



*United States Senate  
Committee on Homeland Security and Governmental Affairs*

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Staff Report Prepared for Ranking Member Tom Carper

**EDUCATION DENIED:**

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**THE IMPORTANCE OF ASSISTING  
VETERANS HARMED BY SCHOOL  
CLOSURES**

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# I. EXECUTIVE SUMMARY

For over 70 years, the GI Bill has helped our nation's veterans and their families obtain a high-quality education. In 2008, Congress expanded higher education benefits for a new generation of returning service members through establishment of the Post-9/11 GI Bill. Since this expansion, the Post-9/11 GI Bill program has provided over \$65 billion in payments to help over 1.6 million veterans and their families further their education.

In September 2016, ITT Technical Institutes, a recipient of over \$917 million in Post-9/11 GI Bill funds since the program was established, filed for bankruptcy after announcing the closure of all of its 136 campuses in 38 states. In April 2015, Corinthian Colleges, Inc., which received nearly \$173 million in Post-9/11 GI Bill funds in fiscal years 2013 through 2015, filed for bankruptcy and announced the closure of its remaining 30 campuses. The closure of these two leading operators of for-profit colleges and recipients of more than \$1 billion in Post-9/11 GI Bill funds came in the wake of troubling reports of poor outcomes, aggressive recruiting, and deceptive or misleading practices within the for-profit college industry.

The impact of these school closures on veterans and their families has been significant. Nearly 9,000 veterans—including over 6,800 at ITT Technical Institutes—were actively pursuing their education at schools that have shut their doors since fiscal year 2013. Because transferring credits to another school can prove difficult, school closures put veterans at risk of exhausting their benefits before they are able to graduate. School closures also abruptly end monthly housing allowance payments that provide critical support for living expenses, such as rent or a mortgage, while veterans are in school.

At the request of Ranking Member Tom Carper, minority staff of the Senate Homeland Security and Governmental Affairs Committee conducted an inquiry into the federal government's response to school closures and the policy changes needed to protect veterans when closures occur. As a result of this inquiry, minority staff of the Committee found that veterans have substantially fewer protections when schools close compared to federal student loan borrowers.

For example, the Department of Education has discharged federal student loans for over 11,000 borrowers who attended Corinthian Colleges and has begun taking steps to provide similar relief to students who attended ITT Technical Institutes. Unfortunately, there are no comparable protections for Post-9/11 GI Bill students. Under current law, the Secretary of Veterans Affairs does not have the authority to restore Post-9/11 GI Bill educational benefits when schools permanently close. Moreover, the Secretary of Veterans Affairs does not have the authority to provide any extension of housing allowance benefits following school closures.

The Post-9/11 GI Bill represents a considerable investment of taxpayer dollars in the educational and economic future of our nation's veterans and their families. When schools close for good, our veterans lose their benefits for good. This is unacceptable.

Ensuring that comprehensive relief is also available to Post-9/11 GI Bill students when schools close is a matter of fairness and critical to honoring the service and sacrifice of our veterans. Put simply, our veterans deserve better than to attend schools that abruptly close and leave them without a path to a degree and without a way to pay their rent or mortgage.

Congress and the Department of Veterans Affairs should take the following actions to assist veterans harmed by school closures:

### ***Restore Benefits for Veterans Harmed by School Closures***

- Congress must provide the Secretary of Veterans Affairs with the authority to restore benefits for Post-9/11 GI Bill students who attend schools that close permanently.
- Congress must provide the Secretary of Veterans Affairs with the authority to continue making housing payments for a limited time period to veterans and their families following school closures.
- Congress should consider allowing the Secretary of Veterans Affairs to require schools that pose certain financial risks to set aside funds that could be used to reduce the cost to taxpayers of restoring benefits to the veterans harmed when schools close.

### ***Strengthen Oversight of Schools Receiving Post-9/11 GI Bill Funds***

- The Department of Veterans Affairs should consider ways to enhance its use of existing authorities to ensure schools comply with Post-9/11 GI Bill program requirements.
- The Department of Veterans Affairs should draw on the full range of information it collects to identify schools engaged in prohibited practices and use its authority disapprove new student enrollments or withdraw program approvals when these practices occur.
- Congress should consider increasing funding for State Approving Agencies, which operate under contract with VA and are the primary entities charged with approval of a school's participation in the Post-9/11 GI Bill program.

## II. BACKGROUND

### A. *Post-9/11 GI Bill Benefits Available to Veterans*

The original GI Bill, the Servicemen's Readjustment Act of 1944, provided financial assistance to eligible veterans seeking to enroll in institutions of higher education or vocational training programs.<sup>1</sup> In the years that followed, Congress reaffirmed its commitment to each new generation of veterans with the passage of subsequent GI Bills intended to ease the transition from the military to the civilian workforce. The most recent program, the Post-9/11 GI Bill, which Congress passed in June 2008 and took effect in August 2009, significantly expanded educational benefits for veterans and certain family members.<sup>2</sup>

Post-9/11 GI Bill benefits are available to veterans who served on active duty for at least 90 days since September 11, 2001 or were discharged for a service-connected disability after serving at least 30 continuous days on active duty.<sup>3</sup> Benefits are also available to individuals currently serving in the Armed Forces, National Guard, and Reserves, and the spouses and dependents of some qualifying individuals. Qualifying individuals generally have 15 years from discharge or release from active duty to use the benefits.<sup>4</sup>

The level of benefits a veteran is eligible for varies based on the length of his or her active duty service. Full benefits are available for qualifying individuals who served on active duty for 36 months or were discharged for a service-connected disability after at least 30 continuous days of active duty service.<sup>5</sup> Other qualifying individuals are eligible for a percentage of the full benefit for tuition and fees, housing, and books. See table 1 for details on the seven benefit levels.<sup>6</sup>

<b>Aggregate Time Served on Active Duty Since 9/11/2001</b>	<b>Percentage of Maximum Benefit Payable</b>
At least 36 months	100%
At least 30 continuous days and discharged due to service-connected disability	
At least 30 months, but less than 36 months	90%
At least 24 months, but less than 30 months	80%
At least 18 months, but less than 24 months	70%
At least 12 months, but less than 18 months	60%
At least 6 months, but less than 12 months	50%
At least 90 days, but less than 6 months	40%

