August 30, 2018

Via Federal eRulemaking Portal

The Honorable Betsy DeVos
Secretary of Education
400 Maryland Ave., S.W.
Washington, D.C. 20202

RE: Notice of Proposed Rulemaking on Borrower Defense, Docket ID-ED-2018-OPE-0027

Dear Secretary DeVos:

Veteran and military service organizations thank you for the opportunity to provide comments on the Notice of Proposed Rulemaking regarding borrower defense. We have serious concerns about the impact of the rule on military-connected borrowers who were defrauded by predatory schools. As we wrote to you in July and September 2017, the Department should strengthen, not undermine, student protections.

In brief, we believe that the proposed rule effectively ends student loan forgiveness for the vast majority of defrauded students by introducing unwarranted restrictions on access to relief. The Department acknowledges that there will be significantly fewer claims under the proposed rule compared to the 2016 rule, reducing its claims processing workload. The corollary to the anticipated workload reduction will be to incentivize the aggressive recruiting of military-connected students by predatory schools that will escape accountability for the misrepresentations they rely on to encourage students to enroll.

Instead of undermining the rules that protect students and taxpayers, we urge the Department to strengthen all Department rules and mechanisms that guard against fraud. As you know, servicemembers, their families, and survivors are specifically targeted for fraud and seen "as nothing more than dollar signs in uniform" by predatory schools. Often, the lowest quality education programs are those that engage in the most veteran consumer fraud. Predatory schools have a strong incentive to aggressively recruit veterans because of the 90/10 rule, which imposes a 90 percent cap on revenue from federal student aid, excluding military education benefits even though they are also funded with taxpayer dollars. For every military-connected student enrolled, such schools can recruit nine more individuals who depend entirely on federal student aid to pay for school.

Many military-connected students enroll because of verbal misrepresentations by school recruiters about (1) job placement rates, (2) costs, (3) the ability to transfer credits, (4) the accreditation needed to obtain necessary state licenses or certification, (5) quality, or (6) other factors that make predatory schools appear to be a pathway to a successful civilian career. Attachment 2 to these comments catalogues some of the lies that led 15 military-connected

students to enroll in a predatory school. Each of the 15 military-connected students has a pending borrower defense claim.

Compared to the 2016 rule, the proposed rule would negatively impact defrauded veterans and servicemembers by:

- severely limiting eligibility for loan forgiveness
- making it harder to apply
- making it very difficult, if not impossible, to prove misrepresentation
- limiting the amount of loan forgiveness
- weakening deterrents to misrepresentation by schools
- discouraging complaints to federal and state agencies and accreditors
- denying the constitutional right to a day in court
- providing a short window to file a claim
- denying the right to appeal a rejected claim or a finding of partial relief, and
- limiting eligibility for a loan discharge when a school closes

Moreover, the proposed rule contains many misleading statements. Attachment 1 to this letter contains a more detailed exposition of our concerns. We encourage you to hold predatory schools accountable for their behavior and to place a priority on providing swift, careful, and fair relief to the military-connected and other students that such schools have so clearly defrauded. In short, the Department's proposed rule needs to live up to the laudatory goals it professes to support.

As we wrote to you in July and September 2017, to do otherwise would be an affront to those who have served their country. The Education Department must do all it can to ensure that American heroes who have served their country are treated with honor and respect when they become college students.

Sincerely,

AMVETS

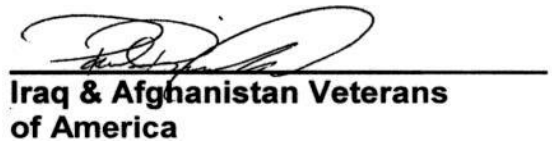
Association of the United States Navy

Army Aviation Association of America

Blue Star Families

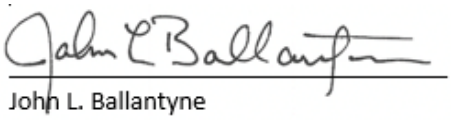
Code of Support Foundation

High Ground Advocacy

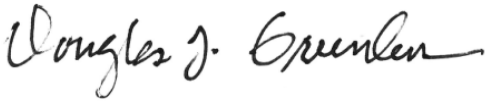


Ivy League Veterans Council

The Military Chaplains Assn. of the USA



John L. Ballantyne
Senior Vice President and Chief Operating Officer
Military Child Education Coalition



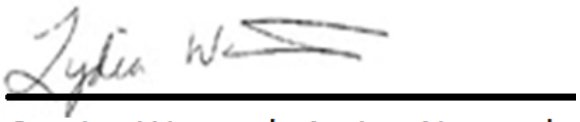
National Commander
Military Order of the Purple Heart

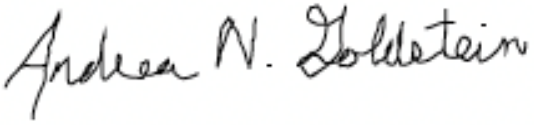
Juliana Mercer
Managing Director
MVPvets

Phil Gore
Legislative Director
National Association of Veterans' Program Administrators

Executive Director
Non Commissioned Officers Association

Randy Reid
Executive Director
Coast Guard Chief Petty Officers
Association





Chief, Executive Officer, Service to School

Student Veterans of America

Amy Fairweather
Director of Policy
Swords to Plowshares

The Retired Enlisted Assn.

