



THE COMMONWEALTH OF MASSACHUSETTS
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November 30, 2015

The Honorable Arne Duncan
United States Department of Education
400 Maryland Avenue, SW
Washington, D.C. 20202

Mr. Joseph A. Smith
Special Master
United States Department of Education
400 Maryland Avenue, SW
Washington, D.C. 20202

Re: Group Discharge of Federal Loans to Corinthian Students

Dear Secretary Duncan and Special Master Smith,

Enclosed with this cover letter is an application to the U.S. Department of Education (the “Department”) seeking the immediate discharge of all federal loans taken out by student borrowers who attended Corinthian Colleges, Inc.’s Everest Institute campuses in Brighton and Chelsea, Massachusetts, between 2007 and 2015, when the final programs closed.

We seek this group discharge because our students are legally entitled to this relief. Our extensive investigation of Corinthian’s practices revealed an unrelenting scheme to secure unaffordable federal loans from vulnerable students, without providing the education, services, or opportunities promised. We uncovered a program built on predation and lies; Corinthian amounted to a pervasive violation of Massachusetts law.

We have compiled our findings here as an application for group loan discharge. Former Everest students now struggling to pay back the loans they took out to attend these predatory programs are legally entitled to immediate debt forgiveness under federal law, Department rules, and the terms of the contracts each student signed.

We are not the only agency seeking to hold Corinthian accountable for its conduct. In the past two years alone, the Department has fined Corinthian and the Consumer Financial Protection Bureau (CFPB) as well as the states of Massachusetts, California, and Wisconsin have sued the company for defrauding students. Late last month, a federal judge entered a default judgment in the CFPB’s case and ordered more than \$530 million in damages for students harmed by Corinthian’s predatory private loan program. Of course, since Corinthian entered bankruptcy earlier this year, no payments on this judgment (or any others, for that matter) will be made. Relief now depends entirely on the

Department's recognition of the defenses asserted by borrowers and the findings provided by agencies like our Office.

The Department is already using its existing authority to grant discharges to defrauded students. In April, you announced a process for students to seek the discharge of federal student loans incurred at Corinthian's Heald campuses in California, Hawaii, and Oregon, on the basis of Heald's illegal conduct. Earlier this month, you announced that students enrolled at the Everest Institute in California would be entitled to seek discharges as a group. Corinthian's egregious deception and mistreatment of Massachusetts students is likewise unlawful and our students are equally deserving of relief.

As demonstrated by the submission provided with this letter, our investigation into the Corinthian's illegal conduct in Massachusetts has been extensive. We received communications from nearly 1,000 Everest students; obtained employment verification information for over 900 students; and conducted over 100 witness interviews, including a dozen Massachusetts-based employees of Corinthian. We found widespread misrepresentations regarding job placement rates, including claims by admissions representatives that prospective students were "guaranteed employment" and that programs had job placement rates of "70%," "95%," and even "100%," while the actual rates were much lower. In one cohort, for example, only 27% found work in the field of study.


Everest also promised a "vast network of employer relationships" and a "Career Services Department" that would support students "after you graduate—for life[.]" Students found that, in fact, there was little or no career placement assistance provided. Students reported that they could not reach the career services staff, received no assistance, were told that all positions were filled, or were told to search for postings on websites such as Craigslist and Monster. Our submission also details widespread deception by Corinthian on nearly every aspect of its offerings, from the earnings of graduates, to the nature and quality of the instruction, the availability of externships, and the transferability of credits.

In September, we hosted the Special Master and senior Department officials at an intake session in Boston at which more than 60 Everest students came to apply for discharges. The completed attestations are enclosed. As you surely remember, the students, including many young mothers, shared emotional stories of mistreatment by Everest, financial hardship, and disappointed hopes.

Based on the findings described above and all others outlined in the submission, we ask that the Department provide a swift, automatic, and complete discharge of all federal loans for every Corinthian student in Massachusetts, including the 7,200 students listed in Exhibit 4 of our submission. We also ask that this relief include refunds on loan payments previously made and the removal of any negative credit report entries.

We look forward to discussing our submission and an expedited process by which Massachusetts students will receive the relief to which they are entitled. If you have any questions or need further information, please contact Glenn Kaplan, Chief of the Insurance and Financial Services Division, at 617.963.2453.

Sincerely,


Maura Healey
Attorney General of Massachusetts