UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

	:	**Case No. 15-10952-KJC**
In re	:	**(Chapter 11/Jointly Administered)**
	:	
CORINTHIAN COLLEGES, INC., *et al.*	:	**Hearing Date:**
	:	**June 30, 2015 at 2:00 p.m.**
Debtors.	:	
		Docket Number 363

UNITED STATES' OBJECTION TO MOTION OF THE COMMITTEE OF STUDENT CREDITORS FOR AN ORDER APPLYING THE AUTOMATIC STAY PURSUANT TO 11 U.S.C. §§ 362(A) AND 105(A) AND GRANTING RELATED RELIEF (CORRECTED)

Many persons borrowed from the United States, acting through its Department of Education ("ED"), to enroll as students (each, a "Student") at one of the debtors (each, a "Debtor"), some of which were for-profit colleges. For several reasons, ED should not be enjoined from participating in any proceeding concerning these loans ("Students' Loan Debt to U.S.") - including ED's ongoing administrative proceedings ("Administrative Proceedings") to determine whether the Students should be relieved from repaying this debt. An adversary proceeding needed to obtain such injunctive relief has not been initiated. Any action to collect, assess or adjust the Students' Loan Debt to U.S. (including the Administrative Proceedings) would not violate the automatic stay of the Bankruptcy Code ("Code") because it would not address or affect an obligation or asset of any of the Debtors. In addition, the requested stay also should be denied because no unity of interest between Students and the Debtors exists, and the Debtors do not appear to need the stay to reorganize. Finally, the requested stay should be denied because the prerequisites under the four-part standard for injunctive relief cannot be satisfied. For these reasons, the United States objects to the June 8, 2015 motion (Docket No. 363) (the "Motion" or "Mot.") of the Committee of Student Creditors (the "Student Committee")

for an order applying the automatic stay pursuant to 11 U.S.C. §§ 362(a) and 105(a) and granting related relief.

NON-BANKRUPTCY STATUTORY AND REGULATORY FRAMEWORK

The Higher Education Act ("HEA") charges the Secretary of Education with responsibility to "enforce, . . . compromise, waive or release" Federal education loans. 20 U.S.C. § 1082(a)(6) (Federal Family Education Loan Program [FFELP] loans), § 1087a(b)(2) (providing that Direct loans have same "terms and conditions" as FFELP loans). HEA *requires* the Secretary to discharge the obligation of a FFELP or Direct loan borrower who was unable to complete his or her education because the Student's school closed. 20 U.S.C. §§ 1087(c)(1), 1087a(b)(2). ED's implementing regulations provide that the "Secretary discharges the borrower's (and any endorser's) obligation to repay a Direct Loan in accordance with the provisions of this section if the borrower . . . did not complete the program of study for which the loan was made *because the school at which the borrower (or student) was enrolled closed. . . .*" 34 C.F.R. § 685.214(a)(1) (emphasis added).

The HEA further directs the Secretary to "specify in regulations which acts or omissions of an institution of higher education a borrower may assert as a defense to repayment of a [Direct] loan. . . ." 20 U.S.C. § 1087e(h). ED's implementing regulations state, "In any proceeding to collect on a Direct Loan, the borrower may *assert as a defense against repayment*, any act or omission of the school attended by the student that would *give rise to a cause of action against the school under applicable State law*." 34 C.F.R. § 685.206(c)(1) (emphasis added).

FACTS

ED's Administrative Proceedings Will Determine
Whether ED Will Discharge The Students' Loan Debt To U.S.

The Motion (filed in the Debtors' jointly administered bankruptcies, not an adversary

proceeding) asserts various facts about the Debtors and their relationships with the Students. ED and other federal agencies are investigating the accuracy of these assertions and the underlying facts about these relationships. ED has already taken significant steps based on what it has learned. *See* Appel Decl. ¶¶ 10-14, June 23, 2015 (attached as Exhibit 1).

For example, shortly before the Debtors filed their chapter 11 petitions on May 4, 2015 (the "Petition Date"), ED notified one of the Debtors, Heald College, LLC ("Heald"), of ED's finding that Heald had "misrepresent[ed] its placement rates to current and prospective students," and of ED's intention to fine Heald nearly $30 million. Letter from Robin S. Minor, Acting Director, ED's Administrative Actions and Appeals Service Group to Jack D. Massimino, President/Chief Executive Officer, Corinthian Colleges, Inc. (Apr. 14, 2015) (attached to Appel Decl. as Exh. B).

Beginning in April, 2015, ED revealed plans for Administrative Proceedings to adjudicate whether ED would discharge the Students' Loan Debt to U.S. Appel Decl. ¶ 25. The Motion mentions the Administrative Proceedings only once, Mot. at ¶ 2 n.2.

If a Student follows procedures announced by ED, ED will place this Student's Loan Debt to U.S. in forbearance. Appel Decl. ¶ 22-24, 29-36. ED recently informed Students whose schools closed about these procedures. *See* Appel Decl. ¶ 25; https://studentaid.ed.gov/sa/about/announcements/corinthian#forbearance-stopped-collections. Specifically, any Student who attended Heald and who completes an attestation form (available at https://studentaid.ed.gov/sa/sites/default/files/heald-attestation-form.pdf) may obtain stoppage of ED's collection activity. Upon receipt of this request, ED will also direct a Student's loan servicer to halt collections. Appel Decl. ¶ 29. Similarly, ED will promptly stop collections efforts on loans of a Student at a Debtor other than Heald once ED receives a Student's written borrower defense claim initiating

an Administrative Proceeding or a form stating the Student's intent to make such a claim. Appel Decl. ¶¶ 31-32. A form for this is available at https://borrowerdischarge.ed.gov/. Appel Dec. ¶ 32. Whether the Student attended Heald or another Debtor, on receipt of these forms, ED will inform the servicer for the Student's Loan Debt to U.S. to stop collection efforts on that loan. Appel Decl. ¶¶ 29, 33-34.

Despite the ongoing Administrative Proceedings, the Motion seeks an order "stay[ing] *all* entities from any *act to collect, assess* or recover" on the Students' loans to attend any Debtor, Mot. ¶ 1 (emphasis added). The Student Committee evidently intends this requested relief to include the Students' Loan Debt to U.S., *see* Mot. ¶¶ 59, 61, and the related Administrative Proceedings, *see id.* ¶ 2 n.2.

The Debtors' Secured Debt, Asset Values, And Intention To Propose Liquidating Plan Soon

The Debtors admit that they owe their secured lenders approximately $105.2 million "without defense, counterclaim or offset of any kind," and that these secured lenders have "a first priority valid, perfected and enforceable security interest in substantially all of the Debtors' assets, both tangible and intangible, real and personal . . . ." Final Order Authorizing The Use Of Cash Collateral, Granting Adequate Protection To Prepetition Secured Parties, And Granting Related Relief (June 8, 2015) (Docket No. 346), recital F(i) and (ii). This secured indebtedness totals more than five times the value of the Debtors' assets, as estimated by them as of the Petition Date. *See* Debtors' Voluntary Petition (Docket No. 1), Exh. A (estimating value of the Debtors' assets as $19.2 million). The Debtors recently estimated their assets as having significantly higher value. Summary of Schedules (June 8, 2015) (Docket No. 290) (estimating personal property value at $721.6 million).

The Debtors closed their schools and are winding down operations by terminating leases of buildings where they formerly provided instruction and by selling equipment. *See* Declaration

sworn to May 4, 2015 of William J. Nolan, Debtors' Chief Restructuring Officer (Docket No. 10) (the "Nolan Decl.") ¶¶ 18, 31-33, 49, 72. At the Debtors' request, the Court has approved asset sales, e.g., Docket Nos. 23, 224, and several sales have already occurred, e.g., Docket Nos. 84-97.

The Debtors have informed the Court and parties in interest that they intend to propose a plan of liquidation in the next few weeks and to seek the plan's confirmation at a hearing scheduled for August 26, 2015. Debtors' Motion To Shorten The Objection Period For Motion For Order Establishing Bar Dates For Filing Claims (June 9, 2011) (Docket No. 377) ¶ 11. After a plan is confirmed, the Debtors appear likely to make distributions on allowed unsecured claims from liquidation proceeds to the extent funds – if any – remain after administrative expenses are paid and the secured creditors receive their share.

ARGUMENT

I. THE REQUESTED INJUNCTIVE RELIEF SHOULD BE DENIED BECAUSE IT HAS BEEN SOUGHT BY MOTION RATHER THAN AN ADVERSARY PROCEEDING

The Motion should be denied because the Student Committee has not sought its requested injunctive relief in conformity with applicable rules. A stay may be imposed "under the equitable provisions of section 105(a), *provided that the debtor has properly applied for such injunctive relief*." *Wedgewood Inv. Fund, Ltd. v. Wedgewood Realty Group, Ltd. (In re Wedgewood Realty Grp., Ltd.)*, 878 F.2d 693, 701 (3d Cir.1989) (emphasis added) (reversing stay because debtor had not satisfied procedural prerequisite for obtaining stay under section 105(a)). Fed. Bankr. R. P. 7001(7) provides that "adversary proceedings [include] *a proceeding to obtain an injunction or other equitable relief . . . .*" "Under Rule 7001, [obtaining] an injunction [pursuant to Code section 105] requires an adversary proceeding." *Feld v. Zale Corp. (In re Zale Corp.)*, 62 F.3d 746, 762 (5th Cir. 1995).

Likewise in this district, courts recognize this "requirement that . . . proceedings [seeking injunctive relief under Code section 105] be filed as an adversary proceeding . . . ." *MFS Telecom, Inc. v. Motorola, Inc.* (*In re Conxus Commc'ns, Inc.*), 262 B.R. 893, 899 (D. Del. 2001). In *MFS Telecom*, this Court held that a movant's "fail[ure] to file the required adversary proceeding was alone sufficient reason for the Bankruptcy Court to deny [movant's] request for an injunction." *Id.* This Court similarly has held, "based on the plain reading of Rule 7001(7), [that] the Court may not prevent or enjoin an action . . . based on the Motion and responses before it," but "might enjoin the occurrence" "if the [movants] were to file an[] adversary action along with a motion for an injunction." *In re SS Body Armor I, Inc.*, 527 B.R. 597, 607 (Bankr. D. Del. 2015). This principle is widely followed.[1]

"Courts have been near universal in reversing [section 105] injunctions which have been issued without compliance with Rule 7001." Lawrence P. King, *Collier on Bankruptcy* ¶ 105.03 (16th ed. 2015) (citing *Wedgewood*, 878 F.2d at 701); *see, e.g.*, *Zale*, 62 F.3d at 763 (reversing section 105 injunction imposed in an approved settlement agreement because failure to file an adversary proceeding "does not satisfy the procedural rules required by Rule 7001"); *MFS Telecom, Inc.*, 262 B.R. at 899 (reversing grant of injunction under Code § 105).

Accordingly, the Motion should be denied because its requested injunctive relief may be obtained only via an adversary proceeding.

[1] *See, e.g.*, *In re Stacy*, 167 B.R. 243, 249 (N.D. Ala. 1994) (affirming bankruptcy court's decision striking motion seeking injunctive relief, explaining that the "relief sought . . . could not have been obtained by motion but rather necessitated the institution of an adversary proceeding"); *In re Hart*, 530 B.R. 293, 309 (Bankr. E.D. Pa. 2015) ("in order for the Debtor to have obtained the protections of the automatic stay under § 362(a) to stay [action involving third parties] . . . , she needed to affirmatively request such relief by filing an adversary complaint seeking an injunction under § 105(a) to extend the automatic stay to the proceedings against" a third party) (collecting cases).

II. THE REQUESTED RELIEF SHOULD BE DENIED ON THE MERITS

A. The Motion's Requested Relief Cannot Be Granted As An "Application" Of The Automatic Stay

The automatic stay of Code section 362(a) does not prevent proceedings outside of bankruptcy on the Students' Loan Debt to U.S., including the Administrative Proceedings. The Student Committee has not contended and could not plausibly contend otherwise. "[T]he clear language of [Code] section 362(a) stays actions only against a 'debtor'." *McCartney v. Integra Nat'l Bank N.*, 106 F.3d 506, 509 (3d Cir. 1997). "[T]he automatic stay is not available to non-bankrupt co-defendants of a debtor even if they are in a similar legal or factual nexus with the debtor." *Maritime Elec. Co., Inc. v. United Jersey Bank*, 959 F.2d 1194, 1205 (3d Cir. 1991). Thus, for example, "'an automatic stay of proceedings accorded by § 362 may not be invoked by entities such as sureties, guarantors, co-obligors, or others with a similar legal or factual nexus to the . . . debtor.'" *Id.* (quoted citation omitted).

Here, any action by ED on the Students' Loan Debt to U.S., including the Administrative Proceedings, would not violate the automatic stay because the action would not address or purport to address any property of any Debtor's estate. The Students are not debtors in these jointly administered cases. For this reason, the Student Committee's assertion that the relief requested in the Motion would merely "appl[y]" the automatic stay of Code section 362 "to maintain the status quo," Mot. ¶ 37, is mistaken. Instead, as the Student Committee acknowledges, enjoining action on the Students' Loan Debt to U.S. would "extend[]," Mot. ¶ 37, the scope of actions automatically stayed by Code section 362. The Court should deny this requested expansion of the automatic stay for the additional reasons explained below.

B. The Motion's Requested Relief Should Not Be Granted As An "Extension" Of The Automatic Stay

1. "Unusual Circumstances" Are Absent, As The Students Lack A Unity Of Interest With The Debtors, And The Requested Stay Is Not Needed For The Debtors To Reorganize

Code section 105 "does not 'authorize the bankruptcy courts to create substantive rights that are otherwise unavailable under applicable law, or constitute a roving commission to do equity.'" *In re Combustion Eng'g, Inc.*, 391 F.3d 190, 236 (3d Cir. 2004, as amended Feb. 23, 2005) (quoting *Schwartz v. Aquatic Dev. Group, Inc. (In re Aquatic Dev. Group, Inc.)*, 352 F.3d 671, 680–81 (2d Cir. 2003)). Instead, Section 105(a) must be "applied in a manner consistent with the Code." *In re Morristown & Erie R.R.*, 885 F.2d 98, 100 (3d Cir. 1989) (citing *Southern Ry. v. Johnson Bronze Co.*, 758 F.2d 137, 141 (3d Cir. 1985)). "Importantly for this case, § 105(a) does not 'give the court the power to create substantive rights that would otherwise be unavailable under the Code.'" *Combustion Eng'g*, 391 F.3d at 236 (quoting *United States v. Pepperman*, 976 F.2d 123, 131 (3d Cir. 1992) (internal quotation marks omitted)).

Code section 362's automatic stay has been extended to third parties only in "unusual circumstances," as where "'there is such identity between the debtor and the third-party defendant that the debtor may be said to be the real party defendant and that a judgment against the third-party defendant will in effect be a judgment or finding against the debtor'" or where "stay protection is essential to the debtor's efforts of reorganization." *McCartney v. Integra Nat'l Bank N.*, 106 F.3d 506, 510 (3d Cir. 1997). Because the Students fit into neither of these "unusual circumstances," an "identity of interest" between the Students and the Debtors does not exist. The Student Committee's contrary argument, Mot. ¶ 38, is, at best, simply mistaken.

