

NCLC and Legal Aid Foundation of Los Angeles File Lawsuit Challenging U.S. Department of Education's Refusal to Discharge Loans of Students Defrauded by Marinello Schools of Beauty

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Lawsuit Filed Challenging U.S. Department of Education's Refusal to Discharge Loans of Students Defrauded by Marinello Schools of Beauty

WASHINGTON, D.C.- The Legal Aid Foundation of Los Angeles and National Consumer Law Center filed a lawsuit yesterday in federal court against the U.S. Department of Education and Secretary Betsy DeVos on behalf of three student loan borrowers defrauded by the for-profit Marinello Schools of Beauty ("Marinello"). At the time of its closure, Marinello had 56 campuses throughout California, Connecticut, Kansas, Massachusetts, Nevada, and Utah. The students also challenge the Department's delay of student loan borrower defense regulations.

The Department has already determined that the school engaged in fraud, but it refused to discharge the Plaintiffs' federal loans-in direct conflict with a discharge mandate in the Higher Education Act (HEA). In addition, the Plaintiffs are challenging the Department's recent delays of an updated discharge regulation that would have clarified students' rights to loan discharges. Originally set to go into effect on July 1, 2017, the updated regulation was improperly shelved by the Department until at least July 1, 2018, and the Department is already seeking further delays.

"The Higher Education Act provides critical protections for students lured to illegitimate institutions by deceptive practices and false promises," **said Joanna Darcus, an attorney at the National Consumer Law Center.** "The Department of Education's ill-conceived denial of the Plaintiffs' discharge applications is part of an alarming trend of letting institutional bad actors off the hook-while penalizing students with unaffordable loans and the threat of debt collection."

"It is outrageous that the Education Department, which determined that Marinello used a phony high school diploma scheme to falsely certify student financial aid eligibility, has refused to comply with the law and grant loan discharges to harmed students," **added Robyn Smith, senior attorney at the Legal Aid Foundation of Los Angeles.** "These students, pawns in Marinello's fraudulent scheme to increase its revenues, should not have to repay these loans."

In 2013, the Plaintiffs, Lizette Menendez, Lydia Luna, and Leonard Valdez, inquired about enrolling in Marinello's cosmetology program to improve their job and income prospects. Although none of the Plaintiffs were eligible for federal financial aid because they had not completed high school, Marinello promised that they could earn valid high school diplomas from Parkridge Private School. Based on Marinello's representations, the three Plaintiffs went through the Parkridge program, received diplomas, and obtained federal loans to attend Marinello.

After graduating, the students discovered that their Marinello educations were worthless. Marinello failed to teach them the most basic haircutting skills necessary to maintain employment as cosmetologists. Marinello had taken their money and left them with unaffordable student loan debt.

The students believed that they could at least benefit from the Parkridge high school diplomas they had earned but in February 2016, they were devastated to learn that even their Parkridge diplomas were a scam. At that time, the Department determined that Marinello had partnered with Parkridge in an illegal scheme to heavily advertise high school diplomas that were in fact phony. It further determined that Marinello targeted students who lacked high school diplomas or GEDs, pressured them into enrolling, and then illegally certified their eligibility for federal student loans. The Department barred five Marinello campuses from receiving federal financial aid, triggering the closure of all 56 Marinello campuses.

The Plaintiffs applied for discharges of their federal loans based on a broad provision of the HEA which requires discharge of the loans of students whose schools falsely certify the students' financial aid eligibility. Despite finding Marinello responsible for this fake diploma scheme, the Department ignored the HEA discharge mandate and unlawfully denied all three Plaintiffs' applications.

The Plaintiffs are asking the court to reverse the Department's denial of their discharge applications on the grounds that the denials were arbitrary, capricious, an abuse of discretion, contrary to law, and in excess of statutory authority. They also seek a declaration that the HEA requires the Department to grant discharges to all students whose schools falsely certify financial aid eligibility based on phony high school diplomas, regardless of the narrowness of the false certification discharge regulation.

It is likely that thousands of other Marinello students were similarly scammed and remain trapped in student debt. Marinello students may **call Legal Aid Foundation of Los Angeles at 800-399-4528 for assistance.**

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Legal Aid Foundation of Los Angeles seeks to achieve equal justice for low-income people in Los Angeles County. LAFLA changes lives through direct representation, systems change and community empowerment with five offices in the Greater Los Angeles area.

Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has worked for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the U.S. through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training. www.nclc.org