Source: U.S. Department of Veterans Affairs

For academic year 2016-17, Post-9/11 GI Bill benefits pay full in-state tuition and fees at public schools or up to a cap of \$21,970 at private non-profit and for-profit schools.<sup>7</sup> Veterans with 100 percent coverage may be eligible for additional benefits through the Yellow Ribbon program. Under this program, schools that enter into voluntary agreements with the Department of Veterans Affairs (VA) agree to pay a portion of the tuition and fees that exceed a veteran's Post-9/11 GI Bill benefit, and VA matches schools' contributions.<sup>8</sup> To help cover additional costs, veterans may also be eligible for grants and loans available through federal student aid programs administered by the Department of Education (Education), such as Pell Grants and Direct Loans.<sup>9</sup>

The Post-9/11 GI Bill monthly housing allowance is generally the same as the basic allowance for housing for certain members of the Armed Forces.<sup>10</sup> In academic year 2016-17, for example, veterans who are eligible for full GI Bill benefits and are full-time students would be eligible for a monthly housing allowance of \$996 for schools in Boise, ID and \$3,699 at schools in New York City.<sup>11</sup> For veterans enrolled in exclusively online programs, the monthly housing allowance is approximately \$800, and for those attending foreign schools, it is approximately \$1,600.<sup>12</sup>

Since the Post-9/11 GI Bill went into effect in August 2009, the VA has provided \$65.2 billion in payments on behalf of more than 1.6 million veterans and their family members.<sup>13</sup> In fiscal year 2015, the program had 790,507 beneficiaries and made \$11.2 billion in payments for tuition, fees, housing, and books.<sup>14</sup> By 2020, more than 5 million veterans are expected to be eligible for this assistance.<sup>15</sup>

## **B. Closures of ITT Technical Institutes and Corinthian Colleges**

*Nearly 9,000 veterans—including over 6,800 at ITT—were actively pursuing their education at ITT, Corinthian, and 70 other schools that have shut their doors since fiscal year 2013.*

The closures of ITT Technical Institutes (ITT) and Corinthian Colleges, Inc. (Corinthian), among the largest operators of for-profit colleges, were notable for the large number of students affected and the substantial federal funding received, including over \$1 billion in Post-9/11 GI Bill funds. These closures also came after troubling reports of poor outcomes, aggressive recruiting, and deceptive or misleading practices within the for-profit college industry.<sup>16</sup> Nearly 9,000 veterans—including over 6,800 at ITT—were actively pursuing their education at ITT, Corinthian, and 70 other schools that have shut their doors since fiscal year 2013.<sup>17</sup>

### **ITT Technical Institutes**

On September 6, 2016, ITT announced that it was ceasing operations at 136 for-profit schools located in 38 states.<sup>18</sup> According to VA, ITT received \$917.2 million in Post-9/11 GI Bill tuition and fees from the program's inception in 2009 through September 2015, making it one of the top recipients of Post-9/11 GI Bill funds.<sup>19</sup> In 2015 alone, Education reported that ITT received roughly \$580 million in federal student aid and enrolled approximately 45,000 students.<sup>20</sup> At the time of the closure, VA estimates that 6,842 GI Bill students were pursuing education and training at ITT.<sup>21</sup>

*The closures of ITT Technical Institutes (ITT) and Corinthian Colleges, Inc. (Corinthian), among the largest operators of for-profit colleges, were notable for the large number of students affected and the substantial federal funding received, including over \$1 billion in Post-9/11 GI Bill funds.*

The closure followed two years of increased oversight by Education. Beginning in August 2014, after ITT failed to meet Education's financial responsibility standards, the Department took a number of actions, including requiring ITT to post a letter of credit for \$79.7 million dollars, an amount equal to 10 percent of the federal financial aid it received during the preceding fiscal year.<sup>22</sup> In June 2016, Education required ITT to post an additional \$44 million letter of credit after its accreditor, the Accrediting Council for Independent Colleges and Schools (ACICS), raised issues related to the school's administrative capacity, financial viability, and ability to serve students, among other matters.<sup>23</sup> In August 2016, ACICS determined that ITT "is not in compliance, and is unlikely to become in compliance with [ACICS] Accreditation Criteria."<sup>24</sup> Based on this finding, Education prohibited ITT from enrolling new students using Title IV federal financial aid funds and subjected ITT to increased financial oversight.<sup>25</sup> Education also determined that ITT must increase the letters of credit on file from \$94.3 million to \$247.3 million to meet financial liabilities owed to the Department if the institution suddenly closed.<sup>26</sup>

At the time of the closure, ITT was also subject to numerous federal and state enforcement actions, including lawsuits filed by the Consumer Financial Protection Bureau, the Securities and Exchange Commission, and two state Attorneys General.<sup>27</sup> The suits allege that ITT engaged in predatory lending; committed fraud by concealing losses from two internal student loan programs from its investors; and engaged in unfair, deceptive, and predatory practices in recruiting and enrolling students.<sup>28</sup> ITT was also the subject of ongoing investigations by an additional 18 state Attorneys General.<sup>29</sup>

### **Corinthian Colleges, Inc.**

Before going out of business in April 2015, Corinthian operated more than 100 for-profit schools that enrolled 72,000 students and received \$1.4 billion in Title IV federal financial aid funds annually from Education.<sup>30</sup> In academic year 2012-13, Corinthian enrolled 6,427 veterans and received \$63.4 million in tuition and fees through the Post-9/11 GI Bill, making it one of the top 10 recipients of Post-9/11 GI Bill funds.<sup>31</sup> In addition, VA reported that Corinthian received \$172.8 million through the Post-9/11 GI Bill in fiscal years 2013 through 2015.<sup>32</sup> Approximately 13,500 students were enrolled at Corinthian's 30 campuses at the time of its closure, including 422 veterans receiving Post-9/11 GI Bill benefits.<sup>33</sup>

In the winter of 2013, Education began investigating concerns that Corinthian had falsified job placement rates.<sup>34</sup> In June 2014, Education placed the company on an increased level of financial oversight after the company failed to respond to repeated requests for information.<sup>35</sup> Subsequently, Corinthian publicly disclosed the extent of its financial problems and signaled that it might close.<sup>36</sup> In August 2014 and September 2014, respectively, VA's State Approving Agencies (SAA) in California and Virginia withdrew GI Bill approval for each of the 26 Corinthian-owned schools located in their states after the company failed to comply with the terms of an earlier suspension.<sup>37</sup>

