



What You Need To Know About Your  
**Corinthian Colleges**  
**Student Loans**

What Heald College,  
Everest College, and WyoTech  
Aren't Telling You

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# Introduction

Corinthian Colleges, one of the largest for-profit post-secondary education companies in North America, offered career-oriented diploma and degree programs in health care, business, criminal justice, transportation technology and maintenance, construction trades, and information technology. Operating approximately 100 Everest, Heald and WyoTech campuses around the country, Corinthian enrolled over 75,000 students at the time of its collapse in July 2014.


In the run-up to the final collapse, Corinthian faced hundreds of lawsuits alleging fraud. High dropout rates, student loan default rates, and marketing about job-placement rates drew the scrutiny of the U.S. Department of Education (DOE) and regulators from multiple states.

The DOE noted that Corinthian failed to cooperate with the federal probe into allegations that it altered grades and misled the public on job-placement rates.

Corinthian was being sued by attorneys general in California and Massachusetts. The California lawsuit alleged that the company paid temp agencies to hire its graduates in an attempt to boost job placement rates. And Corinthian also said it was under investigation by the Consumer Financial Protection Bureau.

These regulatory troubles hit Corinthian in the wallet. With falling revenues and declining enrollment, Corinthian was in a precarious situation.

In a May 2014 filing with the Securities and Exchange Commission, Corinthian signaled that it was open to merging or selling off all or part of its business. Corinthian had slashed annual costs by \$125 million – including layoffs of 1,350 employees -- to try to adjust to a reduction in enrollment of 14% and a 12% decline in revenue.



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## **June 19, 2014: The Big Freeze**

On June 19, 2014, the U.S. Department of Education dealt what would ultimately prove to be a fatal blow to Corinthian when it placed the company on an increased level of financial oversight after it failed to address concerns about its practices, including falsifying job placement data used in marketing claims to prospective students and allegations of altered grades and attendance.

“The Department’s foremost interest is to protect students and make sure they are educated by institutions that operate in accordance with our standards,” said U.S. Education Under Secretary Ted Mitchell at the time. “We made the decision to increase oversight of Corinthian Colleges after careful consideration and as part of our obligations to protect hardworking taxpayers and students’ futures.”

As part of the oversight, all of Corinthian’s campuses were now required to wait 21 days after submitting student enrollment data to draw down money for federal student aid. This delay in funding resulted in a cash crunch that left Corinthian without the funds necessary to continue operations.

## **June 22, 2014: Memorandum of Understanding**

On Sunday, June 22, 2014 the U.S. Department of Education and Corinthian signed a memorandum of understanding that released \$16 million in federal student aid funds to the company.

In exchange, Corinthian undertook to develop a plan to sell and teach-out programs across the country over the next six months, including hiring an independent monitor approved by the Department to oversee its finances and the sales process. A copy of the Memorandum of Understanding can be found at the end of this book.

## **July 8, 2014: Operating Agreement**

On July 8, 2014, Corinthian and the US Department of Education entered into an Operating Agreement that finalized the process by which the Corinthian Colleges schools would either be sold or closed while ostensibly protecting the rights of the students through the process.

And so the saga of Corinthian ended ... or did it?

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# What You Need To Know About The Operating Agreement

The Operating Agreement signed between Corinthian and the U.S. Department of Education provides the roadmap for all future operations of the colleges. It allows the government to appoint an independent monitor to ensure that Corinthian complies with all of its duties under the Agreement, and minimizes the risks to the student body.

## Teach-Out or Sale?

Under the Agreement, some schools will be offering a Teach-Out and others will be sold. It's important to understand the difference between those terms before you can get a handle on your rights.

**Sale** means exactly what it sounds like – the school is sold to another college. You complete your program and get your degree or diploma, as the case may be. Your credits are transferred to the new college, and you continue your education without interruption.

**Teach-Out** occurs when a post-secondary school stops offering an educational program or closes before all students enrolled in that program complete the program. Under a teach-out, the school agrees to

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continue teaching those students who are already enrolled until such time as they are able to complete their education. No new students are enrolled in the program.

### **Required Notices To Students**

Under the Agreement, Corinthian must provide notices and disclosures to current and prospective students as to the status of the schools and the options and protections afforded to the students. For schools offering Teach-Out, students must sign an acknowledgment proving that they received and read the notice and disclosures. For schools being sold, Corinthian is required to obtain written acknowledgment that a student who enrolls after the effective date of this agreement has read the notice and disclosures.



### **Schools Being Put Up For Sale**

The Agreement provides a list of schools being put up for sale. That list is annexed to this book in Exhibit D to the Operating Agreement.

