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## U.S. Department of Education (/)

# Fact Sheet: Protecting Students from Abusive Career Colleges

### Administration outlines new debt relief process for Corinthian Colleges' students

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Over the past six years, the Education Department has taken unprecedented steps to hold career colleges accountable for giving students what they deserve: a high-quality, affordable education that prepares them for their careers. The Department established tougher regulations targeting misleading claims by colleges and incentives that drove sales people to enroll students through dubious promises. The Department has cracked down on bad actors through investigations and enforcement actions. The Department also issued "gainful employment" regulations, which will help ensure that students at career colleges don't end up with debt they cannot repay. The Department will continue to hold institutions accountable in order to improve the value of their programs, protect students from abusive colleges, and safeguard the interests of taxpayers.

"While some for-profit career colleges play a critical role in helping students succeed in their educational and training pursuits, too often, bad actors in the sector have preyed on some of our nation's most vulnerable students and taken advantage of hard-working Americans who simply want a better future for themselves and their families," said U.S. Secretary of Education Arne Duncan. "I am committed to ensuring that every student has access to an education that will put them on solid footing for a career, and I will hold schools accountable for practices that undercut their students and taxpayers. Where students have been harmed by fraudulent practices, I am fully committed to making sure students receive every penny of relief they are entitled to under law. We will make this process as easy as possible for them, including by considering claims in groups wherever possible, and hold institutions accountable."


Today, the Education Department is announcing new steps in this work, particularly to address the concerns of students who attended schools owned by Corinthian Colleges Inc.


#### How debt relief will work for Corinthian students

The Department has worked to rapidly develop a streamlined process for getting debt relief to Corinthian students. The Department's aim is to make the process of forgiving loans fair, clear and efficient—and to ensure that students who are eligible to participate know about this opportunity.

Some Corinthian schools closed down, while others were sold but remain open under different ownership. The announcements today are for:

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- Corinthian students whose schools have closed down.
- Corinthian students who believe they were victims of fraud, regardless of whether their school closed.

### Helping Corinthian students whose schools have closed

In general, when a college closes, students are eligible to discharge their federal student loans if they were attending when the school closed or who withdrew from the school within 120 days of the closing date. Given the unique circumstances for former Corinthian students, the Department is expanding eligibility for students to apply for a closed school loan discharge, extending the window of time back to June 20, 2014, to capture students who attended the now-closed campuses after Corinthian entered into an agreement with the Department to terminate Corinthian's ownership of its schools.

The Department's Federal Student Aid office has been and will continue to contact potentially impacted student borrowers to provide clear information about their options, including loan discharge applications, in addition to providing enhanced information on the Department's [website \(https://studentaid.ed.gov/sa/about/announcements/corinthian\)](https://studentaid.ed.gov/sa/about/announcements/corinthian).

In addition, the Department has worked with a group of organizations and institutions—including those within the California State University system, led by CSU Fullerton and C-REAL, Beyond 12, and the National Association of Student Financial Aid Administrators and its California and Western region affiliates—as they have established an independent volunteer advising corps that will help students navigate their options. The resource is available at [www.NextStepsEDU.org](http://www.NextStepsEDU.org) (<http://www.nextstepsedu.org/>), where students can sign up and be connected to a volunteer advisor from the field who can help students determine which option is best suited to their situation. (Note that as the Department is not managing this initiative, it cannot endorse any advice that a student may receive.)

### Helping students who believe they were victims of fraud, regardless of whether their school closed

Provisions in the law called "defense to repayment" or "borrower's defense" allow borrowers to seek loan forgiveness if they believe they were defrauded by their college under state law. This provision has rarely been used in the past. Now, the Department is taking unprecedented action to create a streamlined process that is fair to students who may have been victims of fraud and that holds colleges accountable to taxpayers.

In taking these actions, as Under Secretary Ted Mitchell outlined in a blog post today, the Department is committed to helping support affected students. Given the pressing need presented by the unique situation for students who attended colleges owned by Corinthian, the Department is today announcing specific steps for students who attended those campuses, as well as outlining broader processes for all students that will be established moving forward.

