

## Defrauded for-profit students demand relief after documents expose DeVos rejection system

**Aarthi Swaminathan**

**•Reporter**

Fri, March 26, 2021, 9:53 AM·7 min read

Ashley Pizzuti has been waiting five years for debt relief for the \$30,000 in student loans she took out to attend the now-defunct for-profit Brooks Institute in Santa Barbara, Calif.

Joseph White has been waiting for relief on \$80,000 in student loans he took out to attend ITT Technical Institute, a [now-shuttered for-profit chain](#), in St. Louis.

[Borrowers like Pizzuti and White](#), who are [legally entitled](#) to apply for debt relief under borrower defense regulations, have waited for years, first being denied cancellation by the federal government, and now awaiting court rulings.

And new documents from the Education Department (ED) — which were [made public](#) as evidence in a case brought forward by defrauded students' lawyers — revealed that former ED Secretary Betsy DeVos [implemented a policy](#) that sidestepped Obama-era regulations and systematically denied relief claims.

“[The] U.S. government deliberately implemented a rigged process which has led borrowers down a road that dead-ends in denials no matter the claim or the evidence,” Eileen Connor, the legal director for the Project on Predatory Lending, which represents the debtors in the case, said in a statement.

Hundreds of thousands of debtors like Pizzuti and White are in loan limbo, and are now demanding relief after the the documents detailed how the debt relief process was mangled during the Trump era.

"The Department of Education ... accredited and funded predatory for-profit universities they knew were committing fraud, then they rigged the system to blatantly ignore the laws that are supposed to protect students," Thomas Gokey, organizer of the Debt Collective, an activist group, told Yahoo Finance. "It took debtors organizing a debt strike to force the government to act in the first place."

Ashley Pizzuti. (Courtesy of Ashley Pizzuti)

### **'That led to a lot of depression'**

The system for borrower defense claims submitted by students who claim to have been defrauded and request loan forgiveness was created in [1995](#). Discharge claims were [relatively rare](#) until the closure of Corinthian Colleges [in 2015](#), which led to a flood of new claims from affected students across the country.



Story continues

The system for borrower defense claims submitted by students who claim to have been defrauded and request loan forgiveness was created in [1995](#). Discharge claims were [relatively rare](#) until the closure of Corinthian Colleges [in 2015](#), which led to a flood of new claims from affected students across the country.

“For years, Corinthian profited off the backs of poor people — now they have to pay,” then-California Attorney General Kamala D. Harris said in a [2016 statement](#). “This judgment sends a clear message: there is a cost to this kind of predatory conduct ... My office will continue to do everything in our power to help these vulnerable students obtain all available relief, as they work to achieve their academic and professional goals.”

The Obama administration [created](#) special rules to address the problem, [making it easier](#) for defrauded students to get their loans cleared — with some getting automatic loan forgiveness if they qualified.

One of those affected was Pizzuti. The photography studio co-owner, who attended Brooks Institute in 2002, recalled being sold a dream career if she joined the photography program.

“The department told me that I was going to be working for National Geographic,” she told Yahoo Finance, “that I would have no problem getting a job, that I was going to be making easily a hundred thousand dollars a year.”

Coming from a low-income single-parent household, she thought higher education would improve her life considerably. When she reached out to the school, the recruiter got her on the phone and “kind of became buddy, buddy,” she remembered, “and encouraged me to get out of my situation, and that he could help me.”

Pizzuti, 22 at the time, drove down from Stockton to Santa Barbara and joined the program. She took out private and federal loans co-signed by her mother to finance her degree.

“It was always very pressured... ‘There’s only so many spots we have’,” she recalled the recruiter telling her, noting that the loan application process “was very pushy and very confusing. I did not have the financial understanding of what I was getting into because I just had all these people telling me: ‘It doesn’t matter.’”

But when she went to meet the recruiter in his office on her first day of school, he was packing up to leave the job, telling her that she had made a mistake, and asserted that the people working there “are crooks.”

Pizzuti graduated in 2005, defaulted on \$120,000 in private student loans, and filed borrower defense claims in 2016 and 2017. (Brooks Institute [closed in August 2016](#).) Her claim, rejected in July 2020 as part of ED's [blanket rejection policy](#), was one of more than 700 filed by Brooks Institute students as of December 2020, according to borrower defense documents obtained by Yahoo Finance through a Freedom of Information Act (FOIA) request.



Pizzuti had been managing her loans by putting them in forbearance when she was struggling with jobs. At one point, her and her husband, who also attended the school, had nearly half a million dollars in debt and "that led to a lot of depression," she said.

In 2019, 200,000 borrower defense claims for debt relief were still pending. Debtors launched a class-action lawsuit, *Sweet v. DeVos*, to contest the ED's adjudication (or lack thereof) of claims. The lawsuit initially ended up with [settlement](#) in April 2020, and the federal judge told ED to move quickly to resolve 160,000 of backlogged borrower defense claims.

After that effort [unraveled](#), the judge scolded DeVos for denying claims "at a blistering pace" and ordered ED to provide discovery of the denials and explain what happened. Pizzuti is a class member of the lawsuit, which is now [Sweet v. Cardona](#) after Dr. Miguel Cardona took over as Education Secretary, and owes \$30,000 in federally-backed student loans that are in a court-ordered administrative forbearance.

Pizzuti noted that "Diane Jones, the principal deputy under secretary [under DeVos] ... was also a senior executive at Career Education Corporation," which [owned Brooks Institute until 2015](#). (Jones [worked](#) for Career Education Corporation from 2010 to 2015.)

Joseph White, the former ITT Tech student in Missouri, is in a similar situation: Having taken out \$80,000 in student loans to attend ITT for two degrees in the 2000s, he filed a borrower defense claim in 2016 but which was rejected last year. When he called the borrower defense hotline recently, he was told that his case was "closed."

"I knew [DeVos] was rigging it from day one," White told Yahoo Finance after reading news reports of the ED documents. "I was just treated like a number, not an actual person."

White noted that he was not sure if he should re-apply his borrower defense claim or wait for guidance on if the case would be re-adjudicated.

### **'Fair path to relief'**

The documents related to the borrower defense policy under the Trump administration comes amid a major shift within ED upon President Joe Biden taking office.

Cardona recently [announced](#) that he was reversing DeVos-era rules on some defrauded student loan borrowers receiving partial relief. The department is instead offering full relief to those who had had their debt relief claims approved, meaning that 72,000 defrauded borrowers will get close to \$1 billion in debt cancellation.

"I thought that what the administration did to forgive this debt proactively was phenomenal," Abigail Seldin, an expert on higher education issues and the CEO of the Seldin/Haring-Smith Foundation, told Yahoo Finance. "It was an extraordinary and positive decision that shows how they are really putting students first. I think there are a number of other levers like that that they can pull."



The ED also hinted at more action coming in the near-future.

“Borrowers deserve a fair path to relief when their institutions engaged in misconduct,” an agency official told Yahoo Finance. “And their claims should get a thorough review. ... We will be pursuing additional actions, including re-regulation, in the future.”