### **Students Enrolled In Teach-Out Schools After June 23, 2014**

If you were enrolled at a Teach-Out School after June 23, 2014, you have two options. They are:

1. get a Full Refund from Corinthian; or
2. continue your education with your existing school.

If you don't make a choice, you will be automatically withdrawn from the program and given a Full Refund.

## **Students Enrolled In Teach-Out Schools Before June 23, 2014**

If you were enrolled at a Teach-Out School prior to June 23, 2014, Corinthian will elect one of the following for you (you do not make the choice, Corinthian does):

1. continue your program of study (which may mean transferring to a comparable program of study at a comparable school at no additional cost above the amount such student would have been charged to attend the Corinthian school); or
2. withdraw from school and receive a Full Refund of the total direct costs of attendance.

There is an appeal process in the agreement whereby you can appeal to Corinthian for a reconsideration of whatever it decided. Unfortunately there are no standards for the appeal, and it doesn't appear that the Department Monitor has the authority to overturn whatever Corinthian decides.

Though you should fight for a Full Refund unless you really want to complete your program at a Corinthian school, you can still choose to not to participate in a Teach-out, and apply for a closed school discharge.

## **Full Refund**

If you opt for a Full Refund, Corinthian must do all of the following:

1. return to the Department any Federal Pell and other Federal grants and Federal student loan funds disbursed to you;
2. repay to any private student loan or other lender from whom Corinthian received direct disbursements for your cost of attendance at Corinthian the amount of such disbursements
3. reimburse you any origination and other fees, if any, you incurred in obtaining such private student loan; and
4. return any amounts received directly from you.

The important thing to understand is that Full Refund includes only a refund of money paid directly to Corinthian. So it will not include refund of any loan money exchanged for living expenses, transportation, or for items that are often included in federal student loans, and possibly in private loans.

If you apply for a Full Refund then you should also be able to apply to the Department of Education for a discharge of any federal loans that were not refunded by Corinthian under the Closed School Discharge (we'll talk about that later on). Students in this category who choose a refund really have a very good remedy, which is that they should get their private loans reimbursed, their out-of-pocket costs reimbursed, and be able to apply for a federal loan discharge of those monies not refunded.

### **What If You Don't Want Teach-Out, And Don't Get Full Refund?**

If you get assigned a Teach-Out but opt to withdraw, you may still be able to apply for a full federal loan discharge of your federal student loan. That's the case even if you're stuck in a position that doesn't provide for Full Refund.

In addition, you may be able to apply for reimbursement of any cash or private loans in states where this is covered by a student tuition recovery fund. California, for example, offers a Tuition Recovery Fund that may be helpful for residents of that state.

National Consumer Law Center has a useful list of state programs offering student loan borrower assistance here: <http://bit.ly/Xbc5FF>.

### **What If Your School Closes Outright?**

With respect to students who enroll in programs that Corinthian closes without permitting the students to complete the program, and not in accordance with a previously agreed-upon teach-out plan, Corinthian shall provide a Full Refund to such students.

### **What If Your School Is Up For Sale But Finds No Buyer?**

If Corinthian cannot sell the school, and the school ends up closing, then you may have the right to the closed school discharge. In addition, you may have withdrawal rights under federal law.



## Withdrawal Rights

Under federal regulations, if you withdraw from school before completing 60% of the term then you are entitled to a pro rata refund of federal funds to use for that term, and only that term. This includes Federal Pell Grants, Federal Supplemental Educational Opportunity Grants (SEOG), Stafford and PLUS loans and Federal Perkins Loans.

If you have completed more than 60% of that term then you will not get a federal refund.

For example, if you withdraw after completing 30% of a semester, you have earned 30% of the federal aid awarded for that semester and 70% of your federal aid dollars must be returned. You will give back that money, so you won't be responsible for paying it back.

By regulation, the date used to determine how much federal Title IV aid you have earned is the date on which you contact the Registrar's Office and begin the withdrawal process, drop all your classes, or otherwise notify the University of your intent to withdraw. (The University may use a different withdrawal date as the basis for tuition adjustments or transcript changes.)

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# Discharge Of Federal Student Loans Due To Closed School

If you withdraw from your school within a 120-day period before the school closes, you're automatically entitled to a discharge of your federal student loans under what is called a "Closed School discharge".

If you decide to participate in a Teach-Out but drop out before you complete the program then you may still be entitled to a student loan closed school discharge.

However, if you transfer even one credit from Corinthian to another school in a comparable program, and complete that program, then you will not be eligible for a Closed Loan Student Loan Discharge. Some state tuition recovery funds may provide partial discharges in those circumstances, but based on the federal scheme it's probably not a good idea to transfer credits from Corinthian to another school.

