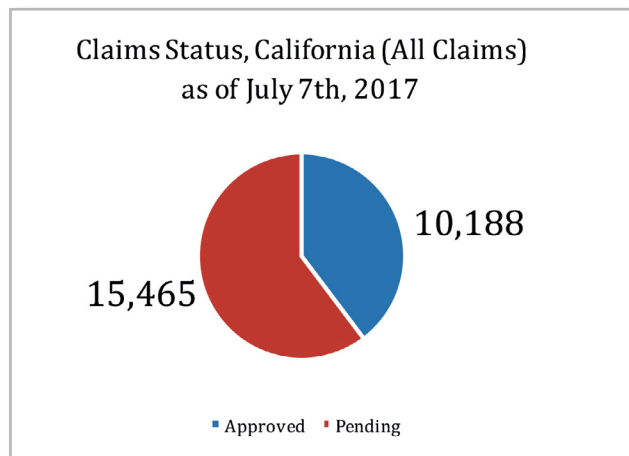
ITT Tech also misrepresented the job prospects of graduates to Nino: “They gave a percentage, it was pretty high. Whoever graduates, they find a job, they have career services and they help you find a job. **They made it sound like after graduation you would be guaranteed a job, they even said ‘guaranteed.’**” When Nino called ITT Tech to get information about jobs, ITT Tech told him they’d send job offers to his email. The job information emails from ITT Tech to Nino contained jobs unrelated to Nino’s field of study—including a job as a cashier at Walgreens—or jobs for which Nino was not qualified. “[E]ven if I applied, I did not get a call, they required experience and tests and skill sets that were not even close to what the school taught us.”

Nino applied for Borrower Defense but did not receive any useful information from the Department of Education: “I called them one time and they did pick up... They responded that they can’t give me any information... **After a year, they emailed me saying that my file is still in progress.**”

“This is just going to be in a loophole until [Trump Administration is] not in office... Since other students have been forgiven, I feel like this will work but this is just going to drag longer.”

Nino’s life has been severely impacted by his student debt burden: **“I know it is affecting my life... If I knew it would be forgiven, I would be more comfortable in**

making life decisions, for instance, going on vacation, buying a new car, not having to work two jobs. I want to be prepared if there is a day I have to pay. The total amount will be \$600-700 per month. I am constantly thinking about this...If they unfreeze all of it, I don't know how I will pay."



### Heather Beckstead, Arizona

Institution: Art Institute of Phoenix (EDMC)  
Degree(s): B.A., Multimedia and Animation  
Total loan debt: \$67,000 federal; \$21,000 private

*"I was defrauded. I was lied to. I was promised something I didn't get. My government should care about that. I want to feel that my government has my interests in mind but it does not feel that way now."*

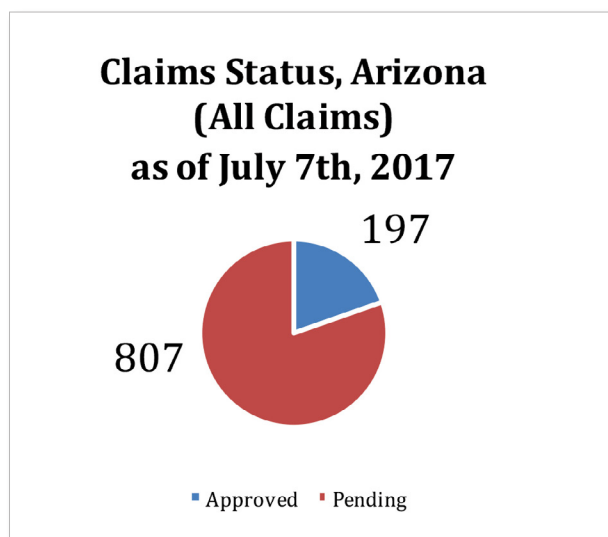
Heather Beckstead enrolled at the Art Institute of Phoenix to fulfill a lifelong dream of becoming an animator: "I wanted to be an animator since I was old enough to hold a crayon. After I graduated high school, I was so excited to start the journey towards my career and live my dream of going to school to be trained in animation...I thought it would lead to a job in a studio... working on movies, animated shorts, or commercials."

