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Defrauded Corinthian Students Take Legal Action Demanding Private Debt Buyers, Debt Collectors Cancel Unlawful Loans and Halt Illegal and Abusive Collection Tactics

Federal class action lawsuit holds debt buyers and debt collectors accountable for knowingly purchasing fraudulent private student loans that left Corinthian students with massive debt and useless degrees

Federal government has already deemed certain federal debts fraudulent; this action seeks same designation for private student loans

LOS ANGELES — Today, defrauded former students of Corinthian Colleges, Inc., filed a class action complaint to halt illegal and abusive tactics by private debt buyers and debt collectors, who are attempting to collect millions of dollars of private student loan debt.

The class action case, filed in Los Angeles by Public Counsel, Strumwasser & Woocher LLP and Hadsell Stormer & Renick, LLP demands that **Turnstile Capital Management, LLC** (“Turnstile”), the debt buyer, **Balboa Student Loan Trust (“Balboa”)**, the debt holder, and **University Accounting Service, LLC (“UAS”)**, the debt collector, provide defrauded student borrowers in California with full debt relief. The Federal Government has already discharged millions of dollars in federal student loans based on its findings that dozens of Corinthian programs defrauded students. This suit claims Turnstile, Balboa, and UAS violated federal and state laws by knowingly purchasing these loans and trying to collect on them.

The defendants knew at the time they purchased this debt that Corinthian stood accused of massive fraud and deceit in inducing these students to take out these loans. Bowing to pressure from students and consumer watchdogs, the Department of Education has agreed to discharge the federal student loan debt of students who attended certain programs at Corinthian schools, because of its findings of unlawful conduct by Corinthian in inducing students to enroll with false promises of high job placement outcomes. This lawsuit is being filed to stop private debt holders from collecting on the private debt that was collected from these students through the very same unlawful methods.

“These private lenders are victimizing these students a second time by continuing to try and collect on debt that was incurred through fraud and deceit,” said **Anne Richardson**, directing attorney of the Consumer Law Project at Public Counsel. “For many former students,

their financial situations are even worse since attending Corinthian due to the time they took off of work to attend classes, their inability to get the better jobs Corinthian's school programs were supposed to provide, and the new student loan debts they did not have before."

For-profit colleges such the ones operated by Corinthian Colleges were required to get at least 10% of their income from sources besides the U.S. government, or they would not be allowed to receive any federal financial aid for their students. In 2008, Corinthian created a private lending program to ensure its continued receipt of both federal aid and private funds. The private student loans at issue in this case were all created as part of Corinthian's lending program.

Balboa Student Loan Trust bought around \$330 million of Corinthian's private student loans. Plaintiffs estimate that around one third of that total amount of debt—amounting to just over \$100 million—is owed by California students. Some portion of that debt, and it is not yet known how much, has already been paid by students.

The suit claims that Turnstile bought these bad loans knowing that Corinthian had obtained the loans by fraudulent means. At the time of the sale, 24 states' attorneys general and the Consumer Financial Protection Bureau were investigating Corinthian for fraud relating to the student loans; several states' attorneys general had sued Corinthian for defrauding students; and the federal Department of Education had found that Corinthian misled its students and would no longer be allowed to receive federal funds. Turnstile bought these loans for pennies on the dollar, yet they are now attempting to collect on the full amount still outstanding.

"My federal loans got discharged, although my private loan is still in effect. I got calls they were going to try to take my house. It's like a nightmare that won't go away," said former student and plaintiff **Debbie Terrell**, who got straight A's while studying to get a medical administrative assistant diploma with hopes she would earn more and build a career. "I did everything on my end, but when I graduated, I was told that my degree was 'worthless,' and I couldn't get a job as a medical administrative assistant. I am worse off today than I was before I went to Corinthian."

"We hope to send a clear message to those in the debt-buying industry who purchase student loans: you cannot escape justice when the debt was incurred through fraudulent conduct," said **Dan Stormer**, partner at Hadsell Stormer & Renick LLP. "This is one of the most outrageous abuses of power that I have seen in over 30 years of litigating."

"This case is about debt buyers trying to get rich off the backs of exploited students who were not given the career opportunities or the assistance that they were promised. These students should not have to pay back loans used to pay for something they did not get," said **Dale Larson**, Strumwasser & Woocher LLP. "What makes Turnstile's actions even more deplorable is that Turnstile knew the student loans were originally obtained through fraudulent means. Several states and the federal government had publicly investigated Corinthian for lying to its students, and findings of fraud and deceit were starting to come out before Turnstile ever bought the loans."

The lawsuit further claims that UAS used abusive and illegal tactics when attempting to collect on these illegitimate loans. Defendant UAS called Terrell up to five times a day. Sometimes these calls would be back-to-back. Other times, the calls would be every 30 minutes. UAS representatives repeatedly told her that UAS could and would come after her house and threatened to come after her bank account and wages even when they didn't have the legal right to do so.

"You can't make threats to do things that you're not allowed to do to try and convince someone to pay you money," said **Charles Evans**, Senior Staff Attorney with Public Counsel's Consumer Law Project.

Plaintiffs are asking the court for the following:

- To declare that the tactics used to collect on the private student loan debts are unlawful and that the debts themselves are unenforceable because of Corinthians' fraudulent actions;
- An order stopping the unlawful collection of these private student loans;
- Restitution to the former students for the amounts they already paid on the private student loans but should not have needed to pay; and
- Damages for the unfair debt collection practices used to collect the debts until now.

Former students who attended a Corinthian Colleges school in California and currently have Balboa loans are encouraged to call (213) 385-2977 x314 for more information.

For more information on the case and to view the legal documents, visit <http://www.publiccounsel.org/>.

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discrimination, sexual harassment, disability discrimination, hostile work environment, wrongful termination, wage and hour violations, and many other employment law violations. The firm's partners have argued cases before the Supreme Court of the United States, as well as the Court of Appeals and California Supreme Court. The firm has won numerous seven and eight figure verdicts and settlements on behalf of its clients. For more information, visit www.hadsellstormer.com.