

April 16, 2013

U.S. Department of Education  
False Certification Appeals/Review  
P.O. Box 191905  
San Francisco, CA 94119-1905

Re: Loan Discharge Application: False Certification  
Wilfred Beauty Academy

Dear Department of Education:

We write to request loan discharges for twenty specific individuals who attended beauty schools in New York City operated by Wilfred American Educational Corporation (Wilfred). Their individual applications for loan discharges based on the false certification of their ability to benefit (ATB) are attached to this letter. *See Exhibit A.* Further, we request that the Department of Education (USED) take additional steps on behalf of all students who attended Wilfred-operated schools.

As USED has long been aware, Wilfred had a pattern and practice of falsely certifying students' ability to benefit from the Wilfred programs, and of generally falsifying federal financial aid documents. USED's Office of the Inspector General (OIG) began investigating Wilfred as early as 1983. A full-scale nationwide investigation of the school led to multiple federal criminal indictments of the President of Wilfred and other employees on fraud and other charges. USED was so alarmed by the results of its investigation that it took steps to terminate Wilfred's participation in the federal student loan program.

Although all branches of Wilfred have been closed since 1995, countless individuals continue to carry student loan debt incurred as a result of Wilfred's fraudulent practices. In June 1996, OIG recommended that, because of a "consistent pattern of gross violations of DOE regulations in multiple programs over multiple years," USED should grant all applications for ATB discharge from students of Wilfred. *See Exhibit B.*

Each of the present applicants attended Wilfred after January 1, 1986. As indicated, none of the students requesting discharge in this letter had a high school diploma or a GED when they applied to attend Wilfred. Most were monolingual Spanish speakers. In every case, Wilfred falsely certified their ability to benefit from their programs and therefore their eligibility for student loans. Most are certain that they were not given an ATB test. Several cannot remember taking a test. Two believe they were given tests. One remembers that, with the observation and implied consent of Wilfred employees, her husband sat with her and helped her on the test. The other says she put in

answers on something but did not understand at all what she was doing and does not believe that she could have passed.

The credibility of each of the applications submitted with this letter is supported by the respective stories of the other applicants. With two exceptions (sisters Xiomara Perez and Amarilis Madera) none of these applicants are acquainted with any of the others. They all came forward after seeing an advocate at the Neighborhood Economic Development Advocacy Project (NEDAP) appear on a Spanish-language TV station discussing one NEDAP client's bad experience with Wilfred and her student loan debt. There is every reason to believe that there are many more ex-Wilfred students both in New York City and around the country whose ability to benefit from Wilfred programs was falsely certified.

Although not relevant to their eligibility for discharge, every one of these applicants has been adversely affected by their student loan debt. None has ever found meaningful employment in cosmetology; virtually all failed to gain licensure as cosmetologists from the State of New York. Many applicants were denied loans for other educational opportunities and all have suffered because of the effects of these loans on their credit history. Needless to say, although some of these applicants have made payments on their loans at various points, the balances have increased exponentially as a result of compounded interest fees and penalties. Almost all of these applicants have been harassed by collection agencies servicing their loans, all of which are guaranteed by USED, and many of which are currently held by the Department. In the majority of cases, the applicants' federal income tax refunds have been taken in service of these loans, including the returns of those who qualified for Earned Income Tax Credits.

The foregoing, along with the evidence of Wilfred's pattern of ATB fraud, warrant immediate discharge of these applicants' loans, a rescindment of any adverse credit reporting in relation to these loans, and a full return of all payments made on such loans, including amounts offset by tax refunds. With respect to any applicant whose loan is held by a guaranty agency other than USED, we ask that USED direct those agencies to discharge the applicants' loans, rather than requiring applicants go through the additional step of applying to the agency directly.

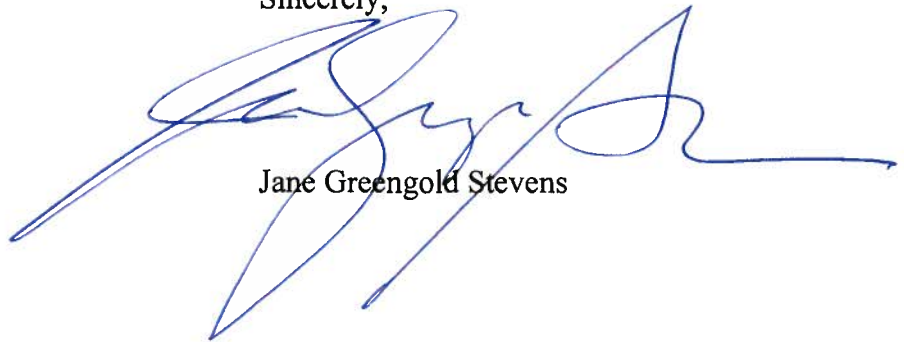
Further, we submit that the evidence of Wilfred's widespread fraudulent activity precludes USED from taking action to collect on loans distributed to any former Wilfred students. Referral of these loans for collection, and certification of them for purposes of the Treasury Offset Program, is arbitrary, capricious, and contrary to the purpose of the guaranteed student loan program. Indeed, USED has the discretion to cease collection efforts and/or discharge loans made to former Wilfred students. *See* 31 U.S.C. § 3711(a)(3) (authorizing USED to suspend or end collection of student loan debts); 34 C.F.R. § 682.402(e)(15) (allowing USED to grant false certification discharge without application on basis of information in its possession). We believe USED should cancel or cease to collect *all student loans* attributable to Wilfred.

At a minimum, we request that USED contact all student loan debtors whose loans were taken out in order to attend any Wilfred-operated school, to advise them of their right to apply for discharges if they meet the requirements. USED should then follow the recommendation of the OIG and grant every ATB application for discharge from Wilfred students, and direct all guaranty agencies holding such loans to do the same. In the meantime, USED should suspend all collection efforts on these loans.

We request that you advise us within three weeks of USED's position with respect to the issues raised in this letter. We will supplement this letter with additional applications as we receive them. If you have any questions about this, please contact me at (212) 613-5031 or my colleagues Eileen Connor at (212) 613-5000 ext. 5119 or Jennifer Magida at (212) 613-5046.

Thank you for your consideration.

Sincerely,



Jane Greengold Stevens

Enc.

cc: Chad Keller, U.S. Department of Education  
Fred Marinucci, U.S. Department of Education  
All applicants listed in Exhibit A