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# Refund Of Federal Student Loans Based On Withdrawal

If you withdraw outside of that period then you may still qualify for a closed school discharge if you can establish what are called “exceptional circumstances.” Such circumstances may include:

- the quality of the education was substantially deteriorating at a school;
- loss of accreditation;
- discontinuation of the majority of academic programs;
- layoffs of teachers necessary to complete your education;
- teachers not showing up for class; and
- deterioration in equipment that isn't being fixed.

It's no easy task to establish exceptional circumstances which is why it may be best to think about opting out of a Teach-Out. That said, if you're participating in a Teach-Out then you should document and record everything you observe that might be a problem. Keep lists of other students along with contact information in case you need witnesses.

Withdrawal is a gamble because there's no way of knowing if or when your school may close.

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# Other Federal Student Loan Discharge Rights

Your rights under federal regulations are far more expansive than merely Full Refund, withdrawal rights and discharge. Though these may collectively solve your federal student loan problems, you may need to consider other options if your school is considered a Sale School.

You may be eligible for a discharge of your Direct Loan or FFEL Program loan in these circumstances:

- Your school falsely certified your eligibility to receive the loan based on your ability to benefit from its training, and you did not meet the ability to benefit student eligibility requirements.
- The school signed your name on the application or promissory note without your authorization or the school endorsed your loan check or signed your authorization for electronic funds transfer without your knowledge, unless the proceeds of the loan were delivered to you or applied to charges owed by you to the school.
- Your loan was falsely certified because you were a victim of identity theft.
- The school certified your eligibility, but because of a physical or mental condition, age, criminal record, or other reason you are disqualified from employment in the occupation in which you were being trained.

The False Certification or Unauthorized Payment Discharge is far more complex than any of the other remedies available to you, but if your situation warrants it then this may be a viable option for you.



## Issues Surrounding Private Student Loans

Private student loans are treated no differently than any other consumer debt. There are no federal or state programs available aside from those offered by Student Tuition Recovery Funds, which means that borrowers are left with limited options.

As a general rule, private student loan companies can sue you for failure to make payments, but must do so within applicable time periods that vary from state to state. If you've got a co-signor or guarantor, that person is subject to being sued as well.

On the positive side, private student loan companies are free to negotiate settlements and repayment plans without being hampered by government regulations. Lawsuits brought by these lenders can be defended in state court, often with positive outcomes.

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# The Role of a Student Loan Lawyer

Though the U.S. Department of Education and Corinthian Colleges have agreed to provide students with information about their rights, your options can be confusing and complicated.

That's one of the reasons why we decided to write this book – to help you get a sense of the ways in which federal and state laws may be able to provide you with relief.

This book is by no means exhaustive, nor can it possibly explain the best options for you given your personal circumstances. That's where a student loan lawyer comes into the picture, and why you should reach out if you've got a question. We can be reached as follows:

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Email [refer@sflawny.com](mailto:refer@sflawny.com)

Be sure to include your full name, home address, phone number and email address.

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# Jay S. Fleischman



Jay is a consumer protection attorney who practices in California and New York. For nearly 20 years he has focused his practice on issues surrounding student loan resolution, debt collection harassment, and consumer bankruptcy.

He is an active member of the National Association of Consumer Bankruptcy Attorneys, National Association of Consumer Advocates, Central District of California Consumer Bankruptcy Attorneys Association, Los Angeles County Bar Association, and Consumer Attorneys Association of Los Angeles.

Jay is a regular lecturer on matters surrounding student loan law, consumer protection and bankruptcy. He has taught at:

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- Central District of California Bankruptcy Attorneys Association
- Central California Bankruptcy Association
- Sacramento Valley Bankruptcy Forum
- Student Loan Law Workshop
- Chapter 13 Trustee Brown Bag Seminar
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A graduate of Quinnipiac University School of Law, Josh spent two years as a law clerk at the Consumer Law Group, a private law firm dedicated to consumer issues. Shortly after graduation he started his own consumer law firm concentrating solely on student loan issues.

Josh has given numerous trainings on student loan law for the National Association of Consumer Bankruptcy Attorneys, National Association of Consumer Advocates, National Consumer Law Center, as well as for bar associations in California, Connecticut, Oklahoma, and Vermont, and legal aid associations in Connecticut, New Jersey, and Vermont.

Josh also runs regular workshops to teach attorneys how to practice student loan law.

Josh holds a BA in Psychology from Brandeis University as well as an MBA. He is a member of the State and Federal Bars for Connecticut and Vermont.

Josh is a resident of West Dover, VT where he lives with his wife, three children, and numerous pets. He can be reached at:

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