



July 2022

# COLLEGE CLOSURES

## Education Should Improve Outreach to Borrowers about Loan Discharges

[Accessible Version](#)

# GAO Highlight

Highlights of GAO-22-104403, a report to the Chairman of the Committee on Education and Labor, House of Representatives

## Why GAO Did This Study

When a college closes, it can derail the education of many students, leaving them with loans but no degree. Those who cannot complete their education may be eligible for a closed school discharge from Education, but borrowers may be unaware of this potential relief.

GAO was asked to review issues related to college closures. GAO's 2021 testimony focused on the number of affected borrowers and discharges (GAO-21-105373). This report examines whether Education ensures timely and sufficient outreach to borrowers after a closure. GAO analyzed Education data on colleges that closed from 2010-2020. GAO reviewed relevant federal laws, regulations, and documents from Education and five out of eight loan servicers of different types and sizes operating in 2021. GAO also interviewed Education officials and selected loan servicers.

## What GAO Recommends

GAO is making four recommendations, including that Education implement strategies to identify college closures in a timely manner, develop guidance for the information loan servicers include in the closed school discharge notifications, and ensure additional outreach is provided to at-risk borrowers who are potentially eligible for a discharge. Education identified steps it is taking or plans to take to implement these recommendations.

View GAO-22-104403. For more information, contact Melissa Emrey-Arras at (617) 788-0534 or [EmreyArrasM@gao.gov](mailto:EmreyArrasM@gao.gov).

July 2022

## COLLEGE CLOSURES

### Education Should Improve Outreach to Borrowers about Loan Discharges

## What GAO Found

Students affected by college closures may be eligible to have their federal student loans forgiven through a "closed school discharge" from Education. However, GAO found that outreach to student borrowers about their potential eligibility for a discharge 1) is not timely, 2) does not always contain complete information, and 3) misses opportunities to provide additional information to the borrowers who are most at risk for default. These practices do not align with Education's strategic goals for effective outreach and assistance to borrowers.

#### Key Issues with Closed School Discharge Outreach



##### Timeliness

Because of Education's delays in identifying college closures, it can take several months after a closure until federal student loan servicers notify borrowers of their potential eligibility for a discharge, as required by the department. For example, Education did not identify a third of school closures from 2010-2020 until 2 months or more after the colleges actually closed. This means that borrowers who attended these colleges were not informed by their loan servicers about the discharge option until months after their college closed. These delays limit the ability of students to make timely and informed decisions about their educational and financial options after their college closes.



##### Incomplete information

GAO reviewed template letters that five loan servicers sent to inform borrowers of their potential eligibility for a discharge. GAO found that four of these servicers—who served over half of all borrowers—had information that was incomplete and potentially confusing. For example, letters from three of the five servicers were missing key information that would help borrowers make an informed decision about applying for a discharge, such as descriptions of the eligibility criteria or the discharge benefits. Education officials noted they do not provide loan servicers with guidance on what to include in these letters. As a result, eligible borrowers in need of loan forgiveness may not understand the information they are receiving. They may continue struggling to pay loans that are eligible for discharge.



##### Missed opportunities

After servicers notify borrowers about their potential eligibility for a discharge, limited additional outreach is provided to them. For example, Education does not currently instruct servicers to include information about discharges in the delinquency and default notices they send to borrowers. Call centers for the servicers GAO interviewed also do not proactively inform borrowers who call in that they are potentially eligible for a discharge. As a result, Education is missing opportunities to ensure additional outreach is provided to borrowers who are at risk of defaulting on loans that may be eligible for a discharge.

Source: GAO analysis of Education data, Education and loan servicer documents and interviews. | GAO-22-104403

---

# Contents

---

|   |    |
|---|----|
| GAO Highlight   | ii |
| <b>Why GAO Did This Study</b>   | ii |
| <b>What GAO Recommends</b>  | ii |
| <b>What GAO Found</b>   | ii |
| Letter  | 1  |
| Background  | 5  |
| Education Does Not Ensure That Outreach to Borrowers about Their Eligibility for Loan Discharges Is Timely or Sufficient  | 11 |
| Conclusions   | 27 |
| Recommendations for Executive Action  | 27 |
| Agency Comments   | 28 |
| Appendix I: Comments from the Department of Education   | 30 |
| Text of Appendix I: Comments from the Department of Education   | 33 |
| Appendix II: GAO Contact and Staff Acknowledgments  | 37 |
| GAO Contact   | 37 |
| Staff Acknowledgments   | 37 |
| Figures   |    |
| Figure 1: Borrower Eligibility for Automatic Closed School Discharge Process Based on the Date of the College's Closure   | 7  |
| Figure 2: Key Facts and Figures about College Closures  | 9  |
| Figure 3: Periodic Delays in Education's Process for Ensuring Borrowers are Notified of Their Potential Eligibility for a Closed School Discharge   | 12 |
| Figure 4: Timeliness of Education's Identification of College Closures, 2010-2020   | 13 |
| Figure 5: Example of How Education's Process for Reporting Closures to Loan Servicers Results in Delays in Notifying Borrowers of Their Potential Eligibility for a Closed School Discharge | 18 |
| Figure 6: Key Information Missing in Some Closed School Discharge Notification Letters  | 21 |

---

---

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.  
Washington, DC 20548

July 15, 2022

The Honorable Robert “Bobby” Scott  
Chairman  
Committee on Education and Labor  
House of Representatives

Dear Mr. Chairman:

Recent college closures have left large numbers of students with loans but no degrees. We previously reported that about 246,000 federal student loan borrowers were enrolled at over 1,100 colleges that closed from 2010 through 2020.<sup>1</sup> These colleges ranged in size from individual branch campuses to large college chains. Some recent closures, such as ITT Technical Institute in 2016, as well as colleges operated by Dream Center Education Holdings in 2019 and by Concordia University in 2020, involved college chains or systems that together enrolled thousands of students across multiple campuses.

When a college closes, some student loan borrowers may be able to finish their program before the school closes and others may continue their education by transferring to another college. However, in September 2021, we found that 43 percent of impacted borrowers did not complete their program before their college closed or transfer to another college—showing that closures often end a student’s education.<sup>2</sup> Those who do not complete their education may be eligible to have their federal student

---

<sup>1</sup>See GAO, *College Closures: Many Impacted Borrowers Struggled Financially Despite Being Eligible for Loan Discharges*, GAO-21-105373 (Washington, D.C.: September 30, 2021). The Department of Education defines a college closure as a college, or branch campus, that has ceased to provide educational programs and permanently closed its doors.

<sup>2</sup>GAO-21-105373.

---

loans forgiven through a closed school discharge from the Department of Education.<sup>3</sup>

We previously reported that Education discharged about \$1.1 billion of loans for over 80,000 borrowers enrolled in colleges that closed from 2010 through 2020.<sup>4</sup> However, Education has expressed concern that many borrowers are unaware of their eligibility for a closed school discharge because of insufficient outreach and information about available relief, according to Education documents.

You asked us to review issues related to college closures. This report expands on our September 2021 testimony and examines the extent to which Education ensures timely and sufficient outreach to borrowers about their eligibility for closed school discharges.<sup>5</sup>

To determine the extent to which Education and its loan servicers conduct timely outreach to borrowers, we analyzed data from Education's Postsecondary Education Participants System to identify college closures from January 1, 2010 through December 31, 2020. This included data on

---

<sup>3</sup>Borrowers must meet certain eligibility criteria, such as attending the school when the college closed or having withdrawn within a certain number of days. See 34 C.F.R. § 685.214(c). For the purposes of this report, we are using the terms "loan discharge" or "discharge" to refer to closed school loan discharges. Education also administers other kinds of student loan discharges, including Borrower Defense to Loan Repayment, which gives discharges to borrowers who attended colleges that misled them or engaged in other misconduct in violation of state laws, as well as discharges related to total and permanent disability, Perkins Loans, or death.

<sup>4</sup>See [GAO-21-105373](#). This analysis reflects data as of April 2021 and does not include subsequent loan forgiveness announced by Education for borrowers who attended colleges that closed. For example, in August 2021, Education announced that the agency would make \$1.1 billion in closed school discharges available to an additional 115,000 borrowers who attended ITT Technical Institute prior to its closure in September 2016. Education expanded the closed school discharge eligibility window beyond the standard 120 days to include borrowers who attended ITT Technical Institute on or after March 31, 2008. Education also subsequently announced loan forgiveness for borrowers who attended select colleges that had closed. For example, in April 2022, the department approved \$238 million in loan forgiveness through the Borrower Defense to Loan Repayment program for 28,000 borrowers who attended Marinello Schools of Beauty from 2009 through its closure in February 2016. In June 2022, Education announced it will forgive all remaining federal student loans for borrowers who attended Corinthian Colleges from its founding in 1995 through its closure in April 2015. This will result in 560,000 borrowers receiving \$5.8 billion in loan discharges, according to the department.

<sup>5</sup>The 2021 testimony examined (1) what is known about borrowers who were enrolled at colleges that closed; and (2) the extent to which these borrowers received closed school discharges. See [GAO-21-105373](#).

---

how long it took Education to identify each closure once the school had closed.<sup>6</sup> To determine the number of borrowers affected by each closure that Education needed to target for outreach about closed school discharges, we analyzed data from Education's National Student Loan Data System, the department's central database for federal student aid information.<sup>7</sup> We assessed the reliability of the data by comparing data elements used in our analyses to data published by Education, identifying and removing observations outside of the scope of analysis (e.g., closures prior to 2010), reviewing documentation about the specific data systems, and interviewing Education officials responsible for these systems. As a result of this assessment, we concluded that the Education data were sufficiently reliable for our purpose.

We further assessed Education and student loan servicer outreach to borrowers about closed school discharges by reviewing Education documents such as loan servicer contract requirements and guidance, monitoring reports, and closed school discharge procedures. We assessed Education's guidance and practices against federal internal control standards and the department's customer service related goals in its strategic plan for fiscal year 2020 through 2024.<sup>8</sup> We interviewed Education officials about the department's policies and procedures for outreach on closed school discharges. We also reviewed relevant federal laws and regulations.