Tragedy Assistance Program for Survivors

Managing Attorney, University of San Diego Veterans Legal Clinic

Research Director
Veterans Education Success

National Chair & Director
Veterans for Common Sense

Executive Director
Veterans Student Loan Relief Fund

Vietnam Veterans of America

ATTACHMENT 1

(1) Defrauded military-connected borrowers may be required to go into delinquency and default on their student loans in order to be eligible to file a defense to repayment claim.

The proposed rule will create a strong disincentive for borrowers to pay their student loans and force the Department to further harm borrowers that have already been harmed by a predatory school.

In practical terms, defrauded military-connected borrowers who believe they are entitled to file a claim would have to intentionally refrain from making payments on their student loans for almost a year before they could submit a claim. To qualify, they would have to severely damage their credit and potentially have their wages or tax returns garnished. This process will harm active-duty servicemembers most of all because any negative "proceedings to collect" will threaten their ability to maintain a security clearance. Forcing servicemembers to default in order to make a claim would likely result in the loss of their security clearance and possibly risk being forced out of the military altogether.

The proposed rule states that there is no time limit for defaulted borrowers to file a claim for loan forgiveness. It would appear that the Department does not consider the 30- to 65-day time limits on appealing a notice of wage or tax-refund garnishment to be a deadline. The Department should clarify whether such a time limit has been enforced in borrower defense claims filed since 1994 or whether it is an entirely new requirement intended to further limit eligibility for borrower defense.

In proposing to limit eligibility to borrowers in default/collections, the Department failed to consider an insidious practice of some predatory schools. These schools hire consultants to encourage borrowers with past-due payments to put their loans into forbearance, an option that allows borrowers to temporarily postpone payments while the interest on their loans continues to accrue. Predatory schools have an incentive to manage their default rates to avoid triggering a loss of access to Title IV funds. The practice of "default management" was highlighted in the 2012 Senate Health, Education, Labor, and Pensions Committee report on for-profit schools and in a 2018 Government Accountability Office Report. Denying defrauded students the right to file a borrower defense claim when they have been manipulated by predatory schools in order limit the magnitude of their schools' 3-year cohort default rate is yet another reason that the Department should expand eligibility beyond borrowers who have already defaulted.

Proposed Alternative: Do not limit eligibility for loan forgiveness to borrowers who are in default/collections.

(2) The Department proposes to enact unwarranted restrictions on access to relief.

It is insufficient for the Department to simply expand eligibility to so-called "affirmative" claims if it also erects additional barriers on access to relief. The Department mischaracterizes these barriers, calling them safeguards against frivolous claims. These so-called safeguards include substituting a "clear and convincing" evidentiary standard for the "preponderance of the evidence" and requiring claims to be filed within 3-years of a borrower leaving a school. Few if any claims will meet this legal standard, which is much more stringent than the preponderance of the evidence standard currently used by courts considering claims filed under state consumer protection laws and which the Department proposes to use for claims filed by borrowers who are in default/collections.[1]

The 3-year statute of limitations to file a claim is justified by pointing to the Department's 3-year "program" records retention policy for institutions that participate in federal student aid. This proposed time limit is arbitrary and the Department's rationale is a "red herring." As the Department noted in its 2016 rule "even a cursory review of claims raised by students and student borrowers over the years that would constitute potential borrower defense claims have turned not on the individualized aid-specific records itemized in the Department's record retention regulations, but on broadly disseminated claims regarding such matters as placement rates, accreditation status, and employment prospects.

Proposed Alternative: Adopt a "preponderance of the evidence" standard for borrowers who file affirmative claims and drop the proposed 3-year time limit for filing an affirmative claim.

(3) Schools will be able to use mandatory pre-dispute arbitration agreements to prohibit military-connected students from filing complaints about schools with federal and state authorities as well as accreditors.

The consequences of restricting eligibility for borrower relief are amplified by allowing schools to include mandatory arbitration clauses in their enrollment agreements and to prohibit class action lawsuits. In part, the Department's justification relies on a belief that "students should use processes already in place at schools, as well as at accrediting agencies and State authorizing agencies, to resolve issues relating to the services provided by the institution as quickly as possible following any incident, rather than delaying corrective action and shifting the financial burden to the taxpayer." The Department's broad definition of allowable pre-dispute arbitration agreements, however, could create a barrier to a student who files a complaint about a school with federal, state, or local agencies.

[1]Most state consumer protection laws do not require the state agency to prove the business's intent or knowledge (recklessness or negligence).

Prior to the current borrower defense regulations, predatory schools utilized broadly drafted pre-dispute arbitration clauses that impinged on the ability of military-connected students to file a complaint. For example, in 2016, ITT Tech reprimanded a veteran for submitting a complaint to the Department of Veterans Affairs, which established an online portal and process for resolving complaints by veterans using their GI Bill benefits (see Attachment 3).

