

United States Senate

WASHINGTON, DC 20510

August 5, 2019

The Honorable Betsy DeVos
Secretary of Education
U.S. Department of Education
400 Maryland Avenue, S.W.
Washington, D.C. 20202

Dear Secretary DeVos:

We are extremely concerned by the U.S. Department of Education's ("Department") inadequate response to the recent abrupt closures of multiple institutions of higher education. Three major collapses of for-profit college chains, including those owned by Education Corporation of America (ECA), Vatterott Educational Centers, Inc. ("Vatterott"), and Dream Center Education Holdings (DCEH), have severely disrupted the lives of more than 32,000 students nationwide. The vast majority of those affected have not received meaningful assistance in continuing their education, nor have they received the debt relief owed to them under the law, after their lives were upended by the pursuit of profit over the interest of students.

Recent data provided by the Department shows how few of the former students from ECA, Vatterott, and DCEH have been able to continue their education elsewhere or discharge their debt. Just 11 percent of borrowers that the Department estimates to be eligible for a "closed school loan discharge" from the three for-profit college chains have received such discharge.¹ Just 4 percent of students who were enrolled at the time of the closures have successfully transferred to another college.²

The Department has a duty to help students impacted by school closures. Providing such students with prompt information about loan discharge and transfer options is critical to allowing them to recover. The Department must, therefore, ensure that every closing institution of higher education carries out its regulatory requirement to "provide all enrolled students with a closed school discharge application and a written disclosure, describing the benefits and consequences of a closed school discharge as an alternative to completing their educational program."³

As indicated by the Department's own guidance, the underlying regulations have been in effect since July 1, 2017 and therefore were applicable when ECA, Vatterott, and DCEH closed.⁴ However, when asked about its legal obligation to enforce this regulation, the Department recently and falsely stated that ECA, Vatterott, and DCEH were "*not required to comply with the*

¹ Responses by U.S. Department of Education to Senator Patty Murray, Ranking Member, Senate Appropriations Subcommittee on Labor, Health and Human Services, Education, and Related Agencies. Questions for the Record regarding the March 28th, 2019 Committee Hearing on the FY2020 Department of Education Budget. Pg. 69. <https://www.help.senate.gov/imo/media/doc/SenMurrayQFRresponses32819LHHShearing.pdf>.

² *Id.*, pg. 65.

³ 34 CFR § 668.14

⁴ U.S. Department of Education. "Guidance Concerning Some Provisions of the 2016 Borrower Defense to Repayment Regulations." March 15, 2019, available at: <https://go.usa.gov/xyVhV>.

*March 15, 2019 borrower defense guidance.*⁵ The receivers and trustees of ECA, Vatterott, and DCEH must still ensure compliance with federal law. We, therefore, urge the Department to fulfill its responsibility to enforce applicable regulations and ensure students affected by these closures are fully informed of their options.

The Department also has the authority to help borrowers who left closing institutions more than four months (120 days) before the precipitous closures—often when the colleges were showing clear signs of financial instability, accreditation problems, or regulatory scrutiny.⁶ Previous requests to extend the “120-day window” for closed school discharges for students who attended ECA, Vatterott, and DCEH colleges have gone largely unanswered. Yet, in recent information provided to Congress, the Department stated that “the Secretary has not issued a decision on whether to extend the date for determining eligibility for a closed school loan discharge” for any of the three college chains.⁷ The Department’s extensive delay in making this important decision in each of these cases actively denies borrowers relief.

The Department should also more broadly examine the closed school loan discharge process. Data provided to Congress indicate that even borrowers who successfully discovered the option for such discharge and have submitted the application are experiencing high rates of denial. Nearly 60 percent of borrowers who submitted a closed school discharge application on or after January 20, 2017 have been denied, representing more than 35,000 borrowers.⁸ Among students who specifically attended ECA, Vatterott, and DCEH, and submitted a closed school discharge application, fewer than half (44 percent) have actually been approved, leaving nearly 5,600 of these applicants in limbo.⁹ When so many borrowers that submit a closed school discharge application are being rejected, the Department must reevaluate its processes to ensure that borrowers receive the support and assistance they need, deserve, and that Congress intended.

The Department must fulfill its obligations to assist students in the aftermath of a traumatic event such as a sudden school closure. To ensure that students receive the relief they deserve, we strongly urge the Department to:

1. Examine the full record of all press articles, accreditation agency sanctions, state agency notices, lawsuits, investigations, public complaints, discontinuation of programs, faculty layoffs, and any other adverse actions that may have reasonably caused students to leave their college to determine the dates for extensions of the 120-day window for closed school discharge for ECA, Vatterott, and DCEH.
2. After extending the discharge window, begin an outreach campaign, through all of its federally contracted servicers and debt collectors, to borrowers that are eligible for closed school discharge but have not yet successfully submitted an application or transferred to another institution. This outreach campaign should include proactive, outbound calls to

⁵ Responses by U.S. Department of Education to Senator Richard Durbin. Questions for the Record regarding the March 28th, 2019 Committee Hearing on the FY2020 Department of Education Budget Proposal.

