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SLBA Student Loan Borrower Assistance

May 19, 2015

PETITION

TO THE U.S. DEPARTMENT OF EDUCATION

DEMANDING STUDENT LOAN DEBT RELIEF FOR CORINTHIAN STUDENTS

1. In the interest of economic justice for low-income student loan borrowers seeking to improve their lives through higher education**,** the National Consumer Law Center[1] (on behalf of its low-income clients) and the undersigned organizations and individuals submit this petition demanding that the U.S. Department of Education cancel the federal student loans of borrowers who attended schools owned by Corinthian Colleges, Inc. or any of its subsidiaries ("Corinthian") and take more aggressive action to protect students and taxpayers from schools that violate state or federal laws.

INTRODUCTION

2. The U.S. Department of Education (the "Department") is charged by the Higher Education Act (the "HEA") with administering federal financial aid programs in order to provide high quality educational opportunities for every person, regardless of his or her income. It is also charged with protecting the administrative and fiscal integrity of federal student aid programs. The Department is therefore responsible for ensuring that postsecondary schools that receive financial aid funds do not engage in deceptive or unlawful practices that harm students and taxpayers.

3. The HEA also grants the Department broad authority to cancel the federal loans

of students harmed by postsecondary schools that engage in deceptive or unlawful practices and to seek reimbursement from schools for the cancelled loans they fraudulently obtained. The Department is therefore also responsible for granting a fresh educational start to students who, through no fault of their own, are deceptively lured into enrolling at schools that do not provide a high quality education as envisioned by the HEA. In addition, it is responsible for ensuring that schools return to taxpayers any funds obtained through illegal practices.

4. Evidence from multiple government actions and investigations, dating from as early as 2007, along with Corinthian's rapid growth and poor student outcomes, provided strong warnings that Corinthian's nationwide marketing and education system was likely permeated with deceptive and unfair business practices that violated multiple state and federal laws.

5. Despite these warnings, the Department did not restrict or revoke Corinthian's eligibility for government financial aid until June 2014. By failing to act, the Department fostered Corinthian's ability to turn taxpayer-funded financial aid into billions in profits for its shareholders. It also facilitated Corinthian's sophisticated and deceptive scheme to bilk hundreds of thousands of low-income students of their dreams, and leave them and taxpayers to foot the bill.

6. Despite the Department's culpability for the harms caused to Corinthian students, it has failed to use its statutory authority to provide widespread debt relief through loan cancellations. While the Department has let Corinthian off the hook for the billions that it should refund to both students and taxpayers, it continues to pursue Corinthian students mercilessly for loan repayment. The Department is unjustly shifting the financial harm caused by its mistakes onto the backs of Corinthian students who can least afford to pay for the Department's neglect, who are not at fault, and who were deceived into taking out federal loans based on Corinthian's false promises.

7. In doing so, the Department has seriously undermined the purpose of the HEA. Instead of equal access to quality education for Corinthian's low-income students, the majority of whom are women and people of color,[2] the Department's actions have left them with worthless credentials, mountains of defaulted student debt, and despair at ever being able to provide better lives for their families. At the same time, by bailing Corinthian out of its financial mess and releasing its right to pursue the Corinthian schools sold to Education Credit

Management Corp. for the repayment of billions in losses to taxpayers, the Department has created an expectation that it will do the same for other for-profit postsecondary schools that engage in illegal or deceptive practices.

8. The Department has prioritized the collection of student loans over treating Corinthian students justly and fairly. It has prioritized generating revenues for the federal government over its Congressional mandate to provide equal access to quality education for low-income students and to help students start over, free of debilitating student debt, when they have been harmed by fraudulent schools.

FACTS THE DEPARTMENT KNEW OR SHOULD HAVE KNOWN

A. Corinthian's Single-Minded Focus on Growing Profits, to the Detriment of Educational Quality, Led to Poor Student Outcomes

9. Founded in 1995, Corinthian is engaged in the business of operating post-secondary schools for a profit. Corinthian owns multiple corporate subsidiaries that operate the following brands: Everest Institute, Everest College, Everest University Online, Everest College Phoenix Online, Heald College, and WyoTech.

10. Corinthian's rapid expansion, combined with financial aid revenues near the 90% limit allowed by federal law, high withdrawal rates, high cohort default rates, astronomical profits, and high expenditures on recruiting and marketing should have alerted the Department that Corinthian did not provide quality education, that its students were not able to find jobs that allowed them to repay their debts, and that Corinthian was likely engaging in deceptive practices.

11. Almost all of Corinthian's profits came from federal financial aid revenues. The HEA allows for-profit schools to earn up to 90% of their revenues from Department of Education financial aid programs. The availability of so much guaranteed revenue fueled Corinthian's rapid growth beginning in 1999, when Corinthian became a publicly traded company. Enrollment increased from 15,900 students in 1999 to 113,818 students in June 2010, an increase of 615%.[3] Between 1999 and 2012, the company grew from 35 colleges in 15 states to 105 colleges in 25 states, along with two schools that offer distance education programs.[4]

12. As a result, Corinthian's unrelenting focus on generating profits paid off. Its profits grew from $21 million to $240.8 million between 2007 and 2010, an astronomical eleven-

fold increase in just three years.[5] Rather than investing these profits in quality education and services, Corinthian diverted a large portion to marketing and recruiting expenditures, executive salaries, and payments to shareholders.[6]

13. From 2000 to 2010, Corinthian's net revenue increased over 900%, from $171 million to $1.76 billion.[7] This revenue growth resulted from Corinthian's targeting of low-income students who were eligible for federal funds in the form of grants and loans. In 2012, Corinthian reported that approximately 85% of its students had family incomes of less than $45,000.[8] A 2011 survey indicated that over 57% of Corinthian students had a household income of $19,000 or less, and 35% of its students had a household income of less than $10,000.[9]