To avoid an abrupt shutdown, Education entered into an operating agreement in which Corinthian agreed to sell and wind down all of its programs.<sup>38</sup> In February 2015, Corinthian sold more than 50 campuses to the Zenith Group, a subsidiary of ECMC Group.<sup>39</sup> In April 2015, Education notified Corinthian of its intent to fine the company \$30 million after determining the company misrepresented job placement rates to current and prospective students.<sup>40</sup> As a result, on April 27, 2015, Corinthian announced it would immediately close its remaining 30 campuses and then filed for bankruptcy in May 2015.<sup>41</sup>

### III. RANKING MEMBER CARPER'S INQUIRY

In March 2016, Ranking Member Carper began an inquiry into the federal government's response to school closures and the policy changes needed to protect veterans when these closures occur. As part of this inquiry, Ranking Member Carper wrote to Secretary of Veterans Affairs Robert McDonald seeking information about VA's efforts to address the closure and bankruptcy of Corinthian.<sup>42</sup> Among other requests, Ranking Member Carper asked the VA to clarify its authority to restore benefits to Post-9/11 GI Bill students harmed by school closures and provide information on the steps VA has taken to assist students who attended closed schools.

The VA responded to the Ranking Member's request in writing on April 18, 2016 and July 1, 2016.<sup>43</sup> Minority staff of the Committee also received briefings from VA officials in August 2016 and received additional information via email correspondence. Minority staff of the Committee also reviewed statutory and regulatory provisions governing VA education benefits and federal student aid programs, Education's oversight and enforcement actions related to ITT and Corinthian, and selected Securities and Exchange Commission filings from ITT and Corinthian.



## IV. SCHOOL CLOSURES HIGHLIGHT LACK OF PROTECTIONS FOR POST-9/11 GI BILL STUDENTS

As a result of this inquiry, minority staff of the Committee found that Post-9/11 GI Bill students have substantially fewer protections when schools close compared to federal student loan borrowers. While the Department of Education has discharged federal student loans for thousands of borrowers who attended closed schools, there are no comparable protections for Post-9/11 GI Bill students. Under current law, the Secretary of Veterans Affairs does not have the authority to restore Post-9/11 GI Bill educational benefits or extend housing benefits when schools close permanently.

### A. *The Department of Education Has Discharged Loan Debt for Borrowers Harmed by School Closures*

Under the Higher Education Act and its implementing regulations, Education may discharge federal student loan debt for eligible borrowers if the school they took out loans to attend: (1) closes while they are attending or soon after they withdraw or (2) commits fraud, misrepresents its services, or violates applicable state laws.<sup>44</sup> The first option, referred to as a “closed school discharge,” is typically available to borrowers who were enrolled at the time of a school closure or had withdrawn within 120 days of the closing, provided they did not finish their program of study prior to the closure and did not transfer their credits to another school.<sup>45</sup> The second option, referred to as a “borrower defense discharge,” allows certain borrowers to assert a defense to repayment of their federal student loans when there is sufficient evidence of wrongdoing by a school.<sup>46</sup>

After the closures of ITT and Corinthian, Education contacted affected federal student loan borrowers directly to let them know about the options for having their loans discharged.<sup>47</sup> Education also made information related to these options publicly available and directed borrowers to a call center for immediate assistance.<sup>48</sup> In addition, within one day of ITT’s closure, Education launched a series of webinars to help affected students understand the process and eligibility for discharging federal student loan debt.<sup>49</sup>

#### **Closed School Discharge**

As of June 2016, Education had discharged \$97.6 million in federal student loan debt for 7,386 Corinthian borrowers who met the requirements for a closed school discharge.<sup>50</sup> While ITT students have not yet received closed school discharges, Education estimates it may discharge as much as \$500 million in federal student loan debt based on the number of students enrolled in ITT schools within 120 days of the closure.<sup>51</sup> Education also announced it would use the \$94.3 million letter of credit it had on file from ITT to reduce the cost to taxpayers of discharging loans for borrowers harmed by the closure.<sup>52</sup>

In the case of Corinthian, Education also exercised its authority to extend the withdrawal timeframe to any former Corinthian student who withdrew from one of its closed schools between June 20, 2014 and April 27, 2015.<sup>53</sup> This extension allowed more former Corinthian students outside the typical 120-day timeframe to receive a closed school discharge of their federal student loans.

## **Borrower Defense Discharge**

As of June 2016, Education had discharged \$73.1 million in loans for 3,787 Corinthian borrowers who submitted borrower defense claims, and Education is still reviewing additional claims.<sup>54</sup> Given ITT's recent closing, details regarding borrower defense claims for former ITT students are not yet available.

While borrower defense regulations have been in place since 1995, Education rarely used these authorities prior to the collapse of Corinthian.<sup>55</sup> As a result, Education recognized the need to develop an infrastructure for processing claims submitted by former Corinthian students to ensure "a fair, transparent, and efficient process."<sup>56</sup>

In response, Education appointed a "Special Master" in June 2015 to help develop a process for providing relief to federal student loan borrowers who have legal claims against the schools they attended.<sup>57</sup> From August 2015 to June 2016, the number of individuals who filed borrower defense claims with Education grew from 4,140 to 26,303.<sup>58</sup> As a result, Education added additional staff to assist the Special Master's review and adjudication of claims.<sup>59</sup> In February 2016, Education also appointed a Chief Enforcement Officer to lead a newly created Student Aid Enforcement Unit to help support the borrower defense process and "respond more quickly and efficiently to allegations of illegal actions by higher education institutions."<sup>60</sup>

Given the time involved in researching borrower defense claims, Education developed a process for providing borrowers relief during the review of their claims. Specifically, Education announced that borrowers who believed that their school had engaged in fraud could request forbearance to suspend their monthly payments for up to 12 months while the Department reviewed their borrower defense claims.<sup>61</sup> Similarly, borrowers with federal student loans in default could request that Education stop collection activities during this review.<sup>62</sup>

Education also announced that it would amend federal student loan regulations to create a consistent borrower defense standard, streamline the process for submitting borrower defense claims, and hold schools more accountable for loan discharges if they engage in misconduct or show certain signs of financial risk.<sup>63</sup> In June 2016, Education issued draft regulations for notice and comment.<sup>64</sup> Education expects to issue a final rule by November 1, 2016, which would then take effect on July 1, 2017.<sup>65</sup>