In addition, we collected and analyzed written responses and documentation from five servicers about their outreach to borrowers after a college closes, including examples of their communications about closed school discharges with borrowers. These servicers included a mix

---

<sup>6</sup>The Postsecondary Education Participants System is Education's primary system for tracking colleges' eligibility to participate in federal student aid programs. It includes dates of college closures.

<sup>7</sup>For the purposes of our analysis, "borrower" refers to any student who borrowed federal student loans (or student on whose behalf a parent borrowed) and was either a) enrolled or on an approved leave of absence when their college closed, or b) withdrew within the window of eligibility for a closed school discharge, typically 90 to 180 days before a college closure, depending on the closure date.

<sup>8</sup>See GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: September 2014) and U.S. Department of Education, *Federal Student Aid, Federal Student Aid: Strategic Plan, Fiscal Year 2020-2024*, (Washington D.C., December 2020).

---

of different servicer types and student loan portfolio sizes.<sup>9</sup> We also interviewed representatives from three of these loan servicers (which we selected based on their differing levels of performance in Education's periodic monitoring reports) about their policies and procedures related to borrower outreach after a college closure. Although their views and procedures are not generalizable to all servicers, the five selected servicers served the majority of borrowers with federal student loans.<sup>10</sup>

We also interviewed representatives from two research organizations and three organizations that represent borrowers to obtain their views on student experiences with applying for and receiving a closed school discharge.<sup>11</sup> In addition, we interviewed officials from an organization that represents state higher education agencies to obtain their views on the closed school discharge process.<sup>12</sup>

We conducted this performance audit from June 2020 to July 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

---

<sup>9</sup>At the time of our analysis, Education had student loan servicing contracts with eight servicers. Since then, three servicers had ended or announced their intention to end their student loan servicing activities by December 2022. For more information, see GAO, *COVID-19: Significant Improvements Are Needed for Overseeing Relief Funds and Leading Responses to Public Health Emergencies*, GAO-22-105291 (Washington, D.C.: Jan. 27, 2022), Student Loan Repayment enclosure. Two of the servicers ending their contracts were included in our review as they were servicing student loans at the time of our analysis.

<sup>10</sup>As of September 2021—the most recent date for which data were available—these five servicers managed the federal student loan portfolio for over 79 percent of all borrowers.

<sup>11</sup>We selected these organizations based on their prior research on closed school discharges, and their experience working directly with borrowers affected by college closures.

<sup>12</sup>States are responsible for authorizing schools to offer postsecondary education. After a closure they may assist students with identifying transfer options and accessing other resources that may be available, such as state tuition recovery funds.

---

## Background

### *Closed school discharge eligibility*

Students who were enrolled at a college that closed may be eligible to have the full balance of their federal student loans forgiven if they are unable to complete their program of study due to the college closure.<sup>13</sup> Students who attended either a main campus or branch campus that closed are potentially eligible for a discharge.<sup>14</sup> To be eligible for a closed school discharge, federal student loan borrowers (or a student on whose behalf a parent borrowed) generally must:

1. have been enrolled when the college closed or withdrawn soon before its closure,<sup>15</sup>
2. not have completed the program of study at the college before it closed, and

---

<sup>13</sup>Parents who borrowed Parent PLUS Loans for a student enrolled at a closed college may also be eligible for a closed school discharge.

<sup>14</sup>According to Education regulations, the distinction between whether a borrower attended a branch campus or main campus is irrelevant for the purpose of determining eligibility for a discharge. 34 C.F.R. § 685.214(a)(2)(ii). We previously reported that the majority of closures included the college's main campus closing. From 2010 through 2020, about 800 of the over 1,100 college closures we identified included a main campus. See [GAO-21-105373](#).

<sup>15</sup>To fall within the eligibility window for closed school discharges, borrowers must have withdrawn within 180 days of a college's closure if they had loans disbursed on or after July 1, 2020, within 120 days if they had loans disbursed from July 1, 2014 through June 30, 2020, or within 90 days if they had loans disbursed before July 1, 2014. Education may also extend the window of eligibility if the Secretary determines that exceptional circumstances related to a college's closing justify an extension. Borrowers on an approved leave of absence when the college closed may also be eligible for a discharge.

- 
3. not be completing or have completed a comparable program at another college through a teach-out<sup>16</sup> or by transferring credits or hours earned at the closed college.<sup>17</sup>

According to Education regulations, receiving a discharge qualifies borrowers for reimbursement of any amounts previously paid or collected on those loans. Additionally, the regulations require Education to report discharges to relevant consumer reporting agencies so that these agencies can remove all adverse credit history assigned to the loan from borrowers' credit reports.<sup>18</sup>

#### *Process for obtaining a closed school discharge*

Education's Office of Federal Student Aid manages the discharge process, including overseeing its student loan servicers. After Education identifies a college closure and reports it to the servicers, Education requires the servicers to notify borrowers of their potential eligibility by sending them an application and explanation of the qualifications and procedures for obtaining a discharge.<sup>19</sup> Borrowers can also request a discharge application from their loan servicer or access an application online. Loan servicers are also responsible for receiving and reviewing discharge applications and processing approved discharges.

Borrowers have different options for obtaining a closed school discharge depending on the date of their college's closure. Any borrower impacted by a closure can submit a closed school discharge application. In addition, some borrowers are eligible to have their loans automatically

---

<sup>16</sup>Teach-outs refer to a written course of action that a closing college may take to help students finish their programs of study. Some plans include written agreements between the closed college and other colleges that are open for instruction that allow a student to finish their program of study at one or more colleges.

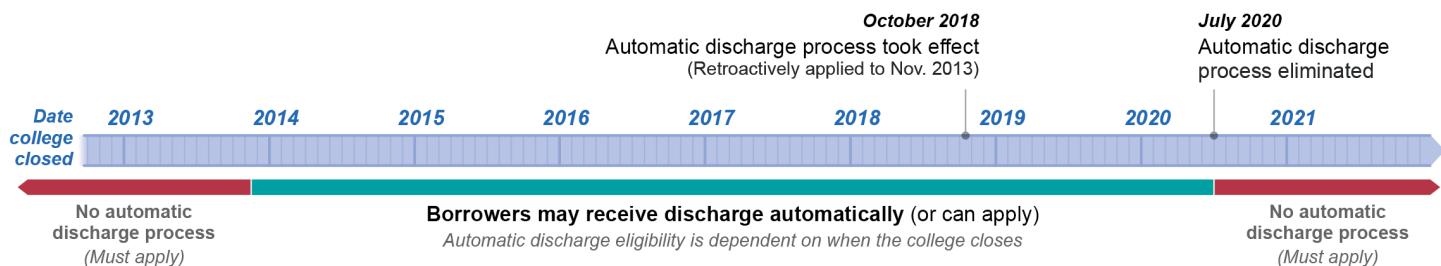
<sup>17</sup>Borrowers who transfer academic credits may be eligible if they 1) do not complete their program at the new school or 2) transfer from the closed college to a non-comparable program of study at the receiver college.

<sup>18</sup>See 34 C.F.R. § 685.214(b).

<sup>19</sup>As of July 2020, Education and its loan servicers are solely responsible for providing students with information about their potential eligibility for a closed school discharge as a result of recently issued regulations rescinding a prior requirement that closing colleges also provide this information to students. See Student Assistance General Provisions, Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Program, 84 Fed. Reg. 49,788, 49,854, 49,910 (Sept. 23, 2019) (removing paragraph (b)(32) from 34 C.F.R. § 668.14).

discharged by Education without filing an application, through a process that took effect in October 2018.<sup>20</sup> These borrowers are eligible if they were enrolled at a college that closed on or after November 1, 2013 and before July 1, 2020,<sup>21</sup> and if they did not continue their education by re-enrolling in another Title IV-eligible college within 3 years of the school closure (see fig. 1).<sup>22</sup> Education subsequently implemented new regulations that eliminated the automatic discharge process for closures occurring on or after July 1, 2020. Borrowers enrolled in colleges that closed after this date must apply for a discharge.

**Figure 1: Borrower Eligibility for Automatic Closed School Discharge Process Based on the Date of the College's Closure**



Source: GAO analysis of relevant federal regulations. | GAO-22-104403

Note: Because Education does not automatically discharge loans until 3 years after the college closure, Education will continue to administer the automatic process through July 2023. On July 6,

<sup>20</sup>The regulations were initially scheduled to take effect on July 1, 2017, but prior to the effective date, Education issued a final rule establishing July 1, 2019, as the new effective date. Following a series of lawsuits, a court vacated the delay of the 2016 regulations. Consequently, the 2016 regulations went into effect October 16, 2018. See "Student Assistance General Provisions, Federal Perkins Loan Program, Federal Family Education Loan Program, William D. Ford Federal Direct Loan Program, and Teacher Education Assistance for College and Higher Education Grant Program," 83 Fed. Reg. 6,458, 6,458-69 (Feb. 14, 2018); *Bauer v. DeVos*, 332 F. Supp. 3d 181, 186 (D.C. Cir. 2018).

<sup>21</sup>See 84 Fed. Reg. 49,788, 49,848, 49,930-31 (Sept. 23, 2019). Education does not automatically discharge loans until 3 years after the college closure. Therefore, Education will continue to administer this process through July 2023. When announcing the final regulations to eliminate the automatic process, Education stated that providing automatic closed school discharges to borrowers ran counter to its goals of encouraging students at closed schools to complete their educational programs. The Department's rationale also included the belief that borrowers should be able to decide whether a discharge is in their best interest, and that the existing application process was not overly burdensome or difficult to navigate. On July 6, 2022, Education announced it had released proposed regulations that would expand the automatic discharge process.

<sup>22</sup>See 34 C.F.R. § 685.214(c)(3)(ii). Borrowers must have otherwise met the qualifications for enrollment at the closed colleges. Colleges must meet requirements under Title IV of the Higher Education Act to be eligible to participate in federal student aid programs.

---

2022, Education announced it had released proposed regulations that would expand the automatic discharge process.