⁶ 34 C.F.R. § 685.214(c)(1)(i)(B)

⁷ *Supra*, note 1, at pg. 34.

⁸ *Supra*, note 1, at pg. 77.

⁹ *Supra*, note 1, at pg. 79.

borrowers who have submitted a closed school discharge application but have been denied.

3. Enforce its own regulations that closing institutions of higher education provide students with information regarding loan relief and transfer opportunities.
4. Reexamine its policies for processing closed school loan discharge applications to ensure students are quickly given the relief to which they are entitled under the law.
5. Publish quarterly information on closed school discharge applications by state (disaggregated by approved, pending, and denied), and the primary reasons for all denials, similar to information the Department publishes about other types of discharge.

Thousands of students and their families impacted by the sudden closure of for-profit college chains across the country deserve assistance in moving on with their educational careers and shedding the debt they acquired during a tumultuous experience with higher education. The anemic rates of approval for closed school discharge or transfer for these students threatens to erode their confidence in our system of higher education and in federal financial aid.

We urge you to take the above steps to assist the former students of ECA, Vatterott, and DCEH as soon as possible. If you have any questions, you may contact Bryce McKibben with the Senate Committee on Health, Education, Labor, and Pensions staff at (202) 224-5501. Thank you for your attention to this urgent matter.

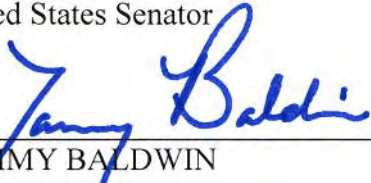
Sincerely,



PATTY MURRAY
United States Senator



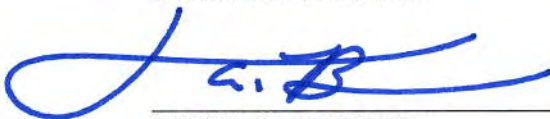
RICHARD J. DURBIN
United States Senator



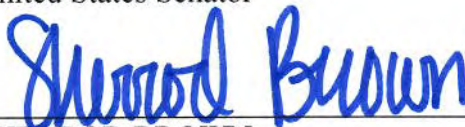
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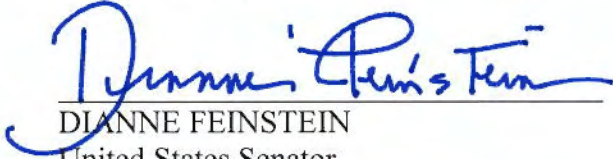
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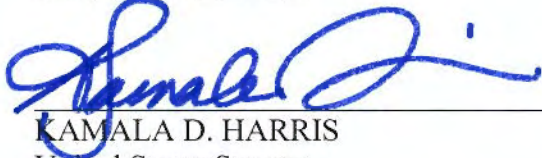
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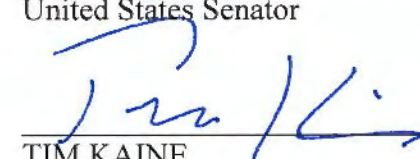
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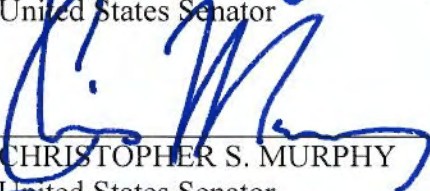
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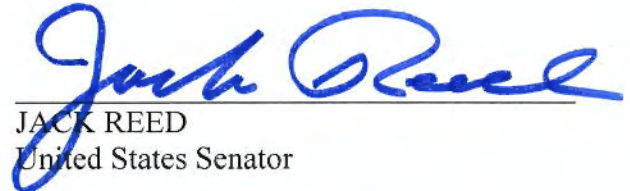
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United States Senator



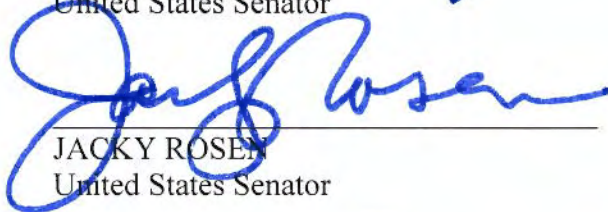
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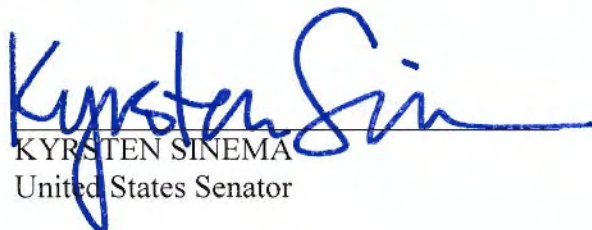
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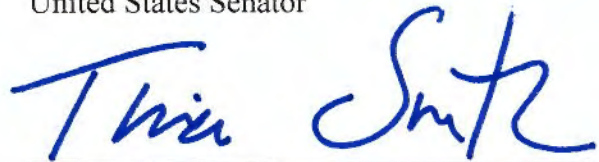
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SHELDON WHITEHOUSE
United States Senator

Ron Wyden

RON WYDEN
United States Senator