First, the Students are not so closely aligned with the Debtors that a judgment against any of them would effectively be a judgment or finding against any Debtor. The Student Committee

does not contend otherwise, and for good reason. The Student Committee does not argue that any Debtor would automatically be liable for the conduct of, claims against, or demands on, any Student, or vice-versa. The Student Committee does not suggest that a Debtor is a guarantor or surety of any obligation of any Student. In an analogous circumstance, the Third Circuit reversed a Code section 105(a) injunction precluding suits against non-debtors absent some basis for a debtor's liability creating liability for them. *Combustion Eng'g*, 391 F.3d at 235-37. The court noted that confirmation of a plan containing such an injunction had the inappropriate "practical effect . . . [of] extend[ing] bankruptcy relief to . . . non-debtor[s] . . . outside of bankruptcy." *Id.* at 237. Indeed, far from having a unity of interest with the Debtors, the Students have interests adverse to them, as the Students intend to assert claims against the Debtors' estates. *See* Mot. ¶¶ 3, 20, 37, 42-44, 47-78. Because the Students and the Debtors lack an identity of interest, the Court should not enjoin ED from actions concerning the Students' Loan Debt to U.S., including the Administrative Proceedings. The cases cited by the Student Committee, Mot. ¶ 38, do not suggest that the Students' relationships to the Debtors are sufficiently aligned to merit extension of the automatic stay to bar creditors of the non-debtor Students from taking action against them.[2]

[2] The cases cited by the Student Committee (Mot. ¶ 38) presented very different circumstances from the Students' relationships to the Debtors. In *Midway Games, Inc. v. Anonuevo (In re Midway Games, Inc.)*, 428 B.R. 327, 334 (Bankr. D. Del. 2010), the court declined to dismiss for failure to state a claim an adversary complaint seeking to extend the automatic stay to debtors' officers. The court reasoned that "the investigatory actions and proposed lawsuit" (to prevent a state agency's suit concerning allegedly unlawfully withheld paid time off wages) were "an effort to circumvent the automatic stay." *Id.* The court reasoned that case's "[d]ebtors [were] the real target of the alleged . . . [c]laims," since "[d]ebtors will be forced to shoulder indemnity obligations to the [debtor's] [o]fficers." *Id.* Likewise, in *W.R. Grace & Co. v. Chakarian (In re W.R. Grace & Co.)*, 386 B.R. 17, 28, 37 (Bankr. D. Del. 2008), the court extended a preliminary injunction to include actions against a non-debtor, explaining that these actions "could have a direct impact on the estates" based on the debtor's "contractual indemnification agreements" with this non-debtor. Here, by contrast, the Student Committee has not suggested that the

Second, a stay of the Administrative Proceedings is not essential to a Debtor's reorganization efforts. The Student Committee does not argue otherwise. Evidently, none of the Students is employed by a Debtor as an officer, director, or high-level employee. For this reason, to reorganize, the Debtors do not require any Student's undistracted efforts. Consequently, the Student Committee's reliance (Mot. ¶ 49) on cases staying proceedings involving a debtor's high-level management is misplaced.[3] Moreover, the Debtors' secured debt relative to asset values, ongoing asset sales efforts, and stated intentions, *see supra* 4-5, show that the requested relief is not needed for the Debtors' reorganization. Consequently, proceedings (including the Administrative Proceedings) on Students' Loan Debt to U.S. will not interfere with the Debtors' reorganization prospects.

In short, the Motion should be denied because the relationship between the Debtors and Students presents neither an "unusual" identity of their interests nor circumstances showing that the requested stay would facilitate the Debtors' ability to reorganize.

2. Because The Student Committee Cannot Satisfy The Four-Prong Test For Injunctive Relief, A Section 105 Stay Should Not Issue

"In order to obtain section 105(a) injunctive relief, the [movant] . . . has the burden of demonstrating to the [C]ourt the following: substantial likelihood of success on the merits, irreparable harm to the movant, harm to the movant outweighs harm to the nonmovant, and injunctive relief would not violate public interest." *In re Wedgewood Realty Group, Ltd.*, 878

Debtors agreed to indemnify the Students for any liability they may have on Students' Loan Debt to U.S., and such indemnification appears highly unlikely.

[3] *E.g.*, *Johns-Manville Corp. v. Asbestos Lit. Group (In re Johns-Manville Corp.)*, 26 B.R. 420, 426 (Bankr. S.D.N.Y. 1983) (staying discovery from debtor's "key operating personnel" based on "massive drain on [their] . . . time and energy" during "crucial hour of plan formulation") (cited in Mot. ¶ 49), *vacated in part*, 41 B.R. 926 (S.D.N.Y. 1984) (permitting resumption of discovery by debtor's co-defendant).

F.2d at 700-01; *see also In re Commonwealth Oil Refining Co*., 805 F.2d 1175, 1188 (5th Cir. 1986) (holding that section 105 stays "are granted only 'under the usual rules for the issuance of an injunction'") (citing Code's legislative history). The Student Committee concedes that for the requested stay to issue, this four-prong test must be satisfied. Mot. ¶ 53. Moreover, even if the Student Committee had filed the necessary adversary complaint, *see supra* 5-7, any injunction prior to a decision on the merits would be merely preliminary, and the issuance of a preliminary injunction is considered "an extraordinary remedy" that "should be granted only in limited circumstances." *Kos Pharms., Inc. v. Andrx Corp.*, 369 F.3d 700, 708 (3d Cir. 2004) (quoting *American Tel. & Tel. Co. v. Winback & Conserve Program, Inc.*, 42 F.3d 1421, 1427 (3d Cir. 1994)). "[O]ne of the goals of the preliminary injunction analysis is to maintain the status quo . . . ." *Kos Pharms., Inc.*, 369 F.3d at 708.

Here, the Motion's requested relief should be denied because it would alter, not preserve, the status quo. The requested stay would alter ED's ability to fulfill its obligations under the HEA and its implementing regulations by preventing the Administrative Proceedings (of which nearly 4,000 Students already have availed themselves, Appel Decl. ¶ 25). The Student Committee may prefer to have this Court address the Students' Loan Debt to U.S., but as detailed below, the status quo neither requires nor permits that approach.

The Motion's requested relief also should be denied because the Student Committee has not met its burden to satisfy the four-prong standard for injunctive relief, as detailed below.

a) The Student Committee Has Failed To Show That It Is Likely To Prevail On The Merits

The Court should deny the Motion's requested injunctive relief because the Student Committee is unlikely to prevail on the merits. The Student Committee seeks to force "the Debtors, [S]tudents, the government, other creditors and parties in interest to focus on

formulation of a consensual plan . . . address[ing] . . . the relative obligations of each constituency. . . ." Mot. ¶ 41. The Student Committee assumes that a reorganization plan for the Debtors could provide not just "availability of estate funds" to pay claims against the Debtors, but also "*relief from student debt obligations . . . and third party relief*." Mot. ¶ 57 (emphasis added).

This assumption is mistaken for at least three reasons. *First*, the Student Committee is not likely to prevail because the Court should not permanently enjoin proceedings on the Students' Loan Debt to U.S. *Second*, the Court lacks subject matter jurisdiction to decide the validity of claims arising from the Students' Loan Debt to U.S. *Third*, even if the Court had subject matter jurisdiction, given the Administrative Proceedings, the Court should abstain or defer to them to resolve the Students' Loan Debt to U.S.

(1) Because The Students Are Not The Debtors, This Court Should Not Permanently Enjoin Proceedings On The Students' Loan Debt to U.S.

Code section 524(e) "states generally that a discharge of a debtor's obligations in bankruptcy does not relieve non-debtor parties of liability for debts." *Gillman v. Continental Airlines (In re Continental Airlines)*, 203 F.3d 203, 208 (3d Cir. 2000). Thus, the discharge does not normally affect those who have "not formally availed themselves of the benefits and burdens of the bankruptcy process." *Id.* at 211. Yet the Motion's requested relief appears to be premised on the Court's eventually granting just such relief via a to-be-negotiated reorganization plan. Because this premise is faulty, the Motion should be denied.

In *Gillman*, non-debtors objected to the discharge in a reorganization plan of their claims against the debtors' directors and officers (also non-debtors). 203 F.3d at 207. The court found that the district court's order "was not accompanied by any findings that the release was fair to

the [third-parties with claims against non-debtors] and necessary to the [] Debtors' reorganization. Without such findings, a release and permanent injunction cannot stand on their merits under any of the standards set forth in the case law of other circuits." *Id*. at 214. The Third Circuit noted that it had "not ruled previously on the validity of provisions in chapter 11 plans of reorganization releasing and permanently enjoining third party actions against non-debtors," *id.* at 211, and examined the holdings of other circuits and of the district courts in this Circuit. *Id*. at 212-14. The court expressly declined to issue a "blanket rule." *Id.* at 213-14. But in reversing the district court's affirmance of the releases and permanent injunction, it found them to be "clearly invalid under any standard." *Id.* at 214 n.11.

Similarly here, the Motion's requested relief should be denied because the Student Committee has failed to show that a permanent stay of any action on the Students' Loan Debt to the U.S. would be fair or that ED would be adequately compensated for a permanent stay – functionally, a release of ED's claims against non-debtors. Without such evidence, the Court should not permanently enjoin proceedings on the Students' Loan Debt to U.S. *See Gillman*, 203 F.3d at 214; *see also Landsing Diversified Properties-II v. Abel (In re Western Real Estate Fund, Inc.)*, 922 F.2d 592, 601-02 (10th Cir. 1990) (holding that a stay under Code section 105 "may not be extended post-confirmation in the form of a permanent injunction that effectively relieves the non[-]debtor from its own liability to the creditor").

Thus, the Student Committee has failed to show that it likely would prevail in its effort to prevent proceedings on the Students' Loan Debt to U.S.

(2) This Court Lacks Subject Matter Jurisdiction To Adjudicate The Merits Of Students' Loan Debt To The U.S., Including Any Available Defenses

The Court lacks subject matter jurisdiction over matters not affecting the Debtors' estates. "While [Code] § 105(a) . . . allows a bankruptcy court to issue any order necessary to carry out the provisions of the Code, it 'does not provide an independent source of federal subject matter jurisdiction.'" *In re W.R. Grace & Co.*, 591 F.3d 164, 170 (3d Cir. 2009) (quoting *In re Combustion Eng'g*, 391 F.3d at 225). "Therefore, before proceeding to the merits of an injunction under section 105(a), it is the duty of the Bankruptcy Court to establish that it has subject matter jurisdiction to issue the injunction." *Lane v. Phila. Newspapers, LLC (In re Phila. Newspapers, LLC)*, 423 B.R. 98, 103 (E.D. Pa. 2010) (citing *W.R. Grace & Co.*, 591 F.3d at 170-71 and *Combustion Eng'g*, 391 F.3d at 225 n. 35).

"[T]he party asserting a federal court's jurisdiction bears the burden of proving that jurisdiction exists." *Nuveen Mun. Trust v. Withumsmith Brown, P.C.*, 692 F.3d 283, 293 (3d Cir. 2012). "Federal courts are presumed not to have jurisdiction without affirmative evidence of this fact." *Id.* The Student Committee asserts that this Court has jurisdiction "to consider th[e] Motion," Mot. ¶ 4, but does not address whether the Court has jurisdiction to enjoin proceedings (including the Administrative Proceedings) that arise from the Students' Loan Debt to U.S. To the extent the Students are not before the Court in their own bankruptcies (and the Student Committee does not assert that any are), this Court lacks jurisdiction over these claims for the reasons explained below.

The only possible basis for this Court to assert jurisdiction over the Students' Loan Debt to U.S. is its authority over civil proceedings "related to cases under title 11." 28 U.S.C. § 1334(b). "The usual articulation of the test for determining whether a civil proceeding is

related to bankruptcy is whether *the outcome of that proceeding could conceivably have any effect on the estate being administered in bankruptcy*." *Pacor Inc. v. Higgins*, 743 F.2d 984, 994 (3d Cir. 1984) (emphasis in original), *overruled on other grounds*, *Things Remembered, Inc. v. Petrarca*, 516 U.S. 124, 134-35 (1995). Put differently, "[a]n action is related to bankruptcy if the outcome could alter the debtor's rights, liabilities, options, or freedom of action (either positively or negatively) and which in any way impacts upon the handling and administration of the bankrupt estate." *Pacor*, 743 F.2d at 994.

"[T]he *Pacor* 'related to' test remains good law in the Third Circuit." *In re New Century TRS Holdings, Inc.*, 505 B.R. 431, 441 n.16 (2014) (Carey, J.) (citing *Stoe v. Flaherty*, 436 F.3d 209, 216 (3d Cir. 2006)). "The Supreme Court endorsed *Pacor*'s conceivability standard with the caveats that 'related to' jurisdiction 'cannot be limitless,' and that the critical component of the *Pacor* test is that 'bankruptcy courts have no jurisdiction over proceedings that have no effect on the estate of the debtor.'" *Nuveen*, 692 F.3d at 294 (quoting *Celotex Corp. v. Edwards*, 514 U.S. 300, 308 & n. 6 (1995)). "[T]he boundaries of bankruptcy jurisdiction cannot be extended simply to facilitate a particular plan of reorganization." *In re Combustion Eng'g*, 391 F.3d at 228.

The Administrative Proceedings (or other actions on the Students' Loan Debt to U.S.) could not "'conceivably' have an effect on the bankruptcy proceeding," *Pacor*, 743 F.2d at 994. The Third Circuit has made clear that this phrase, as properly construed, prompts courts to "inquire[] [into] whether the allegedly related lawsuit would affect the bankruptcy *without the intervention of yet another lawsuit*." *In re Combustion Eng'g*, 391 F.3d at 227 (emphasis added) (quoting *In re Federal–Mogul Global*, 300 F.3d 368, 382 (3d Cir. 2002)).

Here, the Debtors would not be liable without other proceedings (presumably, a claim – by the Students, ED or both). ED may choose to file a claim against one or more Debtors based on a Student's successful defense in an Administrative Proceeding. *See* 34 C.F.R. § 685.206(c)(3) ("The Secretary may initiate an appropriate proceeding to require the school whose act or omission resulted in the borrower's successful defense against repayment of a Direct Loan to pay to the Secretary the amount of the loan to which the defense applies."). If ED filed such a claim, the Debtor would remain free to object, *see* 11 U.S.C. § 502(a); Fed. R. Bankr. P. 3007(a), perhaps by contending that the Student lacked a valid defense against repayment of a particular Student's Loan Debt to U.S. ED's decision in an Administrative Proceeding about the validity of a Student's defense to a Student's Loan Debt to U.S. would not bind any of the Debtors because none of them would be parties to the Administrative Proceeding. *See Pacor*, 743 F.2d at 995 ("Since Manville[, the debtor,] is not a party to the Higgins-Pacor [third-parties'/non-debtors'] action, it could not be bound by res judicata or collateral estoppel."). Put differently, proceedings between the Students and ED "would in no way bind [the Debtors], in that [they] could not determine any rights, liabilities, or course of action of the [D]ebtor[s]," *Id*. Consequently, even if ED discharged the Students' Loan Debt to U.S. in Administrative Proceedings, ED "would still be obligated to bring an entirely separate proceeding," *Pacor*, 743 F.2d at 995, to receive from the Debtors payment on the claim resulting from the discharge, and any action on the Students' Loan Debt to U.S. would not establish any claim against any Debtor (including any claim by ED) or have any impact on any issue affecting their estates.

"Relating to" jurisdiction also is absent where the bankruptcy estate has no unencumbered assets. *See Nuveen*, 692 F.3d at 298. The breadth of the Court's "relating to" jurisdiction focuses on whether the claims between non-debtors may impact the pool of assets

available for distribution. This principle may apply here based on the Debtors' description of the value of their assets (estimated by Debtors at approximately $19.2 million on the Petition Date) relative to amount of secured claims against them (approximately $105.2 million). *See supra* 4.

Moreover, "[i]f a creditor's recovery from a non-debtor definitely will not affect the amount of its payment from a bankruptcy estate, a third-party action is not 'related to' the bankruptcy proceeding, for purpose of establishing subject matter jurisdiction." *Nuveen*, 692 F.3d at 297; *see also In re New Century TRS Holdings, Inc.*, 505 B.R. 431, 443 (D. Del. 2014) (Carey, J.) (citing *Pacor*, 743 F.2d at 994). Here, relieving Students in the Administrative Proceedings from repaying the Students' Loan Debt to U.S. would merely shift to ED ownership of certain Student claims, not increase the amount that Debtors will need to pay on these claims. *See* 34 C.F.R. § 685.206(c)(3) (discussed *supra* 16).

