

National Consumer Law Center Advocates Condemn U.S. Department of Education Blocking Important Protections against For- Profit School Fraud

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Student Borrower Defense Rules Would Hold Predatory Schools Accountable to Students and Taxpayers

BOSTON – Today, advocates at the National Consumer Law Center applauded a lawsuit by 19 Attorneys General, led by Massachusetts Attorney General Maura Healey, against the U.S. Department of Education for delaying and potentially revoking critical protections for students and taxpayers when students are defrauded by for-profit schools or schools close abruptly. Secretary of Education Betsy DeVos announced that the Department will delay and reexamine the Borrower Defense regulations, which were scheduled to go into effect on July 1. The Borrower Defense rules offer a pathway to discharge of student loans, prevent forced arbitration of fraud claims, and protect taxpayers by ensuring that schools that break the law or shut their doors set aside funds to reimburse their students.

The Department cited a lawsuit filed by California Association of Private Postsecondary Schools (CAPPS), a for-profit school trade group, as grounds for the delay of the Borrower Defense rules. On June 30, the National Consumer Law Center filed a Freedom of Information Act request with the Department requesting disclosure of its communications with CAPPS as the delay will harm students.

“It is outrageous that Secretary DeVos chose to block rules that protect students, veterans, and taxpayers when schools like for-profit Corinthian Colleges or ITT Technical Institutes engage in fraud or abruptly close,” said Persis Yu, director of the National Consumer Law Center’s Student Loan Borrower Assistance Project. “We are encouraged to see so many Attorneys General take a strong stand against the Department’s delay of the rules and standing up for students harmed by predatory and abusive schools. We hope this lawsuit will result in an end to the delay and the immediate implementation of the Borrower Defense rules. These critical rules also ensure that schools receiving federal aid cannot deny students’ the right to their day in court. Many companies try to sidestep the courts by using a rip-off clause to force students into the secretive, biased arbitration system.”

National Consumer Law Center attorney Joanna Darcus described the importance of the Borrower Defense and Gainful Employment rules (which the Department has also delayed and will reexamine) in a new blog post. The Gainful Employment rule holds schools that receive federal student aid accountable by ensuring graduates are prepared for well-paying jobs in their fields. The Department of Education said it will reopen negotiations of these critical student protections with public comments due on Wednesday, July 12.