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June 30, 2014

SENT VIA EMAIL

The Honorable Arne Duncan
Secretary of Education
U.S. Department of Education

Dear Secretary Duncan:

I am writing to request that the Department prioritize the needs of students as it continues to work out the potential closure of schools owned by Corinthian Colleges, Inc.

We are pleased that the Department decided to take action against Corinthian by imposing a 21-day hold on the disbursement of federal financial aid. Based on Corinthian's non-compliant financial responsibility score, combined with the many government investigations and actions for deceptive recruitment practices, we believe this was an important step towards holding Corinthian accountable for the grave risk that it poses to both students and taxpayers.

We were therefore dismayed by the Department's subsequent decision to allow Corinthian to draw down 16 million dollars. While we know that the Department is committed to addressing the needs of Corinthian students, we are concerned that the Department's focus on protecting the government fisc may result in further harm to these students. We call on the Department to put students' needs first and request that it do all of the following:

- 1) Teach-Outs: We urge the Department to be cautious about approving teach-outs. If the Department rushes into approving teach-outs, Corinthian students are at risk of being harmed by a second for-profit school. The Department should only approve teach-outs offered by schools that (a) have *not* been involved in any government investigations or actions, (b) have a track record of offering similar quality programs with high placement rates, high completion rates, and low three-year cohort default rates, and (c) exceed minimum financial health standards. To the extent the Department approves teach-outs for distance education students, the teach-out schools should meet the same requirements, including a good track record of running distance education programs.
- 2) Buy-Outs: Students should not be forced to continue their programs at brick-and-mortar campuses or distance education schools sold to new owners. The Department should offer these students the option of full loan cancellations pursuant to its settlement and compromise authority. In addition, the Department should only approve sales to schools that (a) have experience operating similar programs with a history of high placement rates, high completion rates and low

cohort default rates and (b) have not been involved in any recent government investigations or actions.

3) Program Closures: Buyers could discontinue online or classroom programs before Corinthian students are able to complete them. These students would not be entitled to the cancellation of their federal loans. Therefore, as a condition of any sale of a school (offering online or classroom programs) or campus, the Department should require buyers to provide full tuition/cost refunds to students whose programs are discontinued, for example by paying off the students' federal loans, private loans, and government grants. In addition, the Department may use its settlement and compromise authority to fully discharge these students' federal loans.

4) Campus/School Closures: In the event of any school or campus closures (with or without teach-outs), the Department must *immediately* provide all affected students *and* Parent PLUS loan borrowers with closed school discharge applications with clear instructions, including where to send completed applications. Students will be anxious to move on from their Corinthian experience and restart their educations elsewhere. They should not have to wait months for a loan servicer to send them this information. The Department must also inform these students that (a) they may opt out of any offered teach-outs and obtain a full federal loan discharge; (b) if they complete their program through a teach-out, they will *not* qualify for a federal loan discharge; and (c) if they transfer any credits to another school, they will *not* qualify for any federal loan discharge, not even a partial discharge.

In addition, the Department has previously taken the position that distance education program students may only receive a closed school discharge if the main campus of the school offering these programs closes and ceases offering all programs. If the Department approves the sale of the schools or campuses offering distance education programs, it should grant full loan discharges to students whose distance education programs are discontinued before they are able to complete, pursuant to its closed school discharge or settlement/compromise authority.

5) Withdrawals: The Department should notify *all* students who withdrew within one year before any Corinthian campus or school closure of their right to full refunds if they withdrew within 120 days before the closure. It should also notify students that it will extend this 120-day period for exceptional circumstances. The Department should explain that students may seek an extension by providing any evidence, including their own written testimony, of a deterioration of the educational quality at their campus (or online program). We ask that the Department refrain from imposing high evidentiary burdens on these students. It should instead accept students' written testimony unless it is contradicted by other specific evidence and automatically extend the 120-day based on any evidence within its possession.

6) Private Student Loans: Corinthian has made many private institutional loans to its students. To the extent it holds any of these loans for closed school students, it should be required to fully discharge those loans and refund all payments made by students. In addition, to the extent that such loans are *not* held by Corinthian, it should be required to pay off those loans and remove all information regarding such loans from students' credit reports.

7) New Enrollees: The Department must require Corinthian to immediately cease enrolling new students. In addition, the Department must require Corinthian to disclose to all current students and new enrollees the likelihood that their campus or school will either close or be sold to a new buyer. To the extent that Corinthian is allowed to continue enrolling new students, the

Department should require it to cease making or facilitating private student loans for these new students. Finally, Corinthian must be required, in the event of a school or campus sale and/or closure, to fully refund any impacted students' federal loans, government grants, and private loans.

8) Legal Assistance: In the event of campus or school closures and teach-outs, students will have a variety of complex rights. For example, if closed school students have any private loans, they may (1) apply to a state student protection fund for a partial or full pay-off of the private loans, (2) obtain a partial or full discharge from the private loan holder, or (3) assert as a defense to repayment the claims they could assert against Corinthian, for example based on breach of contract or statutory violations. These rights will depend on the individual students' circumstances, applicable state and federal laws, and the terms of the private student loan contracts. Most students will not be aware of these rights nor will they be able to assert them alone. They will need expert attorney assistance in navigating their way through their legal options. Without competent and free attorney assistance, Corinthian's closed school students will be at risk of being scammed by fraudulent debt relief companies.

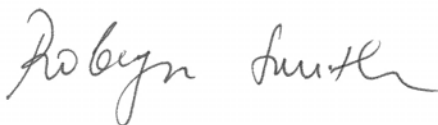
Legal services organizations are in the best position to provide assistance to Corinthian students, most of whom are low-income. The Department should therefore require Corinthian to set aside money to fund nationwide legal services and clinics for its students, as well as money to fund legal services advocate trainings by student loan experts. Any such funds must be in sufficient amounts to pay for adequate staff to handle the increased demand for their legal services. In addition, these funds should be available as soon as Corinthian knows that any campuses or schools will close, without complicated or extensive grant requirements and processes.

9) Prior Students: Students no longer enrolled at Corinthian who were subjected to any misleading job placement disclosures or deceptive high pressure sales techniques should receive full restitution from Corinthian. If Corinthian lacks sufficient funds, student should receive complete discharges of their federal and private student loans, including loans held by Corinthian.

10) Executive Compensation: Under no circumstances should Corinthian executives receive compensation before students and taxpayers are fully compensated for their losses. Any other agreement would be unacceptable.

Thank you for considering our requests. In the coming days, we hope the Department will put students first by implementing these suggested measures. Please feel free to call me if you have any questions.

Sincerely,



ROBYN C. SMITH
Of Counsel
National Consumer Law Center