

## Order for Discharge of Federal Student Loan Debt

I, Arne Duncan, by the authority vested in me as Secretary of Education, hereby declare discharged all federal student loans issued under the Higher Education Act to fund an education or expenses related to an education at any of the institutions of higher education owned by Corinthian Colleges, Inc. and/or any of its subsidiaries. As detailed below, I order all Department of Education staff and contractors responsible for these loans to take immediate action to effectuate this declaration.

As the Secretary of Education (Secretary), I, Arne Duncan, have authority to order the discharge of federal student loan debts (debts) under multiple provisions of federal law, including but not limited to:

1. Discretionary power to compromise or terminate collection of debts. 20 U.S.C. § 1082(a)(6); 34 C.F.R. § 30.70; 31 U.S.C. § 3711(a)(2); 34 C.F.R. § 902.2.
2. The requirement that the Department of Education (Department) honor as defenses to repayment of debts any claim concerning issuance of the loan that a student would have had against the school for which the loan was issued. 20 U.S.C. § 1098e(h); 34 C.F.R. § 685.206(c); 34 C.F.R. § 208(g). *See also* FFEL and Direct Loan Master Promissory Notes.
3. The requirement that the Department discharge all debt taken out by students whose eligibility for federal financial aid was falsely certified by the school. 20 U.S.C. § 1087(c)(1); 34 C.F.R. § 685.215.

Read individually, each of these provisions allows me—and the provisions in (2) and (3) compel me—to order the simultaneous discharge of all debts taken out by students of a particular school or set of schools when I, or a Department official whom I have authorized, have made a finding that those school(s) have committed systemic and widespread violations of relevant lending laws with respect to students it has enrolled. Read together, these provisions bestow upon me a broad power to discharge any class of federal student loan debts when I have made a finding that such debts were issued pursuant to unfair, deceptive, fraudulent, or otherwise unlawful acts or practices on the part of an institution or institutions of higher education.

Based on extensive evidence, I hereby find that Corinthian Colleges, Inc. and its subsidiaries (“Corinthian Colleges”) have systematically violated relevant State and Federal laws in inducing student borrowers to take out federal student loans. This evidence comes primarily from the Department’s own investigations of Corinthian Colleges’ actions, including those of the Office of the Inspector General. It is buttressed by the investigations of other law enforcement agencies and detailed communications and claims from the student borrowers affected by Corinthian Colleges’ actions. These include:

1. Multiple States’ Attorneys General have investigated and/or sued Corinthian Colleges, nine of them have formally requested that I discharge all of the federal student loan debt of past Corinthian Colleges students in light of their findings.

2. The Consumer Financial Protection Bureau has sued Corinthian Colleges based on its thorough investigations of Corinthian Colleges' wrongdoing and shared those findings with us.
3. As of June 1, 2015, I have also received 1,042 Defense to Repayment applications from individual student borrowers who attended one of Corinthian Colleges' campuses, which, given their similarity and their detail and their consistency with the evidence and findings of other law enforcement agencies, allow me to conclude that Corinthian Colleges were engaged in widespread violations of the law. Several of these students have elaborated on their applications to Department staff in person.

In light of the foregoing, I cannot but conclude that the student borrowers whose debts derive from Corinthian Colleges' systemic violations of the law must have their debts discharged.

To effectuate this declaration, I hereby order the following:

1. All federal student loan servicers must immediately cease collection action on any and all debts taken out to fund an education or expenses related to an education at any of the institutions of higher education owned by Corinthian Colleges, Inc. and/or any of its subsidiaries. All such servicers must further report to all credit reporting agencies to which they normally furnish credit information on student borrowers that such debts are being discharged because they were illegally issued, with a full list of students to which the discharge applies.
2. All federal student loan servicers must immediately transfer the debts of the aforementioned student borrowers (Corinthian Borrowers) to Federal Student Aid.
3. For the Corinthian Borrowers whose debt it currently services, Federal Student Aid must immediately take all action necessary to nullify any and all of their obligations to repay their outstanding balances and to refund the money already paid on their relevant federal student loans. For the Corinthian Borrowers whose debt it receives from servicers in response to item (2) above, Federal Student Aid must take all action necessary to nullify any and all of these Corinthian Borrowers' obligations to repay their outstanding balances and to refund the money already paid on Corinthian Borrowers' relevant federal student loans as soon as practicable after these debts are transferred. The procedure to effectuate these actions should follow that already in place for effectuating discharges under other provisions of the Higher Education Act.

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Arne Duncan, Secretary of Education

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Date