

Corinthian Colleges Inc. Borrower Defense Group Discharge Executive Summary

The U.S. Department of Education (Department) has determined that all borrowers who enrolled in a school operated by Corinthian Colleges Inc. (CCI) are eligible for group borrower defense discharge of their related federal student loans. This group process will facilitate relief to borrowers harmed by CCI's actions, including borrowers who have not yet applied for borrower defense.

From 2015 to 2016, the Department made several detailed findings regarding widespread misrepresentations occurring at CCI schools. Specifically, the Department found that CCI misrepresented: (1) the employment prospects of its graduates (findings applicable to borrowers who first enrolled at any Heald, Everest, and WyoTech schools at any time during the period of CCI's ownership and operation); (2) its job placement rates (findings applicable to borrowers who first enrolled in July 2010 or later in certain programs and certain campuses at the Heald chain of schools and Everest/WyoTech); and (3) the transferability of its credits (findings applicable to borrowers who first enrolled at any time during the period of CCI's ownership and operation at any nationally accredited Everest campus or WyoTech's Laramie campus and to borrowers who first enrolled in certain programs at the Heald California campuses on or after January 4, 2010).

Applying a preponderance of the evidence standard, BDG concluded that these misrepresentations could serve as the basis for a valid borrower defense to repayment under the 1995 borrower defense regulation (34 C.F.R. § 685.206(c)) and the 2016 borrower defense regulation (34 C.F.R. § 685.222(d)). Due to the overall lack of value in a CCI education, BDG further recommended 100% relief for CCI borrowers whose misrepresentation claims were approved. BDG's recommendations were accepted and implemented by the Department. The findings regarding CCI's widespread misrepresentations have supported the approval of the individual borrower defense applications of over 100,000 CCI borrowers to date.

As to the guaranteed job placement/employment prospects claims, BDG has found a high degree of consistency with respect to CCI's misrepresentations over time and across all geographic locations, supported by a variety of evidence. For example, BDG's analysis of CCI borrower defense applications shows the pervasiveness of claims based on misrepresentations of employment prospects. Of borrowers who did not use a job placement rate attestation form, 62% asserted employment prospects claims. Moreover, thousands of borrowers who filed their applications using the job placement rate attestation form independently asserted employment prospects allegations. Since the time that BDG first made structured borrower defense application forms containing categories of claims (including employment prospects) available to borrowers, approximately 77% of CCI borrower defense applicants have included claims relating to employment prospects. BDG has found that CCI borrowers consistently raise similar allegations related to employment prospects, specifically the guarantee of employment, regardless of the campus they attended or when during the CCI's roughly 20-year period of operation the borrower attended.

In addition to the applications themselves, sources of evidence originating outside the Department support BDG's conclusions about both the existence and widespread nature of the employment prospect misrepresentations. Affidavits of former CCI employees led BDG to conclude that the "misrepresentations were system-wide and, indeed, part of Corinthian's institutional culture." In an action brought by the State of Wisconsin's Department of Justice against Everest College of Milwaukee, the director of admissions (who later became president) testified that representations made to students during the admissions process about career possibilities were directed by corporate. In addition, CCI's own internal audit of admissions calls from one of its campuses showed 21% of admissions representatives made false or misleading statements to prospective students relating to employment outcomes.

Based on all the evidence it reviewed from all different sources, BDG concluded that nearly all borrowers who attended any Heald, Everest, or WyoTech campus at any time during CCI's ownership would have been subject to the employment prospects misrepresentations. BDG also concluded that a large percentage of the CCI borrowers were subject to additional misrepresentations, which provide further bases for granting discharges. Those additional misrepresentations include misrepresentations about job placement rates and transferability of credits. The job placement rate findings apply to many different programs at all Heald campuses, and almost all Everest and WyoTech campuses, for students during certain enrollment periods, the earliest of which began July 1, 2010. The transferability of credits findings apply to borrowers who, at any time during CCI's ownership, attended the WyoTech campus in Laramie, Wyoming, or any nationally accredited Everest campus. The transferability of credits findings also apply to borrowers who attended any Heald campus in California on or after January 4, 2010, in a degree, certificate, or Associate in Applied Science program.

Because the extensive reach of CCI's misconduct, especially with respect to the misrepresentations about guaranteed job placement/employment prospects, likely would have negatively affected nearly all students who enrolled during any period of CCI's ownership or operation of the Heald, Everest, and WyoTech schools, BDG believes that at least tens of thousands of additional borrowers' applications would be approved based on these findings if the borrowers applied individually. A group discharge process is an efficient way to provide relief to eligible borrowers and to streamline the discharge process operationally.

For these reasons, the Department found that it is appropriate to consider these CCI borrowers as a group and further concluded that all borrowers who enrolled in a school operated by CCI are eligible for group borrower defense discharge of their related federal student loans.