

## Does a College Have to Return Tuition Payments Because of Bankruptcy?

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### Bankruptcy Code § 548(a)(1)

The trustee may avoid any transfer that was made on or within 2 years before the date of the filing of the petition, if the debtor:

- i. Received less than a reasonably equivalent value in exchange...and
- ii. Was insolvent on the date that such transfer was made.

## Factors Considered

- Economic benefit to parent
- Age of the student
- Payment before or after registration for classes

## Open Questions

- If a tuition payment is returned because of the student's parent's bankruptcy, is the student liable?
- Should tuition payments receive the same protection that charitable contributions receive?