



STATEMENT FOR THE RECORD
SUBCOMMITTEE HEARING ON CLOSED SCHOOL DISCHARGE
SUBMITTED TO THE
HIGHER EDUCATION AND WORKFORCE INVESTMENT SUBCOMMITTEE
COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES

September 30, 2021

Chairwoman Wilson, Ranking Member Murphy, and Members of the Subcommittee:

We appreciate the opportunity to share with the Subcommittee our perspective on the Closed School Discharge program at the U.S. Department of Education (“Department”). The unexpected closing of a college dramatically impacts the lives of all its students and their families in numerous harmful ways. Student veterans are particularly affected by these sudden school closures, as we have unfortunately seen time and again.¹

Veterans Education Success is a non-profit organization that works on a bipartisan basis to advance higher education success for veterans, service members, and military families, and to protect the integrity and promise of the GI Bill and other federal education programs. In addition to research, providing free casework to students having trouble with the GI Bill or impacted by predatory schools, and elevating the voices of student veterans to help policymakers understand veterans’ experiences in higher education, we are focused on addressing ways to increase the continued academic success of military-connected students in the pursuit of their academic goals.

The closed school discharge program offers a potential lifeline to borrowers by canceling their federal student loans if they meet certain requirements.² While we greatly appreciate the program and support its intent to help mitigate the terrible circumstances these student borrowers face, we believe it can be improved in a number of areas.

The Impact of College Closures on Military-Connected Students

Predatory schools have a long history of targeting veterans to harvest federal education benefits, dating back to the inception of the original GI Bill following World War II.³ There are countless examples of predatory colleges’ shutting down and leaving student veterans stranded, with ITT Technical Institute, Corinthian Colleges, Argosy University, and many other recent closures.⁴ Many of these institutions exhibited warning signs prior to their closure, including law enforcement investigations and federal and state regulator actions like being placed on Heightened Cash Monitoring Level 2.⁵ Yet, these colleges -- on the verge of closing -- continued receiving federal aid and GI Bill benefits until the very end.

Veterans have been left scrambling and have turned to military and veterans service organizations to help them move forward. The veterans community has assisted them in finding housing after having been evicted from their homes and offered financial aid to pay for bills or buy groceries when their monthly housing allowance from the U.S. Department of Veterans Affairs unexpectedly ended when these institutions closed.

¹ Chris Quintana and Diane Zhang, *A College Closed, Upending One Veteran’s Life. Two Years Later He is Still Rebuilding*, USA Today (May 18, 2021),

<https://www.usatoday.com/in-depth/news/education/2021/05/18/online-college-closed-left-army-veteran-homeless/4894634001/>.

² Closed school discharge page at the Department of Education, <https://studentaid.gov/manage-loans/forgiveness-cancellation/closed-school/>.

³ See this series of articles by David Whitman, *The Cycle of Scandal*, The Century Foundation (2017-2018), <https://tcf.org/topics/education/the-cycle-of-scandal-at-for-profit-colleges/>.

⁴ ITT Tech had around 8,000 veterans enrolled at the time of closure, Natalie Gross, *Why Aren’t More Vets Applying to Get Their GI Bill Restored*, Military Times Reboot Camp (May 7, 2018), <https://rebootcamp.militarytimes.com/news/education/2018/05/07/why-arent-more-vets-applying-to-get-gi-bill-restored/>.

⁵ Walter Ochinko, *VA and SAAs Should Act on Early Warning Signs When Risks to GI Bill Beneficiaries and Taxpayers Emerge at Participating Schools*, Veterans Education Success (October 2019), <https://vetsedsuccess.org/va-and-saas-should-act-on-early-warning-signs-when-risks-to-gi-bill-beneficiaries-and-taxpayers-emerge-at-participating-schools/>.

Consider the testimony of one student veteran, LaChelle Griffin, who explained to the House Committee on Veterans' Affairs her experience with the closure of Virginia College:

"[I]n the summer of 2018, I found out that the school would be closing in August of 2019. I was concerned at first, but felt relieved to know that I would be done with my classes and graduated by that time, so I stayed at Virginia College. I continued to attend classes and then, suddenly, I went to school in December of 2018 and I was told that the school would be closing the very next week. I was devastated and did not know what to do. I had completed all of my coursework and only had 90 days of clinicals left to complete before I could graduate. I called numerous schools to see if they would allow me to finish my clinicals and award me a degree, but none were willing. I also contacted employers about allowing me to finish my clinical portion. No one was interested without having a contract with the school. On top of that, I can't find any school that will accept my credits from Virginia College."⁶

Similarly, another student veteran, Kendrick Harrison, shared this with Congress when Argosy University closed abruptly in 2019:

"[I was] fighting tooth and nail for a degree that got pulled from under me three months before graduation ... My family and I were evicted, my car was repossessed . . . I honored my commitment to the United States Army. I protected and defended this great nation, only to come back and be robbed by predatory industries that are supposed to uplift the same community."⁷

These stories are illustrative of the experience many thousands of other students have endured, and highlight just how disruptive and harmful precipitous college closures can be, at no fault of the student. Schools undergoing closures must be held liable for the damaging long-term effects of their negligence. As a first step, we believe it is imperative the closed school discharge program works properly so affected students have an avenue for relief.

Recommendations for Improving the Closed School Discharge Program

We acknowledge the Department is undergoing a negotiated rulemaking on a number of topics including closed school discharge. While we hope the Department will make the necessary improvements to the program that are within its purview, we offer this Subcommittee a few recommendations that will hopefully illuminate areas in need of oversight and/or potential legislation.

