



August 20, 2015

AG MADIGAN CALLS ON FEDERAL GOVERNMENT TO DISCHARGE LOANS OF STUDENTS DEFRAUDED BY FOR-PROFIT SCHOOLS

Chicago — Attorney General Lisa Madigan, along with the Attorneys General of 10 other states, called on the U.S. Department of Education to cancel federal student loans in cases where schools have broken state laws, and to provide clear processes for students seeking relief.

Attorney General Madigan, with the other Attorneys General, sent a letter to U.S. Secretary of Education Arne Duncan and Joseph Smith, a recently-appointed Special Master reviewing debt of students who attend Corinthian schools. The letter urges the Department to establish a clear, efficient process for students to seek relief and to include state Attorneys General in the planning process.

“Students should not be left footing the bill for education and training they did not receive,” said Madigan. “We need to establish clear cancellation procedures so that students do not have to make payments to schools that broke the law by not providing the education promised.”

The Attorneys General offered a number of recommendations in their joint letter, including:

- **Easing the burden on students to obtain relief:** There should be a clear process for borrowers to apply for a discharge of their student loans based on violations of state law. To obtain relief, students should simply have to state how the school deceptively induced them to enroll or how the school engaged in other unlawful acts.
- **Allowing Attorneys General to make showings of state law violations:** As part of the review process, the Department should invite interested Attorneys General to provide supporting materials regarding the school’s unfair or deceptive practices.
- **Discharging loans of groups vs. individual students:** The Department should provide a mechanism by which the loans of entire groups of students may be discharged. The Department also should accept findings or evidence from government entities on behalf of the students.
- **Ensuring relief regardless of loan status:** The Department should clearly state that discharges are available for Direct loans, the Federal Family Education Loan Program loans, the PLUS program loans, and loans that have been consolidated into new debt. The Department should also make clear that students may recover amounts they already paid on Title IV loans.

In addition to establishing a clear process for students to discharge their loans based on the schools’ violations of state laws, the Attorneys General asked the Department to ensure immediate relief to Corinthian borrowers, and to address eligibility problems concerning the implementation of the closed school discharge program as it relates to Corinthian loans.

Attorneys General have been urging the Department to make these changes. In April 2015, Attorney General Madigan, along with eight other attorneys general, sent an initial letter to Secretary Duncan expressing the importance of allowing students who attended for-profit schools that have broken state laws to assert the violation of these laws as a defense to repayment of their loans. On June 8, the Department announced its [new debt relief process](#) for Corinthian students, and later that month announced the [appointment of Joseph Smith as](#) a Special Master to review the debts of Corinthian students.

Along with Madigan, the attorneys general of California, Connecticut, Kentucky, Maryland, Massachusetts, New Mexico, New York, Oregon, Pennsylvania, and Washington sent the letter to Secretary Duncan.

Madigan encourages borrowers to contact her Student Loan Helpline, 1(800) 455-2456 (TTY: 1 (800) 964-3013), which is answered by trained staff who can assist borrowers in understanding their repayment options and how to avoid default. Callers to the helpline can also file complaints with Madigan's Consumer Fraud Bureau if they have problems with their loans or complaints of student loan debt relief scams.

Attorney General Madigan is a national leader in investigating and enforcing consumer protection violations in the higher education field. She has pursued litigation against national for-profit colleges for fraudulent marketing practices, and she is leading a multistate investigation into the student loan provider Sallie Mae (now Navient). Earlier this spring, Madigan [filed suit against five companies for targeting people struggling to repay student loan debt](#). Madigan was also the first state attorney general to [file lawsuits against emerging student loan debt relief scams](#). Last year, she testified about the role of states in protecting higher education students before the U.S. Senate, including a call for stronger protections under federal law for student loan borrowers.

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