14. Due to its focus on low-income students, Corinthian consistently received over 80% of its revenues from Department financial aid funds. In 2010, for example, 89.8% of Corinthian's revenues came from Department financial aid.[10] From 2007 to 2010, Corinthian's receipt of Pell Grants tripled from $170.2 million to $509.3 million.[11] Over 96% of students at for-profit colleges like Corinthian obtain federal student loans.[12]

15. The revenue growth also resulted from Corinthian's high tuition, which was among the highest of the for-profit schools examined by the U.S. Senate Health, Education, Labor and Pensions Committee (the "Senate HELP Committee") in 2012.[13] According to the Senate Help Committee, for example, a Medical Assistant diploma from Heald College in Fresno, California, cost $22,275, compared to $1,650 at Fresno City College. At Everest College in Ontario, California, an Associate Degree in Paralegal Studies cost $41,149, compared to $2,392 at Santa Ana College.[14]

16. One would expect corresponding success from Corinthian's students. But Corinthian has consistently produced poor student outcomes. Over 50.5% of the students who enrolled at Corinthian in 2008-9, for example, withdrew by mid-2010.[15] For these students, the median withdrawal period was just over 3 months.[16]

17. Corinthian's graduates have had little success finding employment in the fields for which they were trained, or in finding employment that pays enough to allow them to repay their hefty student loans (see Section B, below). As a result, Corinthian's students have defaulted on both their private and federal student loans at high rates. Corinthian's three-year cohort default rates, which reflect the percentage of students who default within three years of entering

repayment, grew from 22.9% for students entering repayment in 2005 to 36.1% of students who were entering repayment in 2008.[17] This was the highest default rate of any publicly traded company examined by the Senate HELP Committee in 2012.[18]

18. Tuition was so high that students often had to take out expensive private loans offered by Corinthian. These private loans have defaulted at extremely high rates. Corinthian estimated student default rates exceeding 50% for its private loan programs.[19]

B. Corinthian Engaged in Widespread Deceptive Practices to Conceal Poor Student Outcomes, Increase Student Enrollments, and Maintain Federal Financial Aid Eligibility

19. Based on evidence, accreditor audits, and government actions and investigations dating from as early as 2007 (see Exhibit A for a summary), the Department knew or should have known that Corinthian was likely engaging in widespread deceptive practices that violated both state and federal laws, harmed thousands of Corinthian students, and would eventually lead to its financial collapse. While some of these government actions are still pending, the accumulating actions and evidence obtained pursuant to government and accreditor investigations were strong indicators that Corinthian's nationwide marketing and education system, from a student's first exposure to the last day of his or her attendance, was suffused with illegal, deceptive and unfair business practices.

20. The allegations in this Petition are based on allegations, findings, and/or evidence from the accreditor audits, media investigations, and government actions and investigations listed in Exhibit A. Corinthian operated a system-wide recruiting machine designed to deliberately mislead prospective students and increase enrollments, with the goal of generating increasing profits for shareholders.

21. Corinthian required recruiters to make hundreds of calls a week to prospective students, referred to as "leads." Its recruiters often called individuals multiple times a day and refused to provide information by phone, such as tuition costs and placement rates. Instead, recruiters pushed students to visit campuses where Corinthian could apply maximum pressure to induce them to enroll.

22. Corinthian placed intense pressure on recruiters and those who supervised them to

enroll large numbers of students. Corinthian set enrollment goals for campuses and recruiters, and recruiters who failed to achieve their goals were in jeopardy of losing their jobs. Once students visited a campus, they met with recruiters who were encouraged to identify and use prospective students' pain and vulnerability to pressure them to enroll. Recruiters were told to prevent students from leaving without enrolling and often misrepresented the urgency by stating students would lose their seats if they did not enroll immediately. Faced with this sophisticated recruiting system, prospective students who had misgivings about enrolling had little chance of making a decision *not* to enroll.

23. At each step of its enrollment process, Corinthian strategically made deceptive or false representations that were material to students' decisions to enroll. It preyed on the desires of students to find higher paying employment to provide better lives for themselves and their families. Corinthian knew that "[e]nrollment largely hinges on selling affordability and [job] placement."[20] Through advertisements, recruiter statements, and disclosures, Corinthian represented that it offered high quality education that led to high percentages of its graduates obtaining high paying employment in the fields they studied. It represented that it would place students in externships that would provide further training. It also represented that it provided a lifetime of post-graduate job placement assistance.

24. In reality, Corinthian's substandard training did not prepare students for employment. Corinthian employed unqualified instructors and often provided insufficient or out-of-date instructional equipment. Many students had to find externships on their own, while the Corinthian-provided externships often gave little or no training in the students' fields of study. Corinthian provided meager or no job placement assistance. Moreover, Corinthian graduates found employment in the fields trained for in lower percentages and at lower wages than recruiters orally represented.

25. Recruiters even enrolled students who they knew would not be able to find employment in the field for which the students trained because they lacked English language capability, had a criminal history, or had not completed high school or passed an exam ensuring that they would understand and benefit from their education.

