



# Opening Statement

COMMITTEE ON EDUCATION & LABOR

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The Hon. Robert C. "Bobby" Scott • Chairman

## Opening Statement of Chairman Robert C. "Bobby" Scott (VA-03)

House Committee on Education and Labor Full Committee Hearing

*Examining the Education Department's Implementation of the Borrower Defense Rule*

2175 Rayburn House Office Building

Thursday, December 12, 2019 | 9:00am

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We are here to examine the Department of Education's implementation of the Borrower Defense rule. I want to thank you, Madame Secretary, for appearing before the Committee to discuss this important issue.

Borrower Defense is a rule grounded in basic fairness. Student borrowers who are defrauded by their college face severe financial and emotional consequences. It is therefore cruel and counterproductive for the federal government to compound their misfortune by collecting on their student loans.

Accordingly, the *Higher Education Act* requires the Secretary of Education to provide debt relief to defrauded borrowers. Until recently, that authority was rarely needed because institutional fraud was uncommon. But in 2015, Corinthian Colleges – a large for-profit chain – abruptly closed its doors in the face of widespread allegations of fraud.

Those allegations were later substantiated with countless reports of schools luring students with false promises of guaranteed jobs upon graduation and inaccurate information about the transferability of credits. A year later, a second for-profit chain, I-T-T Tech, closed under similar circumstances.

In response to a surge in claims, the Obama administration issued a new Borrower Defense rule to streamline the process for providing relief to defrauded students.

By the time the Trump administration took office, 28,000 Corinthian Colleges students had already received relief, and the Department was on pace to process the remaining 54,000 claims pending by the Spring of 2017.

However, under the present leadership, the Department refused to implement the Borrower Defense rule. Instead of providing defrauded borrowers full and timely relief – as the law allows – the Department halted processing of claims so it could invent a new formula that ensured most defrauded borrowers would get only a fraction of the relief they were eligible to receive.

The Department's initial partial relief formula would have deprived 93 percent of defrauded students of full relief.

In 2018, a federal Court blocked the initial partial relief formula because it misused students' personal data. But even after the Court's ruling, which specifically asserted the Department *could* provide timely and full relief to eligible borrowers under the Obama-era framework, the Department refused to do so.

In fact, in the 18 months between the Court's June 2018 ruling and Tuesday's announcement of a new revised partial relief formula, the Department did not process a single Borrower Defense claim.

Meanwhile, victims of predatory schools are being left in limbo. The number of borrowers awaiting relief has grown from 54,000 to roughly 240,000.

Madame Secretary, your refusal to process claims is inflicting serious harm on the students you have a duty serve. While the Department has been searching for a legal method of shortchanging defrauded borrowers, those defrauded borrowers have been left with mountains of debt, worthless degrees, and none of the job opportunities they were promised. In many cases, they have been unable to go back to school, start a family, and move on with their lives.

Not only has the Department refused to provide relief to defrauded students, it also illegally collected on 45,000 borrowers who are waiting for you to take action on their claims. In some cases, these individuals had their wages and tax returns garnished by the very government that was supposed to be providing them relief. The Court found you in contempt of court for collecting on roughly 16,000 of these borrowers, but now the Department is conceding that the illegal collection involved 45,000 borrowers.

In sum, defrauded borrowers have been cheated twice: First by their college, and then by a Department of Education that refuses to make them whole. In Court filings, the Department admitted to “gross negligence” in its handling of the Borrower Defense rule. This is perhaps one of the few areas on which we can agree.

Throughout the last year, this Committee has sent multiple requests for information and documents in an attempt to understand the rationale for changing the Department’s policy. The Department has continually refused to comply with those requests.

This lack of transparency was on full display yesterday, when a media outlet published documents revealing that the Department’s own staff conducted an extensive review of claims from former Corinthian and ITT Tech students, and found that student borrowers who attended these schools deserve full debt relief.

Those memos should have been provided to the Committee in response to our repeated requests. Their existence raises, unfortunately, two important questions:

1. Why was there a refusal to provide full and immediately debt relief to defrauded borrowers, despite the clear findings of your own staff?
2. What other relevant documents is the Department withholding from this Committee and the public that would shed light on its policy decisions?

Today’s hearing is intended to get answers to these and other questions about the Department’s policy on behalf of roughly 240,000 borrowers awaiting relief.

Thank you, again, for joining us today. I now yield to the Ranking Member, Dr. Foxx, for the purpose of making an opening statement.