In July 2022, Education announced it had released proposed regulations that provide for expanding the automatic discharge process and shortening the waiting period for receiving an automatic closed school discharge, among other changes.<sup>23</sup> Specifically, the proposed regulations would allow a borrower to receive an automatic discharge within one year of a college's closure if the borrower did not complete their education at the college or via an approved teach-out agreement at another college.

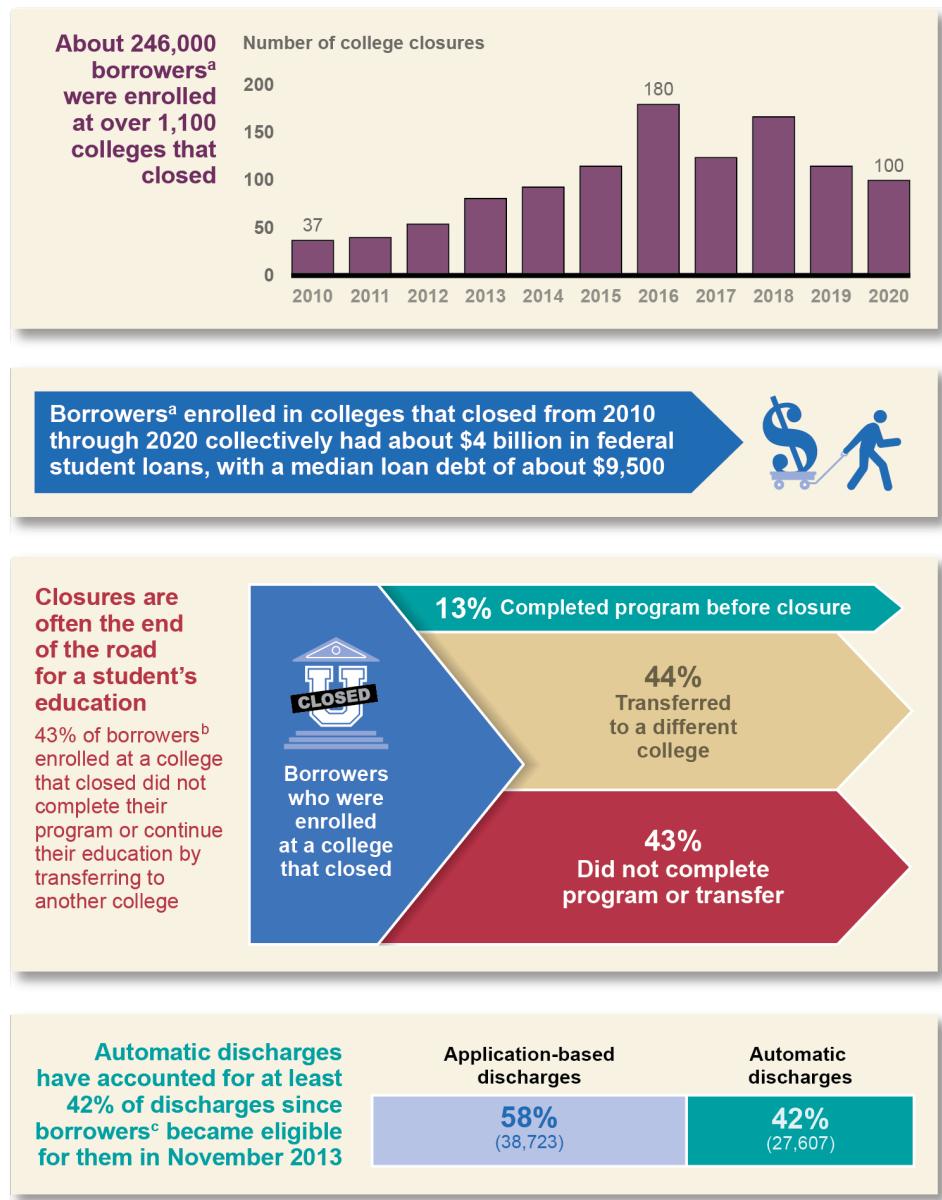
Our 2021 testimony included key data about the automatic closed school discharge process and other aspects of college closures (see fig. 2).<sup>24</sup>

---

<sup>23</sup>Department of Education, “Education Department Releases Proposed Regulations to Expand and Improve Targeted Relief Programs.” <https://www.ed.gov/news/press-releases/education-department-releases-proposed-regulations-expand-and-improve-targeted-relief-programs>. Accessed 7/8/22.

<sup>24</sup>GAO-21-105373.

## Figure 2: Key Facts and Figures about College Closures



Source: GAO-21-105373, which analyzed Education data. | GAO-22-104403

---

**Accessible Data Table for Figure 2 (Part 1 of 2)**

- About 246,000 borrowers were enrolled at over 1,100 colleges that closed

| Year | Number of college closures |
|------|----------------------------|
| 2010 | 37                         |
| 2011 | 40                         |
| 2012 | 54                         |
| 2013 | 81                         |
| 2014 | 93                         |
| 2015 | 115                        |
| 2016 | 180                        |
| 2017 | 124                        |
| 2018 | 167                        |
| 2019 | 115                        |
| 2020 | 100                        |

---

**Accessible Data Table for Figure 2 (Part 2 of 2)**

- Borrowersa enrolled in colleges that closed from 2010 through 2020 collectively had about \$4 billion in federal student loans, with a median loan debt of about \$9,500

- Closures are often the end of the road for a student's education

43% of borrowersb enrolled at a college that closed did not complete their program or continue their education by transferring to another college

13% Completed program before closure

44% Transferred to a different college

43% Did not complete program or transfer

- Automatic discharges have accounted for at least 42% of discharges since borrowersc became eligible for them in November 2013

|                              | Percentage of borrowers | Number of borrowers |
|------------------------------|-------------------------|---------------------|
| Application-based discharges | 58%                     | 38,723              |
| Automatic discharges         | 42%                     | 27,607              |

---

---

Notes: GAO combined college closures that 1) have the same 6-digit Office of Postsecondary Education Identification Number and 2) closed within the same calendar year. Colleges that closed without any federal student loan borrowers enrolled prior to closure were not included in this analysis. “Borrower” refers to any student who borrowed federal student loans (or student on whose behalf a parent borrowed) and was either a) enrolled or on an approved leave of absence when their college closed, or b) withdrew within the window of eligibility for a closed school discharge. Data reflect borrowers as of April 2021.

<sup>a</sup>Data includes borrowers who were enrolled at a college that closed from calendar year 2010 through 2020.

<sup>b</sup>Based on analysis of data from 2014-2020. GAO did not include borrowers from closures prior to calendar year 2014 due to limitations with the older data on program completions.

<sup>c</sup>Because borrowers are not eligible for an automatic discharge until 3 years after their college closes, GAO’s analysis includes automatic discharges for borrowers who were enrolled at colleges that closed up through April 2018.

---

## Education Does Not Ensure That Outreach to Borrowers about Their Eligibility for Loan Discharges Is Timely or Sufficient

### Outreach to Borrowers about Loan Discharges Is Hindered by Education’s Delays in Identifying and Reporting College Closures

Education does not ensure that all borrowers are quickly notified after a college closure about their potential eligibility for a loan discharge, limiting the ability of students to make informed decisions about their educational and financial options. We determined through our data analysis and interviews with department and selected loan servicer officials that these delays happen because it can take time for Education to accomplish two key steps: 1) identify a college closure and 2) report the closure to the loan servicers (see fig. 3).

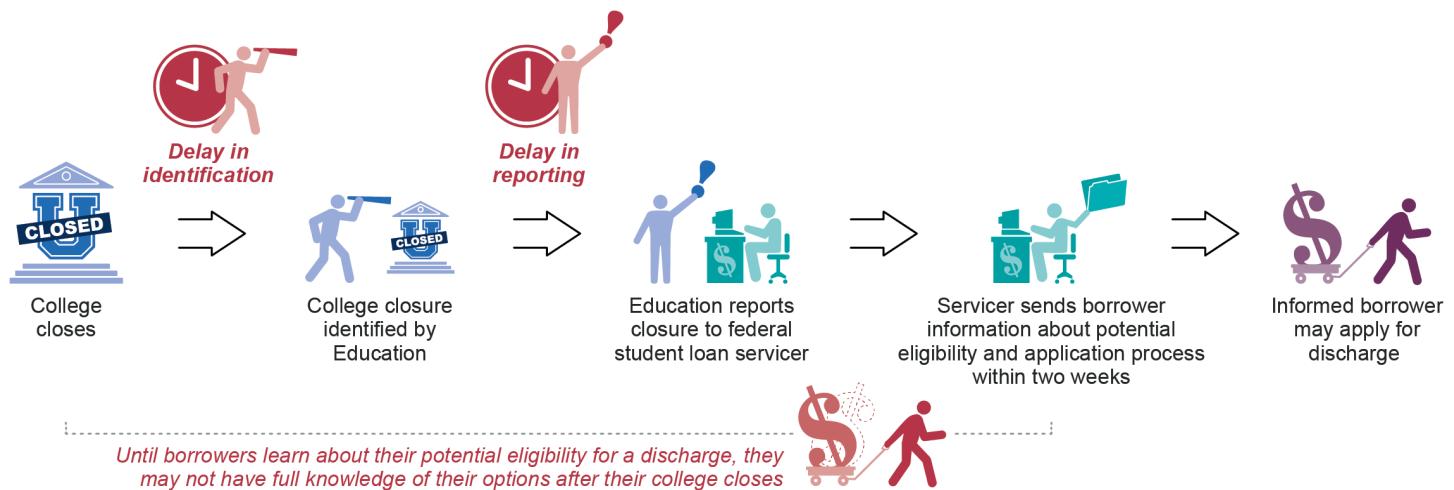
When a college closes, Education’s regulations and closed school discharge procedures state that the department must first identify the school closure and record the date of closure in its data system.<sup>25</sup> Education then reports closures to loan servicers that can then fulfill the

---

<sup>25</sup>34 C.F.R. § 685.214(f)(1), (g)(1). Education’s data system—the Postsecondary Education Participants System—includes information on both the date the closure was recorded in the data system and the official closure date. According to Education regulations, the official closure date is defined as the date that the school ceases to provide education instruction in all programs. 34 C.F.R. § 682.402(d)(ii)(A). For the purpose of this report, “identified” means the date that the closure was recorded in the data system.

