

# THE WALL STREET JOURNAL.

## TRUMP ADMINISTRATION RESUMES FORGIVING LOANS OF EX-CORINTHIAN STUDENTS

*But in a policy shift, the Education Department said some former students would have only a portion of their debts expunged, instead of entire balance*

By Josh Mitchell  
December 20, 2017

WASHINGTON – The Trump administration said Wednesday it has resumed forgiving federal loans owed by former students of the defunct for-profit chain Corinthian Colleges Inc., ending a nearly yearlong delay.

But in a policy shift, the Education Department said some former students would have only a portion of their debts expunged, instead of the entire balance. The agency said the move was designed to ensure fairness and limit taxpayer losses.

Student advocates criticized the move, which they said would likely leave many victims of fraud, including minimum-wage workers, with thousands of dollars in student debt. Attorneys general of New York and California, which joined other states in suing the Education Department last week over its policy, also raised concerns.

Corinthian was among the nation's largest chains of for-profit trade schools when it [liquidated in bankruptcy court in 2015](#). The company collapsed amid state and federal allegations that it advertised fraudulent statistics about its graduates' career success.

The Obama administration agreed to forgive hundreds of millions of dollars in [debt owed by nearly 29,000 former Corinthian students](#), a Trump Education Department spokesman said, using a decades-old law designed to help students defrauded by schools. The Education Department stopped approving applications in January, when the Trump administration took over.

Education Secretary Betsy DeVos ordered the pause to give the administration time to review rules clarifying which students qualified for forgiveness, and how much could be forgiven, a spokesman said. The agency also wanted to improve record-keeping and other aspects of the adjudication process, he said.

On Wednesday, the department said it has agreed to approve 12,900 additional claims from former Corinthian students.

The department didn't say on Wednesday how much the government has forgiven in Corinthian-related debt. But [an October 2016 department report](#) said the department had approved about 15,700 claims by former Corinthian students to have \$247 million in student debt forgiven.

The agency released a formula for how much individual borrowers could have forgiven, based largely on earnings in particular fields. Under new rules, students with the lowest

earnings will get up to their entire balances forgiven, while borrowers with higher earnings will receive partial loan forgiveness.

The new process will "provide tiers of relief to compensate former Corinthian students based on damages incurred," the department said in a statement.

"This improved process will allow claims to be adjudicated quickly and harmed students to be treated fairly," Mrs. DeVos said in a statement. "It also protects taxpayers from being forced to shoulder massive costs that may be unjustified."

Ben Miller of the Center for American Progress, a left-leaning think tank, said that under the formula, many students in low-wage fields, such as nursing aides, would likely end up with half or less of their balances forgiven. Many Corinthian students borrowed \$15,000 or more in federal student loans to cover tuition and living expenses while in school.

"Essentially the formula is going to penalize the working poor who are holding minimum-wage jobs," Mr. Miller said.

Last week, attorneys general from New York, California and other states filed a lawsuit alleging the Education Department unlawfully pursued collecting loan payments from former Corinthian students.

The suit filed in U.S. District Court in Washington, D.C., said the Education Department delayed reviewing thousands of applications for loan forgiveness.

An Education Department spokesman said the changes announced Wednesday resulted from months of planning and weren't in response to the state lawsuits.

Amy Spitalnick, a spokeswoman for New York Attorney General Eric Schneiderman, said the Education Department's new plan raises "significant concerns."

"The department previously found that tens of thousands of for-profit college borrowers were tricked into taking out loans, and granted full relief to those borrowers," she said in a statement. "This new plan would now deny full relief to borrowers in identical circumstances."

California Attorney General Xavier Becerra disputed the legality of the department's move, saying federal law requires borrowers defrauded by Corinthian to get full loan forgiveness.

"The California Department of Justice will continue to hold her [Mrs. DeVos] accountable through our ongoing lawsuit," Mr. Becerra said in a statement.

#### Corrections & Amplifications

A previous version of this article incorrectly stated the Obama administration had agreed to forgive debt owed by roughly 31,000 former Corinthian students. The correct figure is nearly 29,000. A department spokesman provided the incorrect figure.