

OPTIONS WITH EXISTING APPLICATION AND APPROVAL PROCESS



LIMITED ELIGIBILITY: The Department’s regulations and guidance restrict these debt relief options to borrowers who meet limited eligibility criteria.

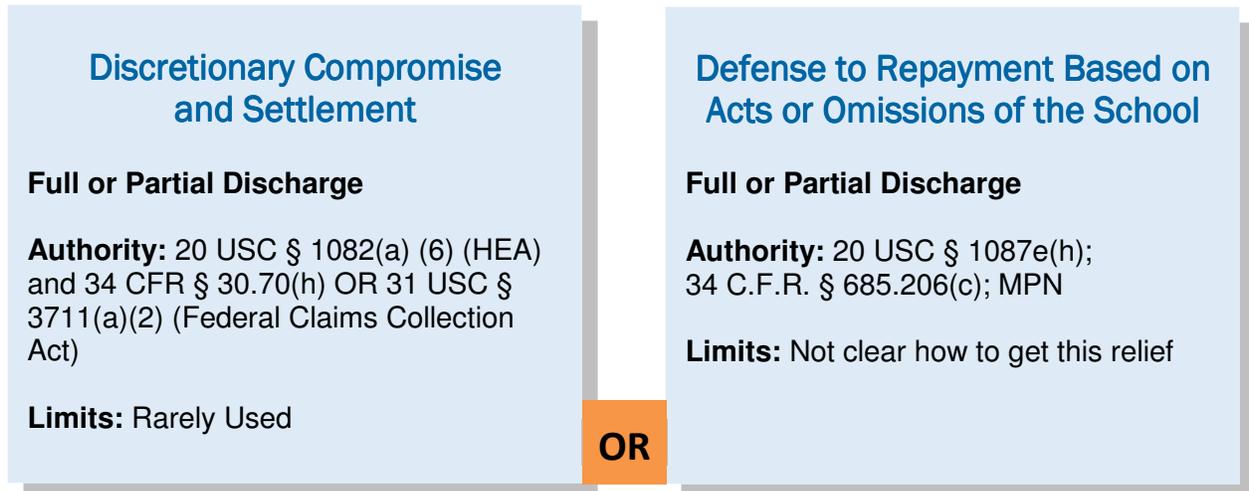
NOTICE: The Department should send notice to borrowers who are potentially eligible for these discharges, including borrowers who attended schools many years ago.



Borrowers who do not qualify must instead seek relief through the following options:



OPTIONS WITH NO EXISTING APPLICATION AND APPROVAL PROCESS



*Borrowers may be eligible for more than one of these options. There may also be state programs providing relief in some states and borrowers may litigate claims in court and seek relief.

These two options will be the only federal relief available for borrowers harmed by predatory schools and who do not qualify for other discharges:

- 1. COMPROMISE AND SETTLEMENT OF DEBTS:** When government investigations have revealed that a school has engaged in illegal, unfair or deceptive practices in violation of state or federal laws, the Secretary can and should use his broad compromise and settlement authority to cancel loans of harmed students. There are two alternative statutes that provide the Secretary with this authority:
 - The Higher Education Act grants the Secretary broad authority to “compromise, waive or release any right, claim, or demand, however acquired...” 20 U.S.C. § 1082(a)(6). The regulations further authorize the Secretary to “compromise a [student loan] debt, or suspend or terminate collection of a debt, in any amount...” 34 C.F.R. § 30.70(h); **OR**
 - The Federal Claims Collection Act allows the Secretary to compromise and settle claims of up to \$100,000 (excluding interest) “ or such higher amount as the Attorney General may . . . prescribe . . .” 31 U.S.C. § 3711(a)(2). The vast majority of federal loans to Corinthian students should be under \$100,000. The Secretary could also seek the Department of Justice’s permission to cancel higher value debts.

When the Department and/or other government agencies, such as state attorneys general, have determined that a school has engaged in illegal practices and harmed many students, the Department should automatically cancel the loans of all borrowers who the government agencies conclude were likely harmed.

- 2. DEFENSE TO REPAYMENT (DTR):** Borrowers may assert, as a defense to loan repayment, claims they have against the school based on its misconduct. The Department should create a DTR process for cases that lack any government investigative findings that a school has violated state or federal law. The process should include simple forms that allow borrowers to submit evidence to prove their claims. To avoid imposing high evidentiary burdens impossible for borrowers to meet, the Department should accept a borrower’s testimony as sufficient evidence to establish a claim. These claims should be granted unless the Department has evidence that specifically contradicts the borrower’s testimony or other evidence.

RECOMMENDATIONS FOR CORINTHIAN STUDENTS

Given the extensive government findings of Corinthian’s illegal and deceptive acts over the years, it is essential that the Department create a process that uses these findings and does not require individual borrowers to “prove” individual claims. Among other problems, such a process would be unnecessary, inefficient, and complicated, likely requiring the borrower to obtain assistance of an attorney familiar with the intricacies of state law. Although many Corinthian borrowers have submitted petitions requesting “defense to repayment” relief, the Department should instead use the compromise authority (#1 above) to resolve these petitions.

Regardless of which option a borrower uses, the process must be fair, accessible, transparent and efficient. This means at a minimum creating a process that provides complete debt relief without placing impossible burdens on borrowers. The government must avoid creating a case-by-case process with burdensome evidentiary standards whenever there are government agency findings of illegal practices. This will also be less expensive for taxpayers.