However, the Art Institute did not provide students the resources necessary to succeed: **"There were not enough tools to be successful. I would show up to class and there would not be enough computers. I went a whole semester fighting for a seat at a computer...All the tools were old, outdated, or broken and they did not make any attempts to fix**

**them. Some teachers had work experience in the field but their knowledge was very limited, not as qualified as we were led to believe. A lot of the time students taught the class or we watched tutorial videos on YouTube."**

As a first-generation college student, Heather relied heavily on the admissions counselor to help her through the process: "[The admissions counselor] told me they had a very high graduation rate and successful job placement program. That most students found jobs pertaining to their degrees. The job placement counselor never got back to me about my questions... I was fresh out of high school. I didn't know anything. I was looking to them to help me get set up... They shoved all of these papers at me with tiny print. Every time I went into the financial aid office, I left more confused than before I went in."

When Heather was forced to take a leave of absence, she faced additional charges: "I had to take off time when my mom had breast cancer. **When I came back to school, they hit me with an 'out of school balance'...They charged me about \$3,000 per semester that I took off...They did not disclose that information when I told them I needed to take time off."**



Heather applied for borrower defense in October 2016 after reading about it on Facebook. She received confirmation from the Department of Education a "couple months ago" saying they are still working on

her application. Heather explained her student debt burden: “[it] has been hell...Knowing that I can’t achieve my dream [of becoming an animator] and that I was taken advantage of, it has been hard for me...**This experience has made me feel worthless, like I am a failure. I don’t have a degree, it is been hard to get a job anywhere. I am 28, this is not where I wanted to be in life...I feel like I am in a corner, I can’t go back to school, I can’t go to a different school. There is no option for me in regards to education.**”

### **Amy Kennedy-Palma, Washington**

**Institution:** Everest (Corinthian)

**Degree(s):** A.S., Paralegal; B.S., Criminal Justice (Kennedy-Palma completed her Paralegal degree, but Everest closed before she was able to complete her Criminal Justice degree)

**Total loan debt:** \$63,000

*“I’ve been waiting for almost 2 years, how much longer can I possibly be expected to wait? It is ridiculous to offer people a way out of something completely fraudulent [but not follow through with it]...It is ridiculous that this is even a process with everything Everest has been found guilty of.”*

Amy is a military wife and mother who dreamed of becoming an attorney. When she decided to go to college, Amy received big promises from Everest: “the credits you get here can transfer to everywhere else... we do things other colleges do not do: we place you in a job that pays at least \$20/hour and we buy your books for you.”

Amy is hesitant to refer to her experience at Everest as “educational”: “I had one instructor through the entire experience. She was a Washington state attorney who did not want to go to private practice. Everest offered her a job to teach the paralegal program...”

But after Amy graduated with her associate’s degree, she was unable to find employment in the profession she intended: “**Every attorney in the area knew about Everest...One attorney literally laughed me out the door.**”

Amy decided to pursue a bachelor’s degree in criminal justice, but things did not go as planned: “I was one term from graduating, I went to log in for my bachelor’s

program and it said I could not log in. I called the number and it had a machine that said ‘sorry, your school has been closed.’ **I had only three classes left, but could not transfer them—I could not find a single school online or in-person that would transfer credits and cannot start over.**”

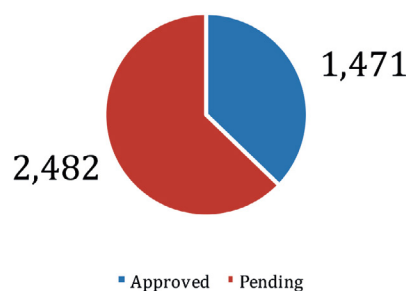
It took Amy 4 years to become a paralegal, and she was only able to get her job through a family friend and a personal favor.

Amy is currently responsible for \$63,000 in student loan debt from Everest, despite the fact that the financial aid office estimated cost of attendance was “\$13,000-14,000 for 2-year paralegal degree.”