Education requirement to send affected borrowers a notification letter, which includes a discharge application and explanation of the application process and eligibility criteria.<sup>26</sup> Loan servicers cannot provide this outreach to borrowers until Education identifies and reports the school closure.<sup>27</sup> Once reported, Education sets a goal for loan servicers to send a discharge notification to borrowers within 2 weeks.

**Figure 3: Periodic Delays in Education's Process for Ensuring Borrowers are Notified of Their Potential Eligibility for a Closed School Discharge**



Source: GAO analysis of relevant federal regulations, Education data, and interviews with Education and loan servicer officials. | GAO-22-104403

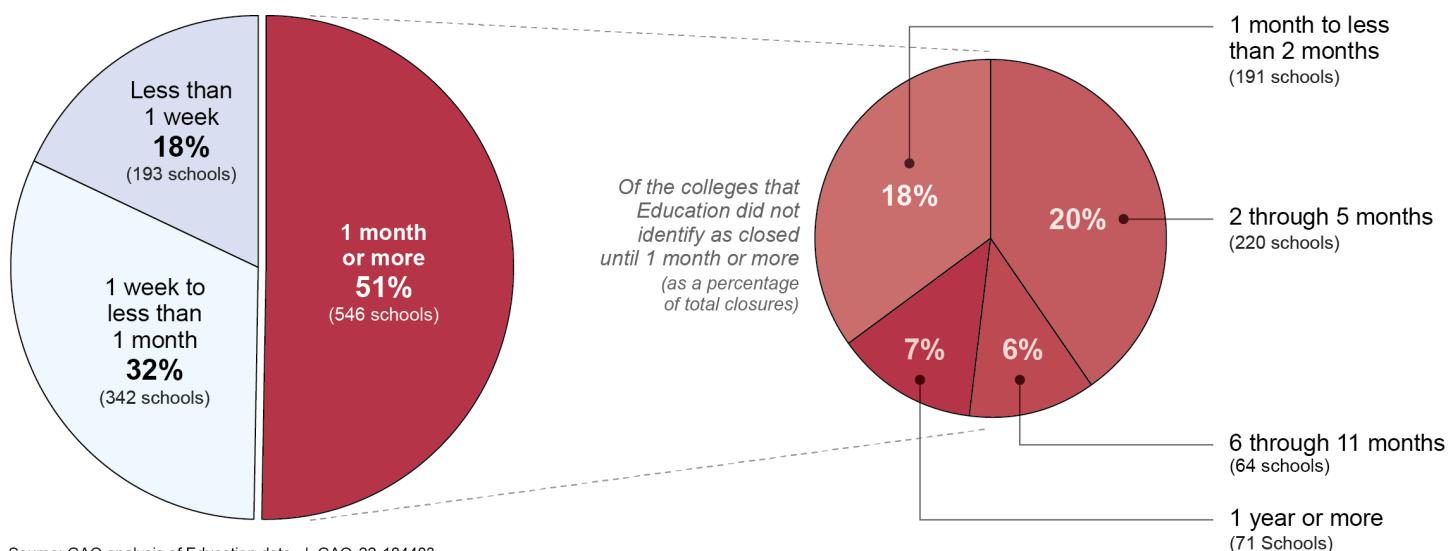
Education officials said the department should identify college closures as soon as possible. Education identified about half of the college closures from 2010-2020 in less than one month. However, there were delays in

<sup>26</sup>Education regulations require it to identify or attempt to identify any federal student loan borrower (or student on whose behalf a parent borrowed) who appears to be potentially eligible for a discharge and mail them a discharge application and an explanation of the qualifications and procedures for obtaining a discharge. 34 C.F.R. § 685.214(f)(1)-(2) & (g)(1)-(2). Education tasks its loan servicers with this requirement.

<sup>27</sup>Borrowers can access a discharge application online from Education's website or proactively request an application from their loan servicers before they receive one in the mail. However, organizations representing student loan borrowers said borrowers affected by school closures generally do not seek out this information because they do not know about the closed school discharge option and their potential eligibility. Officials from one loan servicer said borrowers rarely submit an application before receiving one from the servicer.

how long it took Education to identify the remaining closures.<sup>28</sup> During the 2010-2020 time period, Education did not identify one-third of college closures until 2 months or more after the college officially closed. This includes 13 percent of closures in which Education took 6 months or more to identify the closures (see fig. 4).

**Figure 4: Timeliness of Education's Identification of College Closures, 2010-2020**



Source: GAO analysis of Education data. | GAO-22-104403

<sup>28</sup>For the purpose of our analysis, we combined college closures that 1) have the same 6-digit Office of Postsecondary Education Identification Number (OPEID) and 2) closed within the same calendar year. Because our report is focused on the impact of college closures on federal student loan borrowers, we did not include over 7,100 branch and main campuses that Education reported as closed but did not have any federal student loan borrowers enrolled or on an approved leave of absence when the college closed or that withdrew shortly before its closure, meaning there were no borrowers at these colleges who potentially would have been eligible for a closed school discharge. When combining campus closures with different closure dates and dates identified by Education, we calculated timeliness by using the latest closure date and the earliest date identified by Education. At the time we received data from Education, a small number of colleges (less than 50) did not yet have the date that the college was identified by Education recorded in the data system. We excluded these colleges from our analysis of Education's timeliness in identifying college closures. We also did not assess how long it takes for borrowers to receive a discharge notification from loan servicers because Education does not collect data on when each notification is delivered. One month is equal to 30 days for the purpose of our analysis.

**Accessible Data Table for Figure 4**

|   | Percentage | Number of schools |
|---|------------|-------------------|
| Less than 1 week  | 18         | 193               |
| 1 week to less than 1 month   | 32         | 342               |
| 1 month or more   | 51         | 546               |
| Of the colleges that Education did not identify as closed until 1 month or more (as a percentage of total closures) |            |                   |
| 1 month to less than 2 months   | 18         | 191               |
| 2 through 5 months  | 20         | 220               |
| 6 through 11 months   | 6          | 64                |
| 1 year or more  | 7          | 71                |

Note: Percentages may not add up to 100 due to rounding. Timeliness is measured by the difference between the official closure date and the date Education inputted the closure in its data system. One month is equal to 30 days for the purpose of GAO's analysis. GAO combined college closures that 1) have the same 6-digit Office of Postsecondary Education Identification Number and 2) closed within the same calendar year. Colleges that closed without any federal student loan borrowers enrolled prior to closure or colleges that did not have a date that the closure was inputted into the data system were not included in this analysis.

Most borrowers impacted by closures attended a college that was identified by Education as closed in less than one month.<sup>29</sup> However, about 55,000 borrowers, or 22 percent of all borrowers who attended a college that closed from 2010-2020, attended a college that was not identified by Education until a month or more after the school officially closed.<sup>30</sup> Most of the closures Education identified one month or later were smaller colleges. However, 133 of these colleges had 100 or more student loan borrowers in attendance. This included 17 colleges with over 500 borrowers in attendance that Education did not identify as closed until one month or more.

Education has generally been able to identify closures of main campuses more quickly than branch campuses in recent years, but timeliness issues

---

<sup>29</sup>Education identified some of the largest college closures—such as ITT Technical Institute in 2016 and colleges operated by Dream Center Education Holdings in 2019—in less than one week. These colleges collectively enrolled tens of thousands of borrowers.

<sup>30</sup>Of college closures that were identified 2 months or later, about 29,000 students, or 12 percent of all borrowers impacted by a closure attended these schools. Of college closures that were identified 6 months or later, about 14,200 borrowers, or 6 percent of all borrowers, attended these schools.

---

persist for both.<sup>31</sup> For example, Education did not identify 44 percent of the main campuses that closed in 2020 until one month or more after the college officially closed. It also continues to take Education more than a month to identify the majority of branch campus closures.

The primary cause of Education's delays in identifying college closures is because not all colleges notify the department when they close as required, according to Education officials. Education requires that colleges report their closure immediately to the department if the entire college closes and within 10 calendar days of the closure if a college closes a branch campus.<sup>32</sup> Education has also emphasized to colleges the importance of timely reporting of closures in a voluntary training presentation released on its website in January 2022. There are several reasons why a college may not report a closure to Education as required. For example, colleges that close abruptly with little or no advance warning may not prioritize reporting the closure to Education before laying off key administrative staff, according to Education officials. Because colleges can be liable for the cost of closed school discharges, some colleges may also have a financial incentive to delay reporting their closure to Education and conceal the discharge option from their students, according to the research organizations we interviewed.<sup>33</sup> In addition, Education officials told us some colleges might not report closures because they are no longer participating in federal student aid programs

---

<sup>31</sup>From 2016 through 2020, Education identified 67 percent of main campus closures in less than a month compared to 29 percent of branch campus closures, although there is variation from year to year. Education officials said branch campus closures are generally lower risk because students may be able to continue their education at the same college by transferring to another campus or switching to online instruction. However, some students impacted by the closure of branch campuses may choose to apply for a discharge instead because of difficulties associated with travelling to a new location or transitioning from an in-person to online program, according to Education documentation. Further, when a branch closes some colleges have pressured borrowers to transfer to another campus without ever informing them of their eligibility for a discharge, according to representatives from one organization that represents borrowers. Regardless, the distinction between whether a borrower attended a branch campus or main campus is irrelevant for the purpose of determining eligibility for a discharge, according to Education regulations, so it is important for Education to notify all borrowers of their potential eligibility after any type of closure. 34 C.F.R. § 685.214(a)(2)(ii).

<sup>32</sup>34 C.F.R. § 600.21(a)(8).

<sup>33</sup>The department expressed concern that in some instances, the closing college might inform borrowers of the option to complete their program through a teach-out, but fail to advise them of the option for a closed school discharge, according to Education documents.

