

My school has closed! What do I do now?

August 2021

TAKE YOUR TIME AND DO NOT RUSH INTO ENROLLING IN ANOTHER SCHOOL.

- If you do not complete your program and do not transfer to another school to complete your program, **you are eligible to cancel your federal student loans via a closed school discharge by applying with the Department of Education.** Applying for loan cancellation is free.
- You do not have any immediate obligation to repay your federal student loans for at least 6 months. You may ask your private lenders to give you a forbearance while you determine your next steps.
- **Do not rush into any teach-out program or into re-enrolling at any other schools.** This is an important decision and a big investment – take the time to decide what is right for you.
- If any school is pushing you to enroll right away, **BEWARE. This is likely a low-quality school that is more interested in the money you bring than in providing a good education.**
- Carefully consider the options that are best for you. Research local community college and other public-school programs. Sometimes it is worth waiting and applying for these programs, which are often of higher quality and less expensive than for-profit school programs that you can enroll in immediately.
- If a school tells you it will accept all your credits, make sure you get this in writing before you enroll. Credit transferability should be clearly reflected in your new enrollment agreement. Many students discover they cannot transfer their credits, or that it was not worth transferring the credits because it did not save them time or money at the new school.
- **Gather Documentation:** Make sure you get a complete copy of all your student records from the school that closed in order to ensure you have all the documents you need to establish your eligibility for federal student loan debt relief. At a minimum, get a copy of your enrollment agreement, your student ledger (a complete financial accounting of all funds paid to the school and amounts you were charged), your transcript, all documents you signed, any record of your withdrawal or approved leaves of absence, and all electronic communications between you and anyone at the school.
- Sometimes the best course of action is to opt for the closed school discharge and start over at a reputable school.

Beware of student debt relief companies! Closed school discharges and state debt relief programs are available **free of charge**. You don't have to pay someone to help you obtain this relief. If anyone asks you to pay them first for help, then they may be violating federal law and scamming you.

Debt Relief Information

If you don't plan on transferring credits or participating in a teach-out:

- **FEDERAL STUDENT LOANS AND PELL GRANTS:** If you or your parent obtained federal financial aid, you are eligible for loan cancellation and restoration of your Pell Grant if:
 - You did not complete your program of study **AND**
 - You were still enrolled or on an approved leave of absence when the school closed **OR**
 - You withdrew within 120 or 180 days of your school's closure. The applicable time period depends on the date your Direct Loans were disbursed.
- **PRIVATE STUDENT LOANS:** You or your co-signor may also be eligible to have your private loans cancelled if:
 - You were enrolled or on an approved leave of absence when the school closed **AND**
 - Your state law provides for cancellation of your private loan. Your private loan is likely to be eligible for cancellation if it was made to you by your school or if the loan agreement contains the following clause:
"ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER."
You should speak to a lawyer about how to cancel this debt.
- **G.I. BILL FUNDS:** If you were enrolled within 120 days prior to the school closure, you are eligible for the full restoration of G.I. Bill Funds used to pay for the program you were unable to complete. Application here: <https://www.vba.va.gov/pubs/forms/VBA-22-0989-ARE.pdf>.
- **CASH, PRIVATE STUDENT LOANS:** Some states have student tuition recovery funds (STRFs) that will reimburse cash expenses or private student loans in whole or in part for students and/or parents. You must check with your state to determine what is available in your state (a list of states is available here: <https://www.studentloanborrowerassistance.org/loan-cancellation/state-programs/>).
- **CALIFORNIA RESIDENTS ONLY:** If you were a student (not a parent or co-signor), you are eligible for relief from California's Student Tuition Recovery Fund if:
 - You were still enrolled or on an approved leave of absence when the school closed **OR** you withdrew within 120 days of your school's closure **AND**
 - Your school was required to be approved or registered by the Bureau for Private Postsecondary Education (BPPE).

If you are eligible, you will be able to get your private loans paid off or cancelled, receive a refund for the amounts paid on your private loans or to your school, and receive future educational funding equal to the amounts of grants or other funds lost to the closed school. See: https://www.bppe.ca.gov/forms_pubs/strf_application.pdf.

If you plan on transferring credits or participating in a teach-out:

- **FEDERAL STUDENT LOANS AND PELL GRANTS:** You are **not** eligible for a closed school discharge of your federal financial aid if:
 - You transfer one or more credits you've earned at your school to the **same or comparable** program at another school and you **complete or are in the process of completing** the program **OR**
 - You enroll in an **approved teach-out** and you **complete or are in the process of completing** the program**BUT**, you are eligible for a closed school discharge if you transfer credits to a **different** type of program or you **withdraw** from your new program or the teach-out before you complete it.
- **PARTIAL CREDIT TRANSFERS:** If you transfer even just one credit and complete a program that is the same or comparable to the closed-school program, you are ineligible for a federal closed school discharge. In some states, including California, you may be eligible for partial relief for your private loans, federal loans, G.I. Bill Funds, and other types of grants.