

# As student loan debt tops \$1 trillion, Senators push for improved protections for student borrowers

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*Durbin: it's time to restore transparency, fairness and common sense to student loan process*

WASHINGTON—U.S. Senators Dick Durbin (D-IL), Jack Reed (D-RI), and Al Franken (D-MN) today announced the introduction of the *Know Before You Owe*

*Private Education Loan Act of 2016* to restore transparency, fairness, and common sense to the student loan process.

According to the Federal Reserve, total student loan debt in America is now \$1.36 trillion. The Consumer Financial Protection Bureau reports that the volume of private education loans taken out by students has grown by \$2.6 billion from 2010-2015.

**“Student debt is one of the biggest threats to working families in America today,”** said Durbin. **“Too many Americans are carrying around mortgage-sized student loan debt that forces them to put off major life decisions like buying a home or starting a family. It’s not only young people facing this crisis, it is parents, siblings and even grandparents who co-signed private loans long ago and are still making payments decades later. It’s time for action. We can no longer sit by while this student debt bomb keeps ticking.”**

**“Students deserve a fair shot at an affordable education and this bill is a step toward ensuring families have the critical information they need to fully weigh college costs. This is about helping families make informed decisions so they don’t end up with risky, high-cost private loans when they could have qualified for safer, lower-cost federal student loans,”** said Reed.

**“College costs continue to climb, and the reality is that our students are taking on more debt than ever while at the same time working 20, 30, and even 40 hours a week just to stay afloat,”** said Franken, **“The student debt crisis is holding us back—it’s hamstringing our economy and preventing people from buying homes, getting married, starting families, or opening businesses. Our bill will help ensure that students and families don’t take on unnecessary debt that could hurt them in the long run.”**

The *Know Before You Owe Act of 2016* would require schools to counsel students before they sign on to expensive, even unnecessary, private education loan debt and inform them of any unused federal student aid eligibility. It would also require the prospective borrower’s school to confirm the student’s enrollment status, cost of attendance and estimated federal financial aid assistance before the private student loan is approved.

There are several stark differences between private education loans and federal student loans. Federal student loans have fixed interest rates and offer an array of consumer protections and favorable terms, including deferment and forbearance in times of economic hardship, as well as manageable repayment options, such as the Income-Based Repayment and Public Service Loan Forgiveness programs.

In contrast, private education loans often resemble credit cards rather than financial aid with uncapped variable interest rates (which spiked as high as 18% in recent years) and few, if any, consumer protections. These loans are ineligible for federal forgiveness, cancellation or repayment programs.

Due to a 2005 change in the Bankruptcy Code, private education loans are not dischargeable in bankruptcy making them even more risky for borrowers. Durbin has led the effort in the Senate to restore bankruptcy protection for private education loans, introducing the *Fairness for Struggling Students Act*.