



April 9, 2015

MADIGAN TO U.S. DEPT. OF EDUCATION: CANCEL LOANS OF CORINTHIAN STUDENTS

Chicago — Attorney General Lisa Madigan today urged the federal government to immediately relieve the federal debt burden of thousands of students who attended Corinthian Colleges, which operated six Everest College locations in Illinois and was forced to close last year.

In a letter to the U.S. Department of Education, Madigan said the agency has legal authority to discharge the federal loans of students who have been harmed by for-profit schools like Corinthian.

"We must protect the victims of the predatory practices of for-profit schools such as Corinthian, which was more concerned with their profits than they were about the quality of education they provided," Madigan said.

The letter, which was also joined by the attorneys general of California, Connecticut, Kentucky, Massachusetts, New Mexico, New York, Oregon and Washington, notes that the Higher Education Act, Department regulations and federal student loan documents all make it clear that students can assert legal claims against schools as a defense to repayment of their loans. A number of state and federal lawsuits show that Corinthian misrepresented to students:

- the urgency of enrollment to secure a spot in a program;
- the school's historical success placing students in jobs in the students' field of study;
- the earnings of graduates;
- the availability of advertised programs;
- the employment assistance the school provides graduates;
- the school's role in its private loan program;
- the nature, character and quality of educational programs;
- the school's purported affiliation with the United States Military;
- the transferability of credits;
- the availability of externships; and
- the nature and availability of financial aid.

"These cases against Corinthian have unmasked a school that relentlessly pursued potential students—including veterans, single parents, and first-time higher education seekers—promising jobs and high earnings, and preying on their hopes in an effort to secure federal funds," the letter states.

The attorneys general note that the legal enforcement actions against Corinthian will not be enough to provide relief to Corinthian's victims. The school has indicated it plans to file for bankruptcy, and therefore will likely try to limit relief available to students burdened with thousands of dollars in debt and many without a degree to show for their outstanding loan balance.

In addition to calling for the cancellation of Corinthian loans, the letter urges the Department to clarify the grounds needed for students to obtain a discharge of their loans and to specify a process by which students can raise these issues with their loan servicers in order to obtain relief. The letter also suggests that the Department develop a process by which the findings in a state attorney general's investigation could be utilized as a defense to repayment for all affected students.

An estimated 40 million Americans have an outstanding student loan, up from 29 million in 2008. Borrowers carry an average balance of \$29,000 in student loan debt. Nationwide, student loan debt now stands at \$1.2 trillion, representing an increase of more than 150 percent since 2005. The U.S. Senate Health, Education, Labor and Pensions Committee reported that, during the 2009-2010 school year, for-profit colleges took in \$32 billion in taxpayer-backed student aid and spent nearly 25 percent of

their revenue on marketing and recruiting, exceeding what was spent on student instruction.

Attorney General Madigan is a national leader in investigating and enforcing consumer protection violations in the higher education field. She has pursued litigation against national for-profit colleges for fraudulent marketing practices, and she is leading a multistate investigation into the student loan provider Sallie Mae (now Navient). Madigan was also the first state attorney general to [file lawsuits against emerging student loan debt relief scams](#). Last year, she testified about the role of states in higher education before the U.S. Senate, including a call for stronger protections under federal law for student loan borrowers.

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