

My school has closed! What do I do now?

July 2023

Take Your Time and Do Not Rush into Enrolling in Another School

- If you do not complete your program and do not accept and complete an accredited teach-out to complete your program, **you may cancel your federal student loans via a closed school discharge by applying with the Department of Education.** Applying for loan cancellation is easy and free.
- You do not have to repay your federal student loans for at least six months. If you have any private student loans, you may ask your private lenders to give you a forbearance. You may also have a right to request cancellation of these loans or have them paid off by a state fund.
- **Do not rush into any teach-out program or into re-enrolling at any other schools.** Schools often use the term “teach-out” loosely, so make sure any teach-out you consider is approved by an accreditor, ALL your credits will transfer, and you are not charged for the term you did not complete.
- 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.
- 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. This should be clearly reflected in your new enrollment agreement. Many students discover they cannot transfer credits or that transferring credits 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, not just your transcript. You may need other documents to establish your eligibility for a closed school discharge or other loan 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 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 participating in an accredited 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 Grants if:
 - You did not complete your program of study at the school that is closing or via a teach-out **OR**
 - You were still enrolled or on an approved leave of absence when the school closed **OR**
 - You withdrew within 180 days of your school's closure.
- **PRIVATE STUDENT LOANS:** You or a co-signer may be eligible to have your private loans canceled 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 by your school or if the loan agreement has 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. See the 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) or bonds that will reimburse some or all of these 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://bit.ly/other-loan-relief>).
- **CALIFORNIA RESIDENTS ONLY:** If you were a student (not a parent or co-signor), you are eligible for relief from California's Student Tuition Recover 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 canceled, receive a refund for the amounts paid on your private loans or to your school, and you can 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 participating in an accreditor-approved teach-out:

- **FEDERAL STUDENT LOANS AND PELL GRANTS:** You are ***not eligible*** for a closed school discharge of your federal financial aid if you ***completed your program before the school closed or are in the process of completing*** the program via a teach-out. However, if you enroll in an **approved teach-out** but you ***withdraw*** from the teach-out before you completed it, you are eligible for a closed school discharge.
- **PARTIAL CREDIT TRANSFERS:** In some states, including California, even if you transfer one credit, you may only be eligible for partial relief for your private loans, federal loans, G.I. Bill Funds, and other types of grants.