In 2016, the Department's justification for the explicit protection of a student's right to submit a complaint to a federal agency was as follows:

> "if the student believes that the grievance is significant enough to warrant the attention of law enforcement officials or bodies empowered to evaluate academic matters, we believe that the benefit of bringing that complaint to their attention outweighs the benefits of attempting to compel the student to delay. The regulations do not impose any duty on an authority or accreditor to take any particular action, and they may choose to deter or delay consideration of a complaint until completion of the institutional process. However, the regulations would help those authorities better monitor institutional performance by making timely notice of complaints more likely."[2]

It should also be noted that consumer complaints have played an important role in enforcement actions brought by federal and state authorities against schools such as ITT Tech, Corinthian, Bridgepoint, and EDMC.

The proposed rule also creates a false narrative about the 2016 regulation, which did not ban arbitration agreements but rather prohibited a school from requiring arbitration to settle disputes before they actually arise. Under the 2016 rule, students could be offered the opportunity to arbitrate disputes. They also retained the right to join a class action lawsuit if they found the arbitration outcome to be unsatisfactory. These policies helped to level the playing field created by a process where the school is in charge of hiring and paying the arbitrator. As the New York Times reported in 2015, "more than three dozen arbitrators described how they felt beholden to companies. Beneath every decision, the arbitrators said, was the threat of losing business." Between 2011 and 2015, 71 students pursued arbitration against Corinthian with the American Arbitration Association. Of the ten students whose claims were resolved by an arbitrator's final decision, only one received a monetary award ($14,445) and none received any non-monetary relief.[3]

Proposed Alternative: Give students the right to (1) choose to arbitrate claims once a dispute arises, and (2) to exercise their constitutional right to adjudicate claims before impartial judges and juries. Revise the proposed rule to include a provision from the 2016 regulation that prohibits a school from "compel[ing] any student to pursue a complaint based on a borrower

[2]Federal Register, November 1, 2016, "Student Assistance General Provisions, Federal Perkins Loan Program, Federal Family Education Loan Program, William D. Ford Federal Direct Loan Program, and Teacher Education Assistance for College and Higher Education Grant Program."
[3]Calculation by Public Citizen. Claims may have been resolved by a settlement as opposed to a final decision by the arbitrator.

defense claim through an internal dispute process before the student presents the complaint to an accrediting agency or government entity authorized to hear the complaint."[4]

(4) Defrauded military-connected borrowers will be required to prove that schools knowingly or recklessly misrepresented facts, an evidentiary bar that will be difficult, if not impossible for a typical harmed borrower to overcome.

The borrower defense standard that the Department is proposing requires the defrauded military-connected students to prove that a misrepresentation occurred and that they were financially harmed as a result. Despite agreeing with negotiators that a borrower was unlikely to have evidence that demonstrates an institution acted with an intent to deceive, the Department plans to require harmed borrowers to prove that the school had an intention to cause that harm.[5]

Requiring any borrower to prove a school's intent raises the evidentiary bar to a level that will limit borrowers' access to debt relief. Proving the "intent" to misrepresent requires significant discovery, including depositions and intense documents' review of corporate records at every level of the institution. As currently proposed, harmed borrowers will need to find a "smoking gun" that proves a school knowingly or recklessly misrepresented material facts that caused harm and to do so without access to depositions or compelled discovery. It is manifestly unjust to require students to prove intent when so many federal and state enforcement agencies would struggle similarly under such a high standard of proof if it were denied access to the tools and resources necessary to conduct a thorough and diligent independent investigation.

These factors contributed to the decision to include a process for group discharges in the 2016 regulation where the burden of proof would lie on governmental entities, not the borrower. When misrepresentation by a school was found to be widespread, such as at Corinthian and ITT, the requirement for individual applications could be waived and group discharges could be granted.

Proposed Alternative: Do not require a student who files borrower defense claims to prove a school's intent. Lower the level of intent necessary to prevail on a claim to a more reasonable "negligent" standard and reinstate a process for group discharges where there is evidence of widespread misrepresentation.

[4] 34 C.F.R. § 685.300(d).
[5] See p. 37257 of the proposed rule.

(5) Defrauded military-connected borrowers will have a difficult time proving that they were in fact harmed because of the narrow definition of financial harm.

The proposed rule defines financial harm narrowly, tying it to monetary loss as a consequence of misrepresentation that leads to *extended* periods of unemployment and the inability to secure a job in the field of study for which the institution *expressly guaranteed* employment. It excludes "opportunity costs" and the debt itself. Furthermore, schools can allege that they were not the cause of financial harm because of "intervening local, regional, or national economic or labor market conditions."

As noted in the Consumer Financial Protection Bureau complaint against ITT Tech, the school "convince[d] consumers to take out loans to pay…high tuition… [and] represented that it would work in their interest to place them in desirable jobs with good salaries." Although ITT did not "expressly guarantee" employment to students, they misrepresented the likelihood of employment in graduates' field of study and the amount of money they would earn. Using selective and incomplete data, ITT painted unrealistic outcomes in their marketing materials. ITT financially harmed these consumers in a number of ways that are excluded from the proposed rule's definition. Relying on these marketing pitches, students took out tens of thousands of dollars in federal student loans, spent years pursuing an education that did not advance their careers in any way, and were underemployed after they graduated.