(3) Even If The Court Had Subject Matter Jurisdiction Over The Students' Loan Debt To U.S., The Court Should Abstain Or Defer To The Administrative Proceedings For A Determination Of The Students' Defenses

The Court may "abstain[] from hearing a particular proceeding arising under title 11 or arising in or related to a case under title 11 . . . ." 28 U.S.C. § 1334(c)(1). "Abstention is proper . . . where considerations of comity with . . . federal administrative proceedings would dictate that the Bankruptcy Court stay its hand in order to prevent undue interference or entanglement with . . . federal administrative and regulatory schemes." *In re First Financial Enterprises, Inc.*, 99 B.R. 751, 754 (Bankr. W.D. Tex. 1989).[4] Discretionary abstention is particularly appropriate

[4] Thus, in numerous cases bankruptcy courts have abstained in deference to administrative processes. *See, e.g.*, *Hickman v. BWC State Ins. Fund (In re Hickman*), 265 B.R. 873, 877-78 (Bankr. N.D. Ohio 2001) (abstaining from exercising jurisdiction to decide whether debtor was an "employer" of injured worker under Ohio workers' compensation law because such claims are determined by state administrative agency subject to review by state courts); *Fyfe v. United*

where non-bankruptcy "federal law issues predominate over the bankruptcy issues," *Plum Run Serv. Corp. v. US. Dep't of the Navy (In re Plum Run Serv. Corp.)*, 167 B.R. 460, 465-66 (Bankr. S.D. Ohio 1994), and where the dispute turns on "specialized area[s] of the law," *United States v. Am. Pouch Foods, Inc.*, 30 B.R. 1015, 1024 (N.D. Ill. 1983). Because federal non-bankruptcy law provides for administrative adjudication about the validity of the Students' Loan Debt to U.S., *see* 20 U.S.C. §§ 1087(c) and 1087a(b)(2) and 34 C.F.R. § 685.214(a)(1) (discussed *supra* 2), the Court should abstain to allow completion of that process using experts in laws applicable to ED.

Alternately, the Court should defer to the Administrative Proceedings for resolving the Students' Loan Debt to U.S. *See Gary Aircraft Corp. v. United States (In re Gary Aircraft Corp.)*, 698 F.2d 775, 782 (5th Cir. 1983) ("'[W]here the matter in controversy has been entrusted by Congress to an administrative agency, the bankruptcy court normally should stay its hand pending an administrative decision. . . .'") (quoting *Nathanson v. NLRB*, 344 U.S. 25, 30 (1952)); *see also In re Page-Wilson Corp.*, 37 B.R. 527, 529 (Bankr. D. Conn. 1984) ("If a specialized area of federal law is involved in liquidating a claim and a specialized federal tribunal has been provided, the bankruptcy court will defer to that tribunal.").

Thus, the Student Committee is not likely to prevail on the merits of its efforts to have this Court stay proceedings concerning, or rule on the merits of, the Students' Loan Debt to U.S.: a stay would inappropriately interfere with ED's rights, the Court lacks jurisdiction over claims

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States (In re Fyfe), 186 B.R. 290, 292 (Bankr. N.D. Ga. 1995) (abstaining from deciding debtor's tax liabilities on the ground that debtor "should exhaust all other administrative and legal remedies, because those procedures were designed to deal with the specific issues the Debtor raises"); *In re Larocque*, 47 B.R. 83, 85 (Bankr. D. Vt. 1985) (denying bankruptcy trustee's motion to transfer to the bankruptcy court a post-petition federal administrative proceeding in which federal agency's local board had determined that the debtor must refund subsidy payments for failing to satisfy the conditions for the subsidy).

on the Students' Loan Debt to U.S., and even if it had jurisdiction, the Court should abstain from deciding these claims in view of, or defer to, the Administrative Proceedings.

b) Denying The Requested Stay Would Not Cause Students Any Irreparable Injury

No Student would be irreparably harmed by denial of the relief requested in the Motion. This is so for several reasons. First, in light of applicable law on discharge by ED of the Students' Loan Debt to U.S., *see supra* 2, *staying the Administrative Proceedings may well harm many Students*. Moreover, as to this debt, any Student could simply initiate an Administrative Proceeding. Upon initiation of such a proceeding, ED *ceases* collection activity for that Student's Student Loan Debt to U.S. *Supra* 3-4. And as of June 11, 2015, ED had already approved for discharge Students' Loan Debt to U.S. for 491 Students. Appel Decl. ¶ 25. Beyond all these protections, to any extent a Student's Loan Debt to U.S. is not discharged in an Administrative Proceeding, a Student in a sufficiently precarious financial situation could initiate his own bankruptcy proceeding, thus gaining for himself Code section 362(a)'s automatic stay protection. In light of these various alternatives, the assertions in the Motion (¶¶ 37-38, 59, 61) and supporting declarations about ED's collection efforts ring hollow. Simply put, the Motion's requested relief is not needed to "relieve[] [the Students] of the harassment and undue hardships caused by the continuing collection proceedings," Mot. 37.

c) The Threatened Injury To The Students Does Not Outweigh The Harm That The Requested Stay Would Cause ED

Courts have recognized that stays under Code section 105 may injure governmental entities by delaying their enforcement of non-bankruptcy laws. *See Cournoyer v. Lincoln (In re Cournoyer),* 43 B.R. 354 (Bankr. D.R.I. 1984), *aff'd in part and rev'd in part on other grounds*, 53 B.R. 478 (D.R.I. 1985), *aff'd,* 790 F.2d 971(1st Cir. 1986). Consequently, a stay may be

denied in view of governmental interests in enforcing such laws. *Id.* Code section 105 "does not give bankruptcy judges the authority to circumvent the restrictions on their authority . . . ." *City of New York v. 1820-1838 Amsterdam Equities, Inc. (In re 1820-1838 Amsterdam Equities, Inc.)*, 191 B.R. 18, 21 (S.D.N.Y. 1996) (reversing bankruptcy court's 45-day stay of enforcement of fire and safety code violations to allow estate time to sort out affairs, explaining that a bankruptcy court should not "disturb" exercise of governmental powers "in protecting its citizens").

Here, the Motion's requested relief would deprive ED of its existing rights as a creditor and interfere with the Administrative Proceedings. The Administrative Proceedings are designed to protect the Students by providing them with a relatively easy and inexpensive forum for impartial administrative adjustment (and possible discharge) of the Students' Loan Debt to U.S. *See* Appel Decl. ¶ 38. Any interference by this Court with this administrative effort would undermine policy concerns analogous to those showing that the Court should abstain or defer to the Administrative Proceedings, *supra* 17-19. To any extent these Administrative Proceedings do not result in a discharge of the Students' Loan Debt to U.S., the Court should decline to interfere with ED's rights as a creditor under the Students' Loan Debt to U.S. *See supra* 12-19.

d) Staying The Administrative Proceedings Would Disserve The Public Interest

Finally, the public interest weighs decidedly against a stay. Code section 105 stays are denied where, as here, their issuance would interfere with interests of the public being protected by a public agency's activity. *See Thomassen v. Division of Med. Quality Assurance, (In re Thomassen*), 15 B.R. 907, 910 (B.A.P. 9th Cir. 1981). Specifically, this Court may refuse to stay the Administrative Proceedings because the impact on the public may reasonably be left to ED. *Id.*; *accord Newport Assembly Rest., Inc. v. Edwards (In re Newport Assembly Rest., Inc.)*, 142

B.R. 22, 23-24 (D.R.I. 1992) (debtor failed to show that injunction preventing administrative proceeding would serve public interest).

Here, the Administrative Proceedings would vindicate the various elements of the public's interest in the Students' Loan Debt to U.S. *First,* the public has an interest in the just determination of whether the Students are obligated on Students' Loan Debt to U.S. or whether they have valid defenses on this debt. That interest would be amply satisfied by the Administrative Proceedings and any follow-on proceedings under the Administrative Procedure Act, which provides, "A person suffering legal wrong because of agency action, or adversely affected or aggrieved by agency action within the meaning of a relevant statute, is entitled to judicial review thereof." 5 U.S.C. § 702. Of course, the Student Committee may attempt to negotiate *with the Debtors* "to achieve a consensual plan" on behalf of "the class of aggrieved students" on the *Students'* claims against the Debtors. Mot. ¶ 38. But whether Students have valid defenses *on the Students' Loan Debt to U.S.* - beyond the simple, narrow issue of school closure, *see* 34 C.F.R. § 685.214(a)(1) - may well turn on individualized factual determinations not capable of being accurately made in the aggregated manner suggested by the Committee. *Second,* the public has a pecuniary interest in retaining a payment right for any Student's Loan Debt to U.S. as to which a valid defense does not exist. That is particularly so given the quantity of the Students' Loan Debt to U.S., *see* Mot. ¶ 30 (suggesting that the "Debtors may have received in excess of $1 billion of revenue each year through funds supplied" by ED). *Third,* the public has an interest in judicial economy, which would not be furthered by embroiling this Court unnecessarily in whether particular Students have valid defenses to paying the Students' Loan Debt to U.S. Many of the types of defenses that might be asserted for this debt will require individualized factual scrutiny of a sort that can most efficiently be performed in an

administrative proceeding by an officer with specialized expertise in student loans. Nearly 4,000 Students have already sought such relief from ED. Appel Decl. ¶ 25.

In short, the Motion should be denied on the merits because Code section 362(a)'s stay does not cover non-estate assets, the Students lack a unity of interest with the Debtors, a stay is not needed for the Debtors to reorganize, and the Student Committee has failed to satisfy the four-prong test for injunctive relief.

CONCLUSION

For the foregoing reasons, the Motion should be denied.

Dated: June 23, 2015

Respectfully submitted

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ATTORNEYS FOR THE UNITED STATES

CERTIFICATE OF SERVICE

I, Lloyd H. Randolph, hereby certify that on the 23d day of June, 2015, I caused a true and correct copy of the foregoing **UNITED STATES' OBJECTION TO MOTION OF THE COMMITTEE OF STUDENT CREDITORS FOR AN ORDER APPLYING THE AUTOMATIC STAY PURSUANT TO 11 U.S.C. §§ 362(A) AND 105(A) AND GRANTING RELATED RELIEF (CORRECTED) and the exhibit thereto, DECLARATION OF JEFF APPEL (attached)** to be served electronically through the Court's ECF system upon those who have entered an appearance in this proceeding, and through electronic mail on the parties listed below.

Dated: June 23, 2015

/s/ Lloyd H. Randolph
Lloyd H. Randolph

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Exhibit 1

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
CORINTHIAN COLLEGES, INC., *et al.*,	Case No. 15-10952 (KJC)
Debtors.	(Jointly Administered)

DECLARATION OF JEFF APPEL

I, Jeff Appel, declare as follows:

1. My name is Jeff Appel, I am over the age of 18, and serve as Deputy Under Secretary of the United States Department of Education ("ED"). I have personal knowledge of the matters set forth herein and if called as a witness, I could and would testify competently thereto.

2. As Deputy Under Secretary, I oversee policy development regarding federal student financial aid and work directly with the Federal Student Aid office ("FSA") which administers federal student financial aid programs.

3. Through my duties as Deputy Under Secretary, my review of documents related to Corinthian Colleges, Inc. and its subsidiaries' (collectively, "CCI") petition for bankruptcy, and my discussions with ED staff working directly with CCI and its former students, I am generally familiar with the claims made by the Committee of Student Creditors against CCI.

I. ED FINDINGS AND FINES LEVIED AGAINST CCI

4. CCI was a participant in the federal student financial assistance programs authorized under Title IV of the Higher Education Act of 1965 (HEA), as amended, 20 U.S.C. §§ 1070 *et seq.* and 42 U.S.C. §§ 2751 *et seq.* (Title IV, HEA programs).

5. As a participant in the Title IV, HEA programs, CCI students were eligible for federal education loans through: (1) the William D. Ford Federal Direct Loan Program ("Direct Loans") (20 U.S.C. §§ 1087a-1087j); (2) the Perkins Loan Program (20 U.S.C. §§ 1087aa-1087ii); and (3) the Federal Family Education Loan Program ("FFEL") (20 U.S.C. §§ 1071-1087-4).

6. Beginning July 1, 2010, the authority to reinsure new loans under the FFEL program was terminated. After that date, any federal education loans were primarily made through the Direct Loans program. Direct Loans are made by ED through FSA.

7. Effective July 1, 2010, institutions participating in the Title IV, HEA programs, such as CCI schools, are required to provide enrolled or prospective students with information concerning the placement of, and types of employment obtained by graduates of the institution's degree or certificate programs. 34 C.F.R. § 668.41(d)(5).

8. In addition, effective July 1, 2011, institutions that offer programs that prepare students for gainful employment in recognized occupations and that are required by their accrediting or state agencies to calculate placement rates on a program basis must disclose the rates and identify the accrediting agency or State agency under whose requirements the rates were calculated. 34 C.F.R. § 668.6(b).

9. The institution must include the information required under 34 C.F.R. § 668.6(b) in promotional materials it makes available to prospective students, post this information on its website, prominently provide this information in a simple and meaningful manner on the home page of its program website, and provide a prominent and direct link on any other webpage containing general information about the program to a single webpage with the required information. 34 C.F.R. § 668.6(b)(2).

10. In January 2014, ED sent a letter to CCI requesting a copy of school performance disclosure documents, including placement rates for all gainful employment programs, for each CCI location for the calendar years 2010, 2011, 2012, and, when available, 2013. In addition, ED asked CCI to provide the evidence upon which CCI relied to derive placement rates cited in the disclosures. Letter from Robin S. Minor, Chief Compliance Officer, FSA to Jack D. Massimino, President/Chief Executive Officer, Corinthian Colleges, Inc. (Jan. 23, 2014). A true and correct copy of this letter is attached as Exhibit A.

11. CCI eventually produced some of the disclosure documents requested by ED, including some disclosure documents for the Heald College institutions.

12. ED's analysis of the documentation provided by CCI revealed that CCI and Heald failed to fully and accurately disclose Heald's placement rates and the methodology used to calculate them. ED determined that Heald misrepresented its placement rates in numerous ways, including failing to specify the cohort of graduates whose results were being reported and counting graduates whose employment began prior to graduation or before they started at Heald.

13. These misrepresentations led to significant inflation in the job placement rates published by Heald and served to mislead thousands of students about Heald's programs.

14. In April 2015, ED informed CCI that it intended to fine Heald College $29,665,000 based on violations found during an analysis of the documentation provided by CCI regarding Heald's job placement rates. Letter from Robin S. Minor, Acting Director, ED's Administrative Actions and Appeals Service Group to Jack D. Massimino, President/Chief Executive Officer, Corinthian Colleges, Inc. (Apr. 14, 2015). A true and correct copy of this letter is attached as Exhibit B.

15. In February 2015, following enforcement actions by ED and other agencies, CCI finalized a sale of most of its locations to Zenith Education Group.

16. On April 27, 2015, CCI abruptly closed its remaining 30 locations—including two satellite campuses—across the country.

II. ADMINISTRATIVE PROCEEDINGS REGARDING CCI STUDENT LOAN DEBT

17. Prior to and immediately following ED's notifying CCI of its intent to fine Heald College and CCI's subsequent sale or closure of most of its locations, CCI students began inquiring about forgiveness for federal loans used to attend CCI schools.

18. ED determined that relief could be provided to CCI student borrowers through two options: 1) closed school loan discharge, 34 CFR § 685.214(a)(1); or 2) borrower defense to repayment. 34 CFR § 685.206 (c)(1).

19. The HEA and ED regulations permit the discharge of a borrower's Direct Loans if the borrower did not complete the program of study for which the loan was made because

the school at which the borrower was enrolled closed. 20 U.S.C. §§ 1087(c), 1087a(b)(2), 34 CFR § 685.214(a)(1).

20. A CCI student may qualify for a closed school loan discharge if: 1) the student did not finish his or her program at a CCI school; 2) the student is not completing a similar program at another school that accepted CCI credits for that borrower; and 3) the student was attending the school when it closed, or withdrew on or after June 20, 2014.

