

The New “Borrower Defense” & College Accountability Regulations Protect Students & Taxpayers

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[Organizations](#) working on behalf of students, veterans, servicemembers, consumers, civil rights, faculty, staff, and college access as well as [20 state attorneys general](#) support the “Borrower Defense” and College Accountability rule because **it protects students and taxpayers.**

The Department of Education [issued](#) final regulations in October 2016, after a public rulemaking process in response to evidence of widespread fraud at schools heavily subsidized by federal taxpayers, many of which subsequently closed, including Corinthian Colleges and ITT Technical Institutes, [costing](#) taxpayers hundreds of millions of dollars. The rule, which will go into effect July 1, 2017, is designed to protect both students and taxpayers from misleading and predatory college practices and sudden school closures, and codifies a process for providing loan discharges (forgiveness) in cases of institutional misconduct.

The public overwhelmingly supports providing relief for defrauded students: [78 percent](#) of Americans say they support loan relief for borrowers whose school provided deceptive information about their programs or outcomes, including 87 percent of Democrats and 71 percent of Republicans. America’s veterans, servicemembers, survivors, and military family members represented by [16 organizations](#) representing millions of veterans, servicemembers, survivors, and military family members oppose any effort to weaken or eliminate the regulation.

The “Borrower Defense” and College Accountability Regulations:

- Codify a process for the Education Department to consider borrower claims, with due process for schools, to ensure that defrauded students, including veterans, receive the relief they are entitled to under the Higher Education Act.
- Give the Secretary authority to approve group discharges when appropriate, without unnecessary individual applications and reviews.
- Severely limit the ability of schools receiving federal student aid to use predispute arbitration clauses and class action waivers to evade accountability, as Corinthian and ITT Technical Institutes did. This will help deter wrongdoing by schools and ensure that schools, not taxpayers, pay for any loan discharges resulting from illegal actions by schools.
- Protect taxpayers by ensuring that risky schools are required to put money aside to cover potential student loan discharges for fraud or closure, which will also help deter fraud by making clear that schools will be held accountable if they break the law.
- Ensure that students at schools that close suddenly know their options and that their loans are automatically discharged if they do not continue their studies within three years of the school’s closure.
- Ensure that students will no longer be kept in the dark about for-profit schools where a majority of students are unable to reduce their student loan balance by even one dollar. These schools must disclose this information in their advertising and marketing.

For more information, see www.protectstudentsandtaxpayers.org and <http://rulesatrisk.org/borrower-defense-rule>.