



OPENING STATEMENT

House Committee on Education and Labor

Chairman Robert C. "Bobby" Scott

Opening Statement of Chair Frederica Wilson (FL-24)

Subcommittee on Higher Education and Workforce Investment Hearing

"Protecting Students and Taxpayers: Improving the Closed School Discharge Process"

Thursday, September 30, 2021 | 10:15 a.m.

Today, we are meeting to discuss ways to improve the Closed School Discharge program, which provides relief to students when their institution abruptly closes. This discussion will focus on new preliminary findings from a Government Accountability Office study that will be presented to the Committee this morning.

In the last decade, at least five large for-profit college chains have collapsed overnight, leaving tens of thousands of students with significant student loan debt—and often without degrees. These school closures can be devastating for students, plunging them into financial and emotional despair while robbing them of the education and opportunities they deserve.

To support these students, Congress included a closed school discharge provision in the *Higher Education Act*. Under current law, affected students have three options:

One – Continue pursuing their degrees either through a teach-out plan offered by their own institution or through agreements with other institutions;

Two – Transfer to another institution of their choice;

Or Three – Apply for a discharge of their federal student loans.

Unfortunately, these first two options are fraught with challenges. Many institutions will not accept credits earned at defunct schools, and institutions that do participate in teach-out plans or accept credits are often very low quality.

In fact, in 2017, GAO found that students who transferred their credits from for-profit schools to public schools lost 94 percent of their credits.

For students, applying for a full discharge of their federal student loans is often the best option because it both reduces their financial burden and restores their eligibility for federal student aid. The Closed School Discharge process should be simple to understand and easy to navigate for students.

The GAO's findings show that that is not the case. As we'll hear today, there are three key problems that the Education Department must solve.

First – Many students do not become aware that they are entitled to loan relief until *after* they have already damaged their credit through delinquency and default. It is critical that affected students receive more timely information about the process for applying for closed school discharge.

One way to address this challenge is to restore the automatic school discharge process that was implemented under the Obama Administration. This process streamlined relief for affected students without forcing them to submit information that the Education Department already has. Unfortunately, the Trump Administration, under Betsy DeVos, eliminated this program.

The Education Department also could reduce the three-year waiting period that student borrowers must endure before their loans are fully discharged.

Second – Students who experience a school closure often do not go on to complete their degrees at another institution. The teach-out options that defunct schools are required to provide their students often funnel them into other low-quality schools.

The Education Department should address this challenge by conducting greater oversight over teach-out plans and other agreements between institutions.

And finally, the GAO's preliminary findings once again demonstrate that low-quality for-profit schools are costing students and taxpayers billions of dollars. 96 percent of the students who received closed school discharges between 2010 and 2020 attended for-profit schools.

I'll say that again: 96 percent of the students who received closed school discharges between 2010 and 2020 attended for-profit schools.

Congress and the Education Department must work together to crackdown on predatory schools that continue to cheat students and taxpayers.

The challenges described in the GAO's preliminary findings are important and timely. In the next two weeks, the Education Department will begin considering changes to the closed school discharge process. I hope the rulemaking committee will closely review the lessons that can be learned from the GAO's report.

I want to thank the GAO and all of our witnesses for being with us today. I now recognize the distinguished Ranking Member for the purpose of making opening statement.