

**Testimony of Karyn Rhodes to the U.S. House of Representatives Committee on
Education & Labor**

Thursday, September 30, 2021

**Higher Education and Workforce Investment (HEWI) Subcommittee Hearing:
“Protecting Students and Taxpayers: Improving the Closed School Discharge Process”**

My name is Karyn Rhodes, and I live in Torrance, California. I am a wife, mother, grandmother, and now a self-made entrepreneur. I would like to share this testimony of my thirty-year long journey with the Department of Education to get a closed school loan discharge. My goal is to help anyone who is experiencing or has experienced a defaulted school loan as a result of a school closure.

In 1988, I was a single mother who worked for Comcast as a customer service representative. In this position I was struggling financially. I wanted to provide a better life for my daughter, so I decided to try to become a Data Entry Clerk. This position required a degree, and I discovered that the American Business Institute in Los Angeles offered this course. I made an appointment to tour the school. After the tour, I enrolled and took out \$6,625 in Federal student loans. I officially started school in April 1988 and attended classes while balancing my job and taking care of my daughter.

Seven months later, while trying to attend one of my night classes, several other students and I were stopped by the police from entering the school premises and were told there would not be any classes today.

The police told us they could not give us any information, but they stated that there was an open investigation with the school and asked us to leave.

The following week I called the school multiple times and left voicemails for all of the employees listed on the school’s website, but with no answer. I decided to drive to the school in the hopes of reaching one of the faculty members. Once I arrived, I saw other students had showed up to the school as well. All we saw was a note taped to the school’s main door, stating that the school was closed. No other information was listed. One student informed me that the owners of the school had committed fraud and were indicted. I was stunned. Week after week, I kept calling and stopping by, but nothing changed. I also reached out to other school branches, but I received no assistance. I then understood I was on my own and stuck with debt from a school that was now closed.

In the first few years after the school closed, I told the people who were collecting my student loans about the closure and asked for my loan to be cancelled because I never received my degree. However, my requests were denied because at that time Congress had not created a closed school discharge process.

For almost three decades, I struggled to make my student loan payments and eventually defaulted. During that time, I was a junior operator at a hair salon while attending cosmetology school and my husband was the main provider for our family. Although, according to my legal aid lawyer, I was eligible for this discharge since 1994, I had never been invited to apply by my loan servicer or debt collectors, even when I explained that my school had closed.

The Department of Education obtained a judgment against me in federal court and seized \$2,100 in federal income tax refunds. I was confused why my tax returns were seized, because I had no knowledge of the judgment. I was never served nor received any paperwork and did not have any legal representation.

Due to the judgment, I was not eligible for stopping the tax refund offsets through consideration or rehabilitation. This also prevented me from going back to school because I would never be able to secure any federal funding when I had a defaulted loan on my credit.

This caused tremendous stress, and I felt the education system had failed me.

In October 2018, I received a letter attempting to collect on my school loan. It stated that my original \$6,625 loan had ballooned to a \$26,000 debt.

I was informed that I needed to make payments on the loan or else they would pursue wage garnishments against me. I agreed to start making \$60 monthly payments to protect my family and our wages, while I continued to pursue a school loan discharge.

I researched on the Internet and found that there was a class action suit against American Business Institute. So, I called and spoke with Legal Aid Foundation of Los Angeles (LAFLA), explaining my situation. On December 13, 2018, LAFLA assisted me by submitting a closed school discharge application. On December 21, my application was denied.

In August 2020, LAFLA submitted an appeal. A few weeks later, I received a letter stating that I was granted my closed school discharge. I was so excited and relieved that I was finally free of that \$26,000 debt. I was also refunded the \$2,100 that was taken in income tax refunds. LAFLA also succeeded in having the judgment removed from my credit as well as the lawsuit dismissed with prejudice.

This was the icing on the cake for me and a day to remember. I was overjoyed that it was finally over after almost 30 years. I felt vindicated and that the TRUTH had prevailed in the end. I am glad my God never let me give up. He led me to right people to help me, and they were at LAFLA.

Thank you for this opportunity to share my story.