



STATE OF CALIFORNIA
OFFICE OF THE ATTORNEY GENERAL
KAMALA D. HARRIS
ATTORNEY GENERAL

February 29, 2016

The Honorable Robert A. McDonald
United States Department of Veterans Affairs
810 Vermont Avenue, Northwest
Washington, DC 20420

Dear Secretary McDonald:

We, the undersigned Attorneys General, write to urge you to exercise the Department of Veterans Affairs' ("VA's") authority under federal law to restore the educational and vocational rehabilitation benefits that thousands of veterans are deprived of due to misleading advertising, sales, or enrollment practices of predatory institutions, such as Corinthian Colleges, Inc. ("Corinthian"). In addition, we ask you to ensure that the VA is providing full and accurate information about the risks associated with using benefits at certain schools and that it is supporting the efforts of State Approving Agencies and State Attorneys General to protect veterans.

I. Restoring Benefits for Veterans Who Attended Institutions that Utilized Erroneous, Deceptive, or Misleading Advertising, Sales, or Enrollment Practices

We honor the service and sacrifice of our veterans by ensuring that when they return home, they have access to benefits that help them transition to civilian employment and build lives for themselves and their families. These benefits include the Post-9/11 G.I. Bill and its predecessors (collectively the "G.I. Bill") and the Vocational Rehabilitation and Employment ("VR&E") program, which help veterans obtain the training that they need to become gainfully employed in a career of their choice. Under the G.I. Bill, student veterans are entitled to benefits totaling up to \$21,084.89 per year, in addition to funds for housing, books, and supplies.¹ Under the VR&E program, veterans with service-connected disabilities receive the job training and education, workplace accommodations, and career coaching necessary to transition into civilian employment.

¹ Dep't of Vet. Affairs, *Post-9/11 G.I. Bill (Chapter 33) Payment Rates for 2015 Academic Year*, http://www.benefits.va.gov/GIBILL/resources/benefits_resources/rates/ch33/ch33rates080115.asp.

Unscrupulous institutions, however, have cheated veterans out of these hard-earned benefits by employing deceptive advertising, sales, or enrollment practices to target student veterans. Student veterans are likely targeted by these institutions because the funds provided by these educational benefits do not count toward the federal 90/10 rule that limits for-profit colleges to receiving a maximum of 90% of their revenue from Title IV federal student aid sources.² These institutions specifically target and prey on student veterans through recruitment events using false promises of job prospects and dishonest job placement rates. Deceived student veterans who used their limited G.I. Bill and VR&E benefits to enroll in these schools find that the programs failed to provide the proper certification, education, or training required to succeed in their desired careers and find that the initial job placement rates they were presented with are false. Moreover, student veterans often find themselves with limited to no benefits remaining, leaving them unsupported in reaching their educational and career goals.

For example, thousands of student veterans—who were specifically targeted by the for-profit Corinthian³—were deceived into using some or all of their hard-earned benefits under the G.I. Bill and the VR&E program to attend Corinthian’s now-defunct schools.⁴ In many cases, the student veterans were drawn in by promises of guaranteed employment in a lucrative field after graduation, but instead received a worthless degree or academic credits that no reputable institution would accept. Unfortunately, as a result of Corinthian’s predatory conduct and ensuing sale or closure of schools, many student veterans who depleted their G.I. Bill or VR&E benefits have not enjoyed the full use of their benefits and cannot regain them without the VA’s intervention.

Unfortunately, Corinthian’s misconduct is not unique. It is part of a pattern of predatory behavior that has been met with increasing scrutiny, such as the CFPB filing suit against ITT, the FTC filing suit against DeVry on January 27, 2016, and the Department of Education (“ED”) denying recertification of Title IV eligibility to Marinello Schools of Beauty and Computer Systems Institutes on February 1, 2016.⁵ Most of the student relief flowing from enforcement

² See 20 U.S.C. § 1094(a)(24).

³ Dep’t of Educ., *Fact Sheet: Protecting Students from Abusive Career Colleges* (June 8, 2015), <http://www.ed.gov/news/press-releases/fact-sheet-protecting-students-abusive-career-colleges> (“[S]ervice members and veterans [were] particularly vulnerable to aggressive marketing and recruitment by for-profit colleges, which often pursue aid targeted to such individuals to make up the required 10 percent of their revenue.”).

