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## **Statement on Education Department’s Announcement of Final “Borrower Defense” and College Accountability Regulations and Restoration of Pell Grant Eligibility**

“The U.S. Department of Education’s [announcement](#) today includes huge wins for students and taxpayers. The **final borrower defense and college accountability regulations** make it much harder for schools that commit fraud to hide it, which will make it less likely that schools commit fraud in the first place. Schools receiving federal student aid will be severely limited in their ability to use pre-dispute arbitration clauses and class action waivers to evade accountability, as Corinthian College and ITT Technical Institutes did. The rules will help ensure that students at closed schools know their options and that their loans are automatically discharged if they do not continue their studies. Both students and taxpayers will be better protected because the riskiest schools will have to warn students and put money aside to help cover the cost if their students’ loans are discharged.

“The rules also provide a pathway for automatically discharging the loans of groups of defrauded students instead of requiring individual applications. However, how many harmed borrowers will benefit from group discharges and refunds is unclear, since they remain at the Education Department’s discretion.

“While the Department has made [significant progress](#) in reaching out to former Corinthian students and processing their borrower defense claims, still only a fraction has submitted applications. We urge the Department to use its existing authority to stop collections and discharge loans without requiring applications when it knows that borrowers were defrauded. The Department has evidence that groups of students were defrauded at many schools, including [Corinthian Colleges](#), [Marinello School of Beauty](#), [ATI Career Training Center](#), [Westwood College](#), [Career Education Corporation schools](#), [FastTrain College](#), [MedTech College](#) and [Globe University and Minnesota School of Business](#). These students deserve relief without delay or unnecessary applications. Federal contractors should not be [aggressively collecting](#) on loans that the Department knows are eligible for discharge.

“Today’s announcement also included welcome news for **Pell Grant recipients who attended closed schools**. We applaud the Department for restoring Pell Grant eligibility for students at schools that closed before they completed their studies, including the more than 28,000 Pell Grant recipients affected by the closures of ITT Technical Institutes and Corinthian Colleges. While nothing can give students back the time they spent at schools that closed, this action will help ensure they have access to Pell Grants to resume their education at a quality institution.

“The Department’s action follows bipartisan calls from [Senator Patty Murray](#) and [Representative Luke Messer](#) to use its existing statutory authority to restore students’ eligibility for Pell Grants when a school suddenly closes. We urge Congress to similarly restore Pell Grant and GI Bill eligibility for

students who attended schools that defrauded them or closed. Legislation introduced by [Representative Bobby Scott and Senator Barbara Boxer](#) would restore Pell Grant eligibility for any student who could have their federal student loans discharged because of school fraud. Bipartisan bills introduced by [Senators Richard Blumenthal and Thom Tillis and Representatives Mark Takano and Chris Gibson](#) would restore students' eligibility for veterans benefits if a school closes."

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*An independent, nonprofit organization, The Institute for College Access & Success (TICAS) works to make higher education more available and affordable for people of all backgrounds. Our Project on Student Debt works to increase public understanding of rising student debt and the implications for our families, economy, and society. For more information see [www.ticas.org](http://www.ticas.org) or follow us on [Twitter](#) and [Facebook](#).*