26. The following allegations and/or findings from a variety of sources, including government complaints, settlements, and investigations, media investigations, and accreditor

audits, suggest that Corinthian, at campuses throughout the country, deliberately falsified and inflated the placement rates that it provided to accreditors to maintain its financial aid eligibility and to prospective students to induce them to enroll.

a. In 2007, the California Attorney General obtained a consent order against Corinthian based on evidence that it had inflated the placement rates for every program investigated by the California Attorney General by as much as 37%[21] and had likely misled California students enrolling on or after January 1, 2003.[22]

b. In October 2010, Corinthian admitted that it had fabricated employment records of 288 graduates of Everest College in Arlington, Texas, over a period of 4 years.[23]

c. In April 2011, the Department's own Inspector General issued a subpoena regarding placement rates at the Everest Institute campus in Jonesboro, Georgia.[24]

d. In July 2011, the Massachusetts Attorney General filed suit against Corinthian, alleging that it had inflated placements rates in some of the programs offered by Everest Institute's Massachusetts campuses by as much as 49%.[25]

e. In December 2011, the Accrediting Commission of Career Schools and Colleges (ACCSC) notified Corinthian that 39 of 167 medical assistant graduates from Everest College in Hayward, California, were recorded as being employed by the same agency. Each graduate had only been employed for 2 days.[26]

f. In March 2012, a Corinthian audit of placement files from Everest College San Francisco showed that 53% were missing employment verification forms.[27]

g. In August 2012, an ACCSC third-party audit of 330 student records, including from Everest campuses in West Los Angeles, City of Industry and Reseda, California, found that 39% of placements could not be verified or lacked substantiation.[28]

h. In April 2013, a Corinthian audit of Everest Online showed a placement file error rate of 53.6% to 70.6%.[29]

i. In its student disclosures for its Everest College Milwaukee campus, Corinthian stated that it did not have placement rates available for 2011 and 2012. At the same time, it was disclosing low placement rates, between 28.6% and 53.7%, to its accreditor.[30]

27. Corinthian inflated its job placement rate disclosures provided to most students by: (a) counting externships and short-term employment as job placements, including students it paid temp agencies to employ for only one or two days; (b) counting as placements jobs that were not in the students' fields of study; and (c) fabricating employment for graduates who were in fact unemployed. These deceptive practices were endemic to Corinthian's entire profit-making enterprise. Corinthian fostered these practices at all of its campuses, including by failing to implement company policies that would lead to the calculation of accurate job placement rates.

28. The many misrepresentations made by Corinthian were material to Corinthian students' decisions to enroll. In August 2014, the Department itself concluded that Corinthian had falsified 2010 job placement rates by as much as 37% in student disclosures at its Decatur, Georgia Everest Institute campus.[31] It determined that these disclosures were "a material misrepresentation" and that "students of [Corinthian] could reasonably be expected to rely to their detriment upon" Corinthian's false placement rate disclosures "because those statements overstated the employment prospect for graduates."[32] The Department therefore determined that the inflated placement rate disclosures violated federal law because they "constituted substantial misrepresentations."[33]

29. In April 2015, the Department determined that Corinthian had similarly provided Heald College students with "false or misleading" job placement rate disclosures.[34] It concluded that students "could have reasonably been expected to rely to their detriment" on these inflated rates and stated that these "substantial misrepresentations . . . evidence [Corinthian's] blatant disregard for the statutes and regulations governing" the financial aid programs.[35] Because these violations were "severe" and the "potential harm to the government and to students is also severe," the Department imposed $30 million in fines.[36]

30. Corinthian likely engaged in its deceptive and unfair scheme at all of its campuses and online schools. The Department acknowledged that the falsification of placement rates was likely a systemic corporate-wide practice, stating that this falsification "suggests deficiencies in the operations of Corinthian as the parent corporation of all [Corinthian] institutions."[37] In addition, the Department determined that "CCI's corporate office was substantially involved in designing and managing" the program at the Decatur Georgia campus to pay employers to temporarily hire graduates in order to inflate its job placement rates.[38] The Department found

that many of these jobs were less than half time, often less than one day per week, and paid low wages.[39] In addition, the Department determined that the corporate office coerced employees involved in this effort to sign declarations stating that they had never been asked "by management or anyone at the School" to engage in unethical or illegal acts.[40] Employees were told that those who signed these declarations would receive bonuses, while those who refused would be terminated.[41]

31. Many of the actions and investigations cited in Exhibit A provide similar evidence or allege that Corinthian's corporate office knew of, facilitated, or created Corinthian's deceptive, unlawful or unfair business practices.

32. Corinthian engaged in deceptive strategies to create an appearance of compliance with Department standards and requirements that were established to ensure educational integrity. Rather than improving its placement rates by improving its educational programs, Corinthian deceptively inflated its placement rates in order to meet minimum national accrediting agency standards to maintain its federal eligibility. In addition, rather than improving its low quality programs to attract a higher percentage of its revenue from private sources, Corinthian ensured that it received under 90% of its revenues from Department financial aid by (a) raising its tuition at least 12%; (b) targeting veterans to increase G.I. Bill revenues, which are not counted toward the 90% limit; and (c) creating a predatory private student loan program.[42]

FIRST BASIS FOR RELIEF

THE DEPARTMENT FACILITATED CORINTHIAN'S FRAUD

33. The Department has the authority and multiple opportunities to restrict, revoke or condition a school's eligibility for government financial aid pursuant to provisions in 34 C.F.R. Part 668. The Department failed to use this authority to protect students and taxpayers from Corinthian's deceptive practices. When it finally did so, it was too little and too late.

34. At least since the California Attorney General first filed a complaint against Corinthian in July 2007, the Department knew or should have known that Corinthian was engaging in widespread fraud in order to induce student enrollment and generate increasing profits from federal financial aid revenues.

35. In November 2012, the Department notified Corinthian that its financial

responsibility score was below the minimum required by federal regulations.[43] Although this score, along with the facts alleged in this Petition, should have alerted the Department that Corinthian likely lacked sufficient financial resources to provide the education promised to its students, it did not restrict or revoke Corinthian's eligibility for federal financial aid at this time.

