



Secretary DeVos is Blocking Debt Relief for Defrauded Students

A brief overview Secretary DeVos' refusal to faithfully implement the Borrowers Defense rule

What is the Borrowers Defense rule?

In 2015, Corinthian Colleges suddenly closed following years of defrauding students and related legal action by states and federal agencies. At the time, it was the biggest school closure in the history of U.S. higher education, at its peak enrolling more than 80,000 students at over 100 campuses.

Although the *Higher Education Act* contains provisions to protect students from sudden school closures, the case of Corinthian Colleges (and other for-profit institutions) spurred the Obama administration to institute stronger consumer protections. The Borrowers Defense rule, which was finalized in 2016, ensured students would not be held responsible for paying back the loans they took out to attend fraudulent schools.

Borrowers Defense Under Secretary DeVos

In June 2017, one month before the Borrowers Defense rule was set to take effect, Secretary DeVos issued an order to delay implementation of the rule. (A judge later ruled that the delay was unlawful.) At the same time, the Department began rewriting the rule to significantly restrict who would be eligible for debt relief and how much relief they could receive.

Throughout her tenure, Secretary DeVos has deliberately refused to process claims from defrauded borrowers, which is producing a growing backlog of claims from students who desperately need relief. When she took office, there were approximately 54,000 Borrower Defense claims awaiting action from the Department of Education. Currently, there are more than 210,000 pending claims. The Department has not discharged a single borrower defense claim in over a year.

On August 30, 2019, Secretary DeVos finalized a new Borrowers Defense rule that creates a complex, individualized process for evaluating claims that shields predatory schools from accountability and denies defrauded borrowers billions of dollars in relief.

What is happening in the Courts?

Students have repeatedly sued Secretary DeVos for actions related to Borrowers Defense. After years of waiting for relief, 60,000 defrauded Corinthian students – who the Department certified as eligible for debt relief – collectively sued Secretary DeVos for her refusal to discharge their loans. That case is ongoing, but in March 2018 the Court ordered the Department to stop collecting payments on these loans.

In October 2018, the Court ordered the Department to implement the Borrowers Defense rule using the 2016 Obama-era standard. Since then, Secretary DeVos has not discharged a single loan. And in October 2019, a federal court found Secretary DeVos in civil contempt of court for continuing to collect on the loans of defrauded students, writing: "There is no question that [the Secretary's] violations harmed individual borrowers who were forced to repay loans."

What oversight has the Committee done?

Starting in November 2018, Committee staff requested information from the Department. After months of reiterating the importance of this request, on March 25, 2019, Chairman Scott sent a letter to the Secretary detailing the Department's stonewalling and demanding documents, data, and a briefing from the Department.

The Department continued to refuse to provide any materials, and on June 21, 2019, Chairman Scott sent a follow-up request. To date, Committee staff have reiterated this request by email or phone more than 25 times and repeatedly requested briefings on the Department's production of materials. The Department has refused to respond, consistently stating that these requests were "in process."

Because the Department refuses to provide any information related to this investigation and has adopted unlawful and harmful policies, Chairman Scott called on the Secretary to testify November 19, 2019.