21. CCI students may apply for a closed school loan discharge by completing an application (https://studentaid.ed.gov/sa/sites/default/files/closed-school-loan-discharge-form.pdf) and returning it to their loan servicer. *See* Exhibit C.

22. ED regulations provide the option of forbearance while a student's application for closed school loan discharge is being processed. 34 C.F.R. 685.205(b)(6)(1). When forbearance is granted, no one is permitted to collect on the loan until it is determined whether the student is eligible for a loan discharge. In addition, ED will report a successful closed school loan discharge to credit bureaus so as to delete any adverse credit history associated with the loan.

23. By statute and regulation, interest will continue to accrue on Direct Loans placed in forbearance while a student's application for a closed school loan discharge is being processed. 20 U.S.C. § 1078(c)(3)(ii), 1078a(b)(2), 34 C.F.R. § 685.205.

24. If a closed school loan discharge is granted, the entire loan amount, including any accrued interest, will be discharged. Any payments made on an existing loan will be refunded to the student. Those students who do not receive a discharge or prove a defense to repayment on the loan, discussed later, will be required to pay the interest accrued while their loans were in forbearance.

25. On April 27, 2015, ED posted a notice on the FSA website to inform an estimated over 13,500 former CCI students whose schools closed of the option of seeking a closed school loan discharge. In addition, loan servicers of students at closed CCI schools sent closed school loan discharge applications to all borrowers via email and postal mail. ED is currently processing almost 4,000 applications from CCI students for loan discharges based on school closure. As of June 11, 2015, ED has approved the loan discharges of 491 of CCI students based on school closure.

26. ED regulations also permit the discharge of some or all of a borrower's Direct Loan obligation if the borrower successfully demonstrates, as a defense against repayment,

any act or omission of the school attended by the borrower that would give rise to a cause of action against the school under applicable State law. 34 CFR § 685.206 (c)(1).

27. Prior to 2015, ED had granted loan discharges based on the borrower defense regulation in fewer than ten instances.

28. Despite the infrequent occurrence of claims for relief under this regulation, on June 8, 2015, ED announced that it would provide an expedited process for all eligible Heald students (ED estimates there are approximately 40,000 such students) to seek loan discharges based on the borrower defense regulation. While borrower defense claims typically require the borrower to specifically show that his or her school's conduct gave rise to an actionable claim under state law, the Department's April 2014 Heald College findings qualify students enrolled in covered programs and time periods to apply for an expedited process to discharge their federal Direct Loans using a simple attestation form, available at: https://studentaid.ed.gov/sa/sites/default/files/heald-attestation-form.pdf. *See* Exhibit D.

29. The attestation form for Heald students provides students with the opportunity to request forbearance on their loans. ED will direct that the student's loan servicer place the loan in forbearance and will direct collection contractors to stop collection attempts upon receipt of the attestation form. ED estimates that it takes 10 days from the time the form is received to place a loan in forbearance and up to 21 days to stop collection activity.

30. Loans may be placed in forbearance and collection activity halted for up to 12 months. ED estimates that the vast majority of Heald students will have their borrower defense claims processed in that time period. The Secretary of Education has the discretion to extend the period of forbearance past 12 months.

31. In addition to announcing an expedited process for Heald students, ED announced a process for other CCI students (non-Heald), to pursue a borrower defense loan discharge. Other CCI students may submit a written claim explaining the actions the school committed that may constitute a cause of action under state law.

32. By submitting the form available at: https://borrowerdischarge.ed.gov/, any CCI student may notify ED of their intent to file a borrower defense claim and request forbearance on their loans or a halt to collection activity. *See* Exhibit E.

33. Non-Heald CCI students who file a written claim (https://studentaid.ed.gov/sa/about/announcements/corinthian) will have their loans placed in forbearance and collections stopped on their loans once ED receives their claim and notifies their servicer of their application for a loan discharge. ED estimates that it takes 10 days from the time the form is received to place a loan in forbearance and up to 21 days to stop collection activity. *See* Exhibit F.

34. Loans of these non-Heald CCI borrowers will also be placed in forbearance and collections halted for up to 12 months. The Secretary of Education has the discretion to extend the period of forbearance past 12 months. In addition, ED will report a successful borrower defense loan discharge to credit bureaus so as to delete any adverse credit history associated with the loan.

35. By statute and regulation, interest will continue to accrue on Direct Loans placed in forbearance while a student's application for a borrower defense discharge is being processed. 20 U.S.C. § 1078(c)(3)(ii), 1078a(b)(2), 34 C.F.R. § 685.205.

36. If a borrower defense loan discharge is granted in full, the entire loan amount, including any accrued interest, will be discharged. Any payments made on an existing loan will be refunded to the student. Those students who do not receive a borrower defense discharge (or qualify for closed school discharge, described above) will be required to pay the interest accrued while their loans were in forbearance.

III. CONCLUSION

37. ED has committed to a public and transparent process by which any CCI student can pursue a discharge of loans taken out to attend any CCI school.

38. Students need only submit a request to have their loans placed in forbearance or to stop collections as a part of the closed school loan or borrower defense discharge process. This process imposes the least burden on CCI students to receive forbearance or halt collections that ED can craft.

39. The Secretary of Education has adopted regulations that allow the Department to grant forbearance and halt collection action for borrowers who apply for closed school or borrower defense loan discharge relief. 34 C.F.R. § 685.205(b). The Secretary exercises this power without conditions or limitations other than the requirement that interest must continue accruing on students' loans.

40. I declare under penalty of perjury that the foregoing is true and correct.

Executed this 23rd day of June 2015 in Washington, DC.

/s/ Jeff Appel

Jeff Appel

Exhibit 1.A.

January 23, 2014

Jack D. Massimino, Chairman/CEO
Corinthian Colleges, Inc.
6 Hutton Centre Drive, Suite 400
Santa Ana, CA 92707

UPS Tracking
1ZA879640195350376

Re: Pending Applications and Requests for Documentation and Information

Dear Mr. Massimino:

This letter notifies Corinthian Colleges, Inc. (CCI) that the U.S. Department of Education (Department) has completed its review of CCI's pending applications (commonly called "eApps") for the Department's approval of various new programs and locations to participate in programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 *et seq*. (Title IV, HEA programs). The Department is sending under separate cover letters to each CCI institution notifying them of the particular actions the Department has taken with respect to those applications. This letter further provides a brief explanation for the Department's actions and informs CCI that, as of the date of this letter, ***all*** CCI institutions must request the Department's approval for establishing eligibility of any new locations and programs and wait for the Department's decision prior to disbursing any Title IV funds to students attending such new locations and programs. *See* 34 C.F.R. §§ 600.10(c), 600.20(c)(1)(v), and 600.21. Finally, this letter requests certain documentation and information with respect to placement rate percentages, and grade and attendance record changes, at all CCI institutions.

The Department has denied approval for certain new locations and new programs because CCI has admitted to falsifying placement rates and/or grade and attendance records at various institutions and because of ongoing state and federal investigations into serious allegations with respect to CCI's improper administration of the Title IV programs. Adherence to all Title IV, HEA statutory and regulatory requirements is mandatory for institutions that participate in the Title IV programs as the Department's fiduciaries, and the issues just referenced suggest systemic deficiencies in the operations of CCI as the parent corporation of all CCI institutions. *See* 34 C.F.R. §§ 668.14 and 668.16. Because of these concerns, the Department will not approve CCI's Title IV growth through the addition of any new locations or programs going forward until the Department ascertains whether CCI and its institutions possess the requisite administrative capability to ensure compliance with all Title IV program requirements.

The following is a brief discussion of each pending eApp:

1. OPE ID: 001499 Everest University – Orlando, FL, Program Participation Agreement (PPA) expired – 6/30/2012.[1] The Department approves a new provisional PPA to merge as five additional locations of OPE ID: 001499 the following separate OPE ID #s: 001534, 008146, 021218, 025998, and 030032:
   A. OPE ID: 001534 Everest University – Tampa, FL.
      The Department also approves the closure of the Milwaukee, WI location.
   B. OPE ID: 008146 Everest University – Pompano Beach, FL.
   C. OPE ID: 021218 Everest Institute – Miami, FL.
   D. OPE ID: 025998 Everest University – Largo, FL.
   E. OPE ID: 030032 Everest Institute – Miami (Kendall), FL.

The Department approves a new provisional PPA for institutions 2 through 6 below.

2. OPE ID: 004494 Everest College – San Bernardino, CA, PPA expired – 3/31/2012.
3. OPE ID: 007091 Everest Institute – Pittsburgh, PA, PPA expired – 6/30/2013.
4. OPE ID: 022375 Everest College – Henderson, NV, PPA expired – 9/30/2013.
5. OPE ID: 007190 WyoTech – Fremont, CA, PPA expired – 6/30/2013.
6. OPE ID: 023462 WyoTech – Ormand Beach, FL, PPA expired – 6/30/2012.

The Department approves the new program(s), as set forth in the separate approval letters to institutions 7 through 11 below, given that these programs were previously self-certified by the institutions and have already disbursed Title IV aid to students.

7. OPE ID: 004503 Everest College – Colorado Springs, CO, PPA expires – 3/31/2017.
8. OPE ID: 009828 Everest Institute – Southfield, MI, PPA expires – 9/30/2014.
9. OPE ID: 011109 Everest College – Reseda, CA, PPA expires – 12/31/2015.
10. OPE ID: 031954 Everest College – Torrance, CA, PPA expires – 3/31/2015.
11. OPE ID: 004507 Everest College – Thornton, CO, PPA expires 9/30/15.

12. OPE ID: 011510 Everest Institute – Brighton, MA, provisional PPA expired – 6/30/2012. The Department approves a new provisional PPA. The Department denies the new program – Medical Assistant CIP 51.0801.

13. OPE ID: 022613 Everest Institute – San Antonio, TX, PPA expires – 12/31/2013. The Department approves a new provisional PPA. The Department denies the following new programs: (1) Business Accounting CIP 52.0302, (2) Business Office Administration CIP 52.0401, and (3) Business Sales and Customer Service CIP 52.0411.

14. OPE ID: 022950 Everest College – Phoenix, AZ, provisional PPA expired – 3/31/2013. The Department approves a new provisional PPA. The Department denies the following new programs: (1) Information Technology Support Specialist CIP 11.1006, (2)

[1] Note that the Department has continued each expired PPA on a month-to-month basis in accordance with 34 C.F.R. § 668.13(b)(2).

Customer Experience Management CIP 52.0411, and (3) Medical Administrative Assistant CIP 51.0716.

15. OPE ID: 022985 Everest College – Salt Lake City, UT, PPA expired – 9/30/2012. The Department approves a new provisional PPA. The Department denies the following new programs: (1) Information Technology Support Specialist CIP 11.1006, and (2) Business Accounting CIP 52.0301.

16. OPE ID: 009267 Everest College – Newport News, VA, provisional PPA expired – 3/31/2013. The Department will keep this institution on a month-to-month status.

17. OPE ID: 010356 Everest Institute – Cross Lanes, WV, provisional PPA expired – 12/31/2013. The Department will keep this institution on a month-to-month status.

18. OPE ID: 009175 WyoTech—Laramie, WY, PPA expires 9/30/2015. The Department recently received this e-App and is still in the process of reviewing it.

The Department continues to review the recently received recertification applications for institutions 19 through 30 below.

19. OPE ID: 008090 Everest College – Alhambra, CA, PPA expires – 3/31/2014.
20. OPE ID: 009079 Everest College – Portland, OR, PPA expires – 3/31/2014.
21. OPE ID: 011107 Everest College – Anaheim, CA, PPA expires – 3/31/2014.
22. OPE ID: 011123 Everest College – Gardena, CA, PPA expires – 3/31/2014.
23. OPE ID: 023001 Everest College – Bremerton, WA, PPA expires – 3/31/2014.
24. OPE ID: 026062 Everest College – Renton, WA, PPA expires – 3/31/2014.
25. OPE ID: 026175 Everest College – Seattle, WA, PPA expires – 3/31/2014.
26. OPE ID: 030723 Everest College – Ontario, CA, PPA expires – 3/31/2014.
27. OPE ID: 012873 WyoTech – Long Beach, CA, PPA expires – 3/31/2014.

With respect to pending eApp #1 above, as will be noted in the provisional PPA for this institution, CCI's audited financial statements for the fiscal year ended June 30, 2012 showed that Everest University OPE ID: 001534 failed to meet the standards pursuant to § 487(a)(24) of the HEA, 20 U.S.C. § 1094(a)(24) and 34 C.F.R. § 668.16(b)(16), which require a proprietary institution of higher education to derive not less than ten percent of its revenues from sources other than funds provided by Title IV of the HEA (known as the "90/10 Requirement"). In addition, for the fiscal year ended June 30, 2013, CCI reported in its annual audited financial statements that Everest Institute, OPE ID: 030032 also failed the 90/10 Requirement. As a condition of the Department's approving the merger of these institutions as additional locations of Everest University, OPE ID: 001499, CCI must agree to complete and timely submit to the Department, within 45 days of the June 30, 2014 fiscal year end, a 90/10 calculation for Everest University, OPE ID: 001534 (and all its former additional locations) and Everest Institute, OPE ID: 030032 (and all its former additional locations). CCI must acknowledge that the Department's approval of the additional locations created as a result of the merger of these two OPE ID numbers under the surviving OPE ID number (001499) will be revoked if the

Department's review of the financial statements for OPE IDs: 001534 and 030032 reveals two consecutive years in which the institutions failed the 90/10 Requirement.

In addition, as referenced at the outset of this letter, the Department hereby requires CCI to produce within 30 calendar days of the date of this letter the following information regarding placement rates, and grade and attendance record changes. Please send these materials to the following address:

Mr. Charles L. Engstrom, Director
Atlanta School Participation Division
U.S. Department of Education—Federal Student Aid
61 Forsyth Street, SW, Room 18T40
Atlanta, GA 30303

1. Placement Rates

On February 1, 2013, you wrote a letter to Charles Engstrom, Director of the Atlanta School Participation Division of the Department. (Enclosure 1). In that letter you stated:

> …a current enrollment package containing disclosures to prospective students who might be interested in attending our Medical Assisting Program in Santa Ana, CA is enclosed as **Exhibit 1**. As we are sure you are aware, disclosures and other program- and campus-specific information provided to prospective students depend on the program and campus the student is interested in attending. We are including with Exhibit 1 only *one* of the many hundreds of permutations that might be provided to prospective students across the country, but would be happy to provide any others you would like to review.

(*Emphasis* in original.)

A. Specifically, Enclosure 2 to this letter—a four page document entitled "School Performance Fact Sheet"—was included within Exhibit 1 to your February 1, 2013 letter. Please provide a copy of every such disclosure for every program for every CCI location (for all CCI institutions, i.e., Everest Colleges, Everest Institutes, Everest Universities, WyoTechs, Heald Colleges, and any other CCI institution that participates or participated in the Title IV programs) for the calendar years 2010, 2011, and 2012. When CCI has compiled these disclosures for calendar year 2013, please provide the same information.

B. Note that Enclosure 2 at page 2 states that for calendar year 2011, the "Placement Rate % of Graduates Employed in the Field" was 81%. Please provide the evidence upon which CCI relied to derive this placement rate and each of the other rates cited in each disclosure CCI provides in response to the preceding paragraph A.

C. Please supply in electronic format in an Excel worksheet for every program, at every CCI location, a list of all students placed by name and Social Security number, the students' most recent telephone numbers and cell phone numbers, graduation dates and academic

programs, job titles, start dates, employers' names and contact information (including supervisors' and employers' telephone numbers). The Department understands that CCI's accreditors allow certain students to be omitted from the placement percentage calculation for various reasons, known as "waivers." Please include in this worksheet those students who were omitted from the placement percentage calculation due to any kind of a waiver, and provide those students' names, Social Security numbers, most recent telephone numbers (including cell phone numbers), graduation dates, academic programs attended, and the reasons for the waivers. Please see Enclosure 3 to this letter entitled "Placement Data," for the format to use for this information.