36. In January 2014, the Department "denied approval for certain new locations and new programs because [Corinthian] admitted to falsifying placement rates and/or grades and attendance records at various institutions and because of ongoing state and federal investigations into serious allegations."[44] Although the Department acknowledged that these issues "suggest systemic deficiencies in the operations of [Corinthian] as the parent corporation of all [Corinthian] institutions," it did not otherwise restrict or revoke Corinthian's eligibility for federal financial aid.[45]

37. In June 2014, because Corinthian had "failed to address [the Department's] concerns about its practices, including falsifying job placement data used in marketing claims to prospective students and allegations of altered grades and attendance," the Department announced that it would implement a 21-day delay on the payment of federal financial aid funds to Corinthian.[46] However, when Corinthian informed the Department that it was on the verge of financial collapse, the Department decided not to delay Corinthian's receipt of government funds.[47] Instead, the Department allowed Corinthian to continue enrolling thousands of new students and receive millions in federal grants and student loans.

38. Only in April 2015 did the Department finally order one of Corinthian's chains, Heald College, to halt enrolling new students.[48] This was based on the Department's conclusion that Corinthian's use of inflated placement rates was a "severe" violation of the federal regulations that had the potential to cause "severe harm to the government and to students.[49] Of the twelve Heald College campuses, two face the possible loss of federal financial aid funding.[50]

39. The Department should not have enabled Corinthian's continued enrollment of students. Instead, it should have allowed Corinthian to close down and arranged for other institutions to provide teach-outs. In this case, students would have been able to choose their own educational futures. They could have chosen a fresh start by applying for student loan discharges. Or, they could have chosen to finish the credentials they started at Corinthian through teach-outs. Instead, the Department propped up a failing institution offering low quality

education by shelling out millions more in taxpayer dollars to Corinthian.

40. In addition, the Department brokered the sale of 56 troubled Corinthian campuses to Education Credit Management Corporation, a company engaged primarily in debt collection with no prior experience operating an education institution. The Department even arranged for itself to receive a share in the profits that Corinthian campuses generate under ECMC, while releasing any claims it had against Corinthian for the return of taxpayer fund.[51] It essentially bailed out Corinthian and let it off the hook for bilking taxpayers and hundreds of thousands of students.

41. As a result, since at least July 2007, the Department enabled Corinthian's widespread fraud of students and taxpayers. By allowing Corinthian unrestricted access to billions in taxpayer funds, the Department neglected its Congressional charge to (a) "ensur[e] access to equal educational opportunity for every individual" and (b) "supplement and complement . . . efforts" of multiple actors, including states, educational institutions, and students, "to improve the quality of education."[52] The Department's failure to act, combined with its bail-out of Corinthian, has undermined the HEA's goal of social advancement for disadvantaged students, including the students of other for-profit post-secondary institutions.

SECOND BASIS FOR RELIEF
UNJUST AND UNFAIR DEBT COLLECTION

42. Based on the facts alleged in this Petition, the Department is responsible for the loss of billions in taxpayer funds to Corinthian's shareholders.

43. Corinthian's deceptive and unfair recruiting practices, including its deliberate use of inflated graduate placement rates, violated multiple state and federal laws, including:

a. Its program participation agreement and 34 C.F.R. § 668.14, which condition Corinthian's eligibility to receive Department financial aid based on its agreement to comply with federal law and provide accurate job placement rates to prospective students;

b. The Department's regulations prohibiting substantial misrepresentations, 34 C.F.R. §§ 668.71 to 668.74;

c. Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, which prohibits the use of unfair or deceptive acts and practices in or affecting commerce;

d. The FTC's Guides for Private Vocational and Distance Education Schools, 16 C.F.R. Part 254;

e. State statutes and regulations governing the licensure and oversight of for-profit postsecondary institutions; and

f. State statutes and regulations prohibiting the use of unlawful, unfair or deceptive business acts and practices and false advertising.

44. The Department has authority to cancel the federal student loans of Corinthian students, pursuant to:

a. 20 U.S.C. § 1082(a)(6), which grants the Department broad authority to "compromise, waive or release any right, title, claim, lien, or demand, however acquired." 34 C.F.R. § 30.70(h) further states that "the Secretary may compromise a debt, or suspend or terminate collection of a debt, in any amount if the debt arises under the Guaranteed Student Loan Program authorized under Title IV, Part B of the Higher Education Act of 1965, as amended."

b. 31 U.S.C. § 3711(a)(2), which provides that the "head of an executive . . . agency . . . may compromise a claim of the Government of not more than $100,000 (excluding interest) or such higher amount as the Attorney General may from time to time prescribe . . . ."

c. 20 U.S.C. § 1098e(h), which provides that that Secretary "shall specify in regulations which acts or omissions of an institution . . . a borrower may assert as a defense to repayment of a [Direct Loan] . . . ." In the Direct Loan Master Promissory Note and 34 C.F.R. § 685.206(c), the Department has provided that a borrower may assert as a defense to repayment "an act or omission of the school . . . that would give rise to a cause of action against the school under applicable State Law."

d. 34 C.F.R. § 682.208(g) and a provision in the Federal Family Education Loan Program ("FFEL") Master Promissory Note, which provide that FFEL loan holders are subject to all claims and defenses that a borrower could assert against a school if the school referred borrowers to the lender.

e. 20 U.S.C. § 1087(c)(1), which mandates that the Department discharge the loans of students (i) whose eligibility for federal financial aid was falsely certified by a school or (ii) whose schools closed before they were able to complete their programs.

