

# Advocates Applaud ED Approval of \$238M Discharge for Marinello School of Beauty Borrowers

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WASHINGTON – Today, the Department of Education (ED) announced approval of a \$238 million group discharge for 28,000 federal student loan borrowers harmed by “pervasive and widespread misconduct” at Marinello Schools of Beauty. In response, **Kyra Taylor, staff attorney at the National Consumer Law Center**, issued the following statement:

“Today’s actions could be a turning point in how the Department of Education provides relief to borrowers who were scammed by their schools. For the first time in over five years, ED has finally deployed its group discharge authority to provide loan cancellation to defrauded borrowers without requiring them all to submit borrower defense applications. This shift is long overdue.

“While the discharge announcement is a good start, there are hundreds of thousands more borrowers who were defrauded by their schools and are eligible for cancellation.

“The Department has ample evidence to identify schools that have systematically misled or deceived students on its own, but to date has required that defrauded borrowers wade through a complicated 25-page form to request relief. These borrowers often have no clue what a borrower defense is, and if they do try to complete the form without a lawyer, they may have no idea what information is legally relevant to their claim. Further, ED has taken years to decide individual claims, leading borrowers to wonder whether submitting a claim will actually result in relief.

“ED issued this group discharge after scores of borrowers and advocates raised alarms about Marinello’s misconduct for years. In 2016, ED kicked five Marinello campuses out of the federal student loan system after its own extensive investigation revealed that the school had failed to provide the job training promised to students and had engaged in a widespread scheme to fraudulently obtain student loan dollars from students who had not graduated from high school, triggering the entire chain of schools to close. Yet, despite knowing the school had lied to borrowers and the Department to obtain student loan dollars, and had set borrowers up to fail, the Department required these borrowers to navigate through a bureaucratic labyrinth to obtain relief.

“In 2018, NCLC and the Legal Aid Foundation of Los Angeles sued the Department for failing to grant relief to several borrowers without high school diplomas who had been targets of Marinello’s scam. In July 2021, the Department announced that it granted over 200 individual claims from Marinello students that stated that the school failed to teach them the basic elements of cosmetology and failed to prepare them for state licensing tests. Yet until today, tens of thousands of former Marinello students continued to bear the weight of devastating debt from a fraudulent school.

“The Department should issue more group discharges in short order to ensure that no defrauded borrower enters repayment on debt that shouldn’t exist in the first place.”

Additional resources:

- Press Release: Students and Consumer Groups Sue Biden Administration for Failing to Rule on

State AG Group Borrower Defense Claims, Apr. 26, 2022

- Student Loan Borrower Assistance blog: The Department of Education has announced more borrower defense findings; which applications are getting granted?, Feb. 28, 2022