2. Grade and Attendance Record Changes

Please extract and send all records of all grade and attendance record changes made in all CCI institutions' financial aid management systems from and after June 30, 2011 through the date on which the data is extracted. The extract of the records must be displayed using the format in Enclosure 4 to this letter entitled "Data Audit Attendance Grades.xlsx."

Protection of Personally Identifiable Information (PII):

Because responses to the above two categories of documents will contain PII, please note the following information. PII is any information about an individual that can be used to distinguish or trace an individual's identify (some examples are name, Social Security number, and date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, please see Enclosure 5 to this letter entitled "Protection of Personally Identifiable Information" for instructions regarding how to submit to the Department required data/documents that contain PII.

Sincerely,

Robin S. Minor
Chief Compliance Officer

Enclosures:
Enclosure 1: February 1, 2013 letter from Jack Massimino to Charles L. Engstrom
Enclosure 2: Exhibit 1 to above letter
Enclosure 3: Excel Spreadsheet, "Placement Data"
Enclosure 4: Excel Spreadsheet, "Data Audit Attendance Grades.xlsx."
Enclosure 5: Protection of Personally Identifiable Information

Exhibit 1.B.

April 14, 2015

Jack D. Massimino
President/Chief Executive Officer
Corinthian Colleges, Inc.
6 Hutton Circle Drive, Suite 400
Santa Ana, CA 92707

UPS Tracking #
1ZA879640192788623

RE: Notice of Intent to Fine Heald College, OPE-ID: 00723400

Dear Mr. Massimino:

This is to inform you that the United States Department of Education (Department) intends to fine Heald College, San Francisco, California, $29,665,000 based upon the violations set forth in this letter. Heald College participates in the federal student financial assistance programs authorized under Title IV of the Higher Education Act of 1965 (HEA), as amended, 20 U.S.C. §§ 1070 *et seq*. and 42 U.S.C. §§ 2751 *et seq*. (Title IV, HEA programs). The Department is taking this fine action pursuant to 20 U.S.C. § 1094(c)(1)(F) and 34 C.F.R. § 668.84.

This fine action is based upon the results of the Department's analysis of documentation submitted by Heald College's owner, Corinthian Colleges, Inc. (CCI), to the Department regarding Heald College's placement rates, and upon the findings of a program review conducted by the San Francisco-Seattle School Participation Division at Heald College's Stockton location and Heald College's Salinas location. As discussed in detail below, the Department's findings demonstrate that Heald College failed to meet the fiduciary standard of conduct by misrepresenting its placement rates to current and prospective students and to its accreditors, and by failing to comply with federal regulations requiring the complete and accurate disclosure of its placement rates. Therefore, as described below, I have determined that due to the serious violations committed by Heald College, a fine in the amount of $29,665,000 is warranted.

HEALD COLLEGE FAILED TO ADHERE TO A FIDUCIARY STANDARD OF CONDUCT

On January 4, 2010, CCI purchased the Heald chain of schools (Heald), which then participated in the Title IV, HEA programs as individual entities with their own OPE–ID numbers.[1] The Heald chain comprised Heald Concord (OPE-ID 02187500); Heald Fresno (OPE-ID 00809300); Heald Hayward (OPE-ID 00853200), with additional location Heald Modesto (OPE-ID 00853202); Heald Milpitas (San Jose) (OPE-ID 02593200); Heald Rancho Cordova (OPE-ID

[1] The OPE-ID is the institution's Office of Postsecondary Education Identification Number. This is an eight-digit number assigned to an institution upon application to participate in Federal Student Aid programs. It is used throughout multiple systems to identify a school entity (the first six digits) and its individual locations (the last two digits).

00747700); Heald Roseville (OPE-ID 02593100); Heald Salinas (OPE-ID 03034000); Heald San Francisco (OPE-ID 00723400), with additional locations Heald Honolulu (OPE-ID 00723401) and Heald Portland (OPE-ID 00723402); and Heald Stockton (OPE-ID 02593300). Heald and the Department executed temporary Program Participation Agreements (PPAs) for each of the Heald schools, effective February 22, 2010, and upon the Department's approval of CCI's application for ownership, executed provisional PPAs for each of these schools, effective May 4, 2010. On June 24, 2013, Heald and the Department executed Heald College's current provisional PPA, which merged the participating Heald schools into one participating entity under OPE-ID 00723400. Hereinafter in this letter, "Heald College" and "Heald" are used interchangeably to refer to the Heald chain of schools before and after the Department's approval of the merger.

By entering into a PPA with the Department, an institution and its officers accept the responsibility to act as fiduciaries in the administration of the Title IV programs. As fiduciaries, an institution and its officers are subject to the highest standard of care and diligence in administering the Title IV, HEA programs. 34 C.F.R. §§ 668.82(a) and (b). In order to meet its fiduciary responsibilities to the Department, an institution must comply with all Title IV statutory and regulatory requirements. 34 C.F.R. § 668.16(a). As described below, Heald College and its officers have failed to adhere to a fiduciary standard of conduct with regard to the calculation and disclosure of its job placement rates.

HEALD COLLEGE FAILED TO COMPLY WITH THE REGULATIONS GOVERNING DISCLOSURE OF ITS JOB PLACEMENT RATES

Effective July 1, 2010, institutions participating in the Title IV, HEA programs are required to make available to enrolled or prospective students, through appropriate publications, mailings, or electronic media, information concerning the placement of, and types of employment obtained by, graduates of the institution's degree or certificate programs. 34 C.F.R. § 668.41(d)(5). The information can be gathered from the institution's placement rate for any program, if it calculated such a rate, or other relevant sources. 34 C.F.R. § 668.41(d)(5)(i). The institution is required to identify the source of the information, as well as any timeframes and methodology associated with it. 34 C.F.R. § 668.41(d)(5)(ii). An institution is required to disclose any placement rate it calculates. 34 C.F.R. § 668.41(d)(5)(iii). An institution may satisfy the requirement to disclose the information required under 34 C.F.R. § 668.41(d) to enrolled students by posting the information on an internet website or an intranet website that is reasonably accessible to the individuals to whom the information must be disclosed; and to prospective students by posting the information on an internet website. 34 C.F.R. §§ 668.41(b)(1) and (2). Note that this regulatory provision applies to all types of institutions, not simply those which offer "gainful employment" programs.

All of Heald College's programs are gainful employment programs subject to the provisions of 34 C.F.R. § 668.6(b). Beginning July 1, 2011, an institution that offers an educational program that prepares students for gainful employment in a recognized occupation, and that is required by its accrediting agency or State to calculate a placement rate on a program basis, must disclose the rate and identify the accrediting agency or State agency under whose requirements the rate was

calculated. 34 C.F.R. § 668.6(b). The institution must include the information required under 34 C.F.R. § 668.6(b)(1) in promotional materials it makes available to prospective students, post this information on its website, prominently provide the information in a simple and meaningful manner on the home page of its program website, and provide a prominent and direct link on any other Web page containing general, academic, or admissions information about the program to the single Web page that contains all the required information. 34 C.F.R. § 668.6(b)(2).

By entering into a PPA with the Department, an institution agrees, among other things, that:

> In the case of an institution that advertises job placement rates as a means of attracting students to enroll in the institution, it will make available to prospective students, at or before the time that those students apply for enrollment…the most recent available data concerning employment statistics, graduation statistics, and any other information necessary to substantiate the truthfulness of the advertisements; and…relevant State licensing requirements of the State in which the institution is located for any job for which an educational program offered by the institution is designed to prepare those prospective students.

34 C.F.R. § 668.14(b)(10).

On January 23, 2014, the Department sent a letter to CCI in which the Department requested that CCI provide a copy of school performance disclosure documents for every CCI location, including Heald College institutions, for the calendar years 2010, 2011, 2012, and, when available, 2013. The Department also asked that CCI provide the evidence upon which CCI relied to derive each of the placement rates cited in the disclosures, including a list of all students either placed or omitted from the placement calculation due to any type of waiver, and the academic, employment, and/or waiver information specified by the Department. The Department provided CCI 30 days to submit the required documentation and information, and sent reminder letters to CCI on April 11, 2014, April 22, 2014, May 13, 2014, June 12, 2014, July 23, 2014, and August 25, 2014.

Eventually, in its responses to the Department's requests, CCI assured the Department that CCI and its institutions "take pains to track and accurately report job placements." Letter to Martina Fernandez-Rosario and Gayle Palumbo, p. 2 (Apr. 15, 2014). CCI stated that, because many of its institutions' institutional and programmatic accreditors required annual reporting of placement outcomes in order to measure the school's or program's outcomes against a benchmark, CCI and its institutions had developed a robust process to confirm, and re-verify, the accuracy of the reported placement results. CCI represented that it went to great lengths in an effort to ensure that its internal and external reporting of placement statistics was accurate and reliable. *Id.* *See also* Letter to Robin Minor, p. 2 (February 11, 2014), Letter to Charles Engstrom (Feb. 1, 2013). Despite CCI's representations, the Department has found that CCI and Heald College failed to fully and accurately disclose its placement rates and the methodology used to calculate them in its school performance disclosure documents.

1. **Heald College's placement rate disclosures omitted essential and material information concerning the methodology Heald used to calculate the rates.**

In response to the Department's requests for Heald College's school performance disclosure documents and backup documentation, CCI provided, for each of its institutions, documents entitled "2010 Annual Placement Disclosure," documents entitled "Program Disclosures," carrying an effective date of July 1, 2011, and documents entitled "Program Disclosures," carrying a publication date of July 1, 2012.

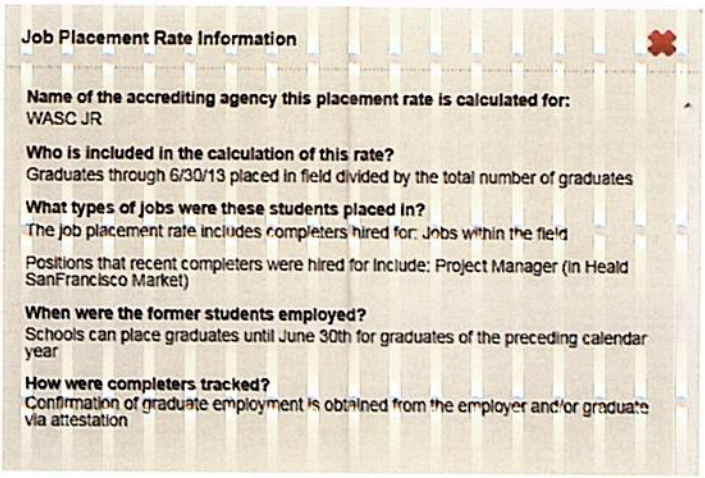
In the documents entitled "2010 Annual Placement Disclosure," which had neither a publication date nor an effective date, each Heald institution disclosed that, because it was accredited by the Accrediting Commission for Community and Junior Colleges of the Western Association of Schools and Colleges (WASC-Jr), and WASC-Jr had no prescribed placement rate methodology, it was the institution that determined the formula used to calculate its placement statistics. These disclosures each stated that the placement rates reported therein were the placement statistics for the most recent complete calendar year, and that Heald outcomes are calculated by calendar year, tracking graduate cohorts from January 1-December 31. These disclosures also stated that employment is calculated by taking the total number of graduates placed in the field and dividing this number by the total number of graduates less the number of graduates deferred for employment because of continuing education, military, health, incarceration, moving outside of the U.S., non-citizenship, or death.

Heald College also provided for each institution documents entitled "Program Disclosure," carrying an effective date of July 1, 2011, which affirmatively stated that the program disclosures contained therein were provided pursuant to federal regulations, effective July 1, 2011. These Program Disclosures also stated, in a footnote entitled "Institutional Accreditor," that, because WASC-Jr. had no prescribed methodology for calculating placement outcomes, the methodology used was at Heald's discretion. In each case, the Program Disclosure stated that placement rates were calculated as follows: "Heald College placement rate is calculated by taking the total graduates placed in the field, divided by the total number of graduates, minus graduates deferred for employment because of continuing education, military, health, incarceration, moving outside of the U.S., ineligibility to work in the U.S., or death. Time Frame: the cohort used are those graduates of a calendar year. Employment statuses are recorded up until June 30th of the following year." These Program Disclosures also stated that "Placement Rate NA" meant that there was no data to disclose because the program was too new or the placement rate was not required to be calculated.

Heald College further provided for each institution Program Disclosures with a publication date of July 1, 2012, which similarly stated that the program disclosures contained therein were being provided pursuant to federal law. These Program Disclosures also represented, in a footnote entitled "Institutional Accreditor," that because WASC-Jr. had no placement rate methodology, Heald College determined the placement rates. These Program Disclosures stated that Heald determined its placement rates by taking the total graduates placed in the field, divided by the total number of graduates, minus graduates deferred for employment because of continuing education, military, health, incarceration, moving outside of the U.S., ineligibility to work in the

U.S., or death; that the cohort used was the graduates of a calendar year; and that the employment statuses were recorded up until June 30th of the following year.

The Department has determined that in late 2013, Heald College switched to a web-based placement disclosure format. The web-based disclosures Heald College posted on its website contained the following language: "The job placement rate for students who completed this program in 2012-2013 is [] %." The placement rate disclosures also contained a link that stated "For further information about this job placement rate, click here." The link led to the following box:



After review of Heald's program disclosure documents and backup documentation, the Department has determined that Heald omitted from its school performance disclosure documents essential and material information concerning the timeframe and methodology used to determine its placement rates. Even more serious, Heald did not adhere to the methodology that it did set forth in those disclosures.

a. Heald College failed to disclose in its 2013/2014 web-based disclosures that its placement rates excluded students it classified as having deferred employment.

The Department has determined that Heald's 2013/2014 web-based placement disclosures[2] failed to disclose that students whom the institution deemed to have deferred employment were excluded from the placement rate calculations. This information was material, and Heald College's omission of it was misleading, because the supporting documentation provided by Heald disclosed that Heald in fact classified high percentages of its graduates as having deferred employment. The Department has determined that Heald represented with regard to many of its programs that it placed 100% of its graduates in jobs, when in fact many of the graduates decided to continue their education, or been determined by Heald to be unavailable for employment prior to the end of the tracking period for one reason or another. For instance, Heald Portland's disclosure for the Criminal Justice AA program stated that the placement rate was 100%. And

[2] Heald College updated its web-based placement disclosures in early 2014.

yet 58% of the graduates for that program were unavailable for employment. The Department has concluded that Heald's failure to disclose the exclusion of students determined to have deferred employment in its 2013/2014 web-based disclosures was particularly egregious because Heald disclosed this aspect of its methodology in its prior placement rate disclosure documents and thus clearly understood how to properly describe its methodology.

b. Heald College falsely represented in its 2013/2014 web-based disclosures that its placement rates were supported by attestations.

In its 2013/2014 web-based disclosures, Heald College stated in answer to the question, "How were completers tracked," that "confirmation of graduate employed is obtained from the employer and/or graduate via attestation." The Department's review of Heald College's backup documentation, however, revealed that this was not the case. In many instances, the only documentation Heald produced to substantiate the graduate's employment consisted of a standardized Heald form, HC-CSV-120, with a section entitled "Employment Validation and Verification Contact Info," which was signed only by Heald College Career Services personnel and did not document any attestation by the employer or the student. In other instances, the only documentation provided was a screen shot from Heald's CampusVue system purportedly representing that the student had been placed.

c. Heald College failed in all of its placement rate disclosures to identify with specificity the cohort whose results were being reported.

In the 2013/2014 web-based placement disclosures, Heald stated that the report covered "….students who completed the program in 2012-2013," then indicated in its answer to the question, "Who is included in the calculation of this rate?," that the cohort consisted of "Graduates through 6/30/13 placed in field." And then, in answer to the question, "When were the students employed," stated, "Schools can place graduates until June 30th for graduates of the preceding calendar year." It is not possible to discern from these statements the beginning and ending dates of the cohort of Heald graduates whose results were being tracked and reported in the disclosure.

