

Macias, Wendy

From: [Redacted]  
Sent: Wednesday, June 17, 2009 5:43 PM  
To: negreg09  
Subject: Please give student borrowers consumer protection  
Importance: High

Dear Department of Education:

I am writing to request that you restore consumer rights to student borrowers. Right now, students who are put in default have little or no way to climb out of debt. There is no statute of limitations, no recourse through bankruptcy, no way to control collections and no way to have serious loan problems addressed in constructive ways.

Below, I have outlined the catch 22 that has put students at risk for default, and if not for default, then for a life of debt. I have also included my story. I would appreciate it if you took the time to read what I have included.

Thank you, and I hope you can help the millions of borrowers who right now struggle to stay afloat.

[Redacted]

There is a brief description of the higher education agencies, their relationships to one another, and how they have failed student borrowers, particularly those who have attended unethical schools.

**The Postsecondary Institution**

This is the school, college, or university attended. Schools must be accredited by either a national or regional accreditation agency to have permission to collect and distribute federal funds and offer student loans. The school offers a program which should be clearly outlined in its catalogue. The catalog represents a contract; i.e. what the school should be giving you for your money.

*Problem:* Unethical schools verbally promise students services, classes, transfer credit, and/or resources that are not listed in the catalog or differ from the catalog descriptions. Such schools push students to make enrollment decisions before the students have had time to evaluate the catalog. In some cases, schools will not even give a catalog until after the students enroll. Furthermore, nationally accredited schools' credits do not transfer easily or at all to regionally accredited schools.

**Lenders**

Lenders will loan as much money as the student agrees to borrow.

*Problem:* Lenders will loan as much money as the student agrees to borrow. Lenders do not consider the field a student plans to enter, nor do they worry about financial aid officers who do not explain the type of agreements the students are entering with the lenders. Lenders do not care if students over-borrow because even if the student defaults, the lender will get their money back from the government.

Since there are so many loan types with such a range of interest rates, students are usually led into loans they do not understand. Once this happens, the students are bound by contract to pay. If students are late, loan

companies are permitted to assess fees and increase interest rates at will. If a student defaults, borrowers can have their wages, disability checks, and pensions attached. They can lose their professional licenses and means to earn a living; thus they can never pay back these loans.

Lenders have recently started campaigns that target students who might never consider college; these students are low income, have had personal tragedies and are often minorities. Private schools join in, collecting loan and federal money when first, students could have attended a much less expensive program and second, students will never be able to complete the program and thus cannot pay back the loan.

### **Accreditors**

As noted above, postsecondary institutions (schools) must be accredited either nationally or regionally to be able to disburse any kind of federal funding including loans. Accreditors, however, are not in charge of the financial aid system; accreditors are groups of academics and bureaucrats from other colleges who assess educational programs, institutional quality, and process.

*Problem:* Accreditors visit each other's schools in order to accredit. This means Provost A. might have to visit Provost B.'s school and assess it. But Provost B. is scheduled to assess Provost A.'s school next year. Since the system is incestuous at best, neither Provost A. nor Provost B. will want to make official, potentially damaging reports that will affect the schools' ability to collect and disburse federal funding. Students who complain to accreditors about institutional integrity, schools' failure to provide what was promised, or any other issue accreditors should be assessing are told that accreditors do not provide customer support, that they are not responsible for students' getting what they were promised. They will refer the student to the Department of Education.

### **U.S. Department of Education (ED)**

ED uses information from the accreditation agency to approve the school to collect and disburse federal funding. ED may or may not consider other sources of information, such as placement statistics and graduation rates.

*Problem:* Students who have issues with the school will be referred back to the accreditation agency by ED. Recall that accreditors refer students to ED. If the problem is strictly loan related, ED might refer the borrower to a loan ombudsman.

ED is allowed to discharge loans based on certain criteria. For example, "failure to benefit" can be applied if a student enrolled in a program for which they could not use the degree. The most common example given by ED is that of the blind student who enrolled in a truck driving school (which would indicate an unethical school). "Failure to benefit" has nothing to do with lack of institutional integrity, a school's breaking its contract to the student, or admissions personnel who make false promises to potential students.