⁴ On February 3, 2015, more than fifty Corinthian schools across the country were acquired by Zenith Education Group. <http://www.ed.gov/news/press-releases/more-50-corinthian-campuses-transition-nonprofit-status-under-zenith-education-group>. On April 27, 2015, Corinthian announced that it was ceasing operations and instruction at its remaining thirty locations across the country. <https://studentaid.ed.gov/sa/about/announcements/corinthian>

⁵ Consumer Fin. Prot. Bureau, *CFPB Sues For-Profit College Chain ITT for Predatory Lending* (Feb. 26, 2014), <http://www.consumerfinance.gov/newsroom/cfpb-sues-for-profit-college-chain-itt-for-predatory-lending/>; Fed. Trade Comm’n, *Complaint for Permanent Injunction and Other Equitable Relief* (Jan. 27, 2016), <https://www.ftc.gov/system/files/documents/cases/160127devrycmpt.pdf>; Dep’t of Educ., *U.S.*

actions against predatory educational institutions has, however, pertained to student loans—not the hard-earned benefits of our nation’s veterans.

To obtain similar relief for student veterans, we ask that you exercise your discretion under 38 U.S.C. § 503, and the VA’s discretion under its regulations, to provide the equitable relief that would restore veterans’ eligibility and entitlement to their benefits when the VA has authorized the use of benefits in contravention of its own governing statutes and regulations.⁶ Specifically, we ask that a review to exercise this discretion be automatically triggered when a regulatory or enforcement action is taken by ED, a State Approving Agency, or a State Attorney General, a court enters a judgment against a school, or upon application by a veteran or a group of veterans alleging that an educational program or college has “utilize[d] advertising, sales, or enrollment practices . . . which are erroneous, deceptive, or misleading[.]” *See* 38 U.S.C. § 3696(a). And in the case of Corinthian in particular, this discretionary relief should be awarded as soon as possible because of the findings of grave misconduct that have already been made against it, as discussed further below.

A. Your Discretion Under §503(a) to Provide Equitable Relief to Remedy Administrative Errors

Title 38, Part I, Chapter 5 of the United States Code gives you the power to grant veterans equitable relief to remedy an “administrative error.” Specifically, it provides:

If the Secretary determines that benefits administered by the Department have not been provided by reason of administrative error on the part of the Federal Government or any of its employees, the Secretary may provide such relief on account of such error as the Secretary determines equitable, including the payment of moneys to any person whom the Secretary determines is equitably entitled to such moneys.

38 U.S.C. § 503(a).

The term “administrative error” is broad, encompassing situations in which the VA has retroactively changed its substantive position on a matter as a result of new information or developments. For example, in *Nehmer v. VA of the Government of the United States*, 284 F.3d 1158, 1160–61 (9th Cir. 2002), the VA entered into a court-approved Stipulation and Order that provided for retroactive benefits to veterans and the estates of deceased veterans whenever any disease was newly determined to be “service connected” due to exposure to Agent Orange. The court concluded that the Stipulation and Order was enforceable as an exercise of the “broad powers” under § 503 to provide equitable remedies for “administrative error.” *See id.* Thus, the

Department of Education Takes Enforcement Against Two School Ownership Groups (Feb. 1, 2016), <https://www.ed.gov/news/press-releases/us-department-education-takes-enforcement-against-two-school-ownership-groups>.

⁶ We understand that lawmakers are working to “give the VA additional authority to provide meaningful relief” in these kinds of cases. Letter to Secretary McDonald Signed by United States Senators (May 12, 2015). This would be a welcome development as well.

“error” remedied in *Nehmer* was the VA’s prior lack of recognition that certain diseases were caused by Agent Orange. Similarly, in *Moody v. Shinseki*, No. 09-4606, 2011 U.S. App. Vet. Claims LEXIS 2553 (Vet. App. Nov. 23, 2011), after a dispute between a veteran and the VA regarding the proper standard for evaluating his claim for benefits, the Secretary entered into a settlement agreement establishing that the claim would be evaluated by the standard more favorable to the veteran. The court concluded that the settlement agreement was enforceable as an exercise of the Secretary’s discretion to provide equitable relief for an “administrative error.” *Id.*, at *9. The “error” remedied in *Moody*, then, was an earlier determination regarding the appropriate standard for evaluating the veteran’s claim.

