

THE WALL STREET JOURNAL.

TRUMP ADMINISTRATION SCRAPS OBAMA-ERA RULES ON FOR-PROFIT COLLEGES

Education Department to rewrite rules, intended to combat fraud and high student-debt burdens

By Josh Mitchell
June 14, 2017

WASHINGTON – The Trump administration scrapped Obama-era rules designed to punish colleges and universities that use deceptive recruiting tactics and charge high prices for dubious degrees.

The rules formed the Obama administration's main response to soaring student debt levels and allegations of deceptive recruiting tactics, particularly at for-profit colleges that specialize in two-year degrees and career certificates. For-profit schools taught about a 10th of all undergraduates at their peak but have been a disproportionate driver of the run-up to \$1.3 trillion student debt and a sharp rise in defaults.

One regulation, known as [gainful employment](#), would have denied access to federal funds – most colleges' main source of revenue – to programs at trade schools if too many of their students leave with high debt levels relative to their earnings. Hundreds of for-profit college programs were in danger of closing in coming years under the gainful employment rule.

Another regulation, known as borrower defense, set financial penalties for institutions – be they trade schools, flagship universities or graduate schools – found to have committed fraud, such as making misleading claims in advertisements about graduates' job placement. The regulation also made it easier for students to sue schools and have their student-loan balances forgiven by the government if their colleges commit fraud.

Education Secretary Betsy DeVos said the rules were overly burdensome and would have proved costly to taxpayers. Colleges have argued the rules are so broadly written they would have exposed them to frivolous lawsuits and penalties, leading to mass taxpayer forgiveness of student loans even when schools did nothing wrong.

Mrs. DeVos has supported private-sector alternatives to public schools in primary and secondary education, and the move is part of a broader effort by the Trump administration to roll back industry regulations. Mrs. DeVos said her agency would rewrite the rules.

"It's time for a regulatory reset," Mrs. DeVos said in a statement. "It is the Department's aim, and this Administration's commitment, to protect students from predatory practices while also providing clear, fair and balanced rules for colleges and universities to follow."

Student advocates and Democratic groups were quick to criticize the move, saying it would lead to more vulnerable students getting into debt at shady schools. Government investigations into wrongdoing led to the downfall of Corinthian Colleges Inc. and ITT Technical Institutes in recent years, leaving taxpayers on the hook for potentially hundreds of millions of dollars in unpaid student loans.

"We're backtracking in terms of consumer protection and taxpayers," said Bob Shireman, a former Obama administration Education Department official, of the Trump administration's efforts.

The Obama administration used the borrower defense regulation to cancel the debt burdens of former students at schools found to have committed fraud. As of mid-January, the Education Department had approved claims from thousands of borrowers to erase \$655 million owed by former ITT and Corinthian students. Student advocates worry that the Education Department under Mrs. DeVos will set too high a threshold for students to prove they were defrauded and get reimbursed.

Mrs. DeVos said Wednesday that the agency is wading through 16,000 claims for reimbursement and that those claims will be processed under the Obama rules. "Promises made to students under the current rule will be promises kept," Mrs. DeVos. "We are working with servicers to get these loans discharged as expeditiously as possible. Some borrowers should expect to obtain discharges within the next several weeks."

Steve Gunderson, head of the industry's Career Education Colleges and Universities, said he would work with the department on a new gainful employment regulation "that protects both students from academic fraud and their schools from ideological efforts geared to destroy postsecondary career education." His group previously sued the Obama administration to block the gainful employment rules.