The same is true with regard to Heald College's July 1, 2011 and July 1, 2012 Program Disclosures, and its 2010 Annual Placement Disclosure. In particular, although the timeframe specified is a calendar year, none of these disclosure indicates *which* calendar year's graduates were being covered in the disclosure. This is in contrast to the descriptions in the July 1, 2011 and July 1, 2012 Program Disclosures regarding the programmatic, as opposed to institutional, placement rates disclosed in those documents. For example, the July 1, 2012 Program Disclosure specified, with respect to the placement rates calculated for the Commission on Accreditation of Allied Health Education Programs (CAAHEP)/Medical Assisting Education Review Board (MAERB), a timeframe of July 1, 2009 through June 30, 2010, and the July 1, 2011 Program Disclosure specified, with respect to the placement rate calculated for the Commission on Dental Accreditation (CODA), that the most recent statistics covered those students who were scheduled to complete their programs in 2009.

d. Heald College failed in all of its placement disclosures to state that it counted as placed graduates whose employment began prior to graduation, and in some cases even prior to the graduate's attendance at Heald.

The Department has determined that in all of its placement disclosures, Heald failed to disclose that it counted as placed graduates who had obtained their jobs prior to graduation from the school, and in some cases, graduates who had obtained their jobs prior to the date they commenced their studies at Heald. With respect to the 2013/2014 web-based disclosures, Heald referred only to "Graduates…placed in the field" and "completers hired for jobs within the field." Similarly, in the July 1, 2011 and July 1, 2012 Program Disclosures, Heald referred only to the "percentage of graduates securing employment" and the "total graduates placed in the field."

The fact that Heald counted graduates who had obtained their employment prior to graduation as having been "placed" by the institution in its placement rates is material, and omission of this information is therefore misleading, because it is an indication that a Heald credential may not have been necessary in order for the graduate to secure the employment used to categorize the individual as having obtained employment in the field. The Department thus considers these placement rates to be false and misleading statements. *See* 34 C.F.R. § 668.71(c) (definition of "misrepresentation").

Of additional concern, however, is that the Department's review of Heald's backup documentation disclosed that while some previously-employed Heald graduates signed documents indicating that they were waiving placement assistance because they were already working in the field, other previously-employed graduates' placement documents simply reflected verification by Heald Career Service personnel of the student's employment, with no indication that the students had waived placement services and were content with their prior job. Of even more concern is that follow-up interviews conducted with some of the previously-employed graduates revealed that although Heald staff made cursory notations on the employment validation forms to support their conclusion that the graduates were employed in the field, the graduates' jobs were not related to their field of study, nor had the students received promotions or increased responsibilities or otherwise progressed in those jobs because of their Heald education.

The number of graduates who obtained the jobs used to characterize them as placed prior to graduation was considerable and therefore also material to the placement rates. The Department's analysis of Heald's backup documentation revealed that, according to CCI's own data for 2012 graduates, over one-third (33.8%) of the graduates reported to have been "placed in field" started their jobs prior to January 1, 2012, and over one-quarter (25.5%) started their jobs prior to January 1, 2011.

e. Heald paid temporary agencies to hire its graduates to work at unsustainable temporary jobs at its own campuses and counted these graduates as placed.

Follow-up interviews conducted with Heald graduates in order to determine the accuracy of Heald's reported placement rates and supporting documentation revealed that in some instances, Heald paid temporary agencies to hire Heald graduates and place them at temporary jobs at Heald locations, in order to allow Heald to falsely and misleadingly count these graduates as placed in their field of study in its placement rate disclosures. Heald failed to disclose this information when it published its placement rates, and the Department considers this to be a misleading statement that has the likelihood or tendency to deceive. 34 C.F.R. § 668.71(c) (definition of "misrepresentation").

In particular, the Department determined that during 2011, Heald paid agencies named Aerotek and Ultimate Staffing to place ten graduates from Heald's IT-Network Systems Administration (IT-NSA) programs in brief, temporary positions at its Fresno campus. Heald then counted these graduates as "placed in field" in its placement statistics. These ten graduates represented 35% of the total 28 graduates of the IT-NSA program at Fresno that Heald represented were placed in field. When interviewed, one of these graduates confirmed that he was employed for just two days moving computers, organizing cables, and replacing network cables, and another graduate confirmed that Aerotek employed him for less than two weeks.

f. Heald College counted placements that were clearly out of the student's field, as in-field placements in its placement statistics.

Although Heald claimed in all of its placement rate disclosures that the students reported as placed were employed in their field of study, the Department has determined through student interviews that in fact, Heald routinely and misleadingly characterized out-of-field placements jobs as in-field placements. Examples of this are as follows:

> Heald Honolulu classified a 2011 graduate of an Accounting program as employed in the field based upon a food service job at Taco Bell, where she started working in June 2006. The graduate stated that her job was to provide food service to customers, that she had not received a promotion or pay increase as a result of her Heald degree, and that the position was not in her field of study. Yet Heald counted her as placed in her field of study, based upon the employment validation form signed by Career Services personnel. Heald provided no documents substantiating that the student had waived placement services based upon her employment at Taco Bell.
>
> Heald Hayward counted a 2011 Business Administration graduate as placed in the field based upon a retail grocery position at Safeway, which the graduate stated was not in his field of study, and Heald substantiated the in-field placement by stating that the graduate's program's major skills were a component of his "primary job function or used at least half the time" by listing, as program skills, among other things, "providing customer service and problem-solving skills, knowledge of store's product and be approachable (sic)." The back-up documentation included an internal email chain, in which Heald Career Services staff forwarded information concerning the graduate's employment obtained through the work number to Heald's Corporate Director of Career

Services, who replied: "Not sure if this will fly. See what he does as a Courtesy Clerk – Money Transactions, etc…"

Heald Hayward counted another 2011 Business Administration graduate as placed in the field based upon a seasonal clerk position she obtained in Macy's Shipping and Receiving Department during November 2010, which the student stated ended prior to her graduation. The student also stated that she requested job placement assistance from Heald in order to find a job in her field of study, but was unsuccessful, and that Heald stopped returning her calls for assistance. Heald's backup documentation regarding the placement consisted of an employment validation signed by Heald Career Services personnel that justified the in-field placement by stating she "uses business software, apply accounting concepts balancing till and ringing up purchases, collecting money, merchandise the products and upsale (sic)."

2. Heald Stockton misrepresented the job placement rates for its medical assistant program to its programmatic accreditor

Heald Stockton advertised in its catalogs that "The Medical Assisting program is accredited by the Commission on Accreditation of Allied Health Education Programs (CAAHEP) upon the recommendation of the Medical Assisting Education Review Board (MAERB)."[3] MAERB requires that approved programs report annual placement rates of its medical assisting graduates. A program review conducted by the Department at Heald Stockton from July 29, 2013 to August 2, 2013 revealed that in its 2012 Annual Report to MAERB, which Heald Stockton submitted to MAERB on November 21, 2012, Heald Stockton reported that, of the 359 medical assisting students who graduated between January 1, 2007 through December 31, 2011, 281 students were placed, resulting in a 78.27% placement rate, which exceeded the MAERB minimum placement rate of 60%.

Upon review of documentation obtained during the program review, however, the Department determined that as an initial matter, Heald Stockton's backup data reflected only 209 placements rather than 281. In addition, of those 209 placements, (1) Heald Stockton reported as placed at least 23 students who had in fact completed Heald Stockton's diploma program in Medical Assisting, which is not accredited by MAERB, rather than the 98 credit-hour Associates in Applied Science (AAS) program; (2) Heald Stockton counted 13 students twice, and counted one student three times;[4] (3) although Heald Stockton's 2012 Annual Report was only to include those students placed between January 1, 2007 and December 31, 2011, Heald Stockton claimed 70 placements that occurred after December 31, 2011; and, (4) according to notations made on the backup data, Heald Stockton reported four students as placed when in fact they had waived placement. The Department's recalculation revealed that the correct number of placements was only 109, rather than 281, and that the correct number of graduates was 333, rather than 359.

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[3] This accreditation entitles an individual to take the state medical assisting test without first obtaining two years of medical assisting experience.

[4] A number of these students were either in the unaccredited program or were placed after the end of the cohort period (December 31, 2011). The net duplications represent over-reporting of three placements.

The correct placement rate was thus only 32.7%, far below MAERB threshold of 60%. Heald Stockton therefore misrepresented the 2012 programmatic placement rate for its Medical Assisting program to MAERB.

3. CCI and Heald's backup documentation did not support its claimed placement rates

The failure of Heald's backup documentation to support the placement rates that Heald disclosed for its educational programs was not limited to the programmatic placement rate that Heald Stockton reported to the MAERB. The Department's review of the backup documentation revealed numerous instances wherein, even if all of the placements were accepted as bona fide in-field placements, the data still do not support the placement rates that Heald calculated and disseminated. The placement data were missing key fields, most notably the level of the student's program of study, and contained numerous duplicates. Enclosure A contains examples of placement rates that were not supported by Heald's backup data, and the actual rate that Heald's backup data did support.

Title IV regulations define misrepresentation as, among other things, any false, erroneous or misleading statement an eligible institution makes directly or indirectly to a student, prospective student or any member of the public, or to an accrediting agency, to a State agency, or to the Secretary. A misleading statement includes any statement that has the likelihood or tendency to deceive. 34 C.F.R. § 668.71(c) (definition of "misrepresentation"). A substantial misrepresentation is any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person's detriment. 34 C.F.R. § 668.71(c) (definition of "substantial misrepresentation.") An eligible institution is deemed to have engaged in substantial misrepresentation when the institution makes a substantial misrepresentation about the nature of its educational program, its financial charges, or the employability of its graduates. 34 C.F.R. § 668.71(b).

The Department has determined that Heald's inaccurate or incomplete placement rate disclosures were misleading or false; that they overstated the employment prospects of graduates of Heald's programs; and that current and prospective graduates of Heald could reasonably have been expected to rely to their detriment upon the information in Heald's placement rate disclosures. Therefore, the Department has determined that the statements in these disclosures constituted substantial misrepresentations by Heald.

Congress enacted the statutory consumer information requirements, and misrepresentation provisions, in order to ensure that institutions fully disclose information needed by students to inform their decision whether to attend an institution, and to hold institutions accountable for false information that they provide. Heald College's substantial misrepresentations concerning its placement rates evidence a blatant disregard for the statutes and regulations governing the Title IV, HEA programs.

As of October 2, 2012,[5] the Title IV, HEA program regulations permit a fine of up to $35,000 for each violation of any provision of Title IV, or of any regulation or agreement implementing that Title. 34 C.F.R. § 668.84(a). In determining the amount of a fine, the Department considers both the gravity of the offense and the size of the institution. 34 C.F.R. § 668.92. Pursuant to the Secretary's decision in *In the Matter of Bnai Arugath Habosem*, Dkt. No. 92-131-ST (Aug. 24, 1993), the size of an institution is based on whether an institution is above or below the median funding levels for the Title IV, HEA programs in which it participates. Thus, if the institution's funding levels for the Title IV, HEA programs in which it participates is below the median amount for institutions participating in those programs, the institution will be considered small.

In the case of Heald College, the latest year for which complete funding data is available is the 2013-14 award year. According to Department records, students enrolled at Heald College received $66,944,957 in Federal Pell Grant funds, $139,462,899 in Direct Loan program funds, and $3,713,508 in campus-based program funds during the 2013-14 award year. The latest information available to the Department indicates that the median funding level for schools participating in the Federal Pell Grant program for the 2013-14 award year is $1,571,915; for institutions participating in the Direct Loan programs, it is $2,964,093, and for institutions participating in the campus-based programs, it is $266,597. Accordingly, Heald College is not a small institution, because its Federal Pell Grant, Direct Loan, and campus-based funding levels exceed the median funding levels.

The violations involved in this case are severe, and the potential harm to the government and to students is also severe. After considering the gravity of the violations and the size of Heald College, I have set the fine amount as follows:

For Heald's dissemination of program disclosure documents that did not meet regulatory requirements concerning disclosure of the institution's methodology, and which disclosed rates that were false or misleading, as set forth in this letter, I have set the fine amount at $27,500 for each of the 464 placement rates discussed in this letter that were disclosed in the documents disseminated prior to October 2, 2012, and $35,000 for each of the 482 placement rates discussed in this letter that were disseminated after October 2, 2012, totaling $29,630,000.[6] The Department requires that institutions fully disclose the method used to calculate its placement rates, count only bona fide placements in its placement rates, and accurately calculate those rates.

For Heald Stockton's misrepresentation of its job placement rates for its medical assistant program to its programmatic accreditor, I have set the fine amount at $35,000. Heald's failure to provide MAERB with accurate placement data deprived MAERB of important information required to evaluate the success of Heald Stockton's program.

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[5] See 77 Fed. Reg. 60047 (2012), http://www.gpo.gov/fdsys/pkg/FR-2012-10-02/pdf012-24248.pdf. The amount was previously $27,500.

[6] The amounts per violation represent the maximum amounts allowed under the HEA for the time periods in question. See n.5 and accompanying text, *supra*.

The fine of $29,665,000 will be imposed on May 5, 2015, unless by that date the Department receives a request for a hearing or written material indicating why the fine should not be imposed. Heald College may submit both a written request for a hearing and written material indicating why the fine should not be imposed. If Heald College chooses to request a hearing or to submit written material, you must write to me, via overnight mail, at:

Administrative Actions and Appeals Service Group
U.S. Department of Education
Federal Student Aid/PC/SEC
830 First Street, NE
Room 84F2
Washington, DC 20002-8019

If Heald College files a timely request for a hearing, the case will be referred to the Office of Hearings and Appeals, which is a separate entity within the Department. That office will arrange for assignment of Heald College's case to an official who will conduct a hearing. Heald College is entitled to be represented by counsel at the hearing and otherwise during the proceedings. If Heald College does not request a hearing, but submits written material instead, I shall consider that material and notify Heald College of the amount of the fine, if any, that will be imposed.

Any request for a hearing or written material that Heald College submits must be received by May 5, 2015; otherwise, the $29,665,000 fine will be imposed on that date.

Heald College has applied for recertification to continue to participate in the student financial assistance programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 *et seq*. (Title IV, HEA programs). Heald College's PPA will continue to operate on a month-to-month basis while the Department considers the application for recertification in light of the findings addressed in this letter, along with pending program reviews. *See* 34 C.F.R. § 668.13(b)(2).

If Heald has any questions or desires additional explanation of Heald College's rights with respect to this action, please contact Kathleen Hochhalter of my staff at 303/844-4520.

Sincerely,

Robin S. Minor
Acting Director
Administrative Actions and Appeals Service Group

Enclosure

cc: Dr. Mary Ellen Petrisko, President, WASC Senior College and University Commission, via mepetrisko@wascsenior.org

Bobbi Lum-Mew, Program Administrator, Hawaii Post-Secondary Education Authorization Program, via Bobbi.Lum-Mew@dcca.hawaii.gov
Juan Báez-Arévalo, Director of Private Post-secondary Education, Office of Degree Authorization, Oregon Office of Student Access and Completion, via juan.baez-arevalo@ode.state.or.us
Department of Defense, via osd.pentagon.ousd-p-r.mbx.vol-edu-compliance@mail.mil
Department of Veteran Affairs, via INCOMING.VBAVACO@va.gov
Consumer Financial Protection Bureau, via CFPB_ENF_Students@cfpb.gov

Enclosure A

PLACEMENT RATES BASED ON CCI'S DATA

Grad. Year	Campus Name	Program	No. of Grads	Reported Campus Placement Rate	Adjusted Placement Rate from CCI's Data
2010	Heald San Jose	Medical Insurance Billing and Coding (AA Degree)	60	100%	64%
2010	Heald Concord	Business Administration - Software Technologies Emphasis (AA Degree)	3	100%	66%
2010	Heald Concord	Medical Insurance Billing and Coding (AA Degree)	33	100%	66%
2010	Heald Concord	Office Skills (Certificate)	8	100%	71%
2010	Heald Hayward	Medical Insurance Billing and Coding (AA Degree)	43	100%	75%
2010	Heald San Francisco	Office Skills (Certificate)	7	67%	50%
2010	Heald Portland	Medical Assisting (AA Degree)	61	73%	57%
2010	Heald Rancho Cordova	Office Skills (Certificate)	5	75%	60%
2011	Heald Hayward	Medical Office Administration (AA Degree)	48	100%	38%
2011	Heald Hayward	Paralegal (AA Degree)	33	100%	63%
2011	Heald Rancho Cordova	Medical Office Administration (AA Degree)	38	100%	70%
2011	Heald Concord	Pharmacy Technology (AA Degree)	22	100%	73%
2011	Heald San Francisco	Medical Office Administration (AA Degree)	29	100%	75%
2011	Heald Rancho Cordova	Medical Insurance Billing and Coding (AA Degree)	27	100%	78%
2011	Heald Concord	IT Network Systems Administration (AA Degree)	11	100%	80%
2011	Heald Hayward	IT Network Systems Administration (AA Degree)	34	100%	82%
2011	Heald Fresno	Office Skills (Certificate)	4	67%	50%
2011	Heald San Jose	Paralegal (AA Degree)	26	100%	83%

Exhibit 1.C.