- **Extending debt relief eligibility to groups of students wherever possible:** In order to receive loan forgiveness under a "defense to repayment," students must assert that a college's actions violated state law and affected their provision of educational services or their federal loans. Wherever possible, the Department will rely on evidence established by appropriate authorities in considering whether whole groups of students (for example, an entire academic program at a specific campus during a certain time frame) are eligible for borrower defense relief. This will simplify and expedite the relief process, reducing the burden on borrowers.

For example, after analyzing the Department's findings in its investigation of Heald College and relevant California law, the Department has determined that evidence of misrepresentation exists for students enrolled in a large majority of programs offered at Heald College campuses between 2010 and 2015. Specifically, the Department has determined that students who relied on misrepresentations found in published job placement rates for many Heald programs qualify to have their federal direct student loans discharged. Students can have their loans forgiven and receive refunds for amounts paid based on a simple attestation. More information about this process—including the attestation form—is available on [studentaid.gov/Corinthian](https://studentaid.gov/Corinthian) (<https://studentaid.ed.gov/sa/about/announcements/corinthian>). Additional details will be posted on the website in the coming weeks.

- **Providing loan forbearance and pausing payments:** All former Corinthian students who apply for borrower defense have the option of having their federal loans immediately placed into forbearance, which stops their

monthly payments to ensure they do not fall behind or default on their loans while the Department works to resolve the claim. For such students who are already in default on their loans, the Department will immediately halt collection activity. Students will receive a notification from their loan servicer to confirm the change in status of their loans.

- **Appointing a Special Master dedicated to borrower defense issues:** The Department will appoint a Special Master to oversee borrower defense issues and charge that person with ensuring the process is simple, streamlined, and fair to students and taxpayers. While the specific steps announced today are for former Corinthian students, the Special Master will help develop a broader system that will support students at other institutions who believe they have a defense to repayment. The Special Master will be named in the coming weeks.
- **Establishing a streamlined process:** As noted above, the Department will work to provide debt relief to groups of students wherever possible, as we already have determined is possible for many Heald College students. For other Corinthian students, with the help of the Special Master, the Department will create a simple application for debt relief, which borrowers can complete online or by email or postal mail. Starting today, former Corinthian students can visit [studentaid.gov/Corinthian](http://studentaid.gov/Corinthian) (<https://studentaid.ed.gov/sa/about/announcements/corinthian>) to learn more, and in the coming weeks, the Department will have an online form available for these borrowers. In addition, students can call a special toll-free borrower defense hotline at (855) 279-6207 to ask about their options.
- **Building a better system for debt relief for the future:** The Department will develop new regulations to clarify and streamline loan forgiveness under the defense to repayment provision, while maintaining or enhancing current consumer protection standards and strengthening those provisions that hold colleges accountable for actions that result in loan discharges. That process will begin later this year and will not slow down the loan discharge process for current applicants.

### Calling on Congress to do its part

The Department continues to take aggressive action that ensures defrauded borrowers get the debt relief they are entitled to, steps up oversight and enforcement to identify colleges that present the greatest risk to students and taxpayers, and holds schools accountable for their actions. But to fully address these issues, Congress must also take action. Congress needs to strengthen both consumer protections for students and accountability for colleges to make sure there are better oversight and enforcement tools in place to prevent colleges from harming students and leaving taxpayers holding the bag. The Department looks forward to working with Congress on such efforts, including:

- Congress should strengthen—not roll back—efforts to protect students and taxpayers from waste and fraud.
- Congress needs to enact rules that hold colleges and their executives responsible for fraudulent acts, not taxpayers.
- Students deserve truth in advertising. Congress needs to ensure students have access to meaningful information about college costs and outcomes and are not bombarded by aggressive and deceptive marketing.
- Students deserve borrower protections. Congress should also consider preventative action to protect prospective and current students by ensuring that students are not pressured into enrolling and can get relief when the program they signed up for is not what they were promised.
- Congress must protect our service members and veterans by eliminating loopholes that make them targets for aggressive marketing and recruitment by for-profit colleges.

