

Education Department Rolls Back Relief to Defrauded Corinthian Colleges Students

FOR IMMEDIATE RELEASE: DECEMBER 20, 2017 || Contacts: Abby Shafroth (ashafroth@nclc.org) or Jan Kruse (jkruse@nclc.org); (617) 542-8010

(BOSTON) Today, the U.S. Department of Education announced that it was unveiling a supposedly “improved” process for student loan relief claims submitted by students cheated by predatory schools. The Department stated that the new process would “aid defrauded borrowers.” However, the only process change announced will specifically **reduce** aid to defrauded borrowers by ending the Department’s practice of providing full loan discharges to defrauded Corinthian students. Instead, it will use a complex new calculation to limit relief. The Department plans to impose these new limits on relief even to borrowers who submitted claims for relief months or years ago—during the period when the Department’s practice was to provide full discharges to defrauded Corinthian students. The limits will therefore be a harsh surprise for defrauded borrowers who have waited and waited, expecting full discharges.

Advocates at the National Consumer Law Center (NCLC) were disappointed by the announcement that the Department plans to change course to provide less relief to defrauded borrowers. They call on the Department to continue its prior practice of fully discharging student loans for defrauded borrowers.

“The Department of Education previously committed to providing Corinthian students covered by Department findings of unlawful school conduct with ‘every penny of debt relief [they] are entitled to.’ Based on that, the Department provided full discharges to nearly 25,000 former Corinthian students who applied for relief,” said **Abby Shafroth, a staff attorney for the National Consumer Law Center’s Student Loan Borrower Assistance Project**. “The Department cannot suddenly change the rules to provide less relief. It is especially shocking and disheartening that Betsy DeVos would apply new rules to borrowers who applied long ago when the Department was providing full relief to their classmates. Changing course now is unfair to defrauded borrowers who were misled first by Corinthian and now by the Department, and is likely to be challenged in court.”

Related NCLC Resources

Issue Brief: The Borrower Defense Rule protects students and taxpayers against fraud and abuse in higher education. (January 2017)

Comments of NCLC to the Department of Education Re: Borrower Defense Rule Delay and Intent to Establish Negotiated Rulemaking Committee (July 12, 2017)

Comments of NCLC and 16 other legal aid groups to the Department of Education re: Proposed regulations on borrower defenses and use of forced arbitration by schools in the Direct Loan Program, and proposed amendments to closed school and false certification discharge regulations. (August 1, 2016)

Ensuring Educational Integrity: 10 steps to improve state oversight of for-profit schools. (June 2014)

Making the Numbers Count: Why proprietary school data doesn’t add up, and what can be done about it. (June 2005)

Further Information on school-related cancellation of federal student loan debt.