For former Corinthian student veterans, the error warranting a remedy is the VA decision to approve the use of benefits at Corinthian schools. The VA acts as a gatekeeper between schools and veterans desiring to finance an education with these benefits. It determines what schools are eligible to enroll veterans, *see generally* 38 U.S.C. §§ 3670–3679, and it also decides whether to approve each individual veteran’s application to attend a school. With respect to veterans’ education benefits, “[t]he Secretary shall not approve the enrollment of an eligible veteran or eligible person in any course offered by an institution which utilizes advertising, sales, or enrollment practices of any type which are erroneous, deceptive, or misleading either by actual statement, omission, or intimation.” 38 U.S.C. § 3696(a). VA regulations further provide that “[i]f an educational institution uses [such practices], VA will not approve” any enrollment in that institution. 38 C.F.R. § 21.4252(h).

Corinthian violated these provisions because, as subsequent investigations by ED and several state Attorneys General have revealed, Corinthian employed erroneous, deceptive, and misleading advertising, sales, and enrollment practices.⁷ Using evidence provided by California Attorney General Kamala D. Harris, ED made findings that entitle many students who attended a Corinthian school in California since 2010 to streamlined federal student loan forgiveness under the Higher Education Act’s defense to repayment provisions. Several other states, including Illinois and Massachusetts, have also provided evidence in ED’s ongoing investigation of Corinthian.

⁷ See, e.g., *supra*, n. 3; Dep’t of Educ., *Department of Education and Attorney General Kamala Harris Announce Findings from Investigation of Wyotech and Everest Programs* (Nov. 17, 2015), <http://www.ed.gov/news/press-releases/department-education-and-attorney-general-kamala-harris-announce-findings-investigation-wyotech-and-everest-programs>; Dep’t of Educ., *U.S. Department of Education Fines Corinthian Colleges \$30 Million for Misrepresentation* (April 14, 2015), <http://www.ed.gov/news/press-releases/us-department-education-fines-corinthian-colleges-30-million-misrepresentation>; Ill. Atty. Gen., *Opp. to Debtor’s Objection*, pg. 7 (Dec. 9, 2015) (detailing findings against Corinthian), <http://www.republicreport.org/wp-content/uploads/2016/02/IL-AG-CoCo-BR-Opp.pdf>; Mass. Atty. Gen., *For-Profit School Sued for Deceiving Students and Facilitating Unfair Loans* (Apr. 3, 2014) (describing allegations in complaint against Corinthian), <http://www.mass.gov/ago/news-and-updates/press-releases/2014/2014-04-03-corinthian-complaint.html>.

The defense to repayment provisions were rarely used by ED prior to Corinthian's collapse. As the breadth of Corinthian's deception was uncovered, however, ED committed to create processes whereby aggrieved students could obtain relief. ED appointed a Special Master to oversee the relief process for Corinthian, hired attorneys and outside vendors to review evidence against Corinthian and student claims, initiated a negotiated rulemaking process to create greater clarity on the defense to repayment process moving forward, and has already forgiven tens of millions of dollars in student loans in its ongoing investigation.

The VA should act in harmony with its sister agency. ED's findings should trigger a review of VA decisions to permit student veterans to use their benefits at these same programs and, if appropriate, the VA should find that an administrative error was made in allowing student veterans to enroll at an institution with misleading job placement rates. Future findings by ED, State Approving Agencies, State Attorneys General, or courts of erroneous, deceptive, or misleading advertising, sales, or enrollment practices should trigger a similar review.

