

United States Senate

WASHINGTON, DC 20510

May 7, 2018

Ms. Kristen Donoghue
Enforcement Director
Consumer Financial Protection Bureau
1700 G Street, N.W.
Washington, D.C. 20552

Dear Ms. Donoghue:

We are writing to request information on behalf of students who were cheated or defrauded by Corinthian Colleges, Inc. (“Corinthian”) and whether they have been provided with the relief they are owed. Before it collapsed, the now-defunct Corinthian chain took numerous steps to mislead students and taxpayers. One of those schemes involved an effort to circumvent guardrails in the federal financial aid programs by employing the use of a high-cost private student loan program backed by a private equity firm. In March 2016, The Securities and Exchange Commission charged Aequitas Capital Management (“Aequitas”) and its top executives with defrauding investors in the loan program while they continued to enjoy lavish salaries, private jets, and expensive recreational outings.¹ Then, on August 17, 2017, the Consumer Financial Protection Bureau (CFPB) announced a proposed settlement with Aequitas for aiding Corinthian’s predatory loan scheme. The settlement order sought approximately \$183.3 million in loan cancellation for 41,000 cheated Corinthian borrowers.²

We are writing to determine whether the victims of the illegal private student loan scheme invented by Corinthian have been made whole. Specifically, we are concerned that former Corinthian students may not have received the relief they are entitled to under the settlement and that many may have incurred tax liability for canceled loans. The Aequitas settlement not only sought loan cancellation for borrowers, but also required that Aequitas “use commercially reasonable efforts to obtain guidance from the Internal Revenue Service indicating that the Receiver is not required to make federal tax filings (including sending Form 1099-C to borrowers) as a result of the debt relief.”³

The settlement further required that Aequitas submit a compliance report within 180 days of the order’s effective date that “describes in detail the manner and form in which Defendants...have complied with this Order.”⁴ Because this report is not publicly available, it has been difficult to determine if former Corinthian students have received the full relief they are entitled to, including tax relief from the loan cancellations. After all that Corinthian students have suffered

¹ Securities and Exchange Commission. SEC Charges Oregon-Based Investment Group and Executives With Defrauding Investors. March 10, 2016. <https://www.sec.gov/news/pressrelease/2016-49.html>

² Consumer Financial Protection Bureau. CFPB Takes Action Against Aequitas Capital Management for Aiding Corinthian Colleges’ Predatory Lending Scheme. August 17, 2017. <https://go.usa.gov/xQXbb>

³ Stipulated Financial Judgment and Order in the Matter of Consumer Financial Protection Bureau v. Aequitas Capital Management Inc. August 17, 2017. <https://go.usa.gov/xQXbj>

⁴ *Id.*

over the last few years, incurring tax liability from their fraudulently-issued debt would only add insult to injury. To better understand the progress that has been made under the settlement, we would appreciate answers to the following questions and requests:

1. Please provide a copy of the compliance report(s) submitted by Aequitas.
2. What steps did Aequitas take to comply with the provisions of the order relating to obtaining guidance from the Internal Revenue Service?
3. Please provide copies of any guidance sought or obtained from the IRS.
4. Did borrowers who received loan cancellations receive Form 1099-Cs indicating that they have taxable income due as a result of the loan cancellation?
5. Did borrowers who received cancellations receive any other tax form, document or guidance other than a Form 1099-C with regard to the loan cancellation?
6. Please state the exact number of borrowers entitled to relief under the settlement order, the number of borrowers who have received loan cancellations, and the number of borrowers who have received Form 1099-Cs.
7. Is it the position of the CFPB that Aequitas is currently in compliance with the Aequitas settlement order? If not, is the CFPB taking any additional actions to bring Aequitas into compliance with the settlement order?
8. What steps were taken by CFPB to confirm the accuracy of the information in the Aequitas report?

As you know, it is critical that the CFPB ensures its consent orders are closely monitored and enforced to ensure that victims of fraud receive full relief. We look forward to working together to ensure that students of Corinthian are made whole and look forward to your response no later than May 21, 2018. If you have any questions, please contact Bryce McKibben with Senator Murray's office at (202) 224-5501. Thank you in advance for your attention to this matter.

Sincerely,



PATTY MURRAY
United States Senator



SHERROD BROWN
United States Senator



BILL NELSON
United States Senator



RICHARD BLUMENTHAL
United States Senator



KIRSTEN GILLIBRAND
United States Senator



RICHARD J. DURBIN
United States Senator