Everest took out loans on students’ behalf: “[Everest] **Vancouver...had students sign an agreement with financial aid that [the office] would take out loans on our behalf to cover the costs of attendance. The amounts that they took out were far above what they should have been.**” Consequently, Amy is now responsible for loans she never knew about. Amy now has difficulty getting credit cards, loans, and believes “if there was a medical emergency and I had to pay \$5,000 for surgery, I would die.”

Amy applied for borrower defense in March 2015: “As soon as I figured out it was available, I applied, because Everest lied.” She received a confirmation that her application was received by the Department of Education, and she receives from the Department “a letter every 6 months saying, ‘sorry we are delayed.’”

Claims Status, Washington State (All Claims)  
as of July 7th, 2017



## Ethan, Wisconsin

**Institution:** ITT Technical Institute

**Degree(s):** A.A.S., Drafting and Design Technology

**Total loan debt:** \$50,000

*“After the collapse of ITT knowing that my degree is worthless, other employers may feel the same way. Personally, I do not feel that it is a proud sticker on my resume...At first, it was probably helpful but now it is hard to say if employers will find value in the degree.”*

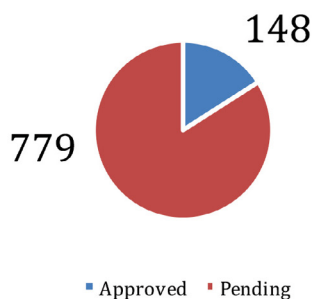
Ethan enrolled at ITT Tech believing he would have a “\$60,000 job in two years’ time...possibly even moving forward after ITT Tech to continue at a 4-year or 6-year college...[with the] end goal to be an architect.”

**“Many of my colleagues have not gotten jobs in the field. 4 of the 30 that started with me in my degree graduated and only 1 or 2 are currently employed.”**

Although Ethan has paid his loans on time, he admits he thinks about them “every day, twice a day.”

Ethan submitted his borrower defense application because he knew he was being “messed with” weeks before ITT Tech shut down in September 2016. He received an auto reply email from the Department of Education and was told by a borrower defense counselor not to expect an answer for “a while...much longer than 6 months.” When Ethan called back several months later, he was told he “should expect an answer in a year or two.”

**Claims Status, Wisconsin  
(All Claims)  
as of July 7th, 2017**



Ethan has higher levels of anxiety. We went from “expecting an answer” to “maybe I shouldn’t get my hopes up” to now, “just angry.”

**“[I am a] victim not getting justice...I helped make billions for a CEO of ITT Tech. I feel robbed.”**

## Heather Drattlo, Indiana

**Institution:** The Art Institute of Indianapolis

**Degree(s):** B.A., Interior Design

**Total loan debt:** \$75,000 (with additional private loan debt)

*“Any time you enter into a contract both sides have to follow it. It was a breach of contract, I did not get what I paid for. I took out loans for a quality education and that is not what I got.”*

Heather was leaving military service when she decided to pursue a degree in interior design at the Art Institute of Indianapolis. She decided to enroll at the Art Institute because she viewed the institution as a pathway to a master’s degree.

The enrollment manager told her that credits would “absolutely” transfer and that the school had a “98% job placement.” Unfortunately for Heather, none of these assurances or promises of employment in her field became reality: **“the closest I worked [in interior design] was an internship for a guy who ended up being a druggie who had a cabinet shop.”**

Heather attempted to further her education and transfer to a different program, but “got emails saying I could not transfer credits because the [Art Institute] was not accredited.”