Due to these same misrepresentations, Corinthian also failed to meet requirements governing schools that provide training to disabled veterans under the VR&E program, pursuant to Chapter 31 of Title 38 of the United States Code. For example:

- 38 C.F.R. § 21.294(a)(4)(i) requires schools “[t]o cooperate with VA,” and Corinthian failed to do so when it published false job placement rates.
- 38 C.F.R. § 21.294(a)(4)(ii) requires schools “[t]o provide timely and accurate information covering the veteran’s attendance, performance, and progress in training in the manner prescribed by VA.” Corinthian’s misrepresentations constituted inaccurate information about its student veterans’ “performance” and “progress” in violation of this regulation.
- 38 C.F.R. § 21.294(a)(1) requires schools to “[h]ave space, equipment, instructional material and instructor personnel adequate in kind, quality, and amount to provide the desired service for the veteran.” For veterans who attended Corinthian, the “desired service” was an education that would result in the chances of employment that Corinthian represented to them. Corinthian’s resources were not “adequate in kind, quality and amount” to provide such services, since its graduates did not in fact achieve the purported placement rates.
- 38 C.F.R. § 21.294(a)(3)(i) requires schools to “[m]eet the customary requirements in the locality for employment in the occupation in which training is given when employment is the objective of the program.” The low job placement rates for many Corinthian programs indicates that a Corinthian training did not in fact meet the “customary requirements . . . for employment” in those fields, thereby depriving the veterans who attended these programs of the vocational rehabilitation that they had been prescribed and promised.

For the above reasons, the VA’s decision to provide funds to Corinthian for student veterans’ attendance at these programs should be deemed an administrative error. This administrative error deprived student veterans of their right to use their benefits at an institution that was free of erroneous, deceptive, and misleading advertising, sales, and enrollment

practices. The VA was not alone in initially supporting Corinthian—Corinthian managed to hide its misconduct for several years.

As other agencies, like ED, work to mitigate the harm to victims of Corinthian’s fraud, the VA should act in harmony with its sister agencies to provide similar relief to student veterans. We urge you to exercise your discretion to provide equitable relief in the form of renewed G.I. Bill and VR&E entitlement to eligible former Corinthian student veterans and to adopt a policy of reviewing prior decisions affected by new ED findings and regulatory actions.

B. Your Discretion Under §503(b) to Provide Equitable Relief to Remedy Erroneous Determinations of Eligibility or Entitlement

In addition to your authority to provide equitable relief for “administrative errors” under 38 U.S.C. §503(a), we similarly urge you to consider your discretion to provide equitable relief under 38 U.S.C. § 503(b), which provides:

If the Secretary determines that a veteran, surviving spouse, child of a veteran, or other person has suffered loss as a consequence of reliance upon a determination by the Department of eligibility or entitlement to benefits, without knowledge that it was erroneously made, the Secretary may provide such relief on account of such error as the Secretary determines is equitable, including the payment of moneys to any person whom the Secretary determines is equitably entitled to such moneys.

38 U.S.C. § 503(b).

As discussed above, state and federal investigations have clearly shown that Corinthian did not meet VA standards to receive G.I. Bill and VR&E funds. Because of Corinthian’s misrepresentations, the VA made not only an “administrative error,” but also an “erroneous determination . . . of eligibility or entitlement to benefits” when it allowed veterans to attend Corinthian schools. The student veterans relied on these determinations and they suffered a profound loss as a result. They have exhausted their benefits in whole or in part without obtaining a quality education, rehabilitation benefits, and meaningful job prospects that they otherwise would have received at another VA-approved institution. Equitable relief should be provided to these former Corinthian student veterans, and future student veterans, who “suffered loss as a consequence of reliance upon a determination by the Department of eligibility or entitlement to benefits.” *See* 38 U.S.C. § 503(b).

C. Extending Veterans’ VR&E Benefits Through VA Administrators

The VR&E program assists our veterans who were wounded or disabled as a result of their military service. The sacrifice of those veterans with service-connected disabilities is met with an additional commitment—through vocational counseling, job training, workplace accommodations, resume development, and job-seeking skills coaching—to ensure that they successfully transition to civilian employment. In addition to the equitable relief you can award pursuant to 38 U.S.C. § 503, we urge you to protect student veterans who use VR&E benefits by working with VA administrators to extend the duration of those benefits pursuant to regulations

discussed in more detail below. Again, this type of review should be triggered by regulatory and enforcement actions by ED, a State Approving Agency, a State Attorney General, a court or upon application by a veteran or group of veterans.

