

# **Durbin, Senators reintroduce legislation to help students burdened by debt**

May 25 2017 2:17 PM



*Bill would once again make private student loan debt eligible for bankruptcy discharge*

WASHINGTON – U.S. Senators Dick Durbin (D-IL), Sheldon Whitehouse (D-RI), Al Franken (D-MN), Richard Blumenthal (D-CT), Mazie Hirono (D-HI), Elizabeth Warren (D-MA), Jack Reed (D-RI), Ron Wyden (D-OR), Tammy Baldwin (D-WI), and Maggie Hassan (D-NH) reintroduced legislation to help address America's student debt crisis.

*The Fairness for Struggling Students Act* would once again allow privately issued student loans to be discharged in bankruptcy, giving them the same treatment as nearly all other forms of private unsecured debt.

Outstanding student loan debt currently stands at \$1.4 trillion – more than double what it was in 2008. Balances of student loans have surpassed both auto loans and credit cards, making student loan debt the nation’s largest form of consumer debt outside of mortgages. Private student loans have been particularly burdensome on students, as these loans often have higher interest rates and fewer consumer protections than federal student loans. A law Congress enacted in 2005 gave these private student loans protected status in bankruptcy, which means students struggling to repay these high-cost loans will be burdened with them for life.

“Once considered a path for working- and middle-class young people to a better, more prosperous future, college’s rising costs have in too many cases had the opposite effect. As students continue accruing debt, they are forced to delay important life decisions like starting a family or purchasing a home,” said Senator Durbin. “These dreams deferred have serious consequences for our economy and our nation’s growing wealth gap. We need to make sure we give future generations a fair shot at success, not saddle them with insurmountable student debt.”

“Americans who get in over their heads and go through bankruptcy are able to get a fresh start when they complete the process. Except borrowers of private student loans, who are stuck because of a special interest carve-out slipped into law in the dead of night. That’s plain wrong,” said Senator Whitehouse. “Treating private student loans like other private debt will discourage risky lending and bring relief to students trapped under high interest rates and fees.”

“Student loan debt is a real front-burner issue for Minnesotans, who graduate college with an average of more than \$30,000 in debt,” said Sen. Franken. “And often, borrowers who have to take out private loans are stuck with much higher monthly payments and massive interest charges. But when that debt becomes too much to bear and private loan borrowers end up underwater, there’s no real way to clean the slate. Our legislation would provide relief by giving private student loan borrowers the option to discharge their debt in bankruptcy, which they can’t do right now.”

“Rather than making college more affordable and accessible, pernicious private student loans have only added fuel to the fire of our nation’s crushing student debt crisis. Preventing struggling students from seeking bankruptcy protections is a government handout these parasitic private student loan companies don’t deserve,” said Senator Blumenthal.

“Students and their families deserve the peace of mind of knowing that if they find themselves with their backs up against the wall in bankruptcy, they’ll really have an opportunity at a fresh start on the other side. While we continue working to address the underlying issues of college access and affordability in the United States, this bill restores a commonsense practice that will provide hope and certainty for those who hit hard times,” said Senator Hirono.

“When students fall off a financial cliff, they should be able to discharge their private student loan debt in bankruptcy — just like people can with other kinds of debt,” Senator Warren said. “Banks fought hard more than a decade ago to exempt student loan debt from bankruptcy protections, and now we’ve seen the consequences: too many students are crushed by debt with no chance for a new start. Senator Durbin’s bill will restore this basic safeguard.”

“We need to prevent excessive student loan debt from trapping more young people in financial purgatory. This bill would help the public and private sector work together to prevent a calamity for middle-class students,” said Senator Reed. “I hope we can get everyone to the table to find workable solutions to controlling costs and reducing the debt burden for students and families.”

“Borrowers who run into financial hardship down the road shouldn’t fear that student debt will follow them forever,” Senator Wyden said. “There’s no reason private student loan debt should be treated any differently than other types of private debt. By restoring bankruptcy protections, this bill will help protect student borrowers from predatory lending practices.”

“Our student loan debt reform will give a much-needed break to young people struggling to build a future for themselves,” said Senator Baldwin. “The student debt crisis is holding back an entire generation and creating a drag on economic growth. We must take action so that when a student is faced with a crushing burden, they have a stronger opportunity to get ahead.”

“It is long past time for Congress to provide relief to countless Granite Staters and Americans struggling to get ahead because of the increasing burden of student loan debt,” Senator Hassan said. “The Fairness for Struggling Students Act is critical to those efforts, providing student loan debt relief for those in a financial crisis. I will continue working across the aisle to make higher education more affordable and reduce the burden of student loan debt for hard-working Granite Staters and Americans.”

Before changes were made to the bankruptcy code in 2005, only government issued or guaranteed student loans were protected from discharge during bankruptcy. *The Fairness for Struggling Students Act* would restore the bankruptcy law, as it pertains to

private student loans, to the language that was in place before 2005, so that privately issued student loans will once again be dischargeable in bankruptcy. Restoring dischargeability to private student loans will make important relief available to students who desperately need it and will discourage private lenders from issuing risky high-cost loans to students.

This bill is supported by the American Association of Community Colleges, American Association of State Colleges and Universities, American Association of University Women, American Council on Education, American Federation of Teachers, Association of Public and Land-grant Universities, Center for Responsible Lending, Consumer Action, Consumer Federation of America, Consumers Union, Demos, Empire Justice Center, NAACP, National Association of Consumer Bankruptcy Attorneys, National Consumer Law Center (on behalf of its low income clients), National Association of College Admission Counseling, National Association of Consumer Advocates, National Association of Student Financial Aid Administrators, National Consumers League, Public Citizen, The Institute for College Access and Success, UNCF, Woodstock Institute, and Young Invincibles.