

Biden administration wipes out \$130M of debt for students misled by Colorado career college

By Michael Stratford

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The Biden administration announced on Tuesday it would forgive the federal student loans owed by 7,400 former students who attended the Colorado campuses of a chain of career colleges, citing sweeping misconduct by the school's owner.

The Education Department said it would automatically discharge \$130 million of debt owed by borrowers who attended CollegeAmerica's Colorado-based locations from January 2006 to July 2020.

Education Department officials said they determined the school's owner — the Center for Excellence in Higher Education — engaged in “pervasive and widespread misrepresentations” over job placement rates, graduates' salaries, private loan products, and the school's educational offerings.

For years, the college advertised “inflated and falsified” job placement rates of 70 percent when the actual internal figure was 40 percent, according to the department.

“These borrowers were lied to, ripped off, and saddled with mountains of debt,” President Joe Biden said in a statement on Tuesday. “While my predecessor looked the other way when colleges defrauded students and borrowers, I promised to take this on directly and provide borrowers with the relief they need and deserve.”

The Biden administration is canceling the loans on the grounds they are “not legally enforceable,” a senior Education Department official told reporters on Tuesday.

The official said the department was relying on the same legal power the Biden administration used to erase the debts owed by students who attended Corinthian Colleges and ITT Tech, two defunct for-profit college chains. That authority is a provision of the Higher Education Act that gives the secretary of education the power to “compromise, waive, or release” debt owed to the agency.

The Biden administration is separately using that law to create a new student debt relief program after the Supreme Court struck down its first attempt to cancel up to \$20,000 of student debt for tens of millions of borrowers.

Student loan borrowers from the Colorado campuses of CollegeAmerica will receive the relief, as well as refunds for past payments on their loans, without having to take any action, the department said. The agency plans to begin notifying borrowers next month.

CollegeAmerica's owner, the Utah-based Center for Excellence in Higher Education, has long sparred with the Education Department as it ran into regulatory and accreditation problems until its collapse in 2021. The company previously operated Independence University, Stevens-Henager College, and California College San Diego.

Rich Cordray, the department's student aid chief, said the relief for borrowers was the result of collaboration with state law enforcement that he's prioritized over the past several years. He said the department's investigation examined evidence gathered by the Colorado attorney's general office, which previously sued the company for misleading borrowers in state court.

A Colorado judge ruled in favor of the state in 2020, ordering the company to pay a \$3 million penalty for misleading students about their job prospects and future earnings. An appeals court partially reversed that ruling the next year, though the Colorado Supreme Court earlier this year ordered the appeals court to reconsider parts of its ruling.

Eric Juhlin, now the company's acting CEO, pushed back on the department's latest action on Tuesday. "The department's proffered justification for this forgiveness is a lie," he said in an email. "The verdict in the Colorado case was reversed upon appeal in August 2021."

The Biden administration in April 2021 suspended Juhlin, then the company's chief executive officer and board chair, from federal contracting. Juhlin and the company, which was founded by Carl Barney, have long been outspoken critics of the department. The Center for Excellence in Higher Education sued the federal government in December, accusing the department of pursuing a decade-long political vendetta against the company.

A senior department official said the agency has \$20.8 million in an escrow account that was funded by the company before it closed down its schools. That money can be used to cover liabilities that the company owes to the Education Department, though it's not yet clear precisely how it will be used.

Phil Weiser, the attorney general of Colorado, praised the federal relief for borrowers who he said were taken advantage of by the company. "This has been a long road to get to this day," he said. "Our office has been at this for over a decade."

The Education Department encouraged other state officials with evidence of college wrongdoing to share that with federal officials. The Biden administration's new "borrower defense" regulations make it easier for state attorneys general or others to submit group applications for student debt relief based on a college's misconduct.

"We can't talk about pending investigations but there will be more and you should stay tuned," Cordray told reporters on Tuesday.