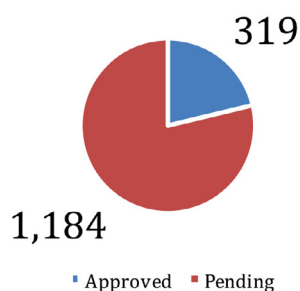
**“The school as a whole just did not care. It was all about the money.”**

Heather knew she was going to have to borrow money to fund her education, but the financial aid office was not forthcoming with her about her rapidly growing debt burden. The financial aid office **“always said [my loans] were going to be lower than it was...I don’t know how much I borrowed because they were constantly adding more each quarter.”**

Student loans have a significant impact on Heather’s life. Besides being constantly contacted by debt



### Claims Status, Indiana (All Claims) as of July 7th, 2017



collectors, Heather was dealing with wage garnishment of upwards of 25% of each paycheck: “It was awful, I was already living paycheck to paycheck and it made

it worse. Not only is my credit absolutely ruined, but I was no longer able to take care of myself...Nobody wants to get into a relationship with someone with over \$100,000 in loan debt and it limits where I can work.”

Heather found out about Borrower Defense on Facebook and submitted her application originally in October 2016, then again in December 2016. So far, she has received an email from the Department of Education acknowledging receipt of her application and another email stating that her application was still under review.

“My entire life is on hold until I know one way or the other. I can’t invest in anything, I can’t do anything... It is like standing on top of an avalanche.”

## Recommendations

- **Immediately provide full discharges for borrowers with borrower defense claims approved prior to January 20, but who have still not received relief.**

Of the borrower defense claims approved by the Obama Administration, several thousand had not been discharged prior to January 20.<sup>25</sup> These borrowers, however, received email notification that their claim had been approved and would be discharged within 60-120 days.<sup>26</sup> While that deadline has long since passed, Secretary DeVos has publicly stated the Department will honor these approvals and provide the discharges these students have been promised.<sup>27</sup> Unfortunately, up to 1,855 of these students still have not received discharges.

- **Immediately begin processing pending borrower defense claims.**

Since taking office on January 20, the Trump Department of Education has not approved a single borrower defense claim. In July, the Department reported a backlog of more than 65,000 pending claims.<sup>28</sup> On October 24, *The Washington Post* reported the backlog has grown to nearly 87,000.<sup>29</sup>

- **Provide full relief for approved borrower defense claims.**

On October 24, *The Washington Post* reported that rather than provide students with the full discharges to which they are entitled when a borrower defense claim is approved, Department officials “would prefer to grant partial relief” and are working behind closed doors to develop metrics on which to base a partial relief determination.<sup>30</sup>

- **Provide full, automatic discharges to Corinthian students covered by Department of Education findings.**

As part of its investigation of Corinthian, the Department of Education under the Obama Administration issued a set of findings against the company that entitle covered students to borrower defense discharges. In addition to thousands of these borrowers having pending claims before the Department, thousands more still may not know they are eligible and have not yet applied. Attorneys General from 43 states and the District of Columbia have painstakingly matched these findings to the covered borrowers in their states and engaged in direct outreach to them. The Secretary has the legal



authority and, with the work of the state Attorneys General, the reliable student data needed to issue full, automatic discharges to covered all students—regardless of whether or not a student has submitted a claim.

- ***Issue findings of wrongdoing against ITT Tech that will allow the Department to provide full, automatic discharges to covered students.***

After Corinthian, the largest batch of borrower defense claims currently pending at the Department are associated with ITT Tech.<sup>31</sup> In addition to the Department itself, numerous state Attorneys General and federal agencies including the Consumer Financial Protection Bureau and Securities and Exchange Commission have evidence of ITT Tech wrongdoing.<sup>32</sup> As it did with Corinthian, the Department should work with these agencies to issue specific findings of wrongdoing against the now-defunct company and identify students covered by these findings in order to provide full, automatic discharges.

- ***Extend forbearance for all borrowers with pending claims.***

Students with pending applications for borrower defense have the option to place their loans in forbearance...However, in July 2017 the Department noted that as many as 31,000 borrowers may need to have their forbearance extended in the near future due to the delay in processing claims and that interest and fees for borrowers with pending claims totals \$143.2 million.<sup>33</sup>

- ***Use evidence and information submitted by state Attorneys General to provide full, group discharges to affected students.***

State Attorneys General have been at the forefront of holding for-profit colleges accountable for wrongdoing and seeking relief for students. These chief state law enforcement officers have amassed troves of evidence detailing the misconduct of Corinthian, ITT Tech, and other schools. Many have submitted this evidence to the Department—seeking relief for students. The Department must review and respond to this information, make its own findings where appropriate, and provide full, group discharges to defrauded borrowers on the basis of this evidence.

