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Door Prepares to Slam for Student Loan Forgiveness Due to Fraud

Posted by: [Steve Rhode](#) January 20, 2016 in [Debt Articles](#), [Student Loan Bankruptcy Discharge](#), [Student Loan Related](#)

Back in October of 2014 I wrote a story titled [Millions of Federal Student Loans Lining Up to Be Eliminated and Borrowers Repaid](#).

At the time I wrote that article some people said I was crazy. After all, how could people actually have their federal [student loans](#) forgiven because they were defrauded.

Well the simple answer is because it is the law. It's a little known and buried law and I went into detail with examples and links about it. Just [look at this](#).

As I said then, "Recently the Department of Education brought a section of federal law to light that would allow federal loans to be eliminated if, "the borrower may assert as a defense against repayment, an act or omission of the school attended by the student that would give rise to a cause of action against the school under applicable State law." For more information on this, [click here](#)."

And today the [Wall Street Journal](#) ran a story that said "Americans are flooding the government with appeals to have their student loans forgiven on the grounds that schools deceived them with false promises of a well-paying career—part of a growing protest against years of surging college costs."

In the past six months, the story reports, more than 7,500 borrowers have applied to have their student loans eliminated in a process that is law today.

The interesting part of the Wall Street Journal article is this quote, "The sudden surge in claims has flummoxed the Education Department, which says the 1994 forgiveness program is overly vague. The law doesn't specify, for example, what proof is needed to demonstrate a school committed fraud. Last week, the department began monthslong negotiation with representatives of students, schools and lenders to set clear rules, including when the department can go after institutions to claw back tuition money funded by student loans."

If I was right in reading the tea leaves about the regulation allowing people to apply for federal student loan forgiveness when they were defrauded, then I would bet the government will be closing that door soon. So if you feel you had been defrauded by schools to enroll you, then I would urge you to get your claim in as soon as possible.

Lawmakers will soon get significant lobbying pressure to change that law since it will lead to a huge amount of loans forgiven and money clawed back from for-profit and public schools and universities.

Since there is no official claim for to use I'm aware of, I would urge you to consider taking one of three action steps.

First, you may want to contact an attorney who is licensed in your state to represent you in making your claim. The attorney should be able to help with document and submit a legal and valid claim based on the specifics of your situation. You will have to pay the attorney for their services. Tell the attorney to [refer to this article](#) and [this one](#) for more details.

Second, you might want to consider a less expensive option like contacting a good [debt coach](#) like [Damon Day](#) or [Michael Bovee](#) for help in submitting a well documented and professional claim to hopefully be more easily processed by the Department of Education. These guys can help you in preparing a well documented claim that is easy to read, accept, and process.

Finally, you can always attempt to put forward a claim yourself. Just make sure it is not a rant, it contains specific facts to backup your allegations, and state the basis for making your claim. I can't stress enough how much you need to make sure your claim is neat, tidy, easy to read, and can be easily assessed to be valid. In my decades of experience helping people with [debt problems](#) I've just seen too many people submit sloppy documentation, poor narratives, and not track their correspondence. If you decide to go the self-help route, take time to submit a professional, thorough, and well documented claim. Please.

And to help reinforce the sound of the door preparing to slam, here is a final quote from the Wall Street Journal story, "The Education Department has hired a special master to sort through existing claims as it drafts permanent rules."

A stylized signature of the name "Steve" in a white, hand-drawn font on a black rectangular background.

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