### Additional Administration efforts to strengthen consumer protections

The Obama Administration has moved swiftly to take action on some of the most problematic practices in the for-profit industry. The steps the Department announced today are part of the Administration's comprehensive approach to protecting students, eliminating bad actors, and encouraging behavior that improves student outcomes—especially in making it easier to afford and complete a degree.

Too often, students at some of the largest career colleges—many run by for-profit companies—enroll with hopes of finding a good job but instead are left saddled with debt in exchange for a worthless degree or certificate.

- **For-profit students pay more up front:** On average, attending a two-year for-profit institution costs a student four times as much as attending a community college.
- **They borrow more often:** More than 80 percent of students at for-profits borrow federal student loans to pay for college, while less than half of students at public institutions do.
- **And they default on their student loans at disproportionately high rates:** Ultimately, students at for-profit colleges represent only about 11 percent of the total higher education population but 44 percent of all federal student loan defaults, a clear sign that some of these colleges were not preparing students for good jobs.

Today's announcement, coupled with the work over the past six years and upcoming efforts, aim to crack down on these abuses and to strengthen consumer protections. Some of the additional steps the Department has taken and updates on its ongoing work include:

### **Establishing Regulations to Protect Students from Poor-Performing Career Colleges**

Last year, the Department published regulations that will eliminate the flow of federal student aid to career training programs that leave students buried in debt with few opportunities to repay it. Those regulations take effect on July 1, 2015.

To qualify for federal student aid, the law requires that for-profit programs and certificate programs at private non-profit and public institutions prepare students for "gainful employment in a recognized occupation." In May 2015, the U.S. District Court for the Southern District of New York upheld the Department's approach to the gainful employment regulations against a challenge from a for-profit industry trade association, saying the Department's regulations represented "reasoned decisionmaking."

### **Enforcing the Ban on Incentive Compensation**

In 2010, the Obama Administration released a broad set of rules to: strengthen the Department's authority to protect students from aggressive recruiting practices fueled by incentive compensation; take action against colleges engaging in deceptive advertising, marketing and sales practices; and to clarify minimum requirements for states to oversee postsecondary programs and handle student complaints.

Under Secretary Mitchell recently issued a memo encouraging the Office of Federal Student Aid to recover funds from schools that are found to have violated the incentive compensation ban. The memo reverses a more lenient approach initiated in 2002 under the Bush Administration by Education Deputy Secretary Hansen, which both the Education Department Inspector General and the Government Accountability Office found to be a barrier to effective enforcement of the law.

### **Protecting military service members, veterans and their families**

For-profit colleges can obtain no more than 90 percent of their revenue from Title IV federal student aid dollars, but federal education aid from programs like the Department of Defense Tuition Assistance and Department of Veterans Affairs GI Bill Benefits is not counted toward that limit. This has made service members and veterans particularly vulnerable to aggressive marketing and recruitment by for-profit colleges, which often pursue aid targeted to such individuals to make up the required 10 percent of their revenue.

In its FY 2016 budget proposal, the Department proposed to eliminate this loophole by including DOD's tuition assistance and GI Bill benefits into the 90 percent calculation. Now, it is up to Congress to act on this plan and protect our nation's military and their families.

In addition, through Executive Order 13607 (the Principles of Excellence for Educational Institutions Serving Service Members, Veterans, Spouses, and Other Family Members), the Administration has worked to protect our nation's military families by ensuring that federal military and veterans educational benefits programs are providing service members, veterans, spouses, and other family members with the information, support, and protections they deserve.

### **Strengthening accountability and oversight across the federal government through a career college task force**

The Department has established an interagency task force, led by Under Secretary Ted Mitchell, to help ensure proper accountability for and oversight of career colleges and for-profit institutions. The task force will enhance the enforcement activity at the Department as well as at other federal and state agencies through tighter coordination of their activities and better information sharing to protect students from school practices and policies that are unfair, deceptive, and abusive, and that put taxpayer funds at risk.