### ***B. VA Lacks the Authority to Restore Post-9/11 GI Bill Benefits for Veterans Harmed by School Closures***

Unlike the protections in place for federal student loan borrowers, VA's authority to restore Post-9/11 GI Bill benefits for veterans and their families is limited. The Secretary of Veterans Affairs lacks the authority to restore Post-9/11 GI Bill educational benefits when schools permanently close or are found to have defrauded students.<sup>66</sup> Moreover, the Secretary does not have the authority to continue or restore housing allowance payments in such cases.<sup>67</sup>

VA can restore benefits when military service, such as a call to active duty or change in duty station, results in a loss of credit or training time toward program completion, and has done so for approximately 5,000 Post-9/11 GI Bill students.<sup>68</sup> VA also has the authority to grant equitable relief to cover administrative errors or erroneous determinations of eligibility, such as a processing error made by a claims examiner or a loss incurred due to an incorrect determination made by

VA.<sup>69</sup> In addition, VA has the authority to continue housing benefits in limited instances, such as when schools close temporarily due to an emergency.<sup>70</sup>

For the nearly 9,000 Post-9/11 GI Bill students who were attending ITT, Corinthian, and 70 other schools that have closed since fiscal year 2013, school closures resulted in an abrupt end to their monthly housing allowance and the loss of their education benefits for incomplete coursework.<sup>71</sup> According to VA, housing benefits are the primary or sole source of funds for housing, food, utilities, and other needs while many Post-9/11 GI Bill students are attending school.<sup>72</sup> In addition, Post-9/11 GI Bill students may find that they cannot transfer credits they previously earned at closed schools to other schools.<sup>73</sup> As a result, some veterans may exhaust their Post-9/11 GI Bill benefits before they can complete their program of study at another school.

## ***Challenges Faced by Post-9/11 GI Bill Students Following the Closure of ITT***

***Some veterans and their families shared the challenges they face following the closure of ITT in comments posted on VA's GI Bill Facebook page.***<sup>74</sup>

"Here is my question? What's going to happen to all of the veterans who lose their homes due to this? Without [the monthly housing allowance] coming in my family of 5 can't pay our rent and then what? My husband served 9 years and 3 combat deployments, and for that he loses the credits he's worked for, loses the money to retake those classes and we lose our home?!" - September 10, 2016

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"I have used over 3/4 of my Post-9/11 GI Bill benefits at ITT Tech. As soon as I found out about the lawsuits against them I dropped out. None of my courses I've completed will transfer and I have hardly anything left in my GI Bill to attend another school and start from scratch." - September 7, 2016

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"We moved into to a new place 3 days before the email [notification about ITT's closure], I had even gone into the school a week prior to ask how this would affect me and the school said students already attending had no risk of losing anything. Just put all I had into that move, left with the gas that's in the car, stocked food in the cabinets with the rest of my money, working out plans for assistance and waiting to start at another school, this could have been a lot easier to manage with some notice." - September 12, 2016

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"What is supposed to happen to those of us who counted on the [monthly housing allowance] to sustain a living while attending?...If we had been given enough notice, we could have adjusted our finances and budgets to account for ITT closing, but as it stands, we were told we lost everything SIX DAYS before the quarter was supposed to start..." - September 14, 2016

## **Actions to Address School Closures**

After the closures of ITT and Corinthian, VA took several actions to assist veterans and their families. In the case of ITT, VA sent emails to Post-9/11 GI Bill students who were attending the schools leading up to and following ITT's closure.<sup>75</sup> In the case of Corinthian, VA Education Call Center employees directly contacted Post-9/11 GI Bill students who were attending Corinthian schools to discuss the impact of the closure on their benefits.<sup>76</sup> VA posted information on its website and Facebook page regarding the impact of the closures, resources for finding a new school, and federal student loan discharge options offered through Education.<sup>77</sup> VA also contacted State Approving Agencies (SAAs), which are responsible for reviewing and approving schools for participation in the Post-9/11 GI Bill program, so that states could provide any available assistance to affected students.<sup>78</sup>

VA has also taken steps to make more information about schools available to prospective Post-9/11 GI Bill students. In 2014, VA developed the GI Bill Comparison Tool to help veterans and their families estimate their GI Bill benefits and learn more about approved educational programs.<sup>79</sup> VA reported that the tool now includes caution flags to encourage prospective students to consider the status of schools that pose certain risks before enrolling.<sup>80</sup> For example, VA placed caution flags on the Post-9/11 GI Bill Comparison tool to alert prospective students to Education's oversight and enforcement actions at ITT schools in advance of the closure.<sup>81</sup> As of September 2016, VA reported placing caution flags for 1,370 of the 16,805 GI Bill approved schools.<sup>82</sup>

### ***C. Although Post-9/11 GI Bill Oversight Has Increased, More Work Remains to Protect Veterans and Taxpayers***

#### **Principles of Excellence**

In response to reports of aggressive and deceptive targeting of service members, veterans, and their families by some educational institutions after the Post-9/11 GI Bill became law, President Obama issued Executive Order 13607 in April 2012.<sup>83</sup> The Executive Order directed VA and other agencies to establish "Principles of Excellence" to ensure veterans and their families have the information needed to make informed decisions concerning educational benefits and to strengthen oversight, enforcement, and accountability within federal military and veterans educational benefit programs.<sup>84</sup>

VA encourages schools to adopt the Principles of Excellence and lists schools with the designation on the GI Bill website, but participation is not required.<sup>85</sup> By adopting the Principles of Excellence, schools commit to providing meaningful information about the financial cost and quality of their programs to help students make informed choices about how to use their federal educational benefits.<sup>86</sup> Schools must also commit to ending abusive and deceptive recruiting practices and providing high-quality academic and student support services.<sup>87</sup>

To strengthen enforcement and compliance mechanisms, the Executive Order requires VA to assess participating schools for compliance with the Principles of Excellence; develop targeted risk-based compliance reviews; create a centralized complaint system for students using VA education benefits; and take all appropriate steps to ensure programs and websites are not deceptively and fraudulently marketing educational services and benefits.<sup>88</sup>

## State Approving Agencies

VA contracts with State Approving Agencies (SAAs) to carry out its oversight and enforcement responsibilities.<sup>89</sup> According to VA, SAAs “play a vital role in the approval of programs, outreach, training, and enforcement of VA education benefits.”<sup>90</sup> Governors in each state create or designate SAAs, which operate under federal authority and with federal funding.<sup>91</sup> For the last 10 years, SAAs have received \$19 million per year in mandatory VA funding to carry out these responsibilities.<sup>92</sup>