45. By failing to cancel the federal loans of Corinthian students and instead aggressively pursuing Corinthian students for repayment, the Department is engaging in unjust and unfair debt collection. Individual students did not themselves have the ability to police Corinthian, a large, wealthy and sophisticated corporation, and prevent themselves from being harmed. They could not have known that the highly orchestrated promises made by Corinthian – of high graduate job placement rates, high salaries, high quality educations and a high likelihood of employment – were misrepresentations. The Department, however, was in a position to know about and take action to prevent Corinthian's widespread misrepresentations.

46. Moreover, the Department has neglected its Congressional mandate to provide equal access to quality education for Corinthian's low-income students. Continued collection of Corinthian loans means that these students will have difficulty financing educations at legitimate institutions, either because they are in default or because they used their lifetime limit on federal financial aid to attend Corinthian.

PRAYER FOR RELIEF

Wherefore, Petitioners make the following demands:

1. With respect to current and former Corinthian students, pursuant to the laws and contract provisions cited in the Second Basis for Relief above, the Department should immediately cease collecting the federal student loans of all students who attended Corinthian and, for the following students, cancel the loans, refund all amounts paid, and instruct all credit reporting agencies to remove information regarding the loans:

   a. Automatically provide this relief for all students who were likely to have received falsified job placement rate disclosures or representations, according to the evidence or findings of a court, the Department, state law enforcement agencies, state oversight agencies, or other federal agencies pursuant to any of the actions or investigations identified in Exhibit A, or such future actions or investigations as may be initiated by any government agency.

b. Automatically provide this relief to any cohort of students covered by the investigative findings of any state attorney general or state oversight agency, submitted to the Department, that Corinthian violated any state law.

c. For students who do not qualify for relief under (a) or (b) above:

(i) At a minimum, provide this relief for all other students who state, under penalty of perjury on simple forms mailed by the Department to all Corinthian students who borrowed federal loans, that they enrolled at Corinthian based on any of the following: (i) promises or guarantees of post-graduate employment; (ii) promises or guarantees of high paying post-graduate salaries; (iii) misrepresentations regarding the success of graduates finding employment; (iv) misrepresentations regarding historic completion rates, job placement rates, licensure rates, or salaries of Corinthian graduates; (v) misrepresentations regarding the transferability of Corinthian credits; (vi) misrepresentations regarding the total cost of tuition to program completion; (vi) misrepresentations regarding the availability of externships; (viii) misrepresentations regarding the availability of certain programs or job placement services; (ix) misrepresentations regarding the nature, character or quality of Corinthian's programs; (x) misrepresentations regarding Corinthian's affiliation with the United States Military; or (xi) misrepresentations regarding the nature or availability of financial aid. The Department should work with the state attorneys general to include additional qualifying categories of unfair, deceptive or illegal practices engaged in by Corinthian. In addition, the claim forms should by developed by the Department in partnership with state attorneys general, the Consumer Financial Protection Bureau, and advocates who represent low-income student loan borrowers.

(ii) Provide this relief for all students who state, under penalty of perjury, on simple forms mailed by the Department to all Corinthian students who borrowed federal loans, that they were not able to find employment in the fields they studied (i) because they lacked the required language capability, or (ii) due to a criminal record that existed before they enrolled.

(iii) Provide this relief for all students whose eligibility to receive financial aid was falsely certified by Corinthian, including students who did not have a high school diploma or equivalent before they enrolled at Corinthian and who were not properly tested for an ability to benefit from their education.

(iv) Provide this relief for all students who were unable to complete their programs due to the closure of their schools, who withdrew within 120 days prior to their schools' closures, or who withdrew over 120 days before their schools closed and provide a statement under penalty of perjury regarding facts that demonstrate deterioration in the quality of education before they withdrew.

2. Corinthian is not the only postsecondary school that has failed or will fail federal standards and that has been or will be subject to one or more government agency investigations regarding potential federal and/or state law violations. Thus, with respect to other postsecondary schools:

a. Whenever the Department has reason to believe that a school may be violating federal or state laws to the detriment of taxpayers and/or students, it should immediately conduct a full investigation of the school's practices, including its recruitment practices and its graduate placement, completion and licensure rates, and take aggressive, timely, and appropriate action to protect students and taxpayers by conditioning, restricting or revoking federal financial aid eligibility pursuant to 34 C.F.R. Part 668, including:

i. When a school fails any minimum federal standards or requirements, violates any federal regulation or statute, or violates its Program Participation Agreement;

ii. When a school has made substantial misrepresentations to students, in violation of 34 C.F.R. §§ 668.71 to 668.74;

iii. When a school has violated state oversight or licensure laws applicable to postsecondary schools; or

iv. When a school has violated state laws that prohibit unfair or deceptive acts or practices or false advertising.

b. When any school lacks the financial resources to continue operation because the Department has taken action to protect taxpayers and students, it should allow the school to close. The Department should only agree to allow teach-outs at another school in limited circumstances, when the teach-out school has demonstrated successful student outcomes, including high graduate job placement rates, high completion rates, and low cohort default rates, does not spend more than 5% of its revenues on marketing or recruiting, and has not been the subject of any government action or investigation or been found to have committed any federal or legal violations by any court or government agency in the last five years (unless prohibited by law). In addition, students must be adequately informed by a neutral third party, funded by the closing school, of their right to choose not to participate in a teach-out. Students should have the right, at a minimum, to choose to discharge their federal loans and start over at a legitimate school, or to participate in a teach-out if available.

c. Pursuant to the laws and contract provisions cited in the Second Basis for Relief above, the Department should set up a process similar to that described in Paragraph 1 of this Prayer for Relief to provide class-wide federal student debt relief to students subjected to illegal, deceptive or unfair business practices, whenever a court, the Department, a state attorney general or other state or federal government agency determines that a postsecondary school has engaged in a violation of federal or state law.

