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**ATTORNEY GENERAL MADIGAN: FEDERAL JUDGE DENIES EFFORT BY FOR-PROFIT SCHOOL INDUSTRY TO DELAY
CRITICAL PROTECTIONS FOR STUDENT LOAN BORROWERS**

***Borrower Defense Rule Goes into Effect Immediately; U.S. Department of Education Must Automatically Discharge
\$381 Million in Loans for Students Whose Schools Closed***

Chicago — Attorney General Lisa Madigan issued a statement in response to a federal judge’s ruling rejecting a challenge to the so-called Borrower Defense Rule that was created to protect students whose schools close abruptly before they can obtain a degree.

The ruling in the case – *California Association of Private Postsecondary Schools (CAPPS) v. Betsy DeVos* – follows a decision by Judge Randolph Moss last month in the U.S. District Court in Washington, D.C., calling Education Secretary DeVos’ efforts to dismantle the federal protections for students cheated by predatory, for-profit schools “unlawful,” “arbitrary and capricious” and “procedurally invalid.” The ruling makes the Borrower Defense Rule effective immediately.

The Borrower Defense Rule implements important protection for students immediately, including providing approximately \$381 million in automatic loan discharges for students whose schools closed on or after November 1, 2013, before they could complete their degrees, and who did not re-enroll in another school within three years. The Rule also immediately prohibits for-profit schools that take federal funds from forcing to students into secret arbitration proceedings.

“Loan relief for students who attended schools that abruptly closed is long overdue and badly needed,” Madigan said. “The Department of Education must work to immediately forgive debt for thousands of Illinois students who attended campuses that closed without giving students the opportunity to complete their degrees.”

The Borrower Defense Rule was finalized by the Obama administration in November 2016 after nearly two years of negotiations, following the collapse of Corinthian Colleges, a national for-profit chain. The Rule was set to go into effect on July 1, 2017, but in May 2017, DeVos announced that the Department was reevaluating the Borrower Defense Rule and later announced its intent to delay large portions of the Rule without soliciting, receiving, or responding to comments from any stakeholder or member of the public, and without engaging in a public deliberative process. The Department simultaneously announced its intent to issue a new regulation to replace the Borrower Defense Rule.

In response, Madigan and a coalition of state attorneys general filed a lawsuit in July 2017, alleging that the U.S. Department of Education violated federal law by abruptly rescinding the Borrower Defense Rule which was designed to hold abusive higher education institutions accountable for cheating students and taxpayers out of billions of dollars in federal loans.

Without the protections of the Borrower Defense Rule, many students defrauded by for-profit schools have been unable to seek a remedy in court. The Borrower Defense Rule prohibits schools from enforcing mandatory arbitration agreements and class action waivers, which have been commonly used by for-profit schools to thwart legal actions by students who have been harmed by schools’ abusive conduct.

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