



House Democrats Reject Secretary DeVos' Latest Giveaway to Predatory, For-Profit Colleges

H.J. Res. 76, House Democrats' first use of the Congressional Review Act, reverses a DeVos rule that would deny debt relief to students defrauded by predatory colleges

What is the Borrower Defense rule?

Students defrauded by predatory, for-profit colleges are often left with crushing debt, useless degrees, and none of the job opportunities they were promised. Under the *Higher Education Act*, student borrowers who are defrauded by predatory colleges are entitled to relief from the loans they took out to attend that school.

In 2016, following the collapse of Corinthian Colleges and ITT Technical Institute – two major for-profit college chains that consistently defrauded students – President Obama issued the *Borrower Defense rule*, creating a streamlined process to help defrauded borrowers access relief and move forward with their lives.

Borrower Defense Under Secretary DeVos

Since taking office, Secretary DeVos has openly refused to implement the Borrower Defense rule, which has left hundreds of thousands of defrauded borrowers waiting for relief.

First, the Department unlawfully attempted to prevent the Obama-era rule from going into effect. Then, after a federal court ordered Secretary DeVos to implement the rule, she still refused to provide defrauded borrowers the relief they desperately need. Instead of working to make defrauded students whole, the Department finalized a new Borrower Defense rule in August 2019 that forces future defrauded borrowers to navigate a burdensome process to get relief, severely restricts how much relief they can receive, and shifts the cost of providing debt relief from predatory schools to taxpayers.

Analysis of the new rule estimates that the share of eligible loan debt forgiven under the Borrower Defense rule will drop from 53 percent using the Obama-era standard to **just 3 percent** under the DeVos rule.

Under the DeVos rule:

Many borrowers who are clearly defrauded by a predatory institution will be denied debt relief.

The DeVos rule makes it intentionally difficult for students to get relief. Even in cases where a school clearly violates the law, students can still be denied relief if they (1) can't prove the school intentionally defrauded them, (2) can't file their claim fast enough, or (3) can't document exactly how much financial harm they suffered due to fraud.

The DeVos rule also eliminates *automatic closed school discharge*, which provides automatic relief to students whose schools close before they finished their programs. Eliminating this provision blocks off an important path for many defrauded borrowers.

Predatory schools have new tools to block defrauded borrowers from getting the relief they deserve.

The DeVos rule allows predatory schools to use mandatory arbitration agreements, which were prohibited under the Obama-era rule, to prevent defrauded students from getting their day in court. It also allows predatory schools to use high-priced lawyers to fight claims submitted by defrauded students, who rarely have the resources to fight back.

Taxpayers will be on the hook for the fraud committed by predatory institutions.

The DeVos rule weakens the early warning system created by the Obama-era rule that ensures predatory schools facing allegations of widespread fraud are forced to set aside money to cover the potential cost of debt relief. According to an analysis based on the Education Department's own data, the changes to early warning system will result in institutions repaying only 1 percent of debt relief for defrauded borrowers. The other 99 percent will be paid by defrauded borrowers and taxpayers.

About H.J. Res. 76

[H.J. Res. 76](#), sponsored by Congresswoman Susie Lee (NV-03), is House Democrats' first use of the *Congressional Review Act* to reverse a Trump administration rule. The resolution protects defrauded students by immediately blocking the DeVos rule from going into effect.

In doing so, it allows time for the House to advance the [College Affordability Act](#), a comprehensive overhaul of higher education that cracks down on predatory schools and restores the 2016 Obama-era protections for students and taxpayers.