Extending the VR&E benefits will fulfill the purpose of the VR&E program to provide veterans with “all services and assistance necessary to enable veterans with service-connected disabilities . . . *to the maximum extent feasible*, to become employable and to obtain and maintain suitable employment.” 38 U.S.C. § 3100 (emphasis added); *see also* 38 C.F.R. §§ 21.1, 21.70(a)(2), 21.70(a)(4), 21.72(a)(2). The duration of VR&E benefits is determined “in the course of development and approval of the Individualized Written Rehabilitation Plan” that the VA and a veteran develop together. *See* 38 C.F.R. § 21.70(c). “The estimated duration of the period of training . . . may be extended when necessary” with the authorization of a veteran’s counseling psychologist. *Id.* § 21.72(c)(2). A strong indicator of what is “necessary” should be determined by evaluating whether the purpose of the VR&E program has been met, that is, whether the veteran has “obtain[ed] and maintain[ed] suitable employment.” *See* 38 U.S.C. § 3100.

ED’s findings show that Corinthian systematically failed to provide students with the training or job prospects that it initially promised to enrolling students and correspondingly failed to meet the purpose of the VR&E program. The VA should therefore, through its counseling psychologists, *see* 38 C.F.R. § 21.35(k)(1), allow veterans who attended Corinthian to receive further education and training using VR&E funds.

For some veterans, extending VR&E benefits may implicate the 48-month cap that generally limits the total period for which a veteran can receive VR&E and other GI Bill funding. *See id.* §§ 21.78(a), § 21.4020. Those veterans’ VR&E benefits should be extended beyond 48 months by “the counseling psychologist and [with the] concurrence of the Vocational Rehabilitation and Employment Officer,” *id.* § 21.78(d), where any of the following circumstances are present:

- If a veteran “previously used education benefit entitlements under other programs administered by VA, and the additional period of assistance to be provided under Chapter 31 which the veteran *needs to become employable* will result in more than 48 months being used under all VA education programs,” then “the number of months necessary to complete the [rehabilitation program] may be authorized, provided that the length of the extension will not result in authorization of more than 48 months under Chapter 31 *alone*.” *Id.* § 21.78(b)(3) (emphasis added). That is, this provision authorizes an extension of benefits beyond 48 months for veterans who have used less than 48 months of VR&E benefits. Veterans who remain unemployed after attending Corinthian should receive an additional period of assistance under this provision in order “to become employable” and meet the standard of rehabilitation they were prescribed and promised but were denied as a result of Corinthian’s false job placement claims.
- If “[t]he occupation in which the veteran previously completed training is found to be unsuitable because of the veteran’s abilities and employment handicap,” an

“extension beyond 48 months under Chapter 31 alone *shall be* approved for this purpose.” *Id.* § 21.78(b)(2) (emphasis added). Many veterans who attended Corinthian to obtain certain jobs have learned that those jobs are “unsuitable” for them because Corinthian failed to equip them with skills necessary for those jobs, as evidenced by Corinthian’s actual placement rates. Again, these veterans should receive further rehabilitation services under the VR&E program to ensure that they receive the rehabilitation they were prescribed and promised.

- Finally, for veterans with a serious employment handicap, *see id.* § 21.35(g), the 48-month cap can and should be extended “for the number of months necessary to complete a rehabilitation program” in order to attain or restore employability. *Id.* §§ 21.78(c)(1), 21.78(c)(4).

Extending some student veterans’ VR&E benefits may also implicate the 12-year “basic period of eligibility,” which generally requires a veteran to utilize the benefits within 12 years, beginning from the date of his or her discharge or release. *Id.* § 21.41(a). For veterans with a serious employment handicap, however, the VA should employ a “Counseling Psychologist or Vocational Rehabilitation Counselor” to extend the 12-year limit “for such additional period as the CP or VRC determines is needed,” *see id.* § 21.44(b), under circumstances described in 38 C.F.R. § 21.44(a). Such circumstances include (1) when a “veteran has not been rehabilitated to the point of employability,” *id.* § 21.44(a)(1), and (2) when a veteran’s “current employment handicap and capabilities clearly show that the occupation for which the veteran previously trained is currently unsuitable,” *id.* § 21.44(a)(2)(ii).

