EDITORS' PICK

Senator Durbin Proposes Debt Cancellation For Borrowers Defrauded By ITT Tech And Corinthian

Wesley Whistle Former Contributor
I write about education, including policy, student debt, and more.

May 4, 2020, 02:30pm EDT

This article is more than 4 years old.



Senate Democratic Whip Dick Durbin (D-IL) and other Democratic lawmakers unveiled a plan to provide ... [+] GETTY IMAGES

Senate Democratic Whip Dick Durbin (D-IL) and other Democratic lawmakers unveiled a plan to provide full debt cancellation for defrauded student borrowers in the next coronavirus relief package. Durbin's package would specifically target debt relief to students that attended the now defunct ITT Tech and Corinthian College.

The Coronavirus Emergency Borrower Defense (E-BD) Act from Durbin would provide relief to three categories of borrowers. The first two are those students who attended ITT Tech and Corinthian. These schools closed after findings of fraud from investigations by the Department of Education and state attorneys general.

The other category covers borrowers in group discharge applications made by State attorneys general. These applications usually follow investigations by the attorneys general in their respective states and are sent on behalf of a group of borrowers impacted in the cases that initiated the investigations.

The *Higher Education Act* gives authority to the Secretary of Education to discharge debt from schools that defrauded students in the borrower defense to repayment provision—also known as the borrower defense rule. Controversy and partisan politics have surrounded this rule, particularly the 2016 Obama Administration regulation.

Education Secretary Betsy DeVos recently wrote a new version of the regulation that would make it harder for many students to get relief by creating a significantly higher burden of proof for borrowers. Critics said her rule would make it nearly impossible for borrowers to prove that schools defrauded them. This standard was viewed as so unreasonable that both chambers of Congress rebuked DeVos and voted to overturn the rule under the Congressional Review Act, an initiative led by Durbin in the Senate.

MORE FOR YOU

iOS 18.2—Update Now Warning Issued To All iPhone Users

Microsoft Warns 400 Million Windows Users—Do Not Update Your PC

Selena Gomez And Benny Blanco Are Engaged—And The Internet Has Opinions

DeVos also created a formula for the old rule that would make it harder for borrowers to receive full relief, instead providing partial forgiveness. Based on predicted earnings from the program they were in, student borrowers would receive forgiveness based somewhat on how far their earnings were off from that amount. Experts quickly pointed to several flaws in the formula, calling the methodology "wholly inappropriate" and saying it "confuses many statistical concepts that aren't meant to be used together."

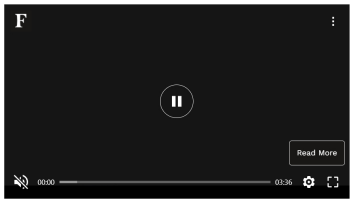
CEO: C-suite news, analysis, and advice for top decision makers right to your inbox.

Email address

Sign Up

By signing up, you agree to receive this newsletter, other updates about Forbes and its affiliates' offerings, our Terms of Service (including resolving disputes on an individual basis via arbitration), and you acknowledge our Privacy Statement. Forbes is protected by reCAPTCHA, and the Google Privacy Policy and Terms of Service apply.

It has been five years since ITT closed and almost four years since Corinthian shuttered and thousands of borrowers have yet to see relief. Durbin's proposal would provide full relief to these borrowers, including for those that have previously received partial relief. The plan would require full discharge within 30 days of enactment.



Durbin is joined by Congressman Mark Takano (D-CA), Senator Sherrod Brown (D-OH), Congresswoman Pramila Jayapal (D-WA-07), and Senator Elizabeth Warren (D-MA). "The borrowers covered by this proposal have been defrauded—according to findings by the Department of Education, itself, and evidence from State attorneys general," Durbin said in a statement.

Congressman Takano, a longtime critic of for-profit colleges, said, "The longer these borrowers are kept waiting for relief, the more emotional and financial hardship they will have to endure. This pandemic must force Congress to find ways to help alleviate the suffering these families and workers are facing."

Senate Democrats proposed that the Department of Education pay loans for all student borrowers during the coronavirus crisis and provide a minimum of $10,000 in student loan forgiveness. Former Vice President Joe Biden, the presumptive Democratic presidential nominee, has endorsed this plan. Progressives in the House have proposed providing $30,000 in student loan forgiveness during the pandemic. Other House Democrats recently called for $20,000 in debt cancellation from the crisis.

As Congress considers more relief from the coronavirus, student debt is likely to continue to be a part of the conversation. While these students' debt is not specific to the pandemic, they have had difficulty finding jobs and paying back their debts and the crisis will likely only add to their struggles.

Follow me on Twitter or LinkedIn.



Wesley Whistle

1 of 4 free articles

Become a Forbes Member. Subscribe to trusted journalism that empowers your journey. **Subscribe Now**