Dated: May 19, 2015

By the following organizations:

National Consumer Law Center (on behalf of its low-income clients)
American Federation of Teachers AFL-CIO
Arizona Community Action Association
Benjamin | Brand LLP
Center for Economic Integrity
Central Florida Jobs with Justice
Consumer Action
Consumer Federation of the Southeast
Consumers Union, policy and action from Consumer Reports

CSU-AAUP
Connecticut Citizen Action Group (CCAG)
East Bay Community Law Center
Empire Justice Center
Florida Alliance for Consumer Protection
Florida State A. Philip Randolph Institute
Generation Progress
Georgia Rural Urban Summit
Higher Ed, Not Debt
Housing and Economic Rights Advocates
Jobs With Justice
Justice in Aging
Legal Aid Foundation of Los Angeles
Maryland Consumer Rights Coalition
Mid-Minnesota Legal Aid
Mississippi Center for Justice
National Association of Consumer Advocates
National Consumers League
New York Legal Assistance Group
Project on Predatory Student Lending of the Legal Services Center of Harvard Law School
Public Advocates Inc.
Public Counsel
Public Justice Center
Public Law Center
Reinvestment Partners
Service Employees International Union
South Florida Voices for Working Families
Strike Debt Portland
The Other 98%
Tigard First!
U.S. PIRG
Veterans Education Success
VetJobs
West Virginia Citizen Action Group
Young Invincibles

See Exhibit B for letter requesting similar relief from Americans for Financial Reform signed by 7 additional organizations.

By the following individuals:

See Exhibit C for a complete list of individuals who signed this petition and similar petitions from partner organizations.

ENDNOTES

[1] Petitioner, the National Consumer Law Center, is a private non-profit organization that uses its expertise in consumer law to work for consumer justice and economic security for low-income and other disadvantaged people in the U.S. Its Student Loan Borrower Assistance Project seeks to increase public understanding of student lending issues and to identify policy solutions to promote access to education, lessen student debt burdens, and make loan repayment more manageable. See www.studentloanborrowerassistance.org.
[2] Matt Williams, Mississippi Center for Justice, "Report on Demographics of Selected For-Profit College Companies" (Sept. 2013) (study based on data obtained from the Integrated Postsecondary Education Data System; study did not include Everest College in Kansas City and Woodbridge or Everest Institute in Bensalem because data was not available; in additon, approximately 13,213 of students were left out of the results because their race was unknown).
[3] Corinthian Colleges Inc., Form 424B1 at 3 (Feb. 5, 1999) (hereinafter, "Prospectus"); U.S. Senate, Health, Educ., Labor and Pensions Comm., "For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success," S. Rpt. 112-37 at 379 (July 30, 2012) (hereinafter "Senate HELP Report").
[4] Prospectus at 3 (Feb. 5, 1999); Senate HELP Report at 378.
[5] Senate HELP Report at 383.
[6] *Id*.
[7] Corinthian Colleges, Inc., Form 10-K for the Fiscal Year Ended June 30, 2000 (Sept. 28, 2001); Senate HELP Report at 379.
[8] Complaint for Permanent Injunction and Other Relief, *Consumer Financial Protection Bureau v. Corinthian Colleges, Inc., et al.*, Case No. 14-7194 (E.D. Ill. Sept. 16, 2014).
[9] *Id*.
[10] Corinthian Colleges, Inc., "Corinthian Colleges Reports Fiscal 2011 Second Quarter Results" (Feb. 1, 2011). This number was artificially reduced to 81.9%, however, because Congress temporarily modified the percentage calculations to grant schools like Corinthian relief from the 90% rule. *Id*.
[11] Senate HELP Report at 379.
[12] *Id*. at 388. The specific percentages for Corinthian are not available.
[13] *Id*. at 378.
[14] *Id*. at 385
[15] *Id*. at 389.
[16] *Id*.
[17] *Id*. at 390.
[18] *Id*.

[19] *Id*. at 398.
[20] First Amended Complaint, *People of the State of Cal. v. Heald College, LLC, et al.*, Cal. Superior Court, San Francisco County, Case No. CGC-13-534793 (filed Feb. 19, 2014) ("2014 CA AG Complaint").
[21] Senate HELP Report at 399.
[22] Complaint and Final Judgment, *People of the State of Cal. v. Corinthian Schools, Inc.*, *et al.*, Cal. Superior Court, Los Angeles County, Case No. BC374999 (filed July 31, 2007).
[23] "False job records at for-profit Arlington career school," www.wfaa.com (Oct. 19, 2010).
[24] Phil W. Hudson, "Feds probing Corinthian Colleges' campuses," www.bizjournals.com (Feb. 14, 2014).
[25] Complaint, *Commonwealth of Mass. v. Corinthian Colleges, Inc.*, *et al*., Trial Court of Mass., Superior Court Dept., County of Suffolk Case No. 14-1093L (filed Apr. 3, 2014).
[26] 2014 CA AG Complaint.
[27] *Id.*
[28] *Id*.
[29] *Id.*
[30] Complaint, *State of Wisconsin v. Corinthian Colleges, Inc*., State of Wisconsin Circuit Court, Milwaukee County, Case No. 2014 CX 00006 (filed Oct. 27, 2014).
[31] Dep't of Educ., Letter to Jack Massimino (Aug. 22, 2014).
[32] Id.
[33] *Id.*
[34] Dep't of Educ., Letter to Jack D. Massimino (April 14, 2015).
[35] *Id*.
[36] *Id.*
[37] Dep't of Educ., Letter to Jack D. Massimino (Jan. 23, 2014).
[38] Dep't of Educ., Letter to Jack Massimino (Aug. 22, 2014).
[39] *Id.*
[40] *Id.*
[41] *Id.*
[42] Senate HELP Report at 387.
[43] Corinthian Colleges, Inc., "Corinthian Colleges Reports Second Quarter 2013 Results" (Jan. 31, 2013).
[44] Dep't of Educ., Letter to Jack D. Massimino (Jan. 23, 2014).
[45] Ted Mitchell, Undersecretary of the Dep't of Educ., Letter to Rep. Janice Hahn (Feb. 25, 2015).
[46] Dep't of Educ., U.S. Department of Education Heightens Oversight of Corinthian Colleges (June 19, 2014).
[47] Goldie Blumenstyk, "Education Department Didn't Set Out to Shut Down Corinthian," The Chronicle of Higher Educ. (July 8, 2014).
[48] U.S. Dep't of Educ., "U.S. Department of Education Fines Corinthian Colleges $30 million for Misrepresentation" (April 14, 2015).
[49] Dep't of Educ., Letter to Jack D. Massimino (April 14, 2015).
[50] *Id*.