Under the proposed rule's definition of financial harm, predatory schools can continue to paint unrealistic outcomes by using selective and incomplete marketing data. Such schools can insure that they don't cross the bright line of "expressly guaranteed employment" in a particular field and ensuring that their graduates get some type of job to avoid "extended period of unemployment."

Compared to other students, veterans face unique opportunity costs: (1) they may have used most if not all of their 36 months of educational benefits, and (2) the only institutions likely to accept their credits are other predatory schools. If they also have federal student loan debt, the cost of starting school over again may be prohibitive because GI Bill benefits typically can't be reinstated when a school closes or defrauds a veteran.[6]

Proposed Alternative: The Department should broaden the definition of financial harm and include *under*employment in addition to *un*employment.

[6]The Harry W. Colmery Veterans Educational Assistance Act of 2017 only reinstated benefits for veterans who attended a school that closed between January 1, 2015, and August 16, 2017. It did not restore benefits for veterans who were defrauded by predatory schools.

(6) Proposed "partial" relief is inconsistent with typical enforcement actions that provide restitution for consumer fraud.

Enforcement agencies that find consumers who were fraudulently induced to purchase a financial product or service generally apply a remedy that unwinds the transaction—that is, borrowers are put back in the position they would be in if they had not been the victim of fraud.

The Department's proposed remedy, however, does not actually rescind a fraudulently induced agreement. Instead, it proposes partial relief based on a yet to be determined calculation. Attempting to evaluate the value of services received by a borrower are difficult and represent a significant departure from remedies utilized by financial regulators in similar matters involving fraudulent inducement.

The proposed rule also raises concerns about the impact on borrowers of reduced awards in terms of tax implications from discharge of debt and credit reporting. With regard to the potential tax liability, rescinding the transaction is likely a "purchase price adjustment" that should not result in taxable income for borrowers. Further, when a transaction is rescinded, the tradeline should be deleted in its entirely from a borrower's credit report. Again, this contemplates putting borrowers back in the position they would be in had the fraudulent transaction not occurred. The current approach in the proposed rule does not afford borrowers these key protections.

Proposed Alternative: The Department should consider providing student loan borrowers the same relief from fraudulently induced student loans as is routinely provided by financial regulators when consumers are fraudulently induced to take on other types of consumer debt.

(7) Military-connected students may be deprived of a closed-school discharge because their school had an accreditor approved teach-out agreement with another predatory school.

Borrowers' currently have two options—either a closed-school discharge *or* a teach out.[7] Moreover, a loan discharge is automatic for borrowers who do complete their degree program at another school within 3 years. The proposed rule states that students should be encouraged to complete their academic programs, not to have their loans forgiven and that schools should be encouraged to provide students with an opportunity to do so. As a result, the rule would

[7]The 2016 rule strengthened notifications to borrowers about their options because, in some instances, the closing school might inform borrowers of the option to complete their program through a teach-out but fail to advise them of the option for a closed school discharge.

deny a closed school discharge to any borrower who turns down an accreditor approved teach out. There are several fallacies in the Department's logic.

First, teach outs may only be offered at another predatory for-profit school, which is often the only institution willing to accept a borrower's credits. Military-connected students, however, may prefer not to enroll in another for-profit school. Veteran enrollment in for-profit schools declined from 2014 to 2016. This trend was likely influenced by the negative press associated with state and federal settlements over misleading advertising and recruiting and by the numerous ongoing investigations of for-profit institutions. In contrast, veteran enrollment increased at public and nonprofit institutions.

Second, notwithstanding the language in the proposed rule the teach outs must "provide the borrower the opportunity to complete the program of study in which the borrower was enrolled," acceptable teach outs are often described by accreditors as programs that are "reasonably similar in content and structure." In fact, veterans frequently complain that predatory schools misrepresent their degree programs, that is, veterans are recruited with the promise of a specific degree program (e.g., medical assisting) only to find out that (1) they were enrolled in a different program (medical *office* assisting); (2) the program is being discontinued; or (3) the program is only available at another, inconvenient location.

Third, programmatic comparability is a slippery slope that is highly susceptible to embellishment unless the proposed regulation explicitly addresses several other issues, including program length, costs and aid, programmatic accreditation, and quality. The teach-out guidance offered by several recognized accreditors addresses these issues in too general a manner and some accreditors fail to address them at all.

The Department also states that it is not necessary for the proposed regulations to establish a requirement that the Secretary grant automatic closed school discharges because the Secretary already has this authority "in appropriate cases at her discretion…."[8] The Department, however, failed to address the following concerns it had raised in the 2016 rule: (1) many borrowers eligible for a closed school discharge do not apply, (2) borrowers are unaware of their possible eligibility for a closed school discharge because of insufficient outreach and information about available relief, and (3) in some instances, the closing school might inform borrowers of the option to complete their program through a teach-out, but fail to advise them of the option for a closed school discharge." Given the strong financial incentives for schools to mislead borrowers and the failure of eligible borrowers to apply, the Department should reconsider its decision not to establish a requirement for automatic discharge and should commit itself to enhanced outreach that makes eligible borrowers aware of their options.

