

United States Senate

WASHINGTON, DC 20510

May 17, 2017

The Honorable Betsy DeVos
Secretary
U.S. Department of Education
400 Maryland Ave, SW
Washington, DC 20202

Dear Secretary DeVos:

We write today to request an update on the U.S. Department of Education's ("Department") processing of borrower defense claims for students who were defrauded by their colleges and universities, including those operated by Corinthian Colleges, Inc.

The Higher Education Act gives the Secretary broad authorities to help defrauded students, including through a process called borrower defense which provides the ability to discharge and refund the federal student loan debt of borrowers who were misled by their schools or were the victims of unlawful and abusive practices in higher education. In giving the Secretary this authority, Congress made clear that students should have an avenue for relief when an institution of higher education defrauds them.

In recent years, state Attorneys General, the Department, and other federal agencies have collected mountains of evidence that several large college chains have engaged in a variety of widespread, unfair, deceptive, and abusive practices that qualifies students for loan discharge under borrower defense. These companies include Corinthian Colleges, Inc. (Corinthian), ITT Education Services, Inc. (ITT), Westwood College, and American Career Institute (ACI).

The high profile failures of Corinthian and ITT, as well as much-improved federal and state efforts to notify borrowers about their potential eligibility for borrower defense, have led to a surge in applications to the Department for relief. During the previous Administration, the Department approved more than 28,000 borrower defense claims from Corinthian students representing nearly \$560 million in loan relief.

On January 13, 2017 the Department announced that it would provide automatic group relief to some 4,000 students who were misled by the now-defunct ACI chain in Massachusetts, a school that admitted to breaking state law. Further, the Department stated that it had received over 2,500 borrower defense claims from former ITT students and at the time the agency was "beginning to award the first discharges to affected students." The Department also reported at the time that more than 68,000 borrower defense applications from Corinthian, ITT, Westwood College, and other schools were still pending further review.

Importantly, within that January 13 announcement, the Department noted that thousands of borrowers had a borrower defense claim or closed school discharge application approved, but had not yet received the discharge or refund to which they were entitled. The announcement noted that more than 23,000 of these borrowers had received an email notifying them of the process for final discharge relief, a redacted copy of which is enclosed, and that their forgiveness and refunds would be complete within 60 and 120 days. Although the maximum 120 day timeline has already passed or will soon for these borrowers, it appears many of these students have still not received the discharges they were promised by the Department, and many are still in repayment or collections. These borrowers are thus being billed for unnecessary principal, interest, and even collection fees. In short, they continue to face significant financial burden without the debt relief they are entitled to and have been told to expect.

The Department must uphold its responsibility to provide relief for the students whose lives were disrupted by fraudulent institutions. We are concerned that the Department has provided little information to the public and to affected borrowers about the borrower defense process, including when and how individual loans will be discharged. As such, we ask for your response to the following questions in writing by May 31:

1. How many borrower defense claims are currently pending review, decision, or adjudication by any Department official in total and disaggregated by state?
 - a. How many pending claims are from students who attended Corinthian or ITT, respectively, disaggregated by state?
 - b. After Corinthian and ITT, what are the next three largest sources of borrower defense claims, disaggregated by institution?
 - c. How many borrowers who have a pending borrower defense application have had their forbearance expire?
 - d. How many borrowers who have a pending borrower defense application will have their forbearance expire within the next six months?
 - e. What is the total dollar value of accumulated interest and fees for borrowers whose claims are pending?
2. How many borrower defense claims has the Department received on or after January 20, 2017, disaggregated by state?
 - a. How many of those claims received are from students who attended Corinthian or ITT, respectively, disaggregated by state?
3. How many total borrower defense applications has the Department approved between January 20, 2017 and today? What is the total dollar amount of relief?

