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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

March 28, 2016

The Honorable Robert A. McDonald
Secretary
U.S. Department of Veterans Affairs
810 Vermont Avenue
Washington, DC 20420

Dear Secretary McDonald:

How are you, Mr. Secretary? I'm writing to you today to request information regarding the Department of Veterans Affairs' (the VA's) efforts to address the closure and bankruptcy of Corinthian Colleges, Inc. (Corinthian). Specifically, I seek to better understand how the VA provides assistance to veterans who may be harmed by using their Post 9/11 G.I. Bill educational benefits at schools that close.

Before going out of business, Corinthian operated several for-profit schools that enrolled 72,000 students who received approximately \$1.4 billion in federal financial aid funds annually.¹ In the winter of 2013, the U.S. Department of Education began investigating concerns about Corinthian's job placement rates. In June 2014, the Department of Education placed the company on an increased level of financial oversight after the company failed to respond to repeated requests for information. Subsequently, Corinthian publically disclosed the extent of its financial problems and signaled that it may have to close.²

To protect the interests of students and taxpayers by avoiding an abrupt shutdown, the Department of Education entered into an operating agreement in which Corinthian agreed to sell and prepare to wind down all of its programs. In February 2015, Corinthian sold more than 50 of its campuses to the Zenith Group, a subsidiary of the nonprofit Educational Credit Management Corporation. In April 2015, after confirming that colleges operated by Corinthian misrepresented job placement rates, the Department of Education also notified Corinthian of its intent to fine the company \$30 million. On April 27, 2015, Corinthian announced it would immediately close its remaining 28 campuses and then filed for bankruptcy in May 2015. Approximately 13,500 students were enrolled at Corinthian's locations at the time of its closure, and according to one report, 422 of these students were veterans.³

¹ U.S. Department of Education, Press Release "U.S. Department of Education Heightens Oversight of Corinthian Colleges," (June 19, 2014).

² Corinthian Colleges, Inc. U.S. Securities and Exchange Commission, Form 8-K (June 19, 2014).

³ Chris Kirkham and Alan Zarembo, "For-profit colleges are using the GI Bill to make money off veterans," Los Angeles Times (Aug. 18, 2015).

The Department of Education also took steps to provide student loan relief to borrowers who were adversely affected by the bankruptcy and closing. First, the Department of Education identified 15,000 borrowers who were eligible for a “closed school discharge,” which allows borrowers who meet certain conditions to have the full balance of their outstanding federal student loans discharged when schools close.⁴ As of November 2015, the Department of Education reported that it had approved 5,814 closed school discharge applications, resulting in more than \$75 million in relief to borrowers.⁵ Second, the Department of Education has also taken steps to provide relief to borrowers who attended Corinthian under its “borrower defense” provisions, which allow borrowers to seek loan forgiveness if they believe they were defrauded by their college under state law.⁶ As of December 2015, the Department of Education reported that it had approved 1,312 borrower defense claims, comprising nearly \$28 million in relief to borrowers.⁷

Unfortunately, the bankruptcy and closing of Corinthian highlighted gaps in available protections for veterans and their families using the Post-9/11 GI Bill to complete their education. The VA has stated that it does not believe it has the authority to restore Post-9/11 GI Bill benefits in cases of school closures.⁸ This is concerning given the potential for veterans who attend closed schools to exhaust their benefits before they are able to complete their education. For example, veterans who previously attended Corinthian may find that the credits they earned cannot be transferred to other schools, or the degrees or certificates they earned do not lead to meaningful employment.

As you know, Corinthian’s deceptive practices and the financial difficulties that led to its collapse are not unique and future school closures may put additional veterans at risk. For example, in January 2016, both Education and the Federal Trade Commission brought enforcement actions against DeVry University, based on allegations that it misled consumers about job placement and earnings potential.⁹

Given the substantial investment the federal government makes in the Post-9/11 GI Bill, I believe that Congress has an obligation to ensure safeguards are in place to protect veterans who encounter these unfortunate situations. I also believe we may have a moral and fiscal obligation to ensure that veterans and their families are able to fully utilize the Post-9/11 GI Bill benefit to

⁴ U.S. Department of Education, “First Report of the Special Master for Borrower Defense to the Under Secretary,” (Sept. 3, 2015).

⁵ U.S. Department of Education, “Second Report of the Special Master for Borrower Defense to the Under Secretary,” (Dec. 3, 2015).

⁶ U.S. Department of Education, Press Release “Fact Sheet: Protecting Students from Abusive Career Colleges,” (June 18, 2015).

⁷ See U.S. Department of Education, *supra* note 5.

⁸ Statement of Curtis L. Coy, Deputy Under Secretary for Economic Opportunity, Veterans Benefits Administration, U.S. Department of Veterans Affairs before the Committee on Veterans Affairs, U.S. Senate (Nov. 18, 2015).