Proposed Alternative: Maintain current policy on closed school discharges. Alternatively, the regulation must explicitly lay out the requirements for degree program comparability in teach outs.

[8]See p. 37267 of the proposed rule.

(8) Without additional clarity, borrowers may be unintentionally deprived of relief or restitution awarded through action by another agency or state.

The proposed rule states that when a borrower is granted relief, the borrower is required to assign "any right to a loan refund" to the Department. However, it is not clear if these loan refunds are limited to losses solely related to the federal loan for which the borrower received relief.

The Department can clarify that awards related to private student loans, veteran benefits, or other losses separate from those related to federal student loans (e.g., educational expenses paid out of pocket, tuition payment plans, loss of state grant eligibility, and payment of childcare or transportation, etc.) should not be used to offset potential eligibility for discharge of federal student loans.

Since harms related to non-federal student loan debts or payments are not included in the scope of potential relief for the borrower under defense to repayment, restitution awarded for these items should not be used to "offset" eligibility for debt relief.

Proposed Alternative: Clarify that awards related to private student loans, veteran benefits, or other losses separate from those related to federal student loans (e.g., educational expenses paid out of pocket, tuition payment plans, loss of state grant eligibility, and payment of childcare or transportation, etc.) should not be used to offset the discharge of federal student loans.

(9) The proposed rule fails to hold institutions financially responsible.

The proposed rule substantially weakens the front-end, financial responsibility standards in the 2016 regulation, which identified early warning signs of risky school behavior. Schools that triggered these early warning signs would have been required to provide the Department with financial guarantees (e.g., letters of credit) as insurance that taxpayers wouldn't be left holding the bag for loan discharges related to school closures and borrower defense claims.

The proposed regulation, however, drops the use of lawsuits related to the making of a federal loan as an early warning sign and shrinks the number of mandatory early-warning signs from seven to three. Thus, failing to meet the requirement that schools obtain at least 10 percent of their funding from sources other than federal student aid would no longer automatically require a school to provide the Department with a financial guarantee. When Corinthian, and ITT closed abruptly, the Department had no or insufficient up-front financial guarantees to cover the costs of student loan discharges resulting either from their closure or from the significant number of borrower defense claims.

Proposed Alternative: Protect taxpayer dollars and strengthen school accountability by increasing the number of mandatory early warning signs, such as lawsuits and violating the 90/10 rule.

(10) The proposed rule contains misleading statements.

In too many instances, the Department is guilty of the same type of misrepresentations that the proposed rule is intended to address. No doubt public comments by other organizations will provide a more complete list of these misrepresentations than the following examples.

Topic	Departmental Misrepresentation	Response to Misrepresentation
The statute limits eligibility to borrowers who are in collection proceeding because they defaulted	The current regulations implementing the statutory provision reflect the Department's understanding at the time of the rule's promulgation in 1994 that **the statute directs** the Department to provide borrowers with a *defense* to repayment, as part of certain Department **collection actions**. (p.37254) We are now considering that for loans first disbursed on or after July 1, 2019, the Department return to the pre-2015 interpretation such that borrowers may only submit applications in connection with one of the specific collection proceedings listed in current § 685.206(c). **The language of both the statute and existing regulations on borrower defenses is consistent with this approach**… (p.37253)	The statutory language [20 U.S. Code 1087e(h)] does not mention collection proceedings: "(h) Borrower defenses. Notwithstanding any other provision of State or Federal law, the Secretary shall specify in regulations which acts or omissions of an institution of higher education a borrower may assert as a defense to repayment of a loan made under this part, except that in no event may a borrower recover from the Secretary, in any action arising from or relating to a loan made under this part, an amount in excess of the amount such borrower has repaid on such loan."
Negotiators debated limiting eligibility to claims filed by borrowers in collections	As part of the discussions of a Federal standard, negotiators **debated** whether borrowers should be allowed to assert defenses to repayment affirmatively—in other words, at any point of time regardless of whether the borrower's loan is in default and the subject of Department collection proceedings—or only defensively, during such collection proceedings. (p.37253)	There was no such debate and the Department never circulated a proposal to limit eligibility to borrowers in default/collections. In fact, the proposed rule is the first time the Department had used the terminology "defensive" and "affirmative" claims.
Arbitration is impartial	With so much at stake for all parties, it seems reasonable that consumer complaints should continue to be adjudicated through existing legal channels that put experienced judges or arbitrators in the position of weighing the evidence and rendering an **impartial decision**. (p.37244) [Arbitration] will benefit both the institution and the borrower by introducing the judgement of an **impartial** third party…. (p.372090)	Schools are responsible for hiring and paying arbitrators. A 2015 New York Times investigation reported that more than three dozen arbitrators it interviewed felt beholden to the companies that hired them. "Beneath every decision, the arbitrators said, was the threat of losing business."
Corinthian closed precipitously after the Department placed the school on HCM1	[Corinthian institutions]….following a sequence of events, **closed precipitously** after the Department placed the institutions on HCM1 status and added a delay in title IV reimbursement that is typically not associated with HCM1. (p.37243)	The Department's narrative of the closure of Corinthian is truncated and therefore misleading. In June 2014, the Department proposed delaying Corinthian's Title IV reimbursement by 21 days, a response to its stonewalling a Departmental investigation of the school's job placement rates. Corinthian informed the Department that doing so would force it to declare bankruptcy. The Department and Corinthian reached an agreement requiring the school to sell its assets or close. In Feb. 2015, Corinthian sold some but not all of its campuses to ECMC, a student loan debt collector. In April 2015, the Department fined Corinthian $30 million for falsifying job