VA has the authority to suspend benefit payments, disapprove new student enrollments, and withdraw program approval for schools that do not comply with Post-9/11 GI Bill requirements.<sup>93</sup> SAAs also have the authority to suspend or withdraw program approval.<sup>94</sup> For example, schools must keep adequate records for GI Bill students that show their progress and grades; maintain written records that demonstrate the school has given GI Bill students appropriate credit for prior education and training; and ensure that no more than 85 percent of students in a program of study have all or part of their educational expenses paid for by the school or VA.<sup>95</sup> In addition, federal law prohibits the VA Secretary from approving “the enrollment of an eligible veteran or eligible person in any course offered by an institution which utilizes advertising, sales, or enrollment practices of any type which are erroneous, deceptive, or misleading by actual statement, omission, or intimation.”<sup>96</sup> Despite having this authority, VA stated that it primarily relies on SAAs to withdraw GI Bill program approval.<sup>97</sup>

*According to VA, between December 2010 and December 2015, 28 schools had their approval withdrawn for erroneous, deceptive, or misleading practices, and five schools had program approval withdrawn for fraud. As of September 2016, 16,805 schools had GI Bill approval.*

VA is required to conduct annual reviews to assess whether schools are complying with program requirements.<sup>98</sup> VA reports that it conducts about 5,000 compliance surveys annually with the support of SAAs.<sup>99</sup> While compliance surveys have generally focused on the accuracy of payments, a 2014 Government Accountability Office (GAO) report found that VA had taken steps to implement a risk-based approach for identifying schools for compliance reviews in response to the Executive Order.<sup>100</sup> VA reported that it reviews complaints submitted through the GI Bill Feedback System—a centralized complaint system implemented in response to the Executive Order—to identify schools for targeted risk-based reviews.<sup>101</sup> Specifically, VA stated that it looks for signs of erroneous, deceptive, or misleading practices; fraudulent activity; and other indicators of noncompliance.<sup>102</sup> VA has also worked with SAAs to conduct targeted risk-based reviews in response to federal enforcement actions.<sup>103</sup>

During compliance reviews, staff must also review whether a school’s advertising, sales, or enrollment practices are erroneous, deceptive or misleading, under existing law.<sup>104</sup> GAO found that VA had begun providing training to help compliance staff identify such practices and added a question about fraudulent or aggressive recruiting to its compliance survey protocols.<sup>105</sup> However, few schools have had their Post-9/11 GI Bill approval withdrawn because of such practices. According to VA, between December 2010 and December 2015, 28 schools had their approval withdrawn for erroneous, deceptive, or misleading practices, and five schools had program approval withdrawn for fraud.<sup>106</sup> As of September 2016, 16,805 schools had GI Bill approval.<sup>107</sup>

After reports regarding Corinthian's poor financial condition, SAAs in California and Virginia took steps in 2014 to prevent veterans from using their Post-9/11 GI Bill funds at these financially risky schools. Following 60-day suspensions in which Corinthian had the opportunity to demonstrate that it had addressed financial stability concerns, the SAAs in California and Virginia permanently withdrew GI Bill approval for Corinthian schools.<sup>108</sup> When an SAA withdraws approval, schools may no longer receive GI Bill benefits for current or new students. Because Corinthian operated schools nationwide, veterans in other states may have faced harms, such as losing their education and housing benefits, when Corinthian ultimately closed.

### **Interagency Coordination**

VA also partners with other federal agencies through an interagency task force to strengthen oversight of for-profit schools.<sup>109</sup> As part of this effort, VA has established memoranda of understanding with Education, the Consumer Financial Protection Bureau, and the Department of Defense to share information regarding GI Bill-approved schools.<sup>110</sup> However, VA has not leveraged the interagency task force or information sharing agreements to disapprove new student enrollments or withdraw Post-9/11 GI Bill program approval.

Instead, VA has taken limited action that allows schools to continue receiving Post-9/11 GI Bill benefits. For example, as Education subjected Corinthian and ITT to heightened oversight and took steps to limit the flow of federal student aid to the schools, VA did not take action to protect GI Bill students at these schools. In fact, following Education's August 2016 decision to prohibit ITT from enrolling new students with federal student aid funds, VA notified GI Bill students attending ITT that Education's decision would have no immediate impact on students' ability to use their GI Bill benefits.<sup>111</sup>

In November 2015, VA entered into a memorandum of agreement with the Federal Trade Commission to use the Commission's resources to investigate cases indicating the use of erroneous, deceptive, or misleading advertising.<sup>112</sup> VA also submits closed valid complaints that it receives through the GI Bill Feedback System to the Federal Trade Commission's Sentinel Database, which is available to state and federal law enforcement agencies, including the Department of Justice and state Attorneys General.<sup>113</sup> As of August 2016, VA had not yet referred any cases to the Commission.<sup>114</sup>

## V. CONCLUSIONS AND RECOMMENDATIONS

The Post-9/11 GI Bill represents a considerable investment of taxpayer dollars in the educational and economic future of our nation's veterans and their families. The closures of ITT and Corinthian highlight how Post-9/11 GI Bill students have substantially fewer protections when schools close compared to federal student loan borrowers. When schools close for good, our veterans lose their benefits for good. This is unacceptable.

Congress and the VA must do more to assist veterans harmed by school closures. Ensuring that comprehensive relief is also available to Post-9/11 GI Bill students when schools close is a matter of fairness and critical to honoring the service and sacrifice of our veterans. Put simply, our veterans deserve better than to attend schools that abruptly close and leave them without a path to a degree and without a way to pay their rent or mortgage.

### **A. *Restore Benefits for Veterans Harmed by School Closures***

While the Department of Education has discharged federal student loans for thousands of borrowers who attended closed schools, there are no comparable protections for Post-9/11 GI Bill students. Congress must provide the Secretary of Veterans Affairs with the authority to restore benefits for Post-9/11 GI Bill students who attend schools that close permanently.<sup>115</sup> In addition, Congress must also provide the Secretary of Veterans Affairs with the authority to continue making housing payments for a limited time period to veterans and their families following school closures. Providing this relief would also better ensure veterans and their families are able to receive the benefits of a high-quality education earned through service to our country.