[51] U.S. Dep't of Educ., "More than 50 Corinthian Campuses Transition to Nonprofit Status Under Zenith Group" (Feb. 3, 2015); Term Sheet Between Corinthian Colleges, Inc., Zenith Educ. Group, Inc. and U.S. Dep't of Educ. (Nov. 19, 2014).

[52] 20 U.S.C. § 3402.

Exhibit A –Timeline of Actions, Investigations, and Audits
Corinthian Colleges, Inc.

Month/Year	Source	Allegations/Evidence/Issues
July 2007	California Attorney General lawsuit and judgment[1]	Inflation of placement rates; failure to disclose completion rates; overstating starting salaries of graduates; failure to meet minimum job placement standards
August 2010	U.S. Government Accountability Office (GAO) testimony[2]	Lack of academic quality in an online program audited by GAO
October 2010	WFAA News investigation[3]	Corinthian admitted it had falsified placement rates at Everest College in Arlington, Texas for over 4 years
October 2010	Florida Attorney General investigation[4]	Potential misrepresentations in financial aid, recruitment, and other areas
December 2010	ACCSC issues order to show cause as to why accreditation should not be withdrawn for Everest Institute Decatur, Georgia campus[5]	Low placement rates
April 2011	Office of Inspector General subpoena[6]	Job placement rates and attendance procedures at Everest Institute, Jonesboro, Georgia campus
May 2011	New York Attorney General subpoena[7]	Potential issues related to financial aid, admissions, students, securities, and other areas
August 2011	Oregon Attorney General investigation[8]	Advertising, compensation, training and evaluations of admissions personnel, job opportunities and placement of graduates, students complaints, and other matters

[1] Complaint and Final Judgment, *People of the State of Cal. v. Corinthian Schools, Inc., et al.*, Cal. Superior Court, Los Angeles County, Case No. BC374999 (filed July 31, 2007).
[2] U.S. Senate, Health, Educ., Labor and Pensions Comm., "For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success," S. Rpt. 112-37 at 395 (July 30, 2012) (hereinafter "Senate HELP Report") (citing U.S. Gen. Accounting Office, GAO-10-948T, "For-Profit Colleges: Undercover Testing Finds Colleges Encouraged Fraud and Engaged in Deceptive and Questionable Marketing Practices" (Aug. 4, 2010)).
[3] "False job records at for-profit Arlington career school," www.wfaa.com (Oct. 19, 2010).
[4] Corinthian Colleges, Inc., SEC Form 8-K (Aug. 13, 2014).
[5] Dep't of Educ., Letter to Jack Massimino (Aug. 22, 2014).
[6] Phil W. Hudson, "Feds probing Corinthian Colleges' campuses," www.bizjournals.com (Feb. 14, 2014).
[7] Corinthian Colleges, Inc., SEC Form 8-K (Aug. 13, 2014).
[8] Corinthian Colleges, Inc., SEC Form 10-Q for Quarterly Period Ended Sept. 30, 2011 (Nov. 3, 2011).

Month/Year	Source	Allegations/Evidence/Issues
December 2011	Accrediting Commission of Career Schools and Colleges (ACCSC) letter[9]	Improper counting of 2-day jobs with temporary agency toward placement rates at Everest College's Hayward, Cal. Campus
December 2011	Illinois Attorney General investigation[10]	Misleading enrollees about post-graduation career prospects
December 2011	ACICS placed Everest College Milwaukee campus on heightened monitoring[11]	Low placement rates
April 2012	Consumer Financial Protection Bureau civil investigative demand[12]	Unlawful acts or practices relating to advertising, marketing or origination of private student loans
July 2012	United States Senate Health, Education, Labor and Pensions Committee Report[13]	Growth in campuses, profits, federal financial aid revenues, deceptive marketing and recruiting practices, high tuition, advertising expenditures, executive compensation, low retention rates, high cohort default rates, lack of career services, and other practices
June 2012	Florida Attorney General investigation[14]	Unfair and deceptive practices regarding recruitment, enrollment, accreditation, placement, graduation rates
June 2012	Wisconsin Educational Approval Board ordered Milwaukee campus to suspend enrollments[15]	Over-enrollment beyond institutional capacity; inability to provide education adequate to train students for employment
August 2012	Third-party audit on behalf of ACCSC[16]	Substantial numbers of employment placements audited could not be verified

[9] First Amended Complaint, *People of the State of Cal. v. Heald College, LLC, et al.*, Cal. Superior Court, San Francisco County, Case No. CGC-13-534793 (filed Feb. 19, 2014) ("2014 CA AG Complaint").
[9] Senate HELP Report at 399.
[10] Corinthian Colleges, Inc., SEC Form 10-Q for the Quarterly Period Ended December 31, 2011 (Feb. 2, 2012).
[11] Complaint, *State of Wisconsin v. Corinthian Colleges, Inc*., State of Wisconsin Circuit Court, Milwaukee County, Case No. 2014 CX 00006 (filed Oct. 27, 2014) (hereinafter, "2014 Wisconsin AG Complaint").
[12] Corinthian Colleges, Inc., SEC Form 8-K (Jan. 27, 2014).
[13] Senate HELP Report at 378 to 400.
[14] Senate HELP Report at 400.
[15] 2014 Wisconsin AG Complaint.
[16] 2014 CA AG Complaint.