- ***Immediately implement the directive in the Fiscal Year 2018 Senate Labor, HHS, Education Appropriations Subcommittee Report (S. Rept. 115-137) to provide quarterly public reports on the receipt and processing of borrower defense claims.***

Upon taking office, the Trump Administration discontinued the previous Administration's practice of providing regular reports to Congress and the public on borrower defense. The move left Congress and the public without reliable information and data about how the Department is fulfilling its responsibilities under the Higher Education Act to provide relief to defrauded borrowers. In response, the Senate Appropriations Committee unanimously approved an addition to the report accompanying the FY18 Labor-HHS-Education appropriations bill to require regular public reporting by the Department on borrower defense.<sup>34</sup>

- ***Immediately halt collections activity on defaulted borrowers with pending applications for borrower defense and all defaulted Corinthian borrowers***

Last year, the Department of Education released data revealing that nearly 80,000 former Corinthian students who were enrolled during the time that the Department found widespread fraud were in some form of debt collection with the Department.<sup>35</sup> This included over 30,000 borrowers whose tax refunds, EITC payments, and other government benefits like Social Security have been seized in order to pay off their debts, and more than 4,000 borrowers whose wages are being garnished. The Department should remove from debt collection all defaulted borrowers who have applied for Borrower Defense and defaulted Corinthian borrowers.

- 1 [https://www.washingtonpost.com/news/business/wp/2015/05/04/for-profit-corinthian-colleges-files-for-bankruptcy/?utm\\_term=.32747f044df0](https://www.washingtonpost.com/news/business/wp/2015/05/04/for-profit-corinthian-colleges-files-for-bankruptcy/?utm_term=.32747f044df0)
- 2 <https://www.nytimes.com/2015/06/09/education/us-to-forgive-federal-loans-of-corinthian-college-students.html>
- 3 Consumer Financial Protection Bureau v. Corinthian Colleges, Inc., case number 1:14-cv-07194, U.S. District Court for the Northern District of Illinois (2005).
- 4 People of the State of California v. Heald College, LLC. et al., case number CGC-13-534793, Superior Court of the State of California, County of San Francisco (2016).
- 5 People of the State of California v. Heald College, LLC. et al., case number CGC-13-534793, Superior Court of the State of California, County of San Francisco (2016).
- 6 Higher Education Act Section 455(h), 20 U.S. Code 1087e(h)
- 7 34 C.F.R. § 685.206(c)
- 8 34 C.F.R. § 685.206(c)(2)
- 9 EN - MPN
- 10 <https://www.ed.gov/news/press-releases/fact-sheet-protecting-students-abusive-career-colleges>
- 11 <https://www.ed.gov/news/press-releases/fact-sheet-protecting-students-abusive-career-colleges>
- 12 <http://www2.ed.gov/news/av/audio/2015/06082015.doc>
- 13 <http://www2.ed.gov/news/av/audio/2015/06082015.doc>
- 14 <https://www2.ed.gov/documents/press-releases/report-special-master-borrower-defense-2.pdf>
- 15 <https://www.ed.gov/news/press-releases/us-department-education-announces-path-debt-relief-students-91-additional-corinthian-campuses>
- 16 <https://www.republicreport.org/wp-content/uploads/2015/05/House-Corinthian-ltr-9-28-15.pdf>; [https://www.warren.senate.gov/files/documents/2016-9-29\\_Letter\\_to\\_ED\\_re\\_Corinthian\\_data.pdf](https://www.warren.senate.gov/files/documents/2016-9-29_Letter_to_ED_re_Corinthian_data.pdf)
- 17 <https://www.ed.gov/news/press-releases/american-career-institute-borrowers-receive-automatic-group-relief-federal-student-loans>
- 18 <https://www.ed.gov/news/press-releases/american-career-institute-borrowers-receive-automatic-group-relief-federal-student-loans>
- 19 [https://www.washingtonpost.com/news/grade-point/wp/2017/10/24/devos-calls-for-another-delay-of-rule-to-protect-students-from-predatory-colleges/?utm\\_term=.e06010b329e2](https://www.washingtonpost.com/news/grade-point/wp/2017/10/24/devos-calls-for-another-delay-of-rule-to-protect-students-from-predatory-colleges/?utm_term=.e06010b329e2)
- 20 <https://www.insidehighered.com/quicktakes/2017/09/26/devos-borrower-defense-rule-offered-%E2%80%99free-money%E2%80%99>
- 21 [https://www.washingtonpost.com/news/grade-point/wp/2017/10/24/devos-calls-for-another-delay-of-rule-to-protect-students-from-predatory-colleges/?utm\\_term=.0308c1abd6e2](https://www.washingtonpost.com/news/grade-point/wp/2017/10/24/devos-calls-for-another-delay-of-rule-to-protect-students-from-predatory-colleges/?utm_term=.0308c1abd6e2)
- 22 Data received by Senate Democrats from the Department of Education
- 23 [https://www.washingtonpost.com/news/grade-point/wp/2017/10/24/devos-calls-for-another-delay-of-rule-to-protect-students-from-predatory-colleges/?utm\\_term=.abfd2472acef](https://www.washingtonpost.com/news/grade-point/wp/2017/10/24/devos-calls-for-another-delay-of-rule-to-protect-students-from-predatory-colleges/?utm_term=.abfd2472acef)
- 24 Erika enrolled Aug 2010, so she was enrolled within the Education Department’s fraud findings for Corinthian students (<https://studentaid.ed.gov/sa/sites/default/files/ev-wy-findings.pdf>). The list includes Everest Brighton-Medical Administrative Assistant (Diploma) 7/1/2010 – 9/30/2014).
- 25 <https://www.ed.gov/news/press-releases/american-career-institute-borrowers-receive-automatic-group-relief-federal-student-loans>

