**Issue Paper 5**

**Session 1: November 13-15, 2017**

**Issue:** Closed School Discharge

**Statutory cites:** §437(c) of the Higher Education Act of 1965, as amended

**Regulatory cites:** 34 CFR 674.33(g), 682.402(d), and 685.214

**Summary of issue:**

Current regulations generally require a borrower to submit a written request for a closed school discharge. That request generally must be in the form of a sworn statement that states the borrower (or student on whose behalf a parent borrowed):

1. Received the proceeds of a loan, in whole or in part, to attend an eligible institution;
2. Did not complete the program of study at that institution because it closed while the student was enrolled or the student withdrew from the school not more than 120 days before the school closed; and
3. Did not complete the program of study through a teach-out at another school or by transferring academic credits or hours earned at the closed school to another school.

However, the regulations also give the Secretary the authority to discharge a loan without an application from the borrower. Under 34 CFR 685.214(c)(2), “[t]he Secretary may discharge a [Direct Loan] under this section without an application from the borrower if the Secretary determines, based on information in the Secretary's possession, that the borrower qualifies for the discharge.” Similar provisions exist for Federal Family Education Loan (FFEL) program loans and Perkins loans.

Question for consideration by the committee:

* Should the Department extend the eligibility period for seeking a closed school discharge to a period other than the current 120 days before the school closed?
* What documentation, when necessary in support of a sworn statement, must the borrower provide to demonstrate to the Secretary’s satisfaction that a borrower is eligible for a closed school discharge?
* Should the Department expand upon the Secretary’s existing authority to issue a closed school discharge without an application? What information must the Secretary possess before making a determination to permit a discharge without an application?