As discussed above, veterans who attended Corinthian did not receive the rehabilitation they were prescribed and promised, and instead many of them remain unemployed. The careers and security they hoped to obtain by attending Corinthian have turned out to be “unsuitable” for them because they received inadequate training from Corinthian. On these grounds, we urge you to encourage administrators to extend VR&E benefits to enable eligible student veterans to receive the vocational rehabilitation services that they were prescribed by the VA and promised by the American people.

II. Ensuring that Veterans Have Full and Accurate Information

We also urge you to take proactive steps to ensure that future eligible veterans are furnished with full and accurate information about their educational options. Unfortunately, Corinthian is not the only institution that employs aggressive and misleading marketing practices, as current actions surrounding DeVry, Marinello Beauty Schools, and Computer Systems Institutes show. It is critical that we work together to counteract those efforts.

Specifically, we urge you to include additional conditions under which a ‘caution flag’ is raised on the GI Bill Comparison Tool. The tool is a laudable effort to leverage technology to help veterans make informed choices. We are especially pleased to see that ‘caution flags’ are raised for institutions under Heightened Cash Monitoring or are the subject of lawsuits by certain federal agencies, in addition to student complaints that are registered on each institution’s page. This tool could be further improved by flagging schools that are the subject of investigation or lawsuits filed by state agencies, including State Attorneys General and State Approving

Agencies. Corinthian, for example, had been sued by the Attorneys General of California, Massachusetts, and Wisconsin as well as the Consumer Financial Protection Bureau and was the subject of investigations and administrative actions by many other agencies. Veterans who choose to utilize their hard-earned educational benefits deserve to be fully informed of potential risks.

Additionally, we encourage the VA to provide information about potential consequences of utilizing educational benefits at schools that have been subject to investigations or lawsuits through the Transition Assistance Program. Sharing information and warnings early on will help veterans make informed choices in using their benefits wisely.

III. Supporting the Efforts of State Approving Agencies and Attorneys General

Finally, we urge you to support the efforts of State Approving Agencies and Attorneys General in protecting veterans from misconduct. The states have had a critical role in this area. For example, the California Department of Veterans Affairs wisely “withdrew institutional approval at all institutions owned and operated in California by [Corinthian]” in August 2014.⁸ This action and subsequent actions by State Approving Agencies in sister states were instrumental in protecting additional student veterans from enrolling and suffering harm in the months leading up to Corinthian’s closure. In addition, investigations by Attorneys General have served a critical role in casting light on misconduct by schools, including misconduct from schools that participate in the G.I. Bill and VR&E programs. We urge you to ensure that the VA is working collaboratively with and supporting the efforts of the State Approving Agencies and Attorneys General in this context. It is only through such collaboration that we can protect our student veterans and prevent future misconduct.

As reflected by your own military service, we know you appreciate that the G.I. Bill and VR&E benefits are hard-earned and reflect a sacred commitment by the American people to those who have sworn to protect our freedom. We honor the service and sacrifice of our veterans by ensuring that when they return home, they have access to benefits that will help them transition to civilian employment and build lives for themselves and their families. Rather than being honored, the veterans who enrolled in Corinthian schools were cheated out of these benefits. ED has acted to remedy the harms suffered by student borrowers who were defrauded by Corinthian and other unscrupulous institutions—we respectfully urge you to act in harmony with your sister agencies and offer similar relief to student veterans who were harmed by precisely the same misconduct. We urge you to exercise your discretion to restore G.I. Bill and VR&E benefits, and that you take steps to ensure that all future student veterans are similarly

⁸ California Dep’t of Veterans Affairs, *CalVet Withdraws Approval for Corinthian Colleges* (Aug. 25, 2014), <https://www.calvet.ca.gov/Pages/CalVet-WithdrawsApproval-for-Corinthian-Colleges.aspx>.

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February 29, 2016


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protected and armed with full and accurate information about their educational options. We would welcome the opportunity to work with the VA on any of these or other efforts to ensure student veterans have the opportunity to pursue the educations and careers of their dreams.

Sincerely,



Kamala D. Harris
California Attorney General



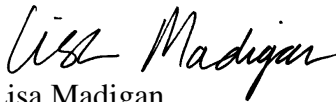
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