Congress should also consider allowing the Secretary of Veterans Affairs to require schools that pose certain financial risks to set aside funds to help restore benefits to the veterans harmed by school closures. The Department of Education currently has a similar type of authority for schools that participate in federal student loan programs, and exercised it in the case of ITT. While the exact mechanism for such a system requires further discussion, the substantial sums of Post-9/11 GI Bill funds received by schools that close—including over \$1 billion in payments to ITT and Corinthian—obligate these institutions to help reduce the costs to taxpayers of providing relief to veterans.

### **B. *Strengthen Oversight of Schools Receiving Post-9/11 GI Bill Funds***

The closures of ITT and Corinthian highlight the limits of the VA's reliance on individual SAAs to approve a school's participation in the Post-9/11 GI Bill program. To protect veterans before school closures occur, VA should consider ways to enhance its use of existing authorities to ensure compliance with Post-9/11 GI Bill requirements.

In particular, VA and SAAs currently have dual authority to take action against schools engaged in deceptive or misleading advertising or recruiting practices. VA also should draw on the full range of information it collects—including through compliance surveys, complaints from Post-9/11 GI Bill students, the interagency task force, and actions by SAAs and state Attorneys General—to identify prohibited practices. If prohibited practices are identified, VA should use

its authority to disapprove new student enrollments or withdraw program approvals. Such steps would protect veterans from wasting their educational benefits at schools that are unable to provide a high-quality education and limit the flow of Post-9/11 GI Bill funds to bad actors.

Congress should also consider increasing funding for SAAs. SAAs remain the primary entities charged with approval of a school's participation in the Post-9/11 GI Bill program. Yet despite a significant expansion of educational benefits to veterans, the amount of federal funding provided to SAAs has remained stagnant at \$19 million for each of the last 10 years. This limited funding means that Congress has devoted less than .3 percent of the \$65 billion in Post-9/11 GI Bill payments since 2009 to SAAs' oversight of schools participating in the program. Increased funding would provide the SAAs with more resources to ensure that schools are providing veterans with a quality education and VA does not make Post-9/11 GI Bill payments to schools not in compliance with program requirements.



# APPENDIX

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# United States Senate

COMMITTEE ON  
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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.<sup>1</sup> 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.<sup>2</sup>

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.<sup>3</sup>

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

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

<sup>3</sup> 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.<sup>4</sup> 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.<sup>5</sup> 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.<sup>6</sup> 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.<sup>7</sup>

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.<sup>8</sup> 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.<sup>9</sup>

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

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

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

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

<sup>7</sup> See U.S. Department of Education, *supra* note 5.

<sup>8</sup> 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).

<sup>9</sup> 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).



The Honorable Robert A. McDonald  
March 28, 2016  
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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.

VA



U.S. Department  
of Veterans Affairs

April 18, 2016

The Under Secretary of Veterans Affairs for Benefits  
Washington, D.C. 20420

The Honorable Tom Carper  
Ranking Member  
Committee on Homeland Security and  
Governmental Affairs  
United States Senate  
Washington, DC 20510

Dear Senator Carper:

Thank you for your March 28, 2016, letter to the Department of Veterans Affairs (VA) regarding the bankruptcy of Corinthian Colleges, Inc., and its impact on Post-9/11 GI Bill benefit beneficiaries. I am responding on behalf of the Department.

We share your concern regarding the impact that this school's bankruptcy may have on Veterans and other beneficiaries who were using their Post-9/11 GI Bill benefits at Corinthian. We want to make sure that we fully and adequately address each of the questions that you have posed, and are currently in the process of collecting, consolidating, and reviewing the data required to respond to your request. Due to the complexity of some of the questions, we require additional time to complete our response. We plan to have a final response to you as soon as possible.

VA is grateful for your continuing support of Veterans and appreciates your efforts to pass legislation enabling VA to provide Veterans with the high-quality care they have earned and deserve. As the Department focuses on ways to help provide access to health care in your district or state and across the country, we have identified a number of necessary legislative items that require action by Congress in order to best serve Veterans.

Flexible budget authority would allow VA to avoid artificial restrictions that impede our delivery of care and benefits to Veterans. Currently, there are over 70 line items in VA's budget that dedicate funds to a specific purpose without adequate flexibility to provide the best service to Veterans. These include limitations within the same general areas, such as health care funds that cannot be spent on health care needs and funding that can be used for only one type of Care in the Community program, but not others. These restrictions limit the ability of VA to deliver Veterans with care and benefits based on demand, rather than specific funding lines.

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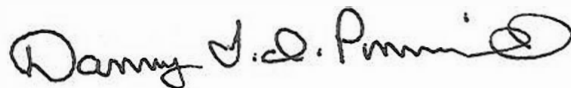
The Honorable Tom Carper

VA also requests your support for the Purchased Health Care Streamlining and Modernization Act. This legislation would allow VA to contract with providers on an individual basis in the community outside of Federal Acquisition Regulations, without forcing providers to meet excessive compliance burdens. Already, we have seen certain nursing homes not renew their agreements with VA because of these burdens, requiring Veterans to find new facilities for residence. VA further requests your support for our efforts to recruit and retain the very best clinical professionals. These include, for example, flexibility for the Federal work period requirement, which is not consistent with private sector medicine, and special pay authority to help VA recruit and retain the best talent possible to lead our hospitals and health care networks.

[REDACTED]

Thank you for your continued support of our mission.

Sincerely,



Danny G. I. Pummill  
Acting Under Secretary for Benefits



DEPARTMENT OF VETERANS AFFAIRS  
Veterans Benefits Administration  
Washington DC 20420

JUL 01 2016

The Honorable Tom Carper  
Ranking Member  
Committee on Homeland Security and  
Governmental Affairs  
United States Senate  
Washington, DC 20510

Dear Senator Carper:

Thank you for your March 28, 2016, letter to the Department of Veterans Affairs (VA) regarding the bankruptcy of Corinthian Colleges, Inc. and its impact on Post-9/11 GI Bill beneficiaries. This letter is a follow-up to my interim response dated April 18, 2016.

The closure of educational institutions where GI Bill beneficiaries are actively pursuing education or training impacts Veteran students and eligible dependents negatively in many ways. Their monthly housing benefits are suddenly and unexpectedly discontinued. For many students, these benefits are the primary (or sole) source of funds for housing, food, utilities, and other basic necessities while attending school. While VA beneficiaries are entitled to benefits for the term, quarter, or semester up to the time of the school's closure, they are charged entitlement for the period prior to the closure, even though they did not earn credit toward program completion related to that attendance. In some instances, this could result in a beneficiary exhausting his or her entitlement prior to completing the program at another institution.

