

## Proposed Regulatory Text for Issue Paper #2: Closed School Discharge

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If the Secretary has information that would indicate a loan should be discharged due to a school closure, it should not be dependent on whether or not students re-enrolled elsewhere. Additionally, this discharge would alleviate financial burdens due to the high likelihood of credits not transferring and subsequent additional cost and time to the student's time to degree due to a closing.

The reenrollment penalty disincentives continued higher education for students looking for a discharge of loan. I think removing this would also lower the number of students that seek discharging of loans through borrower defense. This article from the national center of educational statistics, along with the GAO report mentioned in the first session about transfer issues, highlights the issue of transfer for students that come from schools that are OPEN, so one can imagine the issues a student would face when attempting to transfer credits from a school that has closed, with traditionally marginalized students being impacted the most.

<https://nces.ed.gov/pubs2014/2014163.pdf>

This article also provides a link to the GAO report mentioned in our discussions.

<https://www.studentclearinghouse.org/nsblog/the-challenge-of-transferring-college-credits/>

The proposed change removes language related to students' re-enrollment in a Title IV eligible institution in section (c).

### **§685.214 Closed school discharge.**

- (a) *General.* (1) The Secretary discharges the borrower's (and any endorser's) obligation to repay a Direct Loan in accordance with the provisions of this section if the borrower (or the student on whose behalf a parent borrowed) did not complete the program of study for which the loan was made because the school at which the borrower (or student) was enrolled closed, as described in paragraph (c) of this section.
- (b) *Relief pursuant to discharge.* (1) Discharge under this section relieves the borrower of any past or present obligation to repay the loan and any accrued charges or collection costs with respect to the loan.
- (2) The discharge of a loan under this section qualifies the borrower for reimbursement of amounts paid voluntarily or through enforced collection on the loan.

(3) The Secretary does not regard a borrower who has defaulted on a loan discharged under this section as in default on the loan after discharge, and such a borrower is eligible to receive assistance under programs authorized by title IV of the Act.

(4) The Secretary reports the discharge of a loan under this section to all consumer reporting agencies to which the Secretary previously reported the status of the loan, so as to delete all adverse credit history assigned to the loan.

(c) *Discharge without an application. (1) If the Secretary determines based on information in the Secretary's possession that the borrower qualifies for the discharge of a loan under this section, the Secretary discharges the loan without an application from the borrower.*