⁹ Federal Trade Commission, Press Release “FTC Brings Enforcement Action Against DeVry University,” (Jan. 27, 2016), and U.S. Department of Education, Press Release “Notice of Intent to Limit Issued to DeVry University,” (Jan. 27, 2016).

help them attain a high quality education. While it is important for students to carefully consider which educational programs will best meet their needs, it is also critical that the VA has effective measures in place to protect veterans when schools close.

I would be grateful if you could respond to the questions included in the enclosure to this letter by April 26, 2016. If you or any members of your staff have any questions about this request, please feel free to contact me personally. [REDACTED]

[REDACTED] Thank you very much for your attention to this matter. All the best!

With best personal regards, I am

*many thanks, Mr.
Secretary!*

Sincerely yours,



Tom Carper
Ranking Member

Enclosure

cc: The Honorable Ron Johnson
Chairman

**Questions for the Department of Veteran's Affairs
Regarding the Closure and Bankruptcy of Corinthian College**

1. Please describe the steps the VA has taken to identify and assist Post-9/11 GI Bill recipients affected by school closings, including those at Corinthian:
 - a. How many Post-9/11 GI Bill recipients were enrolled at Corinthian at the time of the closings, and what steps has the VA taken to assist them?
 - b. What is known about Post-9/11 GI Bill recipients who previously attended Corinthian who may have been adversely affected (e.g., those unable to transfer credits or degrees or certificates with no value), and what steps has the VA taken to assist them?
 - c. What is known about the number of Post-9/11 GI Bill recipients affected by other school closings, and what steps has the VA taken to assist them?
 - d. What steps is the VA taking to prepare for future school closings? Please provide documentation, such as guidelines, memoranda, or processes that the VA has in place to guide its efforts when schools close.
2. How much funding from all federal sources (i.e., the Departments of Defense, Education, and Veterans Affairs) did each of Corinthian's schools that abruptly closed in April 2015 receive in academic years 2013-2014 and 2014-2015?
 - a. What percentage of the schools' revenue came from Title IV Sources administered by the Department of Education, based on the calculations required under the current 90/10 rule?
 - b. What percentage of the schools' revenue came from all federal sources?
3. What is the VA's authority to restore Post-9/11 GI Bill benefits for veterans affected by school closings? (e.g., students enrolled at the time of the closing or who had attended recently and were unable to complete their program of study) Please explain.
 - a. Does 38 U.S.C. § 503 (a) grant the VA the authority to provide equitable relief to Post-9/11 GI Bill recipients based on an "administrative error?" If so, how does the VA define administrative error, and what type of benefits can be restored (e.g., tuition and fees, housing allowance, books and supplies stipend)
 - b. Does the VA have the authority to continue providing a housing allowance to Post-9/11 GI Bill recipients affected by school closings?
 - c. What additional authority or resources would the VA need to provide relief to Post-9/11 GI Bill recipients affected by school closings?
4. Has the VA ever restored Post-9/11 GI Bill benefits for recipients? If so, please provide information on:
 - a. the number of recipients whose benefits have been restored, categorized by the reason for the restoration, if possible.
 - b. the amount of benefits restored since the program's inception, categorized by the reason for the restoration, if possible.

5. Has the VA examined the potential cost of restoring benefits to Post-9/11 GI Bill recipients affected by school closings? If so, please provide the results of these analyses.
6. How does the VA coordinate with state approving agencies, the Department of Education, and other federal agencies to enhance its oversight of colleges and universities that participate in the Post-9/11 GI Bill Program?
7. What steps has the VA taken to ensure that Post-9/11 GI Bill recipients who have already enrolled in school receive updated information about the educational institutions they are attending, including information on federal and state enforcement actions and actions by accreditors? For example, when the Department of Education placed Corinthian on heightened cash monitoring in June 2014 based on concerns that it was falsifying job placement rates, what information was communicated to GI Bill recipients enrolled at the institution?
8. Please provide information on the VA's efforts to limit, suspend, or withdraw educational institutions' participation in the Post-9/11 GI Bill program since the inception of the program.
9. In 2014, the VA released an online tool to provide prospective students with the ability to compare educational institutions on a range of indicators, including tuition and fees, outcome measures, and consumer protection information.
 - a. How does the VA use the information in this tool to inform its oversight efforts?
 - b. What steps has the VA taken to assess the completeness and accuracy of the data included in the tool to help veterans make informed decisions?
 - c. What is the VA's process for updating information in the tool?
 - d. What steps has the VA taken to evaluate the effectiveness of the tool in helping veterans make informed decisions about education, including obtaining feedback from veterans?
10. In 2014, the VA established an online feedback system for veterans to report negative experiences with educational institutions. Please provide information on:
 - a. The overall number of complaints submitted since the system was launched and the VA's efforts to address them.
 - b. Complaints about schools owned by Corinthian and the VA's efforts to address them.
 - c. How the VA has used the system to inform its oversight of educational institutions participating in the Post-9/11 GI Bill, including Corinthian.
 - d. The VA's efforts to enhance complaint information available to current and prospective Post-9/11 GI Bill recipients, including any efforts to obtain feedback from veterans.