



Congress created the **Closed School Discharge** program to reduce abrupt school closures and protect students whose lives are thrown into chaos by a postsecondary school closure. If the student did not complete their program because the school closed, the federal government can discharge the student loans borrowed to attend the closed school and collect the amounts discharged from the entities responsible for the closure: the school's owners. Rolling back this commonsense program would increase abrupt school closures and leave more students with debt without a degree, through no fault of their own.

WHY DO SCHOOLS CLOSE?

Common reasons include:



Financial decisions, including decisions to pull out of a market, diminishing enrollment due to lack of demand, and financial problems related to mismanagement



Lost accreditation after the school failed to meet minimum standards

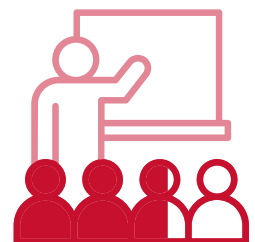


Legal consequences after the school engaged in misconduct

School closures impact borrowers in every state in the country. Closures affect every type of institution, both big and small, certificate degree to graduate degree, for-profit and not-for-profit.

WHAT HAPPENS TO STUDENTS WHEN THEIR SCHOOL CLOSES?

1. Students are thrown into crisis, with their education and life plans thrown out the window, and are often left with no good options. As soon as the school closes, many students will withdraw to save themselves more lost time.
 - a. **Teach-outs?** Schools that have a controlled closure may offer teach-outs, or arrangements by the closing school to have students complete their program at the closing institution or another institution, to some students in some programs. **However, 70% of the students attending a school that closed over the last 20 years experienced an abrupt closure with no teach-out option.** Even when a teach-out is offered, it is often not an equivalent educational experience or value to the program the student chose to attend, may not be at a location or time accessible to the student, and expected career services and placement support are often severely diminished or nonexistent. When teach-outs cost more money and fail to offer sufficient value, already burned students may not want to throw good money after bad.





- b. Credit transfers?** Transferring credits and completing a credential at an open school may be a better option, but it's often not available. Sometimes, particularly in rural areas, there simply isn't another local school offering the same program to transfer into. Even when there is, many students who want to transfer credits from a closed school to a new institution are unable to do so. **Students who do transfer generally lose almost half of the credits they've earned, with students transferring from a for-profit program to a non-profit program losing 94% of their credits.** As a result, even students who can transfer credits find that completing their program at another school will cost significantly more time and money than if they had been able to complete at their initial school.

- 2.** Many students impacted by school closures will not complete their program and will be left with debt without a degree. A [study of students who attended closed schools from 2004 to 2020](#) found that **less than half of those students reenrolled, and of those who did re-enroll, over half did not complete their credential.**



- 3.** Borrowers left with debt without a degree as a result of school closures default on their student loans at a rate **five times higher** than the national average. Default can be financially devastating for families and prevents borrowers from accessing federal aid to return to school or reskill through job training programs.

The closed school discharge program puts the responsibility for abrupt school closures on school owners, protects students and their families from debt without a degree, and preserves working people's realistic ability to reskill and upskill through education and job training programs after their school closes. Congress must protect this commonsense program and ensure that the Department of Education provides harmed borrowers with relief.