---

due to a loss of eligibility; however, these cases represent a small percentage of closures.

Identifying college closures when they are not reported by the school is difficult, according to Education officials. Education officials said there is no single solution for ensuring all school closures are identified quickly, and the department eventually identifies closures in a variety of ways. For example, sometimes accreditors, state higher education agencies, or students notify Education about a closure. In other cases, department officials may learn of a closure through social media or during their daily review of higher education news articles. Education officials also said they might also identify a previously unreported closure of a branch campus while reviewing a college's application for recertification to participate in federal aid programs, which colleges are generally required to submit every 4 to 6 years.<sup>34</sup>

However, we have found through our data analysis and interviews with Education officials and research organizations that Education has not leveraged other strategies to supplement its current approach that could help officials identify closures more quickly.

- **Utilizing available data.** Education does not currently leverage data it already collects to proactively identify college closures. For example, Education collects enrollment data that schools are required to report to Education at least every 60 days. Education could query this data to identify colleges that are no longer reporting enrollments. Education could also query internal data to identify colleges that have not recently drawn down any federal student aid funds. Both indicators could suggest that a college may have closed. Education officials said these data could be used to identify closures, but said they have some limitations. For example, some colleges forget to report enrollment data or may send data late even though they remain open. Similarly, some colleges may not have any drawdown funds because they serve few, if any, federal student loan borrowers. Although no single indicator can definitively identify a college closure, Education does not currently have a strategy for using all available data to identify potential closures and then investigate whether colleges have actually closed.

---

<sup>34</sup>See prior GAO report for more information about the recertification process. GAO, *Federal Student Aid: Education's Postsecondary School Certification Process*, GAO-18-481 (Washington, D.C.: July 17, 2018).

- **Promptly recording all closures.** We identified instances in which Education is aware that a college has closed, but officials delay recording the closure date in its data system for administrative reasons, thus postponing the notification to borrowers about their potential eligibility for a discharge. For example, Education was aware of Suburban Technical School's closure, which enrolled over 2,600 borrowers, but did not officially record it in the data system until a year after the closure. Education officials said the agency did not record the data earlier because officials were working on reconciling payments to the school. In another case, after a college reported the closure of more than 100 locations, it took Education over 3 additional months to record the closure date. The delay occurred because staff were handling various administrative tasks related to the closures, according to Education officials. They said Education must complete a significant number of administrative actions before it records the official closure date, particularly when the closure includes the main campus.<sup>35</sup> These officials also said borrowers affected by closures are not notified until an accurate closure date is determined because this date is necessary for determining which students are potentially eligible for a discharge. The department has a goal to eventually improve its data system to allow colleges and other external partners to communicate and confirm their closure date more easily, according to Education officials. However, this functionality has not been developed, according to Education officials.
- **Imposing penalties.** Education officials said the department has the authority to fine colleges that do not report a closure. However, Education has not imposed financial penalties on any college for not reporting a closure since at least 2010. The threat of penalties could encourage more colleges that close to report their closures in a timely manner, particularly for colleges that close a branch campus and continue to operate and administer federal student aid at the main campus. Among college closures that Education did not identify until 1 month or more after they closed, more than a third involved a branch campus or campuses where the main campus remained open. In some cases, Education officials said, imposing financial penalties could cause further harm to struggling colleges and result in more closures. These officials said the decision to penalize closures must

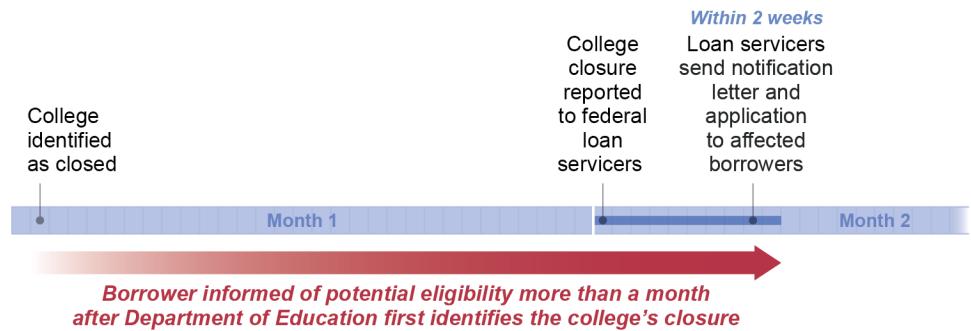
---

<sup>35</sup>In general, when a college closes, Education officials must issue paperwork to ensure more payments are not provided to the school and work with the school to resolve any positive or negative balance. Depending on the nature of the closure, Education officials may also have additional responsibilities, including coordinating with external partners, such as accreditors and state officials.

be made on a case-by-case basis that takes the severity of the violation into consideration.<sup>36</sup> Education can also impose nonfinancial penalties on colleges. For example, Education could consider the college's failure to report a branch closure in a timely manner when determining which schools get selected for periodic program reviews, or as a factor when the school comes up for recertification to participate in federal aid programs. Further, the prospect of penalties could offset some of the financial incentives colleges currently might have to delay or forgo reporting a closure to Education.

The second source of delays in notifying borrowers we identified is Education's process for reporting closures to its loan servicers. Once a closure has been identified, Education's process for reporting the closure to loan servicers can add up to an additional month of delays before borrowers are notified, according to Education officials. Education already publicly posts weekly information on college closures on its website. But, it instructs loan servicers to use its less frequent monthly reports of new college closures to initiate the process of sending borrowers a notification letter and discharge application, according to Education documentation. This report, provided at the beginning of each month, includes all college closures that occurred in the preceding month. Loan servicers use this report to identify borrowers who attended these colleges and send these borrowers a discharge notification, but sometimes not until over a month after the closure was identified (see fig. 5).

**Figure 5: Example of How Education's Process for Reporting Closures to Loan Servicers Results in Delays in Notifying Borrowers of Their Potential Eligibility for a Closed School Discharge**



Source: GAO analysis of interviews with Education and loan servicer officials and related documentation. | GAO-22-104403

<sup>36</sup>Education has fined colleges for failing to report the opening of a new branch campus, according to Education officials. A similar penalty structure could be used to fine colleges for failing to report the closure of a branch campus.

---

In response to our initial inquiries, Education officials agreed that instructing loan servicers to use its more frequent weekly data on college closure could expedite the process of notifying affected borrowers about the closed school discharge option. Education officials said they will update instructions for loan servicers and direct them to use weekly instead of monthly reports of college closures when Education implements a new servicing system. However, Education officials could not give an estimated implementation date for the new system since the new contracts have not yet been awarded (the current loan servicing contracts expire in December 2023). This means the proposed changes would not provide timely information for borrowers who are impacted by closures that occur in the meantime. Officials from the three loan servicers we interviewed also said they could adjust to using more frequent reporting of closures if Education instructed them to do so.

Education's current practices do not align with the department's Office of Federal Student Aid strategic plan goals to 1) leverage data-driven analytics to support borrower decision-making and targeted engagement when interventions become necessary, and 2) ensure partners—such as loan servicers—have the proper tools and information to deliver aid and service loans in a way that improves the customers' experiences.<sup>37</sup>

When combined together, these delays in identifying and reporting college closures can leave students without critical information when they need it most. It is important to notify borrowers about their potential eligibility for a discharge as soon as possible, so that they have full knowledge of what options are available after their college closes. For example, students may feel compelled to accept a transfer offer that results in credit loss or participate in a low quality teach-out without understanding that by continuing their education, they may become ineligible for a loan discharge.<sup>38</sup> Without better strategies for identifying closures and instructions around the reporting of them to servicers, Education lacks reasonable assurance that its servicers are sending vital

---

<sup>37</sup>U.S. Department of Education, Federal Student Aid, *Federal Student Aid: Strategic Plan, Fiscal Year 2020-2024*, (Washington D.C.: December 2020).

<sup>38</sup>We previously reported that transferring to another college after a closure enables borrowers to continue their education, but it is not always in borrowers' best interest, according to Education officials and our analysis of Education data. For instance, many borrowers who transfer lose credits in the transfer process, transfer to colleges that are at-risk of closing, and struggle to complete their education after transferring. Borrowers who complete their program prior to the closure of their college can benefit from having a degree, but the closure may devalue their degree. See [GAO-21-105373](#).

---

information about loan discharges in time for borrowers to make informed choices following a closure.

---

### Some of Education's Loan Servicers Sent Borrowers Incomplete Information about Discharges

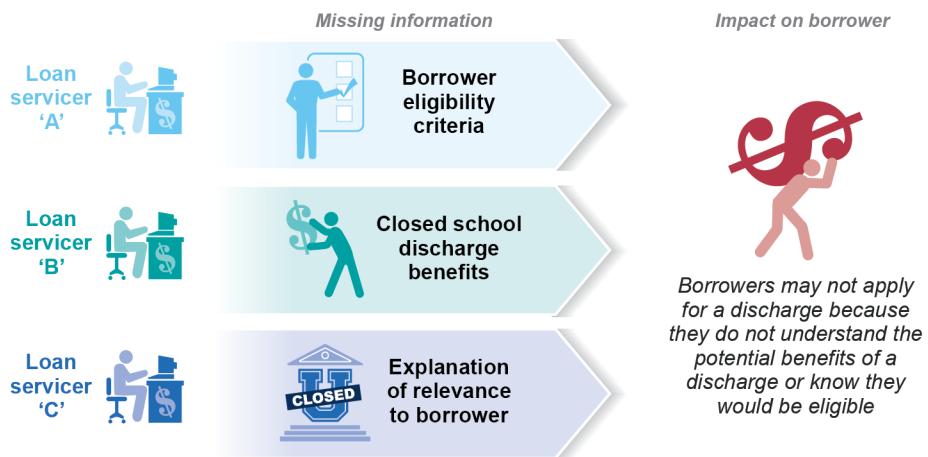
Some loan servicers sent borrowers discharge notification letters with information about closed school discharges that was incomplete or that might be perceived as untrustworthy. These letters could leave borrowers potentially confused or uncertain about their eligibility for relief. We reviewed discharge notification letter templates from five loan servicers, and found that letters from four of the five had issues that could result in borrowers not understanding or trusting the correspondence.<sup>39</sup> As of September 2021, at least 55 percent of all federal student loan borrowers had loans with these four servicers. While Education requires its loan servicers to notify borrowers affected by college closures of their potential eligibility for a discharge and provide them with a discharge application, it does not provide guidance on what to include in these notification letters, according to Education officials. As a result, each servicer has their own unique notification letter that they send to affected borrowers.

