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TRUMP ADMINISTRATION PROPOSES TIGHTENING RULES FOR FORGIVING STUDENT LOANS

Proposal is likely to meet opposition from Democrats and advocacy groups

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WASHINGTON – The Trump administration is proposing to tighten the criteria that dictate when former college students who accuse their schools of fraudulent behavior can have their student loans forgiven.

The Education Department said the plan was designed to help genuine victims of fraud, while limiting frivolous claims by former students.

The plan faces stiff opposition from congressional Democrats and consumer advocates, who have warned that any effort to limit debt forgiveness would limit the legal options of students with debts they can't afford to repay.

Under the plan, the Education Department has proposed two alternative standards, and has said it would welcome comments before it publishes final rules on Nov. 1.

Under one option, the department may require students seeking loan relief to be in default, rather than allowing students to apply for forgiveness while they remain in good financial standing.

Under the alternative, students would continue to submit "affirmative" claims, though the department would hold those claims to a higher standard. Either way, former students would have to show that their colleges had an "intent to deceive" or showed a "reckless regard for the truth" in their advertising or recruitment efforts.

"Our commitment and our focus has been, and remains, on protecting students from fraud," said Education Secretary Betsy DeVos. "The regulations proposed today accomplish that by laying out clear rules of the road for higher education institutions to follow." She said the rules would hold institutions accountable, rather than taxpayers.

But critics such as Sen. Patty Murray of Washington, the top Democrat on the Senate Education Committee, said the result would be that fewer students who were defrauded could get their money back.

"This rule would cut billions in debt relief to students who were simply trying to better themselves and instead were cheated out of their education and savings," Ms. Murray said.

Those standards would be more stringent than a set of rules in an Obama administration policy. That policy, released in early 2017 but never implemented, required former students to document false advertising, but it didn't require proof of intent to deceive.

The new rules would also permit schools to present evidence to counter students' claims.

The Trump administration proposed the new rules under a 1993 law designed to help students if their schools had committed fraud, such as inflating their graduates' earnings in recruiting brochures.

The law was used in only a handful of cases until 2015, when the Obama administration turned to the statute to reimburse former students of Corinthian Colleges Inc., a now-defunct chain of for-profit schools accused of widespread fraud.

The administration granted relief to tens of thousands of borrowers, while drafting a set of permanent rules to spell out when the government would spare borrowers filing claims in the future.

Through January 2017, the government had granted relief to nearly 32,000 borrowers owing about \$450 million in student loans, the Education Department's inspector general reported in December.

The government has received more than 60,000 additional claims since January 2016, according to figures Mrs. DeVos submitted to Congress, but it has declined to rule on most of them until the new criteria are completed.

The Trump administration has argued that the Obama-era rules were too vague, allowing former students to have their loans forgiven even when schools did nothing wrong. Officials also cite the policy's potentially high public costs, since any loans forgiven by the government would be covered by taxpayers.

Their plan would impose a new, five-year time limit on the education secretary's ability to ask schools to reimburse the government.

Supporters said the new rules would make sure institutions aren't unfairly targeted. "The rule carefully developed and put forth by the Department stands on two strong pillars: protection for all parties involved and respect for due process," said Steve Gunderson, president of Career Education Colleges and Universities, a top trade group representing for-profit schools.

Student advocates and Democrats have criticized the proposed plan, saying borrowers cannot be expected to produce the kind of evidence the administration intends to demand. They also frame the move as a giveaway to for-profit schools.

"If any version of this proposed rule were to go into effect, predatory companies will make out like bandits," said Aaron Ament, president of the National Student Legal Defense Network and an Obama administration education official. "Meanwhile, students, taxpayers and institutions that try to play by the rules will be left holding the bag."

The new rules, which the Trump administration has been fleshing out since it took office, is one piece in Mrs. DeVos's broader agenda to relax regulations on higher education, especially for for-profit colleges. Administration officials argue that the previous administration tipped its hand unfairly against the for-profit industry.

The new student-loan plan – which will enter a 30-day comment period before it is completed – would affect those who take out loans beginning in July 2019.

It would give students less time to file claims, allowing three years from the date they “discovered, or reasonably should have discovered, the misrepresentation.”

It would bar students from applying for forgiveness if, after a student’s school closed, he or she was given an option to transfer credits elsewhere. And it would prevent state attorneys general from filing class-action claims. Under the Obama policy, they could file applications for groups of students who attended the same school.

The department said it is also weighing a higher standard of evidence for students to have their loans repaid to a “clear and convincing” showing. Previously, students were only required to prove their case by a “preponderance of the evidence,” a lower legal threshold.