

# GAO Highlights

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](#)