- *Clear Information to Students:*

The Department must improve its dissemination of information to students about the closed school discharge program. While the Department does host a website and notify students of their options when a college is shutting down, it needs to present clearer information to help students understand the implications of the choice they face to either receive closed school relief or to transfer their existing credits to a comparable program at a new school.

⁶ LaChelle's full testimony is available at <https://vetsedsuccess.org/our-student-veteran-testimony-lachelle-griffin-to-the-house-committee-on-veteran-affairs-hearing-on-the-effect-of-mid-semester-school-closures/>.

⁷ Kendrick Harrison's remarks at a House of Representatives press conference starting around the 22:00 minute mark, <https://www.facebook.com/RepSusieLee/videos/578573342997313/>; see also *supra* note 1 for more information about his story.

- *Requirements for Schools:*

The Department should ensure schools are held liable for the costs of closed school discharges by increasing letters of credit for schools showing signs of closure. Schools that do close down should have to follow a unified procedure to close down in an orderly fashion. A new law in Maryland may provide a useful model: The “Institutions of Postsecondary Education—Disorderly School Closures Act” protects students in the event of future catastrophic closures by canceling debts owed by students, refunding tuition paid, ensuring that students have transfer options and access to their academic records, and holding school owners responsible for what happens in the event their school goes out of business.⁸

Regarding teach-outs, far too often, we have seen students transfer to other low-quality for-profit schools that do not offer them the best chance of success simply because that institution would accept the most credits or had a teach-out program with the closed school. These teach-outs should be validated with certain assurances regarding cost, time remaining to completion, and more to prevent further harm.

- *Improve the Department’s Procedures for Granting Closed School Discharge:*

Closed school discharge should be automatic. Under the 2016 borrower defense rule, closed school discharge is automated 3 years after the school closure. This automated discharge is available only to students who attended a closed school from November 1, 2013, to July 1, 2020, since the Department rewrote the borrower defense rule and removed this provision.⁹ Automatic discharge should be reinstated and occur at an earlier date than 3 years after a college closed down, so that student veterans are not unnecessarily paying down their loans if they have no intention of re-enrolling in college.

The Department recently extended the closed school look-back period for discharges related to the ITT Tech closure.¹⁰ Borrowers who did not complete their degree and left ITT Tech on or after March 31, 2008, are now eligible to receive a closed school discharge. The Department provided this relief to “borrowers whose attendance at ITT overlapped with a period during which the institution engaged in widespread misrepresentations about the true state of its financial health and misled students into taking out unaffordable private loans that were allegedly portrayed as grant aid.”¹¹

We hope Congress will work with the Department to ensure the closed school look-back period is extended for other schools with similar histories of widespread misrepresentation.

- *Prevent Future School Closures:*

Finally, the single most important step the Department could take to prevent victimization of students and taxpayers as a result of school closures would be to require all institutions

⁸ <http://mgaleg.maryland.gov/mgaweb/legislation/details/SB0446?ys=2020RS>.

⁹ See *Top 10 Ways the New Borrower Defense Rule is Worse for Borrowers*, TICAS, The Century Foundation, and National Consumer Law Center (September 23, 2019),

<https://ticas.org/accountability/top-10-ways-new-borrower-defense-rule-worse-borrowers/>.

¹⁰ *Extended Closed School Discharge Will Provide 115K Borrowers from ITT Technical Institute More Than \$1.1B in in Loan Forgiveness*, Department of Education Press Release (August 26, 2021),

<https://www.ed.gov/news/press-releases/extended-closed-school-discharge-will-provide-115k-borrowers-itt-technical-institute-more-11b-loan-forgiveness>.

¹¹ *Id.*

participating in federal student aid programs to have financial reserves commensurate with the dollar amount of federal funds they put at risk. In the aftermath of the cycle of waste, fraud, and abuse in the 1980s, Congress provided the Department with broad authority to define and enforce financial responsibility criteria for institutional participation in Title IV student aid programs.

That Title IV authority, originally incorporated in the 1992 reauthorization of the Higher Education Act, has never been adequately regulated or exercised by the Department. Current regulations simply do not ensure that schools are adequately capitalized before they can access enormous sums of federal aid, nor does the Department monitor institutional practices, such as payment of dividends, stock buybacks, or sale and transfer of assets, that drain resources away from schools that are headed for collapse, leaving students and taxpayers to cover the resulting losses.

Not only would a more robust approach to institutional financial responsibility better protect students and Title IV funds, it would also protect student veterans' GI Bill benefits and funds flowing from the Department of Veterans Affairs, who are also regularly victimized by precipitous school closures. We are pleased to note that the original list of items the Department of Education proposed for possible negotiated rulemaking includes provisions related to financial responsibility and we strongly urge quick action by the Department to strengthen the relevant regulations.

Conclusion

We urge the Subcommittee to continue oversight of the closed school discharge program and to work with the Department to improve its administration. Student veterans should have a straightforward path available to them should they need to utilize the program. We hope the Subcommittee will help make sure the program fulfills its true potential.

Veterans Education Success sincerely appreciates the opportunity to express our views before the Subcommittee today.

Disclosure Statement

Pursuant to Rule XI2(g)(4) of the House of Representatives, Veterans Education Success has received no federal grants in Fiscal Year 2021 nor in the previous two years.