Three of the five servicers' notification letters we reviewed were missing key information that would help borrowers make an informed decision about whether or not to apply for a discharge (see fig.6).

---

<sup>39</sup>We reviewed closed school discharge borrower notification letters from five of the eight loan servicers who were operating in 2021. All five servicers used notification letter templates that they auto-populated with some borrower information – such as the borrower's name and account number – and sent to borrowers who were potentially eligible for a closed school discharge. Some of the servicers have also used the same notification letter template format for years. For example, officials from two of the three servicers we interviewed told us that they have used the same templates for so long they could not remember when they were created. As of January 2022, three of the eight loan servicers had ended or announced their intention to end their student loan servicing contracts by December 2022. Two of the servicers ending their contracts were included in our review as they were servicing student loans at the time of our analysis.

**Figure 6: Key Information Missing in Some Closed School Discharge Notification Letters**



Source: GAO analysis of loan servicer closed school discharge notification letters. | GAO-22-104403

- **Description of eligibility criteria.** Two servicers did not include an accurate description of the criteria a borrower is required to meet in order to be eligible for a discharge. Without this critical information, borrowers who received letters from these servicers might not have been able to determine if they qualified.
- **Description of potential discharge benefits.** Another servicer did not define what a closed school discharge is or explain its potential benefits. For example, the servicer did not inform borrowers that they would not have to repay their discharged loans or that any negative credit history associated with the loans would be removed. Borrowers who received letters from this servicer might not understand the purpose of a closed school discharge or how they could potentially benefit from this type of loan relief.
- **Explanation of relevance to borrower.** One servicer also did not inform the borrowers that they were receiving the letter because they attended a college that closed. Without this explanation, borrowers may not understand that this type of relief is specifically for borrowers in their unique situation, so it may not stand out among the other more general loan repayment information borrowers receive.

In addition, we found another servicer's closed school discharge letter included grammatical errors and incomplete sentences. Education expressly warned borrowers to be skeptical of loan letters containing

---

spelling and grammatical errors.<sup>40</sup> These errors could lead borrowers to think the letter was a scam and thus potentially untrustworthy. Two organizations representing student borrowers said that so much misinformation is directed at borrowers during a college closure that it is hard for borrowers to know whom to trust. While the discharge application that the servicers send with these notification letters also contains information about closed school discharges—including information about eligibility criteria and a description of related benefits—the letters are the first thing that a borrower sees. Further, borrowers may not read through the application's five pages and twenty-two questions to find these details, particularly if the attached notification letter does not clearly explain why the application is relevant.

Although Education does not provide servicers with guidance on the content of servicers' notification letters, the department has previously developed specific letter templates that it required servicers to send to borrowers affected by four different college closures that involved exceptional circumstances.<sup>41</sup> The templates Education developed do not have the shortcomings we found in the servicer letters we reviewed. For example, these templates clearly describe borrower eligibility requirements and closed school discharge benefits, explain the relevance of the letter to the borrower, and are written without grammatical or spelling errors that would suggest they are untrustworthy. These are all key elements that were missing from most of the standard servicer discharge notification letters we reviewed that servicers typically send to borrowers when a college closes. Education officials said the department creates these templates on a case-by-case basis and are generally based on information that Education receives after the college has closed. While these templates are used to convey school-specific information, they

---

<sup>40</sup>Education's website provides guidance on how borrowers can avoid student loan scams, and directs borrowers to be wary of information they receive that promises immediate and total loan forgiveness or cancellation. Office of Federal Student Aid, Department of Education, "Avoiding Student Aid Scams," [www.studentaid.gov/resources/scams](http://www.studentaid.gov/resources/scams). Accessed 5/2/22.

<sup>41</sup>Education officials told us that the four colleges, Technical Career Institutes, Inc., Corinthian Colleges, ITT Technical Institute, and Charlotte School of Law, were all deemed exceptional circumstance schools. The definition of exceptional circumstances can include closed colleges that lost accreditation, had their license to operate or award academic credentials revoked by the state, or violated state or federal law while the students were enrolled at the college. Education may extend the standard window of eligibility (i.e., eligible dates of enrollment) if the Secretary determines that exceptional circumstances related to a college's closing justify an extension.

---

demonstrate that Education has created specific guidance to help ensure servicers provide key information to borrowers about their potential eligibility for a closed school discharge.

Without guidance from Education on the content of notification letters, loan servicers will likely continue providing incomplete information to borrowers about eligibility for closed school discharges. The current lack of key information in some servicers' loan discharge letters does not align with the department's Office of Federal Student Aid's strategic plan goal to provide effective outreach and assistance to borrowers.<sup>42</sup> Further, standards for internal control in the federal government state that management should use quality information and communicate this information with external parties to achieve the entity's objectives.<sup>43</sup> As a result, eligible borrowers in need of loan forgiveness may not understand or trust the information they are receiving, and could continue paying for loans that are eligible for discharge. Additional guidance from Education on what to include in the borrower notifications could help ensure that the servicers send complete, consistent information in a way that borrowers can easily understand and trust.

---

### Education Is Missing Opportunities for Additional Outreach to At-Risk Borrowers

Education has recently taken some steps to improve its communication with borrowers about closed school discharges. However, this outreach is limited and Education is missing opportunities to ensure additional outreach is provided to borrowers most at-risk of missing loan payments. Once loan servicers send borrowers closed school discharge notification letters, Education and its loan servicers provide limited direct outreach to borrowers affected by college closures, leaving some borrowers unaware or uncertain about their eligibility for relief. Although it is important to send notification letters in a timely manner, organizations representing student borrowers said many borrowers may not receive, read, or understand the materials the loan servicers sends to them. Education officials similarly expressed concern that many borrowers are unaware of their eligibility for a closed school discharge because of insufficient outreach and

---

<sup>42</sup>U.S. Department of Education, Federal Student Aid, *Federal Student Aid: Strategic Plan, Fiscal Year 2020- 2024* (Washington, D.C.: December 2020).

<sup>43</sup>GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: September 2014), principles 13.01 and 15.01.

---

information about available relief, according to Education documents. We previously found that a large proportion of borrowers who were eligible for a loan discharge did not apply. For example, we reported that Education provided about 42 percent of discharges to borrowers through the automatic process, meaning that these borrowers had not applied for or received discharges in the three years since their college closed.<sup>44</sup> Many borrowers also may not know to seek out information on Education's website or from their loan servicer, resulting in eligible borrowers not applying for a discharge, according to Education officials and representatives from a research organization.

In limited cases, Education ensures some outreach is provided about loan discharges in addition to the loan servicer notification letters, but these efforts are targeted to select borrowers. For example, in 2021 Education began emailing borrowers who attended closed schools with at least 600 students, according to Education officials.<sup>45</sup> However, borrowers who are potentially eligible for a closed school discharge and who attended smaller colleges will not receive these emails from Education. In addition, as previously mentioned, Education also gave loan servicers templates for targeted letters to borrowers affected by closures at four colleges with exceptional circumstances—including ITT Technical Institute and Corinthian Colleges—to inform borrowers of their options, including eligibility for a loan discharge. However, Education or its servicers do not conduct this additional targeted outreach for most college closures. In addition, Education told us that borrowers can also find fact sheets about select college closures and information about closed school discharges on Education's website.<sup>46</sup> While Education has posted fact sheets on its website for 46 college closures, which sometimes included information about school-specific webinars or transfer fairs, borrowers must know to

---

<sup>44</sup>See [GAO-21-105373](#) for more detail. This analysis reflects data from November 2013—when borrowers first became eligible for an automatic discharge—through 2020.

<sup>45</sup>As of April 2022, Education has sent emails to borrowers affected by closures at five colleges and college chains - Branford Hall Career Institute, Vista College, Harris School of Business, American College for Medical Careers/American School of Nursing and Medical Careers, and Center for Excellence in Higher Education colleges. Education provided them with information about their potential eligibility for a closed school discharge and links to its website for more information.

<sup>46</sup>Education officials said that they use the size and nature of the college closure to help determine their external communication to borrowers, including the fact sheets that they post on their website. For example, if they know that the college has been providing information to its students about the closure, they might not need to provide as much external communication as they would for a school that has provided students with little to no information.

---

look for this information online. Further, four of the five servicer notification letters we reviewed did not provide information to borrowers about Education's website.

Education has not taken advantage of opportunities to ensure additional outreach is provided to borrowers who are suffering financial consequences for falling behind on loans that are eligible for a closed school discharge. This lack of additional outreach for at-risk borrowers does not align with Education's strategic plan goals for providing effective outreach and assistance to borrowers. Through our data analysis and interviews with Education officials and with organizations representing student borrowers, we have found that Education is not leveraging key opportunities to ensure additional outreach is provided to borrowers.

- *Delinquency and default notices.* Loan servicers are already communicating with borrowers in delinquency and default about their loan status and repayment options. However, Education officials acknowledged that at no point while trying to collect payments on these loans do the servicers or Education proactively remind borrowers about their eligibility for a discharge, even though Education has the data to identify borrowers who attended a closed school. We previously reported that the vast majority of eligible borrowers who do not apply for loan forgiveness struggle to repay their loans. Even when borrowers eventually qualified for an automatic discharge, about 73 percent of them had already fallen into default or were significantly past due on their loans.<sup>47</sup> Education officials said that they were not aware of any impediments to targeting borrowers in default or delinquency for additional outreach about their eligibility for closed school discharges. In response to our inquiries, Education officials also said that they have begun exploring the feasibility of instructing servicers to provide additional outreach, but have not implemented any instructions yet.
- *Servicer call centers.* Education encourages borrowers to immediately contact their loan servicer to discuss repayment options if they are having trouble making payments. Although these options might include a closed school discharge, all three servicers we interviewed

---

<sup>47</sup>See GAO-21-105373. We also previously reported that more than half of the borrowers who fell into default before receiving an automatic discharge did so within a year and a half of their college closing. Since Education processes automatic discharges 3 years after a closure, many borrowers were facing the consequences of default for a substantial amount of time before receiving an automatic discharge. Borrowers were eligible for an automatic discharge if they were enrolled or recently enrolled at a college that closed on or after November 1, 2013 and before July 1, 2020.