LOAN DISCHARGE APPLICATION: SCHOOL CLOSURE

William D. Ford Federal Direct Loan (Direct Loan) Program, Federal Family Education Loan (FFEL) Program, and Federal Perkins Loan Program

OMB No. 1845-0058
Form Approved
Exp. Date 08/31/2017

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form or on any accompanying document is subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

SECTION 1: BORROWER IDENTIFICATION

Please enter or correct the following information.

☐ **Check this box if any of your information has changed.**

SSN ___ ___ ___ - ___ ___ - ___ ___ ___ ___

Name _____

Address _____

City, State, Zip Code _____

Telephone – Primary (_____) _____ - _____

Telephone – Alternate (_____) _____ - _____

E-mail (optional) _____

SECTION 2: SCHOOL CLOSURE INFORMATION

1. You are applying for this loan discharge as a:

☐ Student borrower – Skip to Item 4.

☐ Parent borrower – Continue to Item 2.

2. Student Name (Last, First, MI):

_____

3. Student SSN:

___ ___ ___ - ___ ___ - ___ ___ ___ ___

4. Closed School Name:

_____

5. Closed School Address (street, city, state, zip):

_____

_____

6. Dates of attendance at the closed school:

___ ___ - ___ ___ - ___ ___ ___ ___ to

___ ___ - ___ ___ - ___ ___ ___ ___

7. Name of the program you (or, for a parent PLUS borrower, the student) were enrolled in at the time the school closed:

_____

8. Did you (or, for a parent PLUS borrower, the student) complete the program of study **at the closed school**?

☐ Yes – You are not eligible for this discharge.

☐ No – Continue to Item 9.

9. Were you (or for a parent PLUS borrower, the student) on an **approved** leave of absence when the school closed?

☐ Yes – Provide the dates of the leave of absence, then skip to Item 13:

___ ___ - ___ ___ - ___ ___ ___ ___ to

___ ___ - ___ ___ - ___ ___ ___ ___

☐ No – Continue to Item 10.

10. Were you (or, for a parent PLUS borrower, the student) still enrolled in the program of study when the school closed?

☐ Yes – Skip to Item 13.

☐ No – Continue to Item 11.

11. Did you (or, for a parent PLUS borrower, the student) withdraw from the school before the school closed?

☐ Yes – Continue to Item 12.

☐ No – Skip to Item 13.

12. On what date did you withdraw from the school?

___ ___ - ___ ___ - ___ ___ ___ ___

13. Did you (or, for a parent PLUS borrower, the student) complete or are you in the process of completing the same or a comparable program of study at another school?

☐ Yes – Continue to Item 14.

☐ No – Skip to Item 16.

14. Are you (or, for a parent PLUS borrower, the student) completing the new program through a teach-out agreement (see Section 5)?

☐ Yes – You are not eligible for this discharge.

☐ No – Continue to Item 15.

15. Did the other school give you (or, for a parent PLUS borrower, the student) credit for training received at the closed school by allowing transfer credits or hours earned at the closed school, or by any other comparable means?

☐ Yes – You are not eligible for this discharge.

☐ No – Continue to Item 16.

Borrower Name: _____ **Borrower SSN:** ___ ___ ___ - ___ ___ - ___ ___ ___ ___

SECTION 2: SCHOOL CLOSURE INFORMATION (CONTINUED)

16. Did the holder of your loan receive any money back (a refund) from the closed school on your behalf?

☐ Yes – Continue to Items 17– 19.

☐ No – Skip to Item 19.

☐ Don't Know – Skip to Item 19.

17. What was the amount of the refund?

$_____

18. Explain why the money was refunded:

_____

_____

_____

19. Did you (or, for a parent PLUS borrower, the student) make any monetary claim with, or receive any payment from, the closed school or any third party (see definition in Section 5) in connection with enrollment or attendance at the school?

☐ Yes – Continue to Items 20 – 22.

☐ No – Sign and date the form in Section 3. Submit the form to the loan holder in Section 7.

☐ Don't Know – Sign and date the form in Section 3. Submit the form to the loan holder in Section 7.

20. Provide the following about the party with whom the claim was made or from whom payment was received:

a. Name: _____

b. Address (street, city, state, zip code):

_____

_____

c. Telephone number:

(_____) _____ - _____

21. What is the amount and the status of the claim?

a. Amount: $_____

b. Status:

_____

_____

_____

22. What was the amount of any payment received? If none, write "none".

$_____

Sign and date the form in Section 3. Submit the form to the loan holder in Section 7.

SECTION 3: BORROWER CERTIFICATIONS, ASSIGNMENT, AND AUTHORIZATION

§ **I certify** that: **(1)** I received the Direct Loan, FFEL, or Perkins Loan Program loan funds directly, or as a credit that was applied to the amount owed to the school; **(2)** I (or, if I am a parent PLUS borrower, the student) was enrolled at the school identified in Section 2, was on an ***approved*** leave of absence on the date that the school closed, withdrew from the school not more than 120 days before it closed, or withdrew from the school more than 120 days before it closed if the Department determines that exceptional circumstances related to the school's closing justify an extension of this 120-day period (see Section 6); **(3)** Due to school closure, I (or, if I am a parent PLUS borrower, the student) did not complete the program of study at the closed school; **(4)** I (or, if I am a parent PLUS borrower, the student) did not complete and am not in the process of completing the program or a comparable program of study at the closed school at another school through a teach-out, by transferring credits or hours earned at the closed school to another school, or by any other comparable means; **(5)** I have read and agree to the terms and conditions for loan discharge, as specified in Section 6; **(6)** Under penalty of perjury, all of the information I have provided on this form and in any accompanying documentation is true and accurate to the best of my knowledge and belief.

§ **I hereby assign and transfer** to the U.S. Department of Education (the Department) any right to a refund on the amount discharged that I may have received from the school identified in Section 2 of this form and/or any owners, affiliates, or assignees of the school, and from any third party that may pay claims for a refund because of the actions of the school, up to the amount discharged by the Department on my loan(s)**.**

§ **I authorize** the loan holder to which I submit this request (and its agents or contractors) to contact me regarding my request or my loan(s), including repayment of my loan(s), at the number that I provide on this form or any future number that I provide for my cellular telephone or other wireless device using automated telephone dialing equipment or artificial or prerecorded voice or text messages.

Borrower's Signature _____ **Date** ___ ___ - ___ ___ - ___ ___ ___ ___

SECTION 4: INSTRUCTIONS FOR COMPLETING THE FORM

When completing this form, type or print using dark ink. Enter dates as month-day-year (mm-dd-yyyy). Use only numbers. Example: March 14, 2014 = 03-14-2014. If you need more space to answer any of the items, continue on separate sheets of paper and attach them to this form. Indicate the number of the Item(s) you are answering and include your name and Social Security Number (SSN) on the top of page 2 and on all attached pages. **Return the completed form and any attachments to the address shown in Section 7.**

SECTION 5: DEFINITIONS

- The **William D. Ford Federal Direct Loan (Direct Loan) Program** includes Federal Direct Stafford/Ford (Direct Subsidized) Loans, Federal Direct Unsubsidized Stafford/Ford (Direct Unsubsidized) Loans, Federal Direct PLUS (Direct PLUS) Loans, and Federal Direct Consolidation (Direct Consolidation) Loans.
- The **Federal Family Education Loan (FFEL) Program** includes Federal Stafford Loans (both subsidized and unsubsidized), Federal Supplemental Loans for Students (SLS), Federal PLUS Loans, and Federal Consolidation Loans.
- The **Federal Perkins Loan (Perkins Loan) Program** includes Federal Perkins Loans, National Direct Student Loans (NDSL), and National Defense Student Loans (Defense Loans).
- The **date a school closed** is the date that the school stopped providing educational instruction in ***all programs*** as determined by the Department.
- **Dates of attendance**: The "to" date means the last date that you (or, for a parent PLUS borrower, the student) actually attended the closed school.
- The **holder** of your Direct Loan Program loan(s) is the Department. The holder of your FFEL Program loan(s) may be a lender, a guaranty agency, or the Department. The holder of your Perkins Loan Program loans may be a school or the Department. Your loan holder may use a servicer to handle billing and other communications related to your loans. References to "your loan holder" on this form mean either your loan holder or your servicer.
- **Loan discharge** due to school closure cancels your obligation (and any endorser's obligation, if applicable) to repay the remaining portion on a Direct Loan, FFEL, or Perkins Program loan, and qualifies you for reimbursement of any amounts paid voluntarily or through forced collection on the loan. For consolidation loans, only the amount of the underlying loans that were used to pay for the program of study listed in Section 2 will be considered for discharge. The loan holder reports the discharge to all credit reporting agencies to which the holder previously reported the status of the loan and removes any adverse credit history previously associated with the loan.
- The **student** refers to the student for whom a parent borrower obtained a Direct PLUS Loan or Federal PLUS Loan.
- **Program of study** means the instructional program leading to a degree or certificate in which you (or, for parent PLUS borrowers, the student) were enrolled.
- **School** means the school's main campus, or any location or branch of the main campus.
- **Teach-out agreement** means a written agreement between schools that provides for the equitable treatment of students and a reasonable opportunity for students to complete their program of study if a school ceases to operate before all students have completed their program of study.
- **Third party** refers to any entity that may provide reimbursement for a refund owed by the closed school, such as a State or other entity offering a tuition recovery program or a holder of a performance bond.

SECTION 6: TERMS AND CONDITIONS FOR LOAN DISCHARGE BASED ON SCHOOL CLOSURE

- You are only eligible for this form of discharge if you received the loan on which you are requesting discharge on or after January 1, 1986.
- You are only eligible for this form of discharge if the location or campus that you were attending closed. If you were taking distance education classes, you are only eligible for discharge if the main campus of your school closed.
- You must have been enrolled at the closed school or on an approved leave of absence on the date that the school closed, or withdrawn from the school not more than 120 days before it closed to be eligible for this form of discharge.
- If you withdrew more than 120 days before the school closed, you may be eligible for this form of discharge if the Department determines that exceptional circumstances related to the school's closing justify an extension of this 120-day period. Examples of exceptional circumstances include, but are not limited to: **(1)** the closed school's loss of accreditation; **(2)** the closed school's discontinuation of the majority of its academic programs; **(3)** action by the State to revoke the closed school's license to operate or award academic credentials in the State; or **(4)** a finding by a State or Federal government agency that the closed school violated State or Federal law.

SECTION 6: TERMS AND CONDITIONS FOR LOAN DISCHARGE BASED ON SCHOOL CLOSURE (CONTINUED)

- § By signing this form, you are agreeing to provide, upon request, testimony, a sworn statement, or other documentation reasonably available to you that demonstrates to the satisfaction of the Department or its designee that you meet the qualifications for loan discharge based on school closure, or that supports any representation that you made on this form or any accompanying documents.
- § By signing this form, you are agreeing to cooperate with the Department or the Department's designee in any enforcement action related to this application.
- § This application may be denied, or your discharge may be revoked, if you fail to provide testimony, a sworn statement, or documentation upon request, or if you provide testimony, a sworn statement, or documentation that does not support the material representation that you made on this form or on any accompanying documents.

SECTION 7: WHERE TO SEND THE COMPLETED FORM

Return the completed form and any required documentation to:

(If no address is shown, return to your loan holder.)

If you need help completing this form, call:

(If no telephone number is shown, call your loan holder.)

SECTION 8: IMPORTANT NOTICES

Privacy Act Notice. The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you:

The authorities for collecting the requested information from and about you are §421 *et seq.*, §451 *et seq.* and §461 *et seq.* of the Higher Education Act of 1965, as amended (20 U.S.C. 1071 *et seq.*, 20 U.S.C. 1087a *et seq.*, and 20 U.S.C. 1087aa *et seq.*) and the authorities for collecting and using your Social Security Number (SSN) are §§428B(f) and 484(a)(4) of the HEA (20 U.S.C. 1078-2(f) and 20 U.S.C. 1091(a)(4)) and 31 U.S.C. 7701(b). Participating in the William D. Ford Federal Direct Loan (Direct Loan) Program, the Federal Family Education Loan (FFEL) Program, or the Federal Perkins Loan (Perkins Loan) Program and giving us your SSN are voluntary, but you must provide the requested information, including your SSN, to participate.

The principal purposes for collecting the information on this form, including your SSN, are to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan (such as a deferment, forbearance, discharge, or forgiveness) under the Direct Loan, FFEL, or Perkins Loan Programs, to permit the servicing of your loan(s), and, if it becomes necessary, to locate you and to collect and report on your loan(s) if your loan(s) becomes delinquent or defaults. We also use your SSN as an account identifier and to permit you to access your account information electronically.

The information in your file may be disclosed, on a case-by-case basis or under a computer matching program, to third parties as authorized under routine uses in the appropriate systems of records notices. The routine uses of this information include, but are not limited to, its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to consumer reporting agencies, to financial and educational institutions, and to guaranty agencies in order to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan, to permit the servicing or collection of your loan(s), to enforce the terms of the loan(s), to investigate possible fraud and to verify compliance with federal student financial aid program regulations, or to locate you if you become delinquent in your loan payments or if you default. To provide default rate calculations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to state agencies. To provide financial aid history information, disclosures may be made to educational institutions. To assist program administrators with tracking refunds and cancellations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal or state agencies. To provide a standardized method for educational institutions to efficiently submit student enrollment statuses, disclosures may be made to guaranty agencies or to financial and educational institutions. To counsel you in repayment efforts, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal, state, or local agencies.

In the event of litigation, we may send records to the Department of Justice, a court, adjudicative body, counsel, party, or witness if the disclosure is relevant and necessary

to the litigation. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for action. We may send information to members of Congress if you ask them to help you with federal student aid questions. In circumstances involving employment complaints, grievances, or disciplinary actions, we may disclose relevant records to adjudicate or investigate the issues. If provided for by a collective bargaining agreement, we may disclose records to a labor organization recognized under 5 U.S.C. Chapter 71. Disclosures may be made to our contractors for the purpose of performing any programmatic function that requires disclosure of records. Before making any such disclosure, we will require the contractor to maintain Privacy Act safeguards. Disclosures may also be made to qualified researchers under Privacy Act safeguards.

Paperwork Reduction Notice. According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. The valid OMB control number for this information collection is 1845-0058. Public reporting burden for this collection of information is estimated to average 30 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The obligation to respond to this collection is required to obtain or retain a benefit (34 CFR 682.402(e)(3), or 685.215(c)). If you have comments or concerns regarding the status of your individual submission of this form, **contact your loan holder(s) (see Section 7) directly.**

Exhibit 1.D.