Month/Year	Source	Allegations/Evidence/Issues
November 2012	Department notification[17]	Financial responsibility score below the minimum required by federal regulations
January 2013	Wisconsin AG investigation[18]	Recruitment practices and student borrowing
June 2013	Securities and Exchange Commission (SEC) subpoena[19]	Information relating to recruitment, attendance, completion, placement, and defaults on federal loans, as well as compliance with the Dep't of Education's regulations
July 2013	Minnesota Attorney General investigation[20]	Financial aid, admissions, students, and other areas
October 2013	California Attorney General lawsuit[21]	Inflated and misrepresented job placement rates to students and accreditor; advertised programs that it does not offer and disciplined call center employees when they tried to tell prospective students the truth; unlawfully used military seals in advertising
January 2014	Department denied approval for certain new locations and new programs[22]	Corinthian "admitted to falsifying placement rates and/or grade and attendance records" and because of federal and state investigations. The Department also requested performance fact sheets for all campuses, along with data regarding every student counted as a job placement, for calendar years 2010 through 2013, as well as all changed grade and attendance records from or after June 30, 2011.

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[17] Corinthian Colleges, Inc., "Corinthian Colleges Reports Second Quarter 2013 Results" (Jan. 31, 2013).
[18] John Lauerman, "Corinthian Falls After SEC Starts Probe on Recruitment," www.bloomberg.com (June 11, 2013).
[19] Chad Terhune, "Corinthian Colleges' Stock Tumbles 23% Since Disclosing SEC Probe," www.latimes.com (June 15, 2013).
[20] Alex Friedrich, "Minnesota attorney general seeking info from Corinthian Colleges," www.mpr.org (Sept. 3, 2013).
[21] Complaint, *People of the State of Cal. v. Heald College, LLC, et al.*, Cal. Superior Court, San Francisco County, Case No. CGC-13-534793 (filed Oct. 10, 2013).
[22] Dep't of Educ., Letter to Jack Massimino (Aug. 22, 2014).

Month/Year	Source	Allegations/Evidence/Issues
January 2014	Multi-state investigation, currently includes 16 state attorneys general (Arkansas, Arizona, Colorado, Connecticut, Hawaii, Idaho, Iowa, Kentucky, Missouri, North Carolina, Nebraska, New Mexico, Oregon, Pennsylvania, Tennessee, and Washington)[23]	Organizational information; tuition, loan and scholarship information; lead generation activities; enrollment qualifications for students; complaints; accreditation; completion and placement statistics; graduate certification and licensing results; student lending activities
April 2014	Massachusetts Attorney General lawsuit[24]	Deceptive marketing, high pressure enrollment tactics and misrepresentations regarding employment opportunities, inflation of graduate job placement rates, graduate earnings, transferability of credits, availability of externships, nature and availability of financial aid, nature and quality of programs, and steering students into subprime loan program
August 2014	Department denied recertification applications for three campuses.[25]	Falsification of 2010 placement rates at its Decatur, Georgia Everest Institute campus by as much as 37%
August 2014	SEC civil investigative demand[26]	Allegations related to student attendance and grade record manipulation, graduate job placement rate inflation
August 2014	Grand jury subpoena from U.S. Attorney in the Central District of California[27]	Documents relating to job placement representations, graduation rates, transferability of credits, advertising and marketing materials, representations concerning financial aid, military connections, and loan defaults
September 2014	Consumer Financial Protection Bureau lawsuit[28]	Falsification of placement rates, deceptive marketing and recruiting practices, predatory lending

[23] Corinthian Colleges, Inc., "Corinthian Colleges Reports FY14 Third Quarter FY Results" (May 6, 2014).
[24] Complaint, *Commonwealth of Mass. v. Corinthian Colleges, Inc., et al.*, Trial Court of Mass., Superior Court Dept., County of Suffolk Case No. 14-1093L (filed Apr. 3, 2014).
[25] Dep't of Educ., Letter to Jack Massimino (Aug. 22, 2014).
[26] Corinthian Colleges, Inc., SEC Form 8-K (Sept. 25, 2014).
[27] Corinthian Colleges, Inc., SEC Form 8-K (Aug. 13, 2014).
[28] Complaint for Permanent Injunction and Other Relief, *Consumer Financial Protection Bureau v. Corinthian Colleges, Inc., et al.*, Case No. 14-7194 (E.D. Ill. Sept. 16, 2014).

Month/Year	Source	Allegations/Evidence/Issues
October 2014	Wisconsin Attorney General lawsuit[29]	Falsification of placement rates, deceptive marketing and recruiting practices, lack of career services, lack of academic resources to handle astronomical growth, externship misrepresentations, false certification of student eligibility for financial aid

[29] Complaint, *State of Wisconsin v. Corinthian Colleges, Inc*., State of Wisconsin Circuit Court, Milwaukee County, Case No. 2014 CX 00006 (filed Oct. 27, 2014).