---

said they do not provide this information unless requested by the caller. None of the call centers from these three servicers uses an alert or flag within borrowers' records so that call center representatives can easily identify borrowers who attended a closed college and may be eligible for a discharge. In addition, one of these servicers told us that they did not have a script for their call center staff to follow to help identify borrowers who are potentially eligible for a closed school discharge. As a result, call center representatives may spend their time helping a borrower enroll in a new repayment plan without ever knowing to inform the borrower that they are also eligible for a full loan discharge, unless the borrower specifically asks about it.

An organization representing student borrowers said that an alert or flag would help servicer call centers make students aware of their potential eligibility. The servicers already have the necessary data to create such an alert, according to Education officials and loan servicers. One loan servicer also said that it would not be administratively difficult for them to identify all the borrowers who attended a closed college. In response to our inquiries, Education officials said that they would explore the feasibility of servicers updating their software to alert or flag borrower records to help identify students that attended a school that closed within the eligible time period, but have not implemented these changes yet.

Education has demonstrated through other borrower outreach initiatives that it has the ability to ensure that certain at-risk borrowers are provided with more targeted communications and assistance. For example, we recently reported that as part of its outreach to inform borrowers about resuming student loan repayment, Education created additional email, website, and social media content specifically for borrowers with student loans in default or at increased risk of missing payments.<sup>48</sup> Education also required servicers to conduct phone outreach campaigns to these borrowers to inform them of the various programs and flexibilities available to help them resume repayment. Education could leverage some of these practices to help establish additional, targeted outreach for at-risk borrowers about closed school loan discharges.

Without ensuring that additional outreach is provided to at-risk borrowers, Education risks missing opportunities to inform borrowers about this debt relief program and target the information to borrowers who need it the most, such as borrowers with loans in delinquency or default. As a result,

---

<sup>48</sup>[GAO-22-105291](#).

---

these at-risk borrowers may not be aware they are eligible for a discharge and continue to face long-term financial burdens from student loans.

---

## Conclusions

College closures can have life-altering impacts on students. Closed school discharges remain one of the key ways that borrowers can receive loan relief after a closure, so it is essential that Education provide borrowers with timely, complete, and clear information. However, unless Education addresses the unnecessary delays in its outreach to borrowers, it will continue to leave borrowers at a disadvantage when they are trying to quickly make informed decisions about the future of their education and finances. Further, Education's lack of guidance to loan servicers about the notifications sent after a closure means that borrowers will continue to receive incomplete information about discharges. As a result, borrowers in need of loan forgiveness may not apply for it. In addition, if Education does not ensure that additional outreach is targeted to potentially eligible borrowers who are struggling to repay their loans, these borrowers will continue to face financial consequences for loans that are eligible for forgiveness.

---

## Recommendations for Executive Action

We are making the following recommendations to Education's Office of Federal Student Aid:

The Chief Operating Officer of Federal Student Aid should implement additional strategies to identify college closures in a timely manner. For example, Education could leverage available data to identify potential closures, record known closures as soon as possible, and impose penalties on colleges that do not report closures. (Recommendation 1)

The Chief Operating Officer of Federal Student Aid should instruct loan servicers to use more frequent reports from Education on closures, such as the weekly reports, to send notifications to borrowers of their potential eligibility for a closed school discharge earlier. (Recommendation 2)

The Chief Operating Officer of Federal Student Aid should develop guidance for what information loan servicers should include in the notification letters they send to borrowers after a school closure informing them about their eligibility for a discharge. (Recommendation 3)

---

The Chief Operating Officer of Federal Student Aid should ensure additional outreach is provided to at-risk borrowers who are potentially eligible for a closed school discharge. At a minimum, this should include additional communication to borrowers with student loans in delinquency or default. (Recommendation 4)

---

## Agency Comments

We provided a draft of this report to Education for its review and comment. In its comments reproduced in appendix I, Education identified steps it is taking or plans to take to implement our recommendations.

Regarding our first recommendation, Education reiterated several actions it has taken that we cite in our report, such as monitoring college closures in the news, on social media, through student complaints, and from partner oversight agencies. Education also stated that it has created a voluntary online presentation for colleges that have closed or expect to close that includes information on the importance of timely reporting. We have incorporated information about this training into our report. In addition, Education identified further steps it plans to take to address this recommendation. For example, Education explained how the new data system it is implementing in fall 2022 will facilitate faster reporting of school closures. Further, Education described its plans to review cases where a school failed to submit a timely report to determine whether to initiate fine actions and stated it expects that this approach will deter schools from failing to report closures in a timely manner.

Education also stated that the department has recently taken initial steps towards addressing our remaining recommendations. After we met with the department to discuss our preliminary findings and recommendations, Education subsequently released a solicitation in May 2022 for a new servicing system. This solicitation includes several provisions aimed at addressing various issues we identified in our report and recommendations, but Education officials told us it is too early to commit to an implementation date since the contract has not been awarded yet.

To address our second recommendation to use more frequent reports on closures for sending discharge notifications to borrowers, Education noted the solicitation includes a requirement for servicers to monitor college closures on a weekly basis to identify borrowers that may be eligible for a closed school discharge.

---

Regarding our third recommendation to develop guidance for the content of notification letters sent to borrowers after a school closure, Education noted the solicitation includes a requirement for servicers to use a new notification letter template developed by Education that includes the key information we highlight in our report that borrowers need to make an informed decision. Education stated it has also shared the template with its current servicers.

To address our fourth recommendation to ensure additional outreach to at-risk borrowers, Education noted the solicitation includes a requirement for contractors to proactively remind borrowers about their eligibility and associated benefits of the loan discharge in all borrower communications, as well as a requirement for servicers to provide this information when an eligible borrower contacts the servicer's call center. These actions are positive steps that would benefit borrowers if Education implements the new servicing system. We will continue to monitor the development and implementation of the new servicing system.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to relevant congressional committees, the Secretary of Education, and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (617) 788-0534 or [emreyarrasm@gao.gov](mailto:emreyarrasm@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix II.

Sincerely yours,



Melissa Emrey-Arras, Director  
Education, Workforce, and Income Security

# Appendix I: Comments from the Department of Education



---

June 8, 2022

Melissa Emrey-Arras  
Director, Education, Workforce, and Income Security Issues  
Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20548

Dear Ms. Emrey-Arras:

I write on behalf of the U.S. Department of Education in response to the statements and recommendations made in the GAO draft report, *College Closures: Education Should Improve Outreach to Borrowers about Loan Discharges* (GAO-22-104403).<sup>1</sup>

The Department's office of Federal Student Aid (FSA) is responsible for implementing the federal student loan programs consistent with the law to protect student and parent borrowers. When FSA learns of a college closure, it makes every effort to respond to the needs of students. We recognize that with any process, including this one, there is always room for improvement. And we appreciate how all the work reflected in this report will help us accomplish that goal. As described below, FSA has already taken substantial steps to improve communications with student borrowers about school closures.

FSA's response to each of the four recommendations follows.

**Recommendation 1:** The Chief Operating Officer of Federal Student Aid should implement additional strategies to identify school closures in a timely manner. For example, Education could leverage available data to identify potential closures, record known closures as soon as possible, and impose penalties on schools that do not report closures.

**Response:** FSA has already implemented the following steps and plans to take the additional steps listed below, in response to school closures:

---

<sup>1</sup> Although the title and body of the draft report refer to "college," closed school discharges are also available to students at all types of schools that participate in the federal loan programs. Colleges are a subset of those schools. We modified the language in Recommendation 1 and in our responses accordingly.

---

## Appendix I: Comments from the Department of Education

---

Page 2 - Ms. Melissa Emrey-Arras

- A *Closed School Presentation* is available to all schools that have closed or expect to close. The presentation can be found on FSA's Training Center website ([FSA Training Center: Log in to the site \(ed.gov\)](#)), by clicking on Recorded Training, Training Videos, then clicking on the School Eligibility icon. The recorded presentation provides detailed information on the importance of timely reporting to FSA and other oversight agencies; communicating with students; and working with other partners to provide high-quality teach-out opportunities, among other critical topics.
- FSA continuously monitors reports of school closures in the media, on social media, through student complaints, and from partner oversight agencies such as accrediting agencies and state agencies. This helps FSA confirm a school closure more quickly with the applicable State oversight agency and to timely process the closure in our internal reporting systems, such as in the Postsecondary Education Participants System.
- FSA will implement a new platform – NextGen PPO – to facilitate faster reporting and more timely interaction with our partners. This new system, scheduled for deployment in Fall 2022, will enable schools to report information to FSA in real time, thus expediting the processing of school closures.
- For cases where the school failed to submit a timely report on the closure of an additional location, the School Eligibility and Oversight Service Group will determine whether a referral to the Administrative Actions and Appeals Service Group (AAASG) is warranted based on the specific circumstances of the case.
- AAASG will review any such referrals of institutions failing to timely report closures and will initiate fine actions where warranted based on the circumstances. We expect this approach will deter schools from failing to timely report the closure of a location.

**Recommendation 2:** The Chief Operating Officer of Federal Student Aid should instruct loan servicers to use more frequent reports from Education on closures, such as the weekly reports, to send notifications to borrowers of their potential eligibility for a closed school discharge earlier.

**Response:** The Department is addressing this recommendation. FSA recently posted a solicitation for the Unified Servicing and Data Solution (USDS), the long-term loan servicing solution designed to provide federal student loan borrowers with a 21st-century customer experience. The following USDS solicitation requirement directly addresses this recommendation:

“23006.000: The contractor shall monitor the Post-Secondary Education Processing contractor (PEPS) file on a weekly basis to identify borrowers that may be eligible for Closed School Discharges.”

