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NEWS FOR IMMEDIATE RELEASE

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AG Kaul Files Suit Against Secretary DeVos and U.S. Department of Education for Unlawfully Repealing Critical “Borrower Defense” Regulations

MADISON, Wis. – Attorney General Josh Kaul today joined a coalition of 23 attorneys general in a lawsuit against Secretary of Education Betsy DeVos and the U.S. Department of Education (ED) challenging their action to unlawfully repeal the 2016 “borrower defense” regulations and replace them with regulations that do nothing more than benefit predatory for-profit schools at the expense of defrauded students. The 2016 borrower defense regulations established critical protections for student-borrowers who have been misled or defrauded by predatory schools by providing borrowers an efficient pathway to get relief from their federal student loans, and creating robust deterrents for schools that engage in predatory conduct.

Under the Trump Administration, ED repealed the 2016 regulations and replaced them with new regulations that make it virtually impossible for victimized students to obtain financial relief, while rolling back oversight over unscrupulous and predatory schools. In the lawsuit, the coalition argues that ED’s decision to repeal and replace the Obama-era regulations violates the Administrative Procedure Act (APA), and asks the court to vacate ED’s new regulations.

“Once again, Secretary DeVos and the Trump administration are trying to change the rules to benefit predatory for-profit schools at the cost of student loan borrowers,” said AG Kaul. “This attempt to repeal regulations that provide misled and defrauded student loan borrowers with a fair process to seek debt relief is both wrong and unlawful.”

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The Higher Education Act requires that the Secretary of Education issue regulations that provide for a meaningful process for students to obtain federal student loan relief where their schools have engaged in misconduct. Consistent with this Congressional mandate, in November 2016, ED issued new borrower defense regulations that offered meaningful protections to defrauded student borrowers. The regulations built on lessons learned from the collapse of Corinthian Colleges – a predatory, for-profit chain of colleges that left tens of thousands of students across the nation in need of relief. Specifically, the 2016 regulations provided misled and defrauded borrowers access to a consistent, clear, fair, and transparent process to seek debt relief, and also protected taxpayers by holding schools that engage in misconduct accountable. The regulations also ensured that financially troubled schools provide financial protection to the government to ensure that, if they fail, taxpayers would not be left holding the bag.

Despite these new protections, upon taking office Secretary DeVos sided with for-profit schools and demonstrated public hostility to the 2016 borrower defense process. Just two weeks before the 2016 borrower-defense regulations were set to go into effect in 2017, the Trump Administration unlawfully delayed them. A coalition of 20 attorneys general successfully sued Secretary DeVos over the illegal delay. In November 2019, after the Secretary's failed delay attempts, ED issued replacement borrower defense regulations that put the interests of predatory schools ahead of student protections. The 2019 borrower defense regulations created a process designed to thwart relief for defrauded students and shield predatory schools from being held accountable.

In the lawsuit, filed in the U.S. District Court for the Northern District of California, the coalition argues that ED's repeal and replacement of the 2016 borrower defense regulations violates the APA because:

- **It is arbitrary and capricious.** The decision to repeal and replace the 2016 rule was not the product of reasoned decision making as required by the APA. In explaining its rationale for the new regulations, ED rejected prior agency determinations going back decades without explanation, grounded its analysis in fundamental misunderstandings, failed to consider alternatives, and disregarded facts and circumstances.
- **It does not comply with Congress's requirement that the Secretary implement a meaningful process for borrowers to obtain relief.** Instead, it establishes an illusory process that makes it practically impossible for students to qualify for borrower defense relief. ED admits as much by

acknowledging that only around 4 percent of borrowers eligible for relief will actually get relief.

In filing this lawsuit, Attorney General Kaul joins the attorneys general of California, Massachusetts, Colorado, Connecticut, Delaware, Hawaii, Illinois, Maine, Maryland, Michigan, Minnesota, Nevada, New Jersey, New Mexico, New York, North Carolina, Oregon, Pennsylvania, Rhode Island, Vermont, Virginia, and the District of Columbia.

A copy of the complaint is available [here](#).