



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF POSTSECONDARY EDUCATION

Clarifying the Session 1 Proposal on Automatic Closed School Discharges
Updated October 5, 2021

Borrowers who did not enroll elsewhere

Our proposal is more generous at every point in time than existing regulations for borrowers whose institutions closed and who did not enroll elsewhere. They will wait less time to get relief than they do today.

School Closure Date	Existing regulations	Proposed regulations
Prior to November 1, 2013	Must submit an application. No automatic discharge.	Automatic discharge if they did not re-enroll within one year.
November 1, 2013 to June 30, 2020	Automatic discharge if they did not enroll within 3 years.	Automatic discharge if they did not re-enroll within one year.
July 1, 2020 onward	No automatic discharge.	Automatic discharge if they did not re-enroll within one year.

Borrowers who did enroll elsewhere

Our proposal is more generous than existing regulations at every point in time. In particular, the standards as data improve allow borrowers more opportunities to get an automatic discharge even if they re-enroll.

The Department thinks it is important to care about re-enrollment. The idea behind a closed school discharge is to provide relief for a borrower who is unable to complete their studies and thus benefit from the loans they took out. As we get better data, we are able to define this more broadly and give more borrowers the opportunity to still re-enroll and get relief.

School Closure Date	Why this date?	Existing regulations	Proposed regulations
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Closed School Discharge Clarification -2

<p>Prior to November 1, 2013</p>	<p>Before 2016 rule applies to school closures. ED data are limited and can only show if a borrower re-enrolled.</p>	<p>Must submit an application.</p>	<p>Automatic discharge if they did not enroll within one year.</p> <p>Otherwise submit an application.</p>
<p>November 1, 2013 to June 30, 2014</p>	<p>When 2016 rule starts, ED data are still limited to showing only if the borrower re-enrolled.</p>	<p>Must submit an application.</p>	<p>Automatic discharge if they did not enroll within one year.</p> <p>Otherwise submit an application.</p>
<p>July 1, 2014 to June 30, 2019</p>	<p>ED data improves to capture program-level re-enrollment so that ED can identify if a borrower enrolled in a comparable program.</p>	<p>Must submit an application.</p>	<p>Automatic discharge if they did not enroll within one year.</p> <p>Automatic discharge for any re-enrollment that isn't the same 4-digit CIP and level program.</p> <p>Otherwise, submit an application.</p>
<p>July 1, 2019 onward</p>	<p>ED data improves to capture if a borrower takes an approved teach-out and whether they completed that teach-out.</p>	<p>Must submit an application</p>	<p>Automatic discharge if they did not enroll within one year.</p> <p>Automatic discharge for any re-enrollment in which the borrower does not complete an accreditor approved teach out plan.</p>

			Otherwise submit an application.
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Clarifying attestation

The Department also wants to clarify the point on attestation about not having enrolled in a comparable program. This is for borrowers who are not eligible for the automatic discharge—borrowers who re-enrolled within 1 year or, for later periods only, those who enrolled in a comparable program by CIP and level or took and completed an accreditor-approved teach out. We are proposing that they submit an application, just as borrowers today do.

All the items discussed are captured as check boxes on the current application for closed school discharge, which is then signed by the borrower. The Department’s proposal doesn’t add any new requirements; but it does decrease the number of borrowers who might have to submit an application, capturing more borrowers in the automatic discharges. You can see a PDF version of the application here, although borrowers can also submit it electronically:

<https://studentaid.gov/sites/default/files/closed-school-loan-discharge-form.pdf>.

Question 13 asks a borrower to check one of the following:

- 13.** Select the option that most closely describes your (or the student's) efforts to complete the program of study after the school closed:
- Haven't enrolled in any program at another school since the school closed - Skip to Item 16.
 - Enrolled in a program that was not comparable to the program I attended at the closed school - Skip to Item 16.
 - Enrolled in a teach-out plan (see Section 5) at another school - Continue to Item 14.
 - Enrolled in the same or a comparable program at another school - Continue to Item 14.

Those who say they did enroll in a program then have one or two additional questions to answer. You will note we are proposing to change the test in the first box under Question 15 to accepting *most* credits, as opposed to *any* credits. This will make more students eligible for a discharge.

Closed School Discharge Clarification -4

14. Select the option that most closely describes your (or the student's) enrollment status in the program identified in Item 13:

- Completed a teach-out plan (see Section 5) - You are not eligible for this discharge.
- Completed the same or comparable program - Continue to Item 15.
- Withdrew from the program - Skip to Item 16.
- Still enrolled in the teach-out plan (see Section 5) - You are not eligible for this discharge.
- Still enrolled in the same or comparable program - Continue to Item 15.

15. Select the option that most closely describes how the new school gave you (or the student) credit for the training received at the closed school:

- New school accepted transfer credits from the closed school - You are not eligible for discharge.
- New school did not require me (or the student) to complete core credits for the program after evaluating my (or the student's) competency through testing or interviews, or by other comparable means - You are not eligible for this discharge.
- New school did not accept any transfer credit from the closed school or give me (or the student) credit by any other means - Continue to Item 16.