UNITED STATES DEPARTMENT OF EDUCATION

ATTESTATION FOR CERTAIN HEALD COLLEGE STUDENTS
APPLICATION FOR BORROWER DEFENSE TO REPAYMENT LOAN DISCHARGE

FORM APPROVED
OMB NO: 1845-0132
Exp. 12/31/2015

The Department of Education has found that at various times between 2010 and 2014, Heald College published misleading job placement rates for many of its programs of study. This form is designed to expedite the process of obtaining loan forgiveness based on borrower defense to repayment for loans taken out by Heald College students to enroll in these programs. This form covers federal Direct Loans received on or after July 1, 2010. A list of covered programs and dates of enrollment is available at https://studentaid.ed.gov/sa/sites/default/files/heald-findings.pdf. Please fill out this attestation ONLY IF your program and dates of enrollment are included on this list.

Heald College students who did not attend programs where the Department of Education found misleading job placement rates, or whose decision to enroll was not influenced by those job placement rates, may still be eligible for loan forgiveness based on borrower defense to repayment. Additional instructions to file a claim for loan forgiveness can be found at studentaid.ed.gov.

Instructions: Please complete this form. To sign the form, insert a digital image of your signature in the appropriate field below or print a hard copy of the form and sign. Submit your form and all supplementary documents referenced in question #4 via email to FSAOperations@ed.gov or mail to Department of Education, PO Box 194407, San Francisco, CA 94119.

SECTION I: BORROWER INFORMATION

First Name | **Middle Name** | **Last Name** | **Date of Birth**

Social Security Number ***(last 4 digits)*** | **Telephone Number** | **Email Address**

Home Address | **City** | **State** | **Zipcode**

I, _____ _____ , attest to the following:

I am submitting this attestation and additional materials in support of my application for a borrower defense to repayment discharge of my Direct Loans under 34 C.F.R. § 685.206 (c).

SECTION II: PROGRAM INFORMATION

If you enrolled in more than one covered Heald program, you will need to complete the following for each covered program you attended. For example, if you were a criminal justice student in 2011 and returned in 2012 for an accounting program, you should complete the first Campus Program section based on your enrollment in criminal justice and the second Campus Program section based on your enrollment in accounting. If you have more than one program, click the Add Campus Program button that appears at the bottom of the Campus Program section.

Note: This form applies to students who enrolled in a program after misleading placement rates were published for the program. A list of covered programs and dates of enrollment is available at https://studentaid.ed.gov/sa/sites/default/files/heald-findings.pdf.
The earliest enrollment date covered is July 1, 2010.

CAMPUS PROGRAM			
Campus	**Enrollment Start Date*** (MM/YYYY)	**Enrollment End Date*** (MM/YYYY)	
Program Name		**Credential**	

1. Prior to my enrollment in this Heald College program, I received information about job placement rates related to my program of study through one or more of the following ways (check each that applies)

   ☐ Brochures advertising Heald College's academic programs or other printed materials, including those provided by Heald College representatives or recruiters;

   ☐ Emails, online materials, or online disclosures from or by Heald College.

2. I believed that the job placement rates related to my program of study indicated the level of quality a Heald education offered to students. I chose to enroll at Heald based, in substantial part, on the information I received about job placement rates related to my program of study and the quality of education I believed those placement rates represented.

3. I applied for and received a federal Direct Loan to cover the cost of attendance of the Heald program in which I enrolled.

4. As an attachment to this attestation, I have included documents(s) with additional information to confirm that I was enrolled in the program of study at Heald College that I identified above, and was enrolled for the dates I provided above. (Suggested documents include transcripts and registration documents indicating your specific program of study at Heald College and dates of enrollment.) The document(s) I have attached are:

☐ *Select the check box if you had multiple periods of enrollment in a program, that is, if you enrolled in a program but subsequently discontinued enrollment, and then reenrolled in the same program at a later date, please provide all start and end dates applicable to this program. *(Deselect the check box to remove any enrollment dates added in error.)*

Add Campus Program | **Remove Campus Program**

SECTION III: OTHER INFORMATION

Please provide or attach any other information about your experience at Heald College that you believe is relevant: *(2,000 characters max)*

SECTION IV: DIRECT LOAN FORBEARANCE

By completing this form, you are eligible to have all of your federal loans placed into forbearance and for collections on any federal loans in default to stop while your claim is reviewed by the Department of Education. Please read the following information carefully before making your selection below.

During any period that your loans are in forbearance, you do not have to make payments on those loans, and the loans will not go into default. If your loans are already in default, collections will stop. This will continue until the loan discharge review process is completed. Your servicer will notify you when your loan has been placed into forbearance or stopped collections. Until you receive that notice, you should continue to make payments.

The forbearance or stopped collections will affect all of a borrower's federal loans, including loans that are **not** eligible for discharge through this form, such as Federal Family Education Loans (FFEL), loans taken out to attend a Heald College program not on the enclosed list of covered programs, or loans taken out to attend another institution.

Note that interest will continue to accrue on all of these federal loans, including subsidized loans, during the forbearance or stopped collections period.

If you want the forbearance or stopped collections to apply only to those loans that may be eligible for a discharge using this form (federal Direct Loans received on or after July 1, 2010 to attend Heald College programs covered by the enclosed list), you must notify your loan servicer. At any time during the forbearance or stopped collections period, you may voluntarily make payments on your loans, including payments for accrued interest, or end the forbearance or stopped collections by contacting your servicer.

If your claim made using this form is successful, your federal Direct Loans borrowed to attend a covered Heald College program will be discharged. Also at that time, the forbearance or stopped collections period for your other federal loans will end. You will be responsible for repaying these other remaining loans, including interest that accrued during the forbearance or stopped collections period, under the terms of your promissory note.

If your claim is denied, you will not receive a discharge of any of your loans and the forbearance or stopped collections period will end for all of your loans. You will be responsible for repaying these loans, including interest that accrued during the forbearance or stopped collections period, under the terms of your promissory note.

☐ Yes, I want my federal loans to be placed in forbearance and for collections to stop on any loans in default while my loan discharge claim is reviewed.

☐ No, I do **not** want my federal loans to be placed in forbearance and for collections to stop on any loans in default while my loan discharge claim is reviewed.

SECTION V: CERTIFICATION

By signing this attestation I certify that:

I have read and understand all of the information in this form.

I agree to provide, upon request, testimony, a sworn statement, or other documentation reasonably available to me that demonstrates to the satisfaction of the Department of Education or its designee that I meet the qualifications for borrower defense to repayment loan discharge.

All of the information I provided is true and complete to the best of my knowledge and I agree, if asked, to provide information reasonably available to me to the Department of Education that will verify the accuracy of my completed attestation.

I understand that the Department of Education has the authority to verify information reported on this application with other federal or state agencies or other entities. I authorize the Department of Education, along with its agents and contractors, to contact me regarding this request at the phone number above using automated dialing equipment or artificial or prerecorded voice or text messages.

I understand that if I purposely provided false or misleading information on this application, I may be subject to the penalties specified in 18 U.S. Code § 1001.

Signature _____ **Date** _____

Privacy Act Notice. The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you: The authorities for collecting the requested information from and about you are §421 *et seq.*, §451 *et seq.* and §461 *et seq.* of the Higher Education Act of 1965, as amended (20 U.S.C. 1071 *et seq.*, 20 U.S.C. 1087(a) *et seq.*, and 20 U.S.C. 1087(a) *et seq.*, and the authorities for collecting and using your Social Security Number (SSN) are §428B(f) and §484(a)(4) of the HEA (20 U.S.C. 1078-2(f) and 20 U.S.C. 1091(a)(4) and 31 U.S.C. 7701(b). Participating in the William D. Ford Federal Direct Loan (Direct Loan) Program, the Federal Family Education Loan (FFEL) Program, or the Federal Perkins Loan (Perkins Loan) Program, and giving us your SSN are voluntary, but you must provide the requested information, including your SSN, to participate. The principal purposes for collecting the information on this form, including your SSN, are to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan (such as a deferment, forbearance, discharge, or forgiveness) under the Direct Loan Program, FFEL, or Perkins Loan Programs, to permit the servicing of your loan(s), and, if it becomes necessary, to locate you and to collect and report on your loan(s) if your loan(s) becomes delinquent or defaults. We also use your SSN as an account identifier and to permit you to access your account information electronically. The information in your file may be disclosed, on a case-by-case basis or under a computer matching program, to third parties as authorized under routine uses in the appropriate systems of records notices. The routine uses of this information include, but are not limited to, its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to consumer reporting agencies, to financial and educational institutions, and to guaranty agencies in order to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan, to permit the servicing or collection of your loan(s), to enforce the terms of the loan(s), to investigate possible fraud and to verify compliance with federal student financial aid program regulations, or to locate you if you become delinquent in your loan payments or if you default. To provide default rate calculations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to state agencies. To provide financial aid history information, disclosures may be made to educational institutions. To assist program administrators with tracking refunds and cancellations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal or state agencies. To provide a standardized method for educational institutions to efficiently submit student enrollment statuses, disclosures may be made to guaranty agencies or to financial and educational institutions. To counsel you in repayment efforts, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal, state, or local agencies. In the event of litigation, we may send records to the Department of Justice, a court, adjudicative body, counsel, party, or witness if the disclosure is relevant and necessary to the litigation. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for action. We may send information to members of Congress if you ask them to help you with federal student aid questions. In circumstances involving employment complaints, grievances, or disciplinary actions, we may disclose relevant records to adjudicate or investigate the issues. If provided for by a collective bargaining agreement, we may disclose records to a labor organization recognized under 5 U.S.C. Chapter 71. Disclosures may be made to our contractors for the purpose of performing any programmatic function that requires disclosure of records. Before making any such disclosure, we will require the contractor to maintain Privacy Act safeguards. Disclosures may also be made to qualified researchers under Privacy Act safeguards.

Paperwork Reduction Act Notice. According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. The valid OMB control number for this information collection is 1845-0132. Public reporting burden for this collection of information is estimated to average 1 hour per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The obligation to respond to this collection is required to obtain or retain a benefit (20 U.S.C. 1087e(h)). If you have comments or concerns regarding the status of your individual submission of this application, please contact FSAOperations@ed.gov.

Exhibit 1.E.


Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION
PROUD SPONSOR of the AMERICAN MIND®

FORBEARANCE/STOPPAGE OF COLLECTION ACTIVITY REQUEST FORM FOR CORINTHIAN COLLEGE BORROWER DEFENSE TO REPAYMENT CLAIMANTS

Background About Borrower Defense to Repayment. Under the law, you may be eligible for loan forgiveness (a discharge) of the Direct Loans you took out to attend a school if that school committed fraud by doing something or failing to do something, or otherwise violated applicable state law related to your loans or the educational services you paid for.

Eligibility for Forbearance/Stoppage of Collections. If you are a Corinthian College student that submits a claim for loan forgiveness based on borrower defense to repayment, you are eligible to have your loans placed into forbearance or, for loans in default, to stop collections while your claim is reviewed by the Department of Education. If you intend to submit a claim but are not doing so at this point, you can still request to enter forbearance or stoppage of collections prior to making your claim by completing the fields below. If you are filing your defense to repayment claim at this time using the Attestation for certain Heald College Students, you can request forbearance or stoppage of collections using that form. You do not need to submit your request below.

Note that interest will continue to accrue on your federal loans, including subsidized loans, during the forbearance or stopped collections period.

If you do not submit your defense to repayment claim within twelve (12) months of making this request, your loans will be taken out of forbearance or stop collections and normal payment and collection activity will resume.

Request for Stoppage of Collection Activity / Forbearance

Required fields are marked with an asterisk (*).

Name and Social Security Number

First Name *	
Middle Name	
Last Name *	
Suffix	
SSN *	

Contact Information

E-mail Address *	
Confirm E-mail Address *	
Phone Number *	United States

Mailing Address

Country *	UNITED STATES
Address Line 1 *	
Address Line 2	
City *	
State *	Select a State
Zip *	

By clicking proceed, I am acknowledging the following:

- If I do not submit my borrower defense claim within twelve (12) months after this submission, my federal loans will be taken out of forbearance and normal payments and collection activity will resume.
- During any period that my loans are in forbearance, I do not have to make payments on those loans, and the loans will not go into default. If my loans are already in default, collections will stop. This will continue until the loan discharge review process is completed. My servicer will notify me when my loan has been placed into forbearance or stopped collections. Until I receive that notice, I should continue to make payments.
- The forbearance or stopped collections will affect all of my federal loans, including loans that may not be related to my borrower defense claim or not eligible for discharge based on borrower defense, such as Federal Family Education Loans (FFEL).
- Interest will continue to accrue on all of my federal loans, including subsidized loans, during the forbearance or stopped collections period.
- If I want the forbearance or stopped collections to apply only to those loans that relate to my borrower defense claim, I must notify my loan servicer.
- At any time during the forbearance or stopped collections period, I may voluntarily make payments on my loans, including payments for accrued interest, or end the forbearance or stopped collections by contacting my servicer.
- I authorize the Department of Education, along with its agents and contractors, to contact me regarding this request at the phone number I provided using automated dialing equipment or artificial or prerecorded voice or text messages.

Proceed

Exhibit 1.F.

For Corinthian Students Who Believe They Were Victims of Fraud or Other Violations of State Law

Students who attended a Corinthian school (Everest, WyoTech, or Heald)—regardless of whether it closed—who believe they were defrauded or that their school otherwise violated applicable state law may be eligible for loan forgiveness (discharge) based on a borrower defense to repayment. If you attended Heald College, there is additional relevant information at the bottom of this page.

Background About Borrower Defense to Repayment

Under the law, you may be eligible for loan forgiveness (a discharge) of the federal Direct Loans you took out to attend a school if that school committed fraud by doing something or failing to do something, or otherwise violated applicable state law related to your loans or the educational services you paid for. This can apply to you regardless of whether your school closed. This process is called defense to repayment, and the law requires borrowers to submit a claim in order to receive debt relief. Through defense to repayment, you may be able to have your entire outstanding federal *Direct Loan* forgiven, and be reimbursed for amounts you have already paid.

The Department of Education is creating a process to make it as easy as possible for borrowers who attended schools that violated the law to seek loan forgiveness (discharge) based on borrower defense to repayment. More information on borrower defense to repayment and how to get your loan discharged will be made available on this page soon.

Borrowers may wish to wait for that information to be made available before applying for a Borrower Defense to Repayment Loan Discharge. But if you choose instead to submit your claim before the new process is available, you may submit materials via email to FSAOperations@ed.gov or by mail to: Department of Education, PO Box 194407, San Francisco, CA 94119. Information on what to include in your borrower defense submission is provided below.

If you have already submitted a claim for borrower defense before June 8, 2015, you do not need to resubmit. Your loans will be placed in forbearance, collections will cease on your defaulted loans, and you will be contacted by a Department of Education servicer with further information. Note that *interest* will continue to accrue while your claim is evaluated. More information on forbearance and stopped collections is available below.

In your Borrower Defense to Repayment submission materials, you should include at a minimum:

- A statement that the borrower wishes to assert a borrower defense to repayment based on state law
- First, middle and last name
- Date of birth
- The last 4 digits of the borrower's Social Security number
- Home address
- Telephone number
- Email address
- Name and location of the school
- The program of study

- Degree, certificate, or other credential attained or sought
- Dates of enrollment
- Documentation to confirm the borrower's school, program of study, and dates of enrollment. Suggested items include transcripts and registration documents indicating your specific program of study and dates of enrollment.

- Any details about the conduct of the school that the borrower believes violated state law including, but not limited to:
  - The state and applicable law or cause of action (if available)
  - Specific acts (including failures to act) of alleged misconduct by the school
  - How the alleged misconduct affected the borrower's decision to attend the school and take out a loan to pay to attend the school
  - The injury suffered by the borrower as a result of the school's alleged misconduct
  - Any other supporting information that would help the Department of Education review the borrower's claim

Once we receive this information, your loans will be placed in forbearance, and collections will cease on your defaulted loans while your claim is evaluated. Interest will continue to accrue while your claim is evaluated. More information on forbearance and stopped collections is available below.