

After Multiple Lawsuits and Court Order, Education Department Finally Agrees to Provide Relief to Students Hurt By School Closures

FOR IMMEDIATE RELEASE: December 14, 2018 || Contacts: Abby Shafroth (ashafroth@nclc.org) or Jan Kruse (jkruse@nclc.org); (617) 542-8010

Boston – Yesterday evening, after multiple lawsuits by borrowers and state attorneys general and a federal court order, the U.S. Department of Education announced that it would begin providing relief to approximately 15,000 student loan borrowers eligible for automatic discharges of their federal student loans because their schools closed before they could complete their programs. Approximately \$150 million in federal student loans that borrowers took out to earn degrees that they were unable to complete due to their schools' abrupt closures will be cancelled.

The Department is required to provide this relief as part of the 2016 "Borrower Defense" regulations passed under the Obama administration, but it delayed implementing the regulations and providing relief for over a year and only acted after a federal court ordered it to do so in October and another lawsuit was filed in November. The National Consumer Law Center filed an amicus brief on behalf of 18 legal aid and nonprofit organizations in the lawsuits that led to the October order.

"This student debt relief has been a long time coming, and is only coming because borrowers and states fought for it and demanded that the Department of Education follow the law," **said National Consumer Law Center attorney Abby Shafroth.** "The relief announced so far will apply to eligible student borrowers whose schools closed between November 1, 2013 and December 4, 2015, so some of these borrowers have been burdened for five years with unfair and unnecessary debt for a degree they couldn't earn. During that time, most borrowers hurt by closures were left struggling to make payments while providing for their families on tightly stretched incomes. Those borrowers who couldn't afford the loans and defaulted faced damaged credit, heavy collection fees, wage garnishment, and even seizure of important safety net protections, including Social Security and the Earned Income Tax Credit."

"While implementing the closed school relief is a good first step, there is much more the Department needs to do to comply with the court order to fully implement the 2016 borrower defense rule," **Shafroth said.** "Among other things, the Department must make sure that schools profiting from the federal student loan program are not using forced arbitration clauses against their students to prevent them from bringing fraud claims to court, and must adjudicate the over 100,000 borrower defense claims seeking loan relief based on school fraud—which the Department has been sitting on—using the process set out in the 2016 rule. With last week's closure of the nationwide for-profit school chain Education Corporation of America, it should be clear to everyone that the problems of abrupt school closures and school scams are far from over, and students need protection today."

Notably, the Department has proposed new rules that would eliminate automatic relief for borrowers hurt by school closures. If these rules are adopted, student debt relief like that announced yesterday would end. As detailed in comments submitted by the legal-aid community, advocates at the National Consumer Law Center strongly opposes restricting relief for borrowers hurt by school closures, and calls on the Department to focus its efforts on protecting students and taxpayers against the risk of

abrupt closures rather than making it even harder for students hurt by closures to get relief.

Related NCLC Resources

- Issue Brief: The Borrower Defense Rule protects students and taxpayers against fraud and abuse in higher education. (January 2017)
- Blog: Lawsuit Calls on Department of Education to Provide Relief to Students Whose Schools Closed (December 3, 2018)
- Blog: Now in Effect: Rules on Student Loan Relief for School Closures and Misconduct, and Limits on Forced Arbitration (October 25, 2018)
- Blog: Who is the Department of Education Looking Out For? Another Delay of Student Protections Follows a String of Actions Protecting Industry Profits Over Students (May 24, 2018)
- Comments of NCLC and Legal Aid Community to Department of Education Opposing Proposed New Rule on Borrower Defenses, Forced Arbitration, Closed School, and False Certification Discharge (August 30, 2018)
- Amicus Brief of National Consumer Law Center and 17 organizations in Support of Plaintiffs' Motion for Summary Judgment in Case Challenging Department of Education's Delay of Borrower Defense Rule (Bauer v. DeVos, September 28, 2017)
- Further Information on school-related cancellation of federal student loan debt.