



Durbin, Warