

Last fall, in response to several high profile cases of higher education institutions closing amid allegations of fraud, the Department of Education (ED) released updated rules, called the Borrower Defense to Repayment (DTR) regulations, to provide relief to federal student loan borrowers defrauded by their schools. These rules were meant to streamline a process for such claims to be evaluated, and help ensure that schools, not the U.S. taxpayer, would foot the bill for loan discharges. The rules also updated disclosures to current and prospective students, and banned many mandatory arbitration clauses in school enrollment contracts.

On June 14<sup>th</sup>, 2017, the ED announced that due to pending litigation, they are indefinitely postponing the implementation of the majority of these rules, which were due to take effect on July 1, 2017. The ED has also announced their intention to re-evaluate these rules in the upcoming year. The information below is for consumers who may have been affected by this announcement. Affected consumers should check back over the coming months for any updates we may be able to provide.

**Does this announcement mean that no loans will be discharged due to school fraud?**

No. [DTR has actually been in existence](#) for many years and this existing DTR rule remains in effect. While a more difficult burden to meet, borrowers may still be eligible for full or partial discharge of their loans due to school fraud. In the future, there may again be new rules for DTR that provide broader access to this type of relief.

**What are the DTR eligibility requirements under the remaining, existing rules?**

Borrowers with federal Direct Loans may be eligible for full or partial discharge under the existing DTR rules if they can prove that the school violated state consumer protection laws.

Borrowers with Federal Family Education Loan Program (FFELP) loans may be eligible for full or partial discharge under the existing DTR rules if they can prove that the school violated state consumer protection laws AND that the school participated in a prohibited referral relationship with the original lender of the loan.

Note that the appropriate statute of limitations for the cited state consumer protection law violation will likely apply.

**I was defrauded by my school and have loans or costs that do not fall under the federal Direct Loan or FFEL programs, how do I receive relief?**

Neither the existing nor the now-postponed rules provided relief for loans other than those made under the federal Direct Loan program or the FFELP. Students who feel they were defrauded by their schools who wish to obtain relief for other loan types or expenses should contact their local Attorney General's office.

**How do borrowers apply for a DTR discharge if they feel they meet the existing rules criteria?**

Borrowers can apply at <https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/borrower-defense>

**Must I continue to make payments while my claim is being reviewed?**

No. Once the ED receives a completed DTR application, they will notify your loan holder to place your account on hold by means of forbearance. Note that if you are pursuing Public Service Loan Forgiveness ([www.asa.org/pslf](http://www.asa.org/pslf)) or loan rehabilitation or forgiveness under an income driven repayment plan, this forbearance time will not count towards the time and payments needed to obtain these benefits. Additionally, interest may continue to accrue during forbearance – meaning if you are denied the DTR discharge, you could end up with an even bigger balance. You may want to consider requesting the forbearance be removed and continue making payments if you're not confident about your eligibility for a DTR discharge.

If you have any additional questions, you can reach out to [consumeradvocacy@asa.org](mailto:consumeradvocacy@asa.org).