Section effective Oct. 17, 1986, with subsec. (d)(5) of this section effective 30 days after Oct. 17, 1986, see section 402(b) of Pub. L. 99-498, set out as a note under section 1071 of this title.

**WAIVER OF MITIGATING CIRCUMSTANCES REQUIREMENT FOR STUDENT LOAN INSURANCE PROGRAM ELIGIBILITY**


“(1) for an institution of higher education that offers an associate degree, is a public institution, and is located in an economically distressed county, defined as a county that ranks in the lowest 5 percent of all counties in the United States based on a national index of county economic status; and

“(2) for an institution—

“(A) that is a public institution of higher education or a Tribal College or University (as defined in section 316(b) of such Act (20 U.S.C. 1059c(b))); and

“(B) whose fall enrollment for the most recently completed academic year was comprised of a majority of students who are Indian (as defined in such section) or Alaska Natives (as defined in section 317(b) of such Act (20 U.S.C. 1059d(b))).

“(b) Special rule.

“(1) shall not be relieved of the lender’s or agency’s duty to comply with the requirements of this subsection, the Secretary may provide such safeguards as the Secretary may develop such safeguards as the Secretary may develop to carry out such section.


**AMENDMENTS**

1998—Pub. L. 105-244 amended section catchline and text generally. Prior to amendment, section authorized establishment of a District of Columbia student loan insurance program.

**EFFECTIVE DATE OF 1998 AMENDMENT**

Amendment by Pub. L. 105-244 effective Oct. 1, 1998, except as otherwise provided in Pub. L. 105-244, see section 3 of Pub. L. 105-244, set out as a note under section 1001 of this title.

### §1087. Repayment by Secretary of loans of bankrupt, deceased, or disabled borrowers; treatment of borrowers attending schools that fail to provide a refund, attending closed schools, or falsely certified as eligible to borrow

**(a)** Repayment in full for death and disability

**(1)** In general

If a student borrower who has received a loan described in subparagraph (A) or (B) of section 1078(a)(1) of this title dies or becomes permanently and totally disabled (as determined in accordance with regulations of the Secretary), or if a student borrower who has received such a loan is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death, has lasted for a continuous period of not less than 60 months, or can be expected to last for a continuous period of not less than 60 months then the Secretary shall discharge the borrower’s liability on the loan by repaying the amount owed on the loan. The Secretary may develop such safeguards as the Secretary determines necessary to prevent fraud and abuse in the discharge of liability under this subsection. Notwithstanding any other provision of this subsection, the Secretary may promulgate regulations to reinstate the obligation of, and resume collection on, loans discharged under this subsection in any case in which—

(A) a borrower received a discharge of liability under this subsection and after the discharge the borrower—

(i) receives a loan made, insured, or guaranteed under this subchapter; or

(ii) has earned income in excess of the poverty line; or

(B) the Secretary determines the reinstatement and resumption to be necessary.

**(2)** Disability determinations

A borrower who has been determined by the Secretary of Veterans Affairs to be unemployable due to a service-connected condition and who provides documentation of such determination to the Secretary of Education, shall be considered permanently and totally dis-
able for the purpose of discharging such borrower’s loans under this subsection, and such borrower shall not be required to present additional documentation for purposes of this subsection.

(b) Payment of claims on loans in bankruptcy

The Secretary shall pay to the holder of a loan described in section 1078(a)(1)(A) or (B), 1078–1, 1078–2, 1078–3, or 1078–8 of this title, the amount of the unpaid balance of principal and interest owed on such loan—

(1) when the borrower files for relief under chapter 12 or 13 of title 11;
(2) when the borrower who has filed for relief under chapter 7 or 11 of such title commences an action for a determination of dischargeability under section 523(a)(8)(B) of such title; or
(3) for loans described in section 523(a)(8)(A) of such title, when the borrower files for relief under chapter 7 or 11 of such title.

(c) Discharge

(1) In general

If a borrower who received, on or after January 1, 1986, a loan made, insured, or guaranteed under this part and the student borrower, or the student on whose behalf a parent borrower, is unable to complete the program in which such student is enrolled due to the closure of the institution or if such student’s eligibility to borrow under this part was falsely certified by the eligible institution or was falsely certified as a result of a crime of identity theft, or if the institution failed to make a refund of loan proceeds which the institution owed to such student’s lender, then the Secretary shall discharge the borrower’s liability on the loan by repaying the amount owed on the loan.

(d) Repayment of loans to parents

If a student on whose behalf a parent has received a loan described in section 1078–2 of this title dies, then the Secretary shall discharge the borrower’s liability on the loan by repaying the amount owed on the loan.