		placement rates. Within days, Corinthian declared bankruptcy and closed.
A rationale offered for not including group discharges in the proposed rule is misleading	Because an **institution can refuse to provide an official transcript** for a borrower whose loan has been forgiven, group discharges could render some borrowers unable to verify their credentials or work in the field for which they trained and have enjoyed employment. (p.37244)	Many predatory schools that defrauded veterans are now closed and unable to provide transcripts. As of August 2017, three quarters of the approximately 100,000 borrower defense claims submitted to the Department involved students who had attended Corinthian, which closed in 2015. The "frequently asked questions" page on the Department's website directs Corinthian students to contact their state licensing authority to determine if it had arranged to store student records. Moreover, many military connected students reported that employers did not respect degrees from Corinthian and they were likely to leave them off of their resumes. Finally, the 2016 rule allowed borrowers to opt out of the proceedings.
2016 rule did not allow institutions to adequately tell their side of the story	In addition, the Department is concerned that several features of the 2016 final regulations might have put the Department in the untenable position of forgiving billions of dollars of Federal student loans based on potentially unfounded accusations. Specifically, those regulations would allow the Department to afford relief to borrowers **without providing an opportunity for institutions to adequately tell their side of the story**. (p.37243)	The Department appears to be suggesting that institutions were cut out of the claims adjudication process. In fact, the 2016 rule stipulated that the Department would notify the school of a borrower defense claim, share the evidence submitted by the student, and accept evidence from the institution. The process outlined in the 2016 rule was similar for individual and group claims.

Note: Bolding added for emphasis.

Attachment 2

Misrepresentation
Underlying Selected, Pending
Veteran Borrower Defense Applications

Table 1: Selected Veteran Borrower Defense Applications by School

Corporate owner/school	# Pending veteran BD applications
Ashford University	1
Career Education Corporation	
American InterContinental University	5
Colorado Technical University	1
International Academy of Design and Technology	1
Sanford Brown	1
DeVry	2
Education Management Corporation	
Brown Mackie	1
University of Phoenix	3

Note: The yellow highlighting in the narratives that follow focus on the misrepresentations and omissions of the schools that the following veterans attended. Each of these veterans has filed a borrower defense claim with the Department of Education.

Ashford

R.D.: Ashville, North Carolina

"I was encouraged to take out student loans for my degree at Ashford. The representative stated that the G.I Bill would not cover everything. She also stated that the BA in social science would help me find work in the social work field. They also suggested that I take out student loans while I waited for my credits to transfer so I can start school. She stated that Ashford would assist me in finding placement in my area in jobs related to the social work field. Once I was going to graduate I was constantly harassed. They stated that prior students of Ashford would get a reduced rate and they wanted me to continue using my G.I Bill and that's when they said I would qualify for the post 9-11 bill but again I would have to take out student loans to cover the costs that my veteran payments did not. The representative stated that I could get my MBA in Information Systems and I would again get assistance in obtaining employment with various technology companies after I graduate. I didn't really have a break between my BA and Master's degree and at the time I felt that many of my teachers offered zero help and didn't even grade my papers. They just gave me As. After graduation I was told my degree wasn't suitable for any employment within the I.T. field and multiple companies with business positions did not see my MBA as a creditable MBA. Many companies stated that my degree did not have an actual accreditation that is needed for a career within the business world. I feel that I was personally targeted as a veteran. I've

always regretted both of these degrees because I felt like I had been misled into getting help with job placement and the accreditations do not hold up when I've applied to these jobs. Degrees from Ashford are looked at as a joke and seen as fake degree to many employers."

Career Education Corporation

American InterContinental University

S.T.: Chesapeake, Virginia

• "[AIU] promis[ed] but fail[ed] to provide support in finding and landing a job."
• "[AIU] falsely claim[ed] that the school had the proper accreditation to allow its graduates to take a particular licensing exam—I didn't really understand the process of accreditation prior to enrolling. I learned after the fact that AIU was not regionally accredited."
• "[AIU] treat[ed] grants and loans as if they were the same thing."
• "[AIU] refus[ed] to disclose loan terms of allow review of loan documents."
• "I thought I was using my GI Bill and Tuition Assistance/Top Up. I could have used my GI Bill because I still had it at the time of enrollment."
• "My credits would not transfer when I tried applying to other schools to complete a Masters program."

