



PRESS RELEASE

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Court Orders Department of Education to End Two-Year Delay in Considering Student Loan Relief Application, Calling Request for Further Delay Frivolous and in Bad Faith

The United States District Court for the Central District of California issued an Order today that directs the Department of Education to rule on the loan relief application of a former Corinthian student that has been pending for over two years. To date, the Department of Education has not ruled on thousands of applications for loan relief submitted by borrowers whose federal student loans were originated by private banks under the Federal Family Education Loan Program.

The Plaintiff, Sarah Dieffenbacher, filed her first application for loan relief in March 2015. Her loans went into default while her application was still pending. In late 2016, Sarah received a notice that her wages would be garnished. She works as a home health care phlebotomist to support herself and her four children. She objected to the wage garnishment because the terms of her loan and federal law both provide that Corinthian's fraudulent actions render her loans unenforceable. She asked the Department to hold the hearing on her objections to which she was entitled.

After the Department of Education overruled her objection, citing the fact that her file included a signed loan contract, and ordered the garnishment to go forward, Sarah filed a lawsuit against the Department in March. Represented by the [Project on Predatory Student Lending](#) of the Legal Services Center of Harvard Law School, she argued that the Department did not consider the arguments or evidence she presented before rejecting her claim. As the Court noted, her application was supported by 254 pages of exhibits, which included a sworn statement from Sarah as well as records from the Attorney General of California regarding documented misconduct on the part of Everest and its parent company. The Department also did not provide Sarah with the requested hearing before issuing a summary denial.

In response to the lawsuit, the Department filed a motion asking that the Court refrain from examining the case altogether. The Court ruled that this request was not based on a "substantial or legitimate concern" but rather was "both frivolous and in bad faith," and "appears to be an attempt to evade judicial review so that it can retain the ability to garnish Plaintiff's wages without a conclusive ruling as to the enforceability of her loans." Under the ruling, the Department now has ninety days to provide Sarah with a conclusive ruling on her application for loan relief. Responding to the ruling, Sarah said, "I'm fighting for myself, but also for so many others who were defrauded by for-profit schools. I hope this case will put pressure on the Department to do the right thing."

This ruling comes amidst growing concern that the Department of Education is refusing to take actions required by law and its own regulations designed to wipe out student loan debts that are the product of fraud and illegal activity by predatory schools. Tens of thousands of applications for relief based on the

fraud of Corinthian and other for-profit schools have been pending with the Department for months and even years. “Today’s ruling confirms that student loan borrowers have rights that exist independently of political winds and caprices. It is inexcusable to delay and thereby deny Sarah and other borrowers in similar positions their contractual and statutory rights,” said Toby Merrill, director of the Project on Predatory Student Lending and one of the lawyers representing Sarah.

Additional Information

Ms. Dieffenbacher is also represented by Alec Harris, Eileen Connor, and Deanne Loonin of the Project on Predatory Student Lending of the Legal Services Center of Harvard Law School, as well as Robyn Smith of the Legal Aid Foundation of Los Angeles.

Attached document: Order Denying Defendant’s Motion for Voluntary Remand

Additional documents available upon request.