ED is notorious for denying disability discharges; their claim is unless a student is permanently disabled or dead, the borrower still owes. ED's criteria for disability discharge does not match Social Security's. ED does not consider the elderly for discharge. ED makes these determinations at their own discretion. There is no consistency in their decision making.

### **Loan Ombudsman**

The Ombudsman's office is supposed to make viable arrangements and act as liaison between schools, students, and lenders to arrange payments, rectify paperwork problems, and help students navigate the myriad of student loan agencies.

*Problem:* The Ombudsman's office's wants students to pay their bills; therefore, they typically protect the interests of the lenders and the schools and not the student borrower.

### **State Regulatory Agencies**

ED might also refer students to their state licensure and/or regulatory body. Typically, a state will have one agency that requires any school operating in that state to have a state license. These licenses must be applied for and can be revoked. State licenses give the student some kind of legal protection insofar as a license indicates the school is indeed operating legally within that state. Criteria for obtaining a license differs among states, but most states want any school doing business and/or conferring degrees in their state to have a license. Schools without licensure are typically forced to leave that state.

*Problem:* Unethical schools run what they call "sites" across the country without a state license. Since the states had no record they were doing this, essentially, the campus didn't exist. Accreditors do not consider this a reason to pull accreditation.

### **Lawyers**

All agencies will try to refer students back to the school where the problem originated and/or hire a lawyer; but especially because the student has now complained to various agencies, the school typically will not work with "troubling" students. The irony is that students probably contacted these agencies in the first place because the school would not rectify the problem. Furthermore, by the time the problem occurs, the school has already collected its federal and loan money and obviously, does not want to pay it back.

*Problem:* Agencies tell students to retain a lawyer, as if student borrowers can afford lawyers. Lawyers rarely want to accept cases in the academic world because first, the school can always claim the student had academic problems which lawyers do not want to assess (because they are not academics. Second, unless the student has hoards of money to provide as a retainer, lawyers don't want to maneuver through the various bureaucratic, buck-passing agencies and schools that use the law in favor of lenders and unethical schools.

### **Various Other Agencies**

Students who have bothered to contact all the other agencies, might be referred to places like the Office for Postsecondary Education, the FBI's fraud division, or other officials who will claim they have nothing to do with distribution of financial aid or a school's failure to live up to its contract. If referred to the school's Board of Trustees, Presidents or CEO's, students learn very quickly that those in charge are not there to support students' needs; they are there to maintain the status quo, collect tuition and fees, support admissions and protect the institution, no matter how negatively that institution affects students' lives and futures.

As you can see, it is too easy for government agencies, schools, and lenders to eschew the system and put the onus entirely on the student who once again, has no consumer rights.

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### **My Story**

I am one of too many who have been injured in the student loan system. An "A" student who put herself through college, I wanted to pursue a Ph.D.

In the year 2000, I entered Union Institute and University's Doctoral program, based in Cincinnati. UIU was running without licensure in Washington, D.C. UIU had unlicensed, Federally funded sites throughout the country. The school knew this for years but never addressed it.

When I brought up the licensure issue, I was involuntarily removed from my program. The Department of Education, the accreditation agency, and other agencies investigated the school and temporarily froze the

school's funding. The school was forced to make significant changes in their program, their administration, and in their delivery, including changing the way they structured their "semesters."

The school no longer claims to have a D.C. "site." They got their money. But I was left with no credits to transfer, no degree, and now, after interest, more than \$50,000.00 in debt.

One attorney attempted to negotiate with the school so I could at least complete my program. The school responded that I would have to begin all over again and pay all over again. It was a clear case of retaliation.

I tried everything to resolve this issue at the school, agency, lender, and national levels. As a final attempt, I visited a bankruptcy lawyer who of course, wanted to be paid to bring the case to court. But he didn't think I would "win" and discouraged me from pursuing the case. I am thankful he was honest. Rather than put myself further in debt by trying to fight a case I could not win, I did not pursue bankruptcy. I am currently in forbearance, and the debt continues to grow.