

## DeVos and Education Dept. could face new sanctions for violating a court order

By **Danielle Douglas-Gabriel**

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A federal judge is weighing higher fines for the Education Department after the federal agency disclosed that it pursued scores of additional borrowers for debt collection — violating a court order.

Magistrate Judge Sallie Kim of the U.S. District Court in San Francisco agreed this week to consider a request by former Corinthian Colleges students to increase the \$100,000 fine she levied against the department in October. The judge imposed those sanctions and held Education Secretary Betsy DeVos in contempt for pursuing loans owed by 16,000 students from the defunct for-profit chain despite a May 2018 order halting collections.

In December, the Education Department revealed in a court filing that it identified another 29,000 people who were pursued for loan payments. The agency also informed attorneys for the students that it never fully ceased collections and went after at least 21 people for payments as recently as last month.

In a court filing Tuesday, Kim wrote the department's recent disclosure has "introduced new material facts that are directly relevant to the amount of sanctions appropriate to compensate for defendants' flagrant and continuing violation of the preliminary injunction."

The federal judge has asked attorneys on both sides to submit arguments on possible sanctions during the next two weeks.

The Education Department did not immediately respond to requests for comment.

As a part of her ruling in October, Kim requested monthly status reports on the department's efforts to remedy the situation.

In the latest court report, the Education Department said a more thorough review "revealed that an isolated miscommunication between [the Federal Student Aid office] and its [loan] servicers and other logistical issues caused this underestimate in the number of impacted borrowers."

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The Federal Student Aid office, according to the report, "has corrected the miscommunications with the loan servicers and developed systems to ensure borrowers stay in the correct repayment status."

Attorneys for the Corinthian students have argued that the department's continued violation of the order warrants harsher penalties. Hundreds of people lost wages or tax refunds because of the collection practice, while thousands of others were hit with negative marks on their credit reports. Some people who lost wages told attorneys that their utilities were cut off or they faced eviction.

The Education Department has collected more than \$20 million from Corinthian students represented in the class-action case. It has yet to refund all of the money.

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Money from the \$100,000 fine was meant to provide redress for 16,000 borrowers, but because 45,000 people were affected, attorneys say far more compensation is needed.


The ongoing dispute stems from a class-action lawsuit filed in 2018 by the Project on Predatory Student Lending at Harvard University and the Housing and Economic Rights Advocates on behalf of Corinthian students. The groups alleged DeVos had illegally limited loan forgiveness due to students under a statute known as borrower defense to repayment.

Kim agreed the Trump administration violated privacy laws by using Social Security Administration data to calculate loan forgiveness. She banned the Education Department from using the earnings data to grant partial student debt relief to Corinthian students and halted collection on their loans.

DeVos has cited the ruling as the reason the department sat on nearly 300,000 borrower defense claims for more than a year. The department began clearing the backlog in December after updating its methodology with a sliding scale based on a borrower's wages to determine loan forgiveness.

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Danielle Douglas-Gabriel covers the economics of education, writing about the financial lives of students, from when they take out student debt through their experiences in the job market. Before that, she wrote about the banking industry. Follow 

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