**Recommendation 3:** The Chief Operating Officer of Federal Student Aid should develop guidance for what information loan servicers should include in the notification letters they send to borrowers after a school closure informing them about their eligibility for a discharge.

**Response:** The Department is addressing this recommendation. FSA recently posted a solicitation for the USDS, the long-term loan servicing solution designed to provide federal student loan borrowers with a 21st-century customer experience. The following USDS solicitation requirement directly addresses this recommendation:

---

**Appendix I: Comments from the Department of Education**

Page 3 - Ms. Melissa Emrey-Arras

“23006.020: The contractor shall mail the borrower/parent/endorser a closed school discharge application and a cover letter with a clear explanation of the qualifications and procedures for obtaining a closed school discharge within 10 business days of identifying any eligible borrower (see attachment 23006\_Closed School Discharge Cover Letter Template).”

FSA has provided the “Closed School Discharge Cover Letter Template” to loan servicers, which addresses the consistency issues raised in this draft GAO report and adopts best practices for borrower communications.

**Recommendation 4:** The Chief Operating Officer of Federal Student Aid should ensure additional outreach is provided to at-risk borrowers who are potentially eligible for a closed school discharge. At a minimum, this should include additional communication to borrowers with student loans in delinquency or default.

**Response:** The Department is addressing this recommendation. FSA recently posted a solicitation for the USDS, the long-term loan servicing solution designed to provide federal student loan borrowers with a 21st-century customer experience. The following USDS requirements directly addresses this recommendation:

“24011.080: For borrowers eligible for a closed school discharge and have not submitted a closed school application, the contractor shall proactively remind borrowers about their eligibility to apply and the potential benefits of a closed school discharge in all borrower communications and if the borrower contacts the contractor’s contact center (especially if the borrower mentions they are having trouble making payments or is requesting a forbearance or deferment).”

The Department also is currently engaged in a rulemaking process in which it has considered proposals to automatically grant closed school discharges for borrowers who are eligible but do not complete the closed school discharge application. That rulemaking process is ongoing, and the Department is considering all possible options.

Thank you for the opportunity to respond to the draft report and the recommendations outlined in this report. FSA appreciates GAO’s thoughtful work on this important issue.

Sincerely,



Richard Cordray  
Chief Operating Officer  
Federal Student Aid

## **Text of Appendix I: Comments from the Department of Education**

June 8, 2022

Melissa Emrey-Arras  
Director, Education, Workforce, and Income Security Issues  
Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20548

Dear Ms. Emrey-Arras:

I write on behalf of the U.S. Department of Education in response to the statements and recommendations made in the GAO draft report, College Closures: Education Should Improve Outreach to Borrowers about Loan Discharges (GAO-22-104403).1

The Department's office of Federal Student Aid (FSA) is responsible for implementing the federal student loan programs consistent with the law to protect student and parent borrowers. When FSA learns of a college closure, it makes every effort to respond to the needs of students. We recognize that with any process, including this one, there is always room for improvement. And we appreciate how all the work reflected in this report will help us accomplish that goal. As described below, FSA has already taken substantial steps to improve communications with student borrowers about school closures.

FSA's response to each of the four recommendations follows.

**Recommendation 1:** The Chief Operating Officer of Federal Student Aid should implement additional strategies to identify school closures in a timely manner. For example, Education could leverage available data to identify potential closures, record known closures as soon as possible, and impose penalties on schools that do not report closures.

**Response:** FSA has already implemented the following steps and plans to take the additional steps listed below, in response to school closures:

1 Although the title and body of the draft report refer to “college,” closed school discharges are also available to students at all types of schools that participate in the federal loan programs. Colleges are a subset of those schools. We modified the language in Recommendation 1 and in our responses accordingly.

- A Closed School Presentation is available to all schools that have closed or expect to close. The presentation can be found on FSA’s Training Center website (FSA Training Center: Log in to the site (ed.gov)), by clicking on Recorded Training, Training Videos, then clicking on the School Eligibility icon. The recorded presentation provides detailed information on the importance of timely reporting to FSA and other oversight agencies; communicating with students; and working with other partners to provide high-quality teach-out opportunities, among other critical topics.
- FSA continuously monitors reports of school closures in the media, on social media, through student complaints, and from partner oversight agencies such as accrediting agencies and state agencies. This helps FSA confirm a school closure more quickly with the applicable State oversight agency and to timely process the closure in our internal reporting systems, such as in the Postsecondary Education Participants System.
- FSA will implement a new platform – NextGen PPO – to facilitate faster reporting and more timely interaction with our partners. This new system, scheduled for deployment in Fall 2022, will enable schools to report information to FSA in real time, thus expediting the processing of school closures.
- For cases where the school failed to submit a timely report on the closure of an additional location, the School Eligibility and Oversight Service Group will determine whether a referral to the Administrative Actions and Appeals Service Group (AAASG) is warranted based on the specific circumstances of the case.
- AAASG will review any such referrals of institutions failing to timely report closures and will initiate fine actions where warranted based on the circumstances. We expect this approach will deter schools from failing to timely report the closure of a location.

---

**Recommendation 2:** The Chief Operating Officer of Federal Student Aid should instruct loan servicers to use more frequent reports from Education on closures, such as the weekly reports, to send notifications to borrowers of their potential eligibility for a closed school discharge earlier.

**Response:** The Department is addressing this recommendation. FSA recently posted a solicitation for the Unified Servicing and Data Solution (USDS), the long-term loan servicing solution designed to provide federal student loan borrowers with a 21st-century customer experience. The following USDS solicitation requirement directly addresses this recommendation:

“23006.000: The contractor shall monitor the Post-Secondary Education Processing contractor (PEPS) file on a weekly basis to identify borrowers that may be eligible for Closed School Discharges.”

**Recommendation 3:** The Chief Operating Officer of Federal Student Aid should develop guidance for what information loan servicers should include in the notification letters they send to borrowers after a school closure informing them about their eligibility for a discharge.

**Response:** The Department is addressing this recommendation. FSA recently posted a solicitation for the USDS, the long-term loan servicing solution designed to provide federal student loan borrowers with a 21st-century customer experience. The following USDS solicitation requirement directly addresses this recommendation:

“23006.020: The contractor shall mail the borrower/parent/endorser a closed school discharge application and a cover letter with a clear explanation of the qualifications and procedures for obtaining a closed school discharge within 10 business days of identifying any eligible borrower (see attachment 23006\_Closed School Discharge Cover Letter Template).”

FSA has provided the “Closed School Discharge Cover Letter Template” to loan servicers, which addresses the consistency issues raised in this draft GAO report and adopts best practices for borrower communications.

**Recommendation 4:** The Chief Operating Officer of Federal Student Aid should ensure additional outreach is provided to at-risk borrowers who are potentially eligible for a closed school discharge. At a minimum, this should include additional communication to borrowers with student loans in delinquency or default.

---

**Response:** The Department is addressing this recommendation. FSA recently posted a solicitation for the USDS, the long-term loan servicing solution designed to provide federal student loan borrowers with a 21st-century customer experience. The following USDS requirements directly addresses this recommendation:

“24011.080: For borrowers eligible for a closed school discharge and have not submitted a closed school application, the contractor shall proactively remind borrowers about their eligibility to apply and the potential benefits of a closed school discharge in all borrower communications and if the borrower contacts the contractor’s contact center (especially if the borrower mentions they are having trouble making payments or is requesting a forbearance or deferment).”

The Department also is currently engaged in a rulemaking process in which it has considered proposals to automatically grant closed school discharges for borrowers who are eligible but do not complete the closed school discharge application. That rulemaking process is ongoing, and the Department is considering all possible options.

Thank you for the opportunity to respond to the draft report and the recommendations outlined in this report. FSA appreciates GAO’s thoughtful work on this important issue.

Sincerely,  
Richard Cordray  
Chief Operating Officer  
Federal Student Aid

---

# **Appendix II: GAO Contact and Staff Acknowledgments**

---

## **GAO Contact**

Melissa Emrey-Arras, (617) 788-0534 or [emreyarrasm@gao.gov](mailto:emreyarrasm@gao.gov)

---

## **Staff Acknowledgments**

In addition to the contact named above, Will Colvin (Assistant Director), Brian Schwartz (Analyst-in-Charge), Kristy Kennedy, Jon Muchin, and Michael Naretta made significant contributions to this report. Also contributing to this report were Andrew Bellis, James Bennett, Mindy Bowman, Gina Hoover, John Mingus, Jessica Orr, Almeta Spencer, Rachel Stoiko, and Adam Wendel.

---

## GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

---

## Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through our website. Each weekday afternoon, GAO posts on its [website](#) newly released reports, testimony, and correspondence. You can also [subscribe](#) to GAO's email updates to receive notification of newly posted products.

---

### Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <https://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

---

## Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#).  
Subscribe to our [RSS Feeds](#) or [Email Updates](#). Listen to our [Podcasts](#).  
Visit GAO on the web at <https://www.gao.gov>.

---

## To Report Fraud, Waste, and Abuse in Federal Programs

Contact FraudNet:

Website: <https://www.gao.gov/about/what-gao-does/fraudnet>

Automated answering system: (800) 424-5454 or (202) 512-7700

---

## Congressional Relations

A. Nicole Clowers, Managing Director, [ClowersA@gao.gov](mailto:ClowersA@gao.gov), (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

---

## Public Affairs

Chuck Young, Managing Director, [youngc1@gao.gov](mailto:youngc1@gao.gov), (202) 512-4800  
U.S. Government Accountability Office, 441 G Street NW, Room 7149  
Washington, DC 20548

---

## Strategic Planning and External Liaison

Stephen J. Sanford, Managing Director, [spel@gao.gov](mailto:spel@gao.gov), (202) 512-4707  
U.S. Government Accountability Office, 441 G Street NW, Room 7814,  
Washington, DC 20548



Please Print on Recycled Paper