F.A.: Ellenwood, Georgia

"For the longest students found out that the University was not accredited, they got it years later but was lied to when we signed up…."

C.W.: Newport News, Virginia

• "AIU did all of the following through emails: Citing false or misleading statistics about job placement rates; promising inflated salaries; promising but failing to provide support in finding and landing a job."
• "Falsely claim[ed] that it offered the classes necessary to achieve employment and/or certification in the IT field."
• "Cit[ed] misleading statistics about the pass rate of students on requiring licensing or certification exams in the IT field."
• "Refus[ed] to disclose loan terms or allow review of loan documents."
• "Having American InterContinental University on a resume repels employers who have heard about its illegal practices."
• "I thought my GI Bill was paying the full cost. I was never told that I was applying for loans. I thought the FAFSA was related to enrollment."

K.W.: Newport News, Virginia

• "AIU sent numerous emails citing false or misleading statistics about job placement rates. They also promised inflated salaries."
• "Promis[ed] but fail[ed] to provide support in finding and landing a job by email. They provided unhelpful webinars occasionally."
• "[AIU] understat[ed] the total cost of the program."
• "[AIU] understat[ed] the amount of loans necessary."
• "[AIU] treat[ed] grants and loans as if they were the same thing."
• "[AIU] treat[ed] federal and private loans as if they were the same thing."
• "[AIU] refus[ed] to disclose loan terms or allow review of loan documents."
• "I explained that I was interested in corporate training at the time I enrolled at AIU and I was advised that the degree pursued would be a good entry degree. I learned after the fact that this was not true."
• "I have spoken to registrars at other universities, including Kennesaw State University, and I was told that my credits for my incomplete masters program would not transfer."
• "I graduated in 2007 and could not find work in my field. I got a job that wasn't in my field that lasted from 2007-2009. I was unemployed between Feb 2009 – March 2014. I did not find full time employment until March 2014."

D.M.: Newport News, Virginia

"I was trying to obtain employment with my associates degree and looking forward to getting a BA. AIU committed the following: Falsely claiming that it offered the classes necessary to achieve employment and/or certification to obtain a job in the civil service or educational setting/people instruction; citing misleading statistics about the pass rate of students on required licensing or certification exams."

Colorado Technical University

R.G.: Duluth, Georgia

"After being contacted by CTU, I was told that their program was accepted by the state of Georgia in the psychology program. I was later informed by the licensing board in Georgia that it was not. There were certain courses that I would have to retake, which would cost me extra money."

International Academy of Design and Technology

S.S.: Littlerock, California attended
• "Recruiter stated that they had a career placement department that would assist in finding a job after graduation. They would highlight recent or prior graduates that had landed jobs in well-known firms and companies in the industry and indicate that IADT had helped them get the position. The only assistance I received was having someone

edit my resume"
• "IADT represented its program as being accredited, but when I tried to transfer my credits to a community college, none of the credits would transfer (including my basic education requirements like math, English, writing and speech courses)."
• "Every quarter or semester, we would go in to speak with our financial aid counselor, who would provide me with a pre-printed packet and just present it to me to sign without explanation. I was led to believe that I needed to sign the paperwork in order to continue in the program. Periodically, I would be given roughly $3,000-$5,000 labeled as a 'refund' check. No one told me that this was money from the loans I had taken out. It was also never clear to me how much the program would cost. I had no idea that I would need to take out the amount of loans that I did in order to complete the program"
• "My loans exceeded $160,000 in the end. I have made timely payments since completing the program in 2009, and it seems like I've barely made a dent in the total amount I owe. I'm 31, I have good credit, but I can't afford to buy a home because of the amount of student loan payments."

Sanford Brown

J.M.: Barstow, California

"During meetings with the recruiter/advisor/counselor when I signed up for the program, I was presented with a balance sheet showing the cost of the entire program and the amounts that I would periodically get back as a check (without explaining that it was part of my loan). They asked me how much I was making at McDonald's, which they calculated as an annual salary of $21,000 to $22,000, and said that the average income for their graduates in my program was $42,000 to $50,000. I wasn't even able to get a job using the degree that I obtained from Sanford Brown, and they didn't provide the job placement assistance that they promised either. I eventually went back to work for McDonald's, and wasn't able to make my loan payments and went into default on my loans. Since 2006, my federal income tax refunds have been garnished to make the loan payments. I was also homeless for a period of time before I went into the military."

DeVry

R.B.: Riverdale, Georgia

"My main complaint is that I took an enormous amount of loans which has me in deeply in debt by about $110,000 but I am not getting the jobs or job interviews that were promised as a part of their recruitment. They said an average of 92 percent of graduates would be working in their field of study or at least close to it within 6 months of graduating. I've graduated with my BS in 2008 and my MBA and MPM in 2010 and 2011 and still have not found anything."

E.L.: Lackawanna, New York

"They said 95% of graduates were able to get a degree just because of the school's reputation. Also that they would assist in finding a job which they didn't. What they told me was a grant turned out to be a loan. After graduating I still had no idea how to do what I was 'trained' to do."