The task force is building on efforts already under way among various federal agencies, and includes the Departments of Justice, Defense, Treasury, Veterans Affairs, and Labor, as well as the Consumer Financial Protection Bureau, Federal Trade Commission, Internal Revenue Service, and Securities and Exchange Commission. In addition, the federal partners will continue engaging with state Attorneys General and other stakeholders. The task force gathered for its first official meeting in May.

Given the important responsibilities each of these agencies has and the vital role that states play, this team will leverage their resources and expertise to continue to assist one another in the enforcement of federal criminal and civil laws and regulations, including against institutions and individuals who commit fraud or other criminal activity, thereby making the best use of scarce resources and better protecting the interests of students and taxpayers. And to allow for greater transparency and participation from the higher education community in these efforts—including institutions, consumer advocates and student groups—the task force will periodically organize opportunities for public discussions beginning this summer.

### **Holding Corinthian Colleges Accountable**

In the case of Corinthian Colleges, the Department began tightening oversight of the college's practices and uncovered misrepresentation of its job placement rates. The Department acted to hold Corinthian accountable and ensured students pursuing their education did not face abrupt disruption while enforcement action was being undertaken.

Since that process began in 2014, the Department has taken a series of steps to protect students by requiring the company to sell or close all of its programs, ensuring students received more information about what was happening and their options, requiring expanded refund rights for students, and establishing an independent monitor under the leadership of former U.S. Attorney Patrick Fitzgerald, who ensured Corinthian remained accountable to students. Fitzgerald and his team ensured that students were made aware of their refund options, ensured that Corinthian's use of federal student aid was made in accordance with Department regulations, and ensured that students were provided correct information about the state of Corinthian's campuses and programs.

Most of Corinthian's campuses were acquired by the nonprofit Zenith Education Group, which agreed to provide a number of new consumer protections, such as providing refund and withdrawal opportunities to students in poorly-performing programs, and to take steps to strengthen programs and improve affordability, including by reducing tuition. The sale allowed most Corinthian students to continue pursuing their education and career goals without disruption, and the Department and the Consumer Financial Protection Bureau have worked together to provide more than \$480 million in loan forgiveness for borrowers who took out Corinthian's high-cost private student loans.

In April 2015, the Department informed Corinthian that it was being fined about \$30 million for misrepresenting job placement rates to current and prospective students in its Heald College system. Since then, Corinthian announced it was closing down the last of its remaining campuses. Recognizing the challenges and uncertainty facing students, the Department continues to provide information directly to Corinthian's students about their federal student aid and their options, including both transferring to another school to continue their education or discharging their loan.

### **Creating options that make it easier to repay federal student loans**

The Department is helping more students manage their student debt through flexible repayment options such as the Pay As You Earn plan (PAYE), which caps student loan payments at 10 percent of a borrower's monthly income. The Department is also acting on President Obama's Student Aid Bill of Rights proposal from earlier this year to support more borrowers to help borrowers enroll and participate in PAYE.

In addition, the Administration is continuing outreach to help borrowers who may be struggling to repay their loans, ensuring that they have the information they need to select the best repayment option for them and avoid default. Thanks to these comprehensive efforts, there are now 3.8 million borrowers enrolled in income-driven repayment plans, up from 760,000 in 2012.

### Providing families with clear information to make a smart college choice

The Department has provided a wealth of consumer tools designed to help students and families decide which college is right for them. In addition to requiring institutions to provide accurate information about their graduates' job placement success and the types of employment their graduates obtained, the Administration has created resources such as the College Scorecard and the Financial Aid Shopping Sheet, which can help families compare financial aid packages apples-to-apples. Since the launch of the Shopping Sheet in 2012, more than 3,000 institutions—representing more than two-thirds of the entire undergraduate population—have voluntarily adopted the Shopping Sheet to provide prospective students.

The Department also believes there is more to be done to help increase student access to affordable higher education and to improve student outcomes, and will continue to take action toward that goal.

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