Our responses to your questions concerning school closures in general, as well as those specifically related to the closure of Corinthian Colleges, are provided in the enclosure. Thank you for the opportunity to review this matter.

VA is grateful for your continuing support of Veterans and appreciates your efforts to pass legislation enabling VA to provide Veterans with the high-quality care they have earned and deserve. As the Department focuses on ways to help provide access to health care in your district or state and across the country, we have identified a number of necessary legislative items that require action by Congress in order to best serve Veterans.

Flexible budget authority would allow VA to avoid artificial restrictions that impede our delivery of care and benefits to Veterans. Currently, there are over 70 line items in VA's budget that dedicate funds to a specific purpose without adequate flexibility to provide the best service to Veterans. These include limitations within the same general areas, such as health care funds that cannot be spent on health care

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The Honorable Tom Carper

needs and funding that can be used for only one type of Care in the Community program, but not others. These restrictions limit the ability of VA to deliver Veterans with care and benefits based on demand, rather than specific funding lines.

VA also requests your support for the Purchased Health Care Streamlining and Modernization Act. This legislation would allow VA to contract with providers on an individual basis in the community outside of Federal Acquisition Regulations, without forcing providers to meet excessive compliance burdens. Already, we have seen certain nursing homes not renew their agreements with VA because of these burdens, requiring Veterans to find new facilities for residence. VA further requests your support for our efforts to recruit and retain the very best clinical professionals. These include, for example, flexibility for the Federal work period requirement, which is not consistent with private sector medicine, and special pay authority to help VA recruit and retain the best talent possible to lead our hospitals and health care networks.

[REDACTED]

Thanks, again, for your support of our mission.

Sincerely,



Thomas J. Murphy  
Principal Deputy Under Secretary for Benefits  
Performing the duties of  
Under Secretary for Benefits

Enclosure

**Department of Veterans Affairs (VA)  
Response to Questions from the Honorable Tom Carper  
Concerning the Closure of Corinthian Colleges**

**Question 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?**

**VA Response:** Corinthian Colleges, Inc., closed 28 schools on April 27, 2015, and subsequently filed for bankruptcy. The closure of six Corinthian College schools abruptly ended the educational plans of 422 students receiving Post-9/11 GI Bill benefits.

VA Education Call Center employees contacted all active GI Bill students attending Corinthian schools to inform them of the impact to their benefits and offer assistance. VA also posted information on its GI Bill Facebook page and GI Bill website regarding the closure, resources for finding a new school, and information on the Department of Education (ED) student loan forgiveness program. VA also notified the State Approving Agencies (SAAs) so that any available State aid could be provided to impacted students.

- 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?**

**VA Response:** VA did not contact GI Bill students who previously attended Corinthian schools, as no further support could be provided. VA has no statutory authority to continue benefits beyond the date of school closure or to restore benefit entitlement used at schools that have permanently closed, such as Corinthian Colleges.

- 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?**

**VA Response:** In fiscal years 2013 and 2014, 70 schools with Post-9/11 GI Bill-approved programs closed. Approximately 1,605 beneficiaries were actively pursuing an approved program of education or training from these schools and were impacted.

Prior to Corinthian's closing, VA relied on the school and the SAAs to contact students. Beginning with Corinthian's closings, VA is now more closely working with the SAAs to ensure we are informed of school closures so that we can proactively contact affected students. The SAAs continue to serve on the front lines in working with Veteran students when closures occur.



- 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.**

**VA Response:** As discussed in the response to question 1c, VA is now taking a more proactive approach in dealing with future school closings. Currently, there is no formal guidance in place; however, we are working on developing guidance for future school closures. Also, VA has proposed and supported legislation to amend title 38, U.S.C., to provide assistance to individuals actively pursuing VA education or training at the time an educational institution closes

**Question 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?**

**VA Response:** VA funding for Corinthian schools for academic years 2013-2014 and 2014-2015 is provided in the table below. However, VA must defer to the Department of Defense (DoD) and ED for funding information regarding the programs they administer.

Fiscal Year	Amount Paid (Tuition and Fee/Yellow Ribbon Payments)
2013	\$68,503,409.20
2014	\$63,291,835.42
2015	\$41,037,563.81
Total	\$172,832,808.43

- b. **What percentage of the schools’ revenue came from all federal sources?**

**VA Response:** As discussed in the response to question 2a, VA defers to DoD and ED for funding information regarding programs they administer. VA funding for Corinthian schools is provided above.

**Question 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)?**

**VA Response:** VA is unable to grant equitable relief under 38 United States Code (U.S.C.) § 503 based solely on a school closure. While the Secretary has the authority to provide equitable relief due to an administrative error by VA (e.g., a processing error made by Veterans Claims Examiner) or because of a loss incurred due to reliance on an erroneous determination on VA's part, a school closure after benefits have been properly awarded does not constitute an administrative error or erroneous determination on the part of VA, as VA is not responsible for the school's closure.

**b. Does the VA have the authority to continue providing a housing allowance to Post-9/11 GI Bill recipients affected by school closings?**

**VA Response:** VA has the authority to continue payments to beneficiaries when schools are temporarily closed due to an emergency or established policy based on an Executive Order of the President. In such cases, VA will continue payments for certified periods of enrollment through the end of the term or up to 4 weeks (28 calendar days) from the date of the school closure, whichever is earlier.

There is no similar statutory or other authority upon which to continue benefit payments in the event of a permanent school closure, regardless of the reason for closure. Whether a school closure is temporary or permanent, there is no statutory provision authorizing VA to restore benefit entitlement for a term, quarter, or semester for which a beneficiary fails to receive credit toward program completion due to a school closure.

VA can pay benefits for the term, quarter, or semester up to the time of the school's closure.

**c. What additional authority or resources would the VA need to provide relief to Post-9/11 GI Bill recipients affected by schools closings?**

**VA Response:** Legislation would be required for VA to provide educational benefits beyond the date on which a school permanently closes and/or to restore entitlement due to failing to receive credit or loss of training time toward completion when a school closes. VA has proposed and supported legislation to amend title 38, U.S.C. to provide assistance to individuals actively pursuing VA education or training at the time an educational institution closes.

