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For-profit colleges linked to almost all loan fraud claims

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For-profit colleges are linked with the vast majority of student fraud complaints, according to a new analysis of Education Department data.

Students who attended for-profit colleges filed more than 98 percent of the requests for student loan forgiveness alleging fraud, The Century Foundation said in its study, published Thursday. The analysis represents the most thorough analysis to date of the nearly 100,000 loan forgiveness claims known as borrower defense received by the agency over the past two decades and paints an alarming picture of the state of for-profit higher education in America. The study was provided to The Associated Press ahead of publication.

The report comes as Education Secretary Betsy DeVos faces criticism for erasing two Obama-era regulations that would have added protections for students. Review of tens of thousands of claims has stalled and the AP reported last month that the department now is considering abandoning the practice of full loan cancellation in favor of partial forgiveness. Student advocates point to the Trump administration's ties to the for-profit industry and accuse DeVos of putting industry over students.

The study found "a disproportionate concentration of predatory behavior among for-profit colleges" that raises "serious concerns about the federal government's current approach to providing relief to students who have been defrauded and misled."

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The Education Department did not respond to a request for comment.

Of the more than 98,800 complaints received by the department as of mid-August, 98.6 percent came from students at for-profit schools, while only 1.4 percent of them were filed by those who attended non-profit institutions. For-profit schools account for only 10 percent of national enrollment and 18 percent of federal student debt, according to government data.

More than 75,000, or 76 percent, of claims came from students who attended the now-shuttered Corinthian schools, followed by more than 7,300 students from the ITT Technical Institute chain, as well as students from American Career Institute, the Education Management Corporation and others. The Century Foundation received the data through a Freedom of Information Act request.

"The for-profit college industry scams students across the country and taxpayers and that's why the industry, including industry insiders who are now staffing the Department of Education, is now fighting so hard against rules that would clarify the borrower defense process," said Toby Merrill, director of the Project on Predatory Student Lending at Harvard University, a legal services clinic that represents defrauded students. "If for-profit schools don't want to be responsible for borrower defense claims and reimbursing taxpayers, then they could simply not cheat their students."

Steve Gunderson, president of Career Education Colleges and Universities, the industry lobbying group, dismissed the report as an attack on the industry. He suggested that the Obama administration was to blame for the influx of borrower-defense claims from for-profit college students.

"It doesn't surprise me that the Century Foundation issued a report suggesting for-profit colleges are to blame for borrower defense claims. Look no further than the Obama Administration's destruction of ITT Tech and Corinthian," Gunderson told the AP in a statement. "This report confirms what we've long known: There are dozens of groups coordinating their efforts to destroy our sector."

For-profit colleges expanded dramatically over the past two decades, with enrollment rising from around 230,000 in the early 1990s to a record 2 million in 2010. They recruited aggressively, targeting non-traditional students — usually older people who had jobs and could only study part-time. They also focused heavily on women, people of color and veterans. But after graduating, many students struggled to find jobs that were promised to them or to transfer credits to other schools, leading to massive student loan defaults. A 2010 government study found that all of the 15 for-profit colleges evaluated by undercover agents made deceptive statements to prospective students and four of them encouraged fraudulent practices.

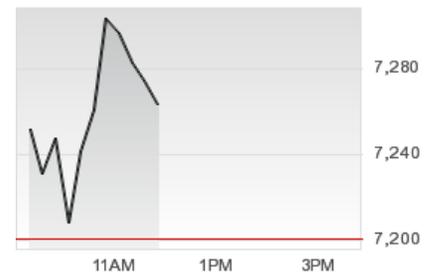
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The Obama administration cracked down hard on for-profit colleges, pressuring Corinthian and ITT to close and approved at least \$655 million in loan cancellations from those chains in recent years. At the same time, the administration also passed revisions to the borrower defense regulation and to another similar rule, known as gainful employment, with the aim of increasing students' protections.

DeVos moved to dismantle or stall those provisions. There's now a backlog of 87,000 complaints that haven't been ruled on. DeVos said she intends to fight fraud, but believes the Obama revisions were written too broadly and could allow for unsubstantiated claims.

In an interview with Politico published last week, DeVos suggested there was no substantial difference between for-profit and non-profit schools. "Let's be clear, it's for-profit or not-for-profit is simply a matter of tax status — fraud anywhere needs to be rooted out," she told the publication.

But Tariq Habash, one of the authors of the Century report, said the study offers evidence to the contrary.

"This highlights a clear difference between for-profits and non-profits. It's not just the tax statuses. It's the control structure that governs these entities," Habash said.

For-profits, he said, "are financially motivated to maximize their profits, they have conflicting interests and one will always win over the other."

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