- a. How many of any approved borrower defense claims during this time period are from students who attended Corinthian or ITT, respectively, disaggregated by state?
4. Of the borrowers whose borrower defense claims were approved (as designated by an email from Federal Student Aid) but who had not yet received a discharge or full refund on or before January 19, 2017, how many have since received a discharge or full refund posted to their accounts?
 - a. How many attended Corinthian, ITT, or ACI, respectively, disaggregated by state?
 - b. What is the total dollar value of accumulated interest and fees for these borrowers whose applications have not yet received their previously-approved discharge or refund, if any?
 5. Please indicate which institutions and programs have borrowers with approved claims that are eligible for or have been granted:
 - a. Full refund of amounts paid; or
 - b. Discharge of loan balances outstanding.
 6. Do any Department staff, including employees of Federal Student Aid, still maintain a regular report to a senior official or officials on the status of pending or adjudicated borrower defense claims?
 - a. If so, please provide a copy of the reports issued since January 20, 2017.
 - b. If the reports are no longer being provided to any official, please indicate why the decision to halt these reports was made.

Given that recent reports by both *Politico* and *The New York Times* have indicated that the Trump Administration has halted granting relief under borrower defense, the information requested above is critical to knowing whether or how the Department is using the authority provided under the Higher Education Act to provide relief to borrowers.

Thank you for your attention to this matter. We look forward to your prompt response.

Sincerely,



Richard J. Durbin
United States Senator



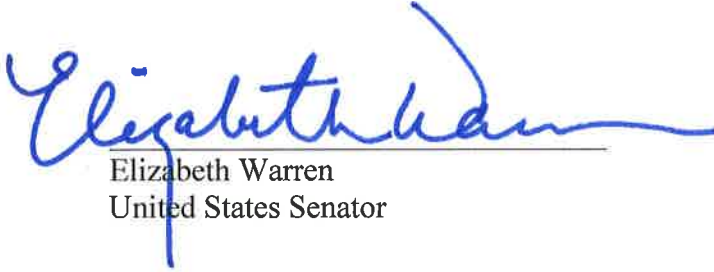
Patty Murray
United States Senator



Charles E. Schumer
United States Senator



Sherrod Brown
United States Senator



Elizabeth Warren
United States Senator

Enclosure

From: "U.S. Department of Education" <noreply@studentloans.gov>

Date: January 13, 2017

To:

Subject: Borrower Defense Claim

Federal Student Aid

An OFFICE of the U.S. DEPARTMENT of EDUCATION

Dear [REDACTED],

The Department of Education has approved your claim for forgiveness of your federal student loans under the borrower defense to repayment rule, 34 C.F.R. §685.206(c).

If you have Direct Loans related to your approved claim:

The federal student Direct Loans you received for the programs of study related to your approved claim will be discharged (forgiven). The Department will notify your loan servicer of the approved forgiveness, and the forgiveness should be completed within the next 60-120 days. Your servicer will send you more details about the forgiveness, including which loans have been forgiven.

If your account has no other outstanding balances, and your claim is not limited by a statute of limitations, in addition to your loan forgiveness you also may receive a refund for prior payments made on the Direct Loans related to your approved claim. If your claim is limited by a statute of limitations, you may not receive a refund of prior payments that you made on the loans that have been forgiven. You will receive more information about that determination.

If you have Federal Family Education Loan (FFEL) Program and/or Perkins Program loans related to your approved claim:

If you have Federal Family Education Loan (FFEL) Program and/or Perkins Program loans related to your approved claim and you are eligible for loan consolidation, you must consolidate those loans into a Direct Consolidation Loan in order to obtain forgiveness for the outstanding balance of those loans. **Unless you consolidate those loans, the Department cannot forgive them.** You will receive a future notification providing the steps to take in order to complete loan consolidation and proceed with a discharge.

Private Student Loans:

Borrower defense to repayment does not apply to private student loans. Therefore, nothing in this email applies to any private student loans you may have.

Next Steps:

This email only applies to the federal student loans that you received for the programs of study related to your approved claim. **Until you have received notice from your loan servicer that the appropriate loans have been discharged, you must continue to make payments on your loans unless they are in forbearance or deferment.**

If you have questions about this notice, please contact the Department of Education at FSAOperations@ed.gov or at 1-855-279-6207.

Sincerely,

U.S. Department of Education