**Question 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.**

**VA Response:** While VA has the authority to restore Post-9/11 GI Bill benefits under 38 U.S.C. § 3312 (c), this authority is limited to instances where military service (call-up or change of station) results in a loss of credit or training time toward

program completion. This type of entitlement restoration is the only circumstance in which benefits can be restored and is relatively common. VA has taken action to restore entitlement for approximately 5,000 Post-9/11 GI Bill beneficiaries.

- b. The amount of benefits restored since the program's inception, categorized by the reason for the restoration, if possible.**

**VA Response:** The precise amount of benefits restored is unknown; however, benefits are limited to the term in which the individual was forced to withdraw due to active duty service.

**Question 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.**

**VA Response:** VA recently examined the potential costs for restoring benefits to Post-9/11 beneficiaries as proposed in bill S. 2253, "Department of Veterans Affairs Veterans Education Relief and Restoration Act of 2015." VA estimated the cost of restoring benefits would be \$5.3 million in fiscal year 2016, \$28.8 million over 5 years, and \$64.8 million over 10 years.

**Question 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?**

**VA Response:** VA understands the importance of partnering with other agencies and organizations to ensure students are receiving a quality education. VA has a valuable relationship with its partners and reaches out to them frequently for discussion and resolution of matters involving compliance and institutions identified as "at risk."

VA works closely with the SAAs; VA administers educational benefits to eligible Veterans and dependents while the SAAs monitor the institutions providing instruction and ensure the quality of the educational and vocational programs pursued. SAAs play a vital role in the approval of programs, outreach, training, and enforcement of VA education benefits.

VA also partners with other federal agencies, including the Department of Justice (DOJ), DoD, ED, Treasury, the Consumer Financial Protection Bureau (CFPB), and the Federal Trade Commission (FTC). Together, through a special "For Profit Task Force", these agencies provide strong, coordinated federal oversight of for-profit institutions of higher learning. VA has established memoranda of understanding with CFPB, DoD, and ED to share information regarding schools with GI Bill-approved programs for the purpose of enforcing requirements of title 38, U.S.C., and assessing compliance with the President's Principles of Excellence (Executive Order 13607). VA also maintains a memorandum of agreement with FTC to use the Commission's resources to investigate cases indicating the use of erroneous, deceptive, or misleading advertising.

**Question 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?**

**VA Response:** VA developed the GI Bill Comparison Tool, combining information from over fifteen different websites to make it easier for Veterans, Servicemembers, and dependents to estimate their GI Bill education benefits and to learn more about VA's approved educational programs. The tool also provides key information about college affordability and value so that students can choose the educational program that best meets their needs.

VA recently completely redesigned the tool, which now provides a more user-friendly experience. Some of the enhancements include student outcome measures, a new look to the benefits calculator, and a new school profile page. The tool was also upgraded with caution flags indicating when a school:

- Is listed on ED's Heightened Cash Monitoring List
- Is placed on probation by DoD
- Is placed on probation by an accreditor
- Has recently settled with the U.S. Government
- Is issued a "Notice of Intent to Limit" by ED
- Has a flight program that is suspended for violating the 85/15 rule

**Question 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.**

**VA Response:** VA has the statutory authority to suspend benefit payments, disapprove student enrollments, and withdraw program approval for noncompliance in certain circumstances. Applicable provisions are codified in statute and VA regulations. The SAAs have the authority to suspend or withdraw program approval as well.

Between December 2010 and December 2015, 28 schools had program approval withdrawn for erroneous, deceptive, or misleading practices. Five schools had program approval withdrawn for fraud.

**Question 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?**

**VA Response:** Please refer to the response to question 7.

- 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?**

**VA Response:** The GI Bill Comparison Tool is jointly administered between VA's Office of Digital Services and the Veterans Benefits Administration Education Service through an internal charter. The charter includes a high-level change management process to update information and assess data accuracy, which follows recognized standard practices in the project management industry.

VA monitors user behavior for the GI Bill Comparison Tool through the government-wide Google Analytics Program and makes any necessary changes. Before new functionality is released, informal feedback is sought from Veterans and stakeholders through quarterly Education Service webinars, Vets.gov webinars, and Student Veterans of America webinars.

- c. What is the VA's process for updating information in the tool?**

**VA Response:** Please refer to the response to question 9b.

- 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?**

**VA Response:** Please refer to the response to question 9b.

**Question 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.**

**VA Response:** The GI Bill Feedback System was launched in partnership with DoD, ED, FTC, DOJ, and CFPB. As of April 18, 2016, VA has received 5,953 complaints through the GI Bill Feedback System since its inception on January 30, 2014.

VA reviews all complaints submitted through the GI Bill Feedback System for "red flag" indicators such as erroneous, deceptive, or misleading practices, as well as indications of fraudulent activity or noncompliance with GI Bill approval criteria. If such issues are identified, a targeted "risk-based" review is conducted by the SAA or VA's Education Compliance Survey Specialists. VA does not investigate all complaints; instead, we serve primarily as the facilitator between the student and school for complaint resolution. A profile of the closed complaint categories is reported in the GI Bill Comparison Tool for individuals to use in making informed decisions about their educational choices. Closed valid complaints are also housed in FTC's Sentinel Database (<http://www.ftc.gov/enforcement/consumer-sentinel->

network), where they may be reviewed by state and federal law enforcement agencies including DOJ and State Attorneys General.

**b. Complaints about schools owned by Corinthian and the VA's efforts to address them.**

**VA Response:** VA received 44 complaints about Corinthian-owned schools that were forwarded to the schools for a response. As mentioned in the response to question 10a, VA reviews all complaints for "red flag" indicators; however, VA does not investigate all complaints. Instead, VA serves primarily as the facilitator between the student and school for complaint resolution.

**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.**

**VA Response:** The system allows recipients of VA educational benefits to submit complaints against educational institutions or employers they believe have used erroneous, deceptive, or misleading practices, or have in some other way failed to adhere to the GI Bill Principles of Excellence. The GI Bill Feedback System allows VA, along with state and federal agencies, to work with educational institutions to address issues on behalf of beneficiaries utilizing their VA educational benefits.

**d. The VA's efforts to enhance complaint information available to current and perspective Post-9/11 GI Bill recipients, including any efforts to obtain feedback from Veterans.**

**VA Response:** As mentioned in the response to question 10a, a profile of the closed complaint categories are reported in the GI Bill Comparison Tool. VA continues to explore new ways to enhance the complaint information that is made available on the tool.