Education Management Corporation

Brown Mackie

M.M.; Paramount, California

"I was recruited for pharmacy tech and never told that my credits couldn't transfer. Then I was harassed when I had to move to be closer to my parents due to their health issues. Now they are saying I owe student loans totaling 16K when I used my GI Bill to pay for schooling."

University of Phoenix

J.S.: Merrillville, Indiana

"Tuition jumped from $750/3cr class to $1500, poor teaching quality, could not find a job despite promises at outset of 83% employment, had to repeat whole degree at different college to get a job; doesn't list UOP on resume anymore."

J.R.: Belleville, New Jersey

- "[The school] represented that credits would transfer to other schools and they did not."
- "Was told that costs of programs would be covered but it wasn't. Took out private and federal student loans, was led to believe they were adequate for program, had to drop out of program briefly and when tried to re-enroll was told that [I] owed them money and couldn't re-enroll."
- Employers tell him his time spent there was worthless.
- Can't make payments, can't go to another school until his past debt is paid, has gone to collections and is adversely affecting his credit rating.
- Transferred to another school and had to retake several classes.

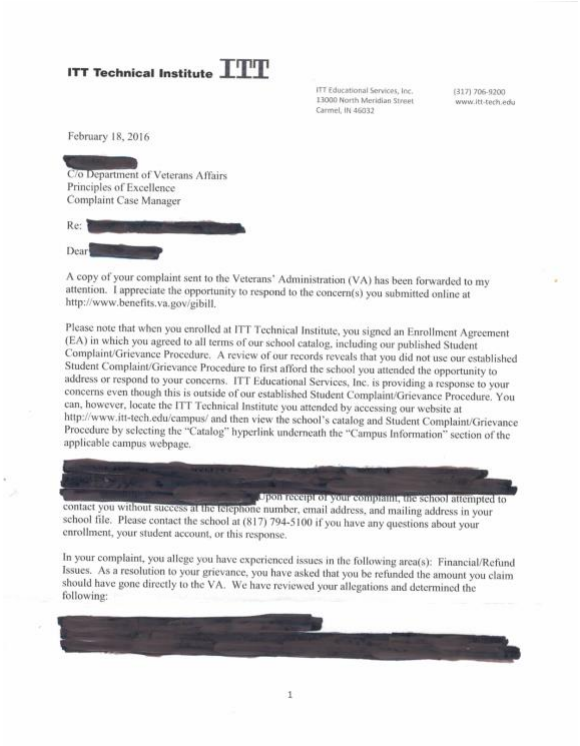
D.T.: Pennsauken, New Jersey

- "I was recruited to attend University of Phoenix and was told that GI Bill would cover costs, accreditation on par with top schools in the nation, and that the learning atmosphere would prepare me for the corporate world. I finished an Associates Degree, then a Bachelor's Degree, then an MBA—I kept trying to make my education worth something. No effective job placement assistance."
- "I was misled about the costs and was led to believe that GI Bill would cover everything

and I wound up taking out substantial loans. I have been unable to make loan payments, have tried to consolidate and defer. This has had serious adverse effect on credit rating."
• "Employers who have heard about UoP's illegal practices will not even recognize my MBA. The only positions available to me were entry level."

Attachment 3

ITT Tech Letter to Veteran Who Filed a Complaint with the Department of Veterans Affairs



ITT Technical Institute ITT

ITT Educational Services, Inc.
13000 North Meridian Street
Carmel, IN 46032

(317) 706-9200
www.itt-tech.edu

February 18, 2016

[redacted]
C/o Department of Veterans Affairs
Principles of Excellence
Complaint Case Manager

Re: [redacted]

Dear [redacted]

A copy of your complaint sent to the Veterans' Administration (VA) has been forwarded to my attention. I appreciate the opportunity to respond to the concern(s) you submitted online at http://www.benefits.va.gov/gibill.

Please note that when you enrolled at ITT Technical Institute, you signed an Enrollment Agreement (EA) in which you agreed to all terms of our school catalog, including our published Student Complaint/Grievance Procedure. A review of our records reveals that you did not use our established Student Complaint/Grievance Procedure to first afford the school you attended the opportunity to address or respond to your concerns. ITT Educational Services, Inc. is providing a response to your concerns even though this is outside of our established Student Complaint/Grievance Procedure. You can, however, locate the ITT Technical Institute you attended by accessing our website at http://www.itt-tech.edu/campus/ and then view the school's catalog and Student Complaint/Grievance Procedure by selecting the "Catalog" hyperlink underneath the "Campus Information" section of the applicable campus webpage.

[redacted] Upon receipt of your complaint, the school attempted to contact you without success at the telephone number, email address, and mailing address in your school file. Please contact the school at (817) 794-5100 if you have any questions about your enrollment, your student account, or this response.

In your complaint, you allege you have experienced issues in the following area(s): Financial/Refund Issues. As a resolution to your grievance, you have asked that you be refunded the amount you claim should have gone directly to the VA. We have reviewed your allegations and determined the following:

[redacted]

1