(4) Special rule

A borrower whose loan has been discharged pursuant to this subsection shall not be precluded from receiving additional grants, loans, or work assistance under this subchapter for which the borrower would be otherwise eligible (but for the default on such discharged loan). The amount discharged under this subsection shall be treated the same as loans under section 1087ee(a)(5) of this title.

(5) Reporting

The Secretary shall report to consumer reporting agencies with respect to loans which have been discharged pursuant to this subsection.

References in Text


References in Text

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Amendments

2009—Subsec. (a)(1). Pub. L. 111–39 substituted “Secretary,” or “Secretary,” or “Secretary” in introductory provisions and inserted “the reinstatement and resumption to be” after “determines” in subpar. (B).

2008—Subsec. (a). Pub. L. 110–315, § 437(a)(3), which directed insertion of “The Secretary may develop such safeguards as the Secretary determines necessary to prevent fraud and abuse in the discharge of liability under this subsection. Notwithstanding any other provision of this subsection, the Secretary may promulgate regulations to reinstate the obligation of, and resume collection on, loans discharged under this subsection in any case in which—”

“(A) a borrower received a discharge of liability under this subsection and after the discharge the borrower—

“(i) receives a loan made, insured, or guaranteed under this subchapter; or

“(ii) has earned income in excess of the poverty line; or

See References in Text note below.
“(B) the Secretary determines necessary.” at the end of subsec. (a), was executed by making the insertion at the end of par. (1) to reflect the probable intent of Congress, notwithstanding the addition of par. (2) prior to the effective date of this amendment.

Pub. L. 110–315, §437(a)(1), (2), designated existing provisions as par. (1), inserted par. (1) heading, and inserted “or if a student borrower who has received such a loan is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death, has lasted for a continuous period of not less than 60 months, or can be expected to last for a continuous period of not less than 60 months” after “of the Secretary.”


Subsec. (c)(1). Pub. L. 110–315, §103(b)(7), substituted “authorizing committee” for “Committee on Education and the Workforce of the House of Representatives and the Committee on Labor and Human Resources of the Senate”.

Subsec. (c)(5). Pub. L. 110–315, §432(b)(4), substituted “consumer reporting agencies” for “credit bureaus”.

2006—Pub. L. 109–171, §8012(b), in section catchline, substituted “schools that fail to provide a refund, attending closed schools, or falsely certified as eligible to borrow” for “closed schools or falsely certified as eligible to borrow”.

Subsec. (a)(1). Pub. L. 109–171, §8012(2), inserted “or was falsely certified as a result of a crime of identity theft” after “falsely certified by the eligible institution” in first sentence.

1998—Subsec. (c)(1). Pub. L. 105–244 inserted “or if the institution failed to make a refund of loan proceeds which the institution owed to such student’s lender,” after “falsely certified by the eligible institution,” and inserted at end “In the case of a discharge based upon a failure to refund, the amount of the discharge shall not exceed that portion of the loan which should have been refunded. The Secretary shall report to the Committee on Education and the Workforce of the House of Representatives and the Committee on Labor and Human Resources of the Senate annually as to the dollar amount of loan discharges attributable to failures to make refunds.”

1995—Subsec. (b), Pub. L. 103–208, §2(c)(63), amended heading and text of subsec. (b) generally. Prior to amendment, text read as follows: “If the collection of a loan described in subparagraph (A) or (B) of section 1078(a)(1) of this title or sections 1078–1, 1078–2, 1078–3, or 1078–4 of this title is stayed in any action under title 11, the Secretary shall repay the unpaid balance of principal and interest added to principal) of all eligible holders of loans to be less than equal to (1) Quarterly payment based on unpaid balance

In order to assure (1) that the limitation on interest payments or other conditions (or both) on loans made or insured under this part, do not impede or threaten to impede the carrying out of the purposes of this part or do not cause the return to holders of loans to be less than equitable, (2) that incentive payments on such loans are paid promptly to eligible lenders, and (3) that appropriate consideration of relative administrative costs and money market conditions is made in setting the quarterly rate of such payments, the Congress finds it necessary to establish an improved method for the determination of the quarterly rate of the special allowances on such loans, and to provide for a thorough, expeditious, and objective examination of alternative methods for the determination of the quarterly rate of such allowances.

(b) Computation and payment

(1) Quarterly payment based on unpaid balance

A special allowance shall be paid for each of the 3-month periods ending March 31, June 30, September 30, and December 31 of every year and the amount of such allowance paid to any holder with respect to any 3-month period shall be a percentage of the average unpaid balance of principal (not including unearned interest added to principal) of all eligible loans held by such holder during such period.

(2) Rate of special allowance

(A) Subject to subparagraphs (B), (C), (D), (E), (F), (G), (H), and (I) and paragraph (4), the special allowance paid pursuant to this sub-