- 26 <https://www2.ed.gov/documents/press-releases/approved-borrower-defense.pdf>
- 27 <https://appropriations.house.gov/calendar/eventsingle.aspx?EventID=394884>
- 28 <https://www.durbin.senate.gov/imo/media/doc/17-010570%20Durbin%20Outgoing.pdf>
- 29 [https://www.washingtonpost.com/news/grade-point/wp/2017/10/24/devos-calls-for-another-delay-of-rule-to-protect-students-from-predatory-colleges/?utm\\_term=.1840775c7db7](https://www.washingtonpost.com/news/grade-point/wp/2017/10/24/devos-calls-for-another-delay-of-rule-to-protect-students-from-predatory-colleges/?utm_term=.1840775c7db7)
- 30 [https://www.washingtonpost.com/news/grade-point/wp/2017/10/24/devos-calls-for-another-delay-of-rule-to-protect-students-from-predatory-colleges/?utm\\_term=.1840775c7db7](https://www.washingtonpost.com/news/grade-point/wp/2017/10/24/devos-calls-for-another-delay-of-rule-to-protect-students-from-predatory-colleges/?utm_term=.1840775c7db7)
- 31 <https://www.durbin.senate.gov/imo/media/doc/17-010570%20Durbin%20Outgoing.pdf>
- 32 <https://www.republicreport.org/2014/law-enforcement-for-profit-colleges/>
- 33 <https://www.durbin.senate.gov/imo/media/doc/17-010570%20Durbin%20Outgoing.pdf>
- 34 <https://www.appropriations.senate.gov/imo/media/doc/FY2018%20Labor%20HHS%20Education%20Appropriations%20-%20Report%20115-150.pdf>
- 35 [https://www.warren.senate.gov/files/documents/2016-9-29\\_Letter\\_to\\_ED\\_re\\_Corinthian\\_data.pdf](https://www.warren.senate.gov/files/documents/2016-9-29_Letter_to_ED_re_Corinthian_data.pdf)