

Proposed False Certification Text: Unauthorized Loan

We propose the following language to address the practice of predatory institutions causing students, including veterans, to unknowingly authorize student loans.¹ The proposed false certification language covers instances where a school signs a borrower up for a loan by using a borrower's signature without the borrower's authorization. The regulation should also cover instances where a school effectuates a borrower's signing of a loan document where the borrower did not know they were signing for a loan.

(a) Basis for discharge –

(1) *False certification...*

[...]

(iii) Signed the borrower's name on the loan application or promissory note without the borrower's authorization **or effectuated the borrower's signature of the loan application or promissory note by failing to inform the borrower about the true nature of that document;**

[...]

(c) *Borrower qualification for discharge...*

(3) *Unauthorized loan.*

(i) In the case of a borrower requesting a discharge because the school signed the borrower's name on the loan application or promissory note without the borrower's authorization, the borrower must state that he or she did not sign the document in question or authorize the school to do so.

(ii) In the case of a borrower requesting a discharge because the school effectuated the borrower's signature of the loan application or promissory note by failing to inform the borrower about the true nature of the document, the borrower must state that the school did not inform him or her about the true nature of the document in question.

¹ *Veteran and Servicemember Complaints about Misconduct and Illegal Practices at ITT Technical Institute*, VETERANS EDUCATION SUCCESS (April 22, 2020), <https://vetsedsuccess.org/trends-in-veteran-and-servicemember-student-complaints-about-itt-technical-institute> (explaining that "over one-third of students who contacted Veterans Education Success about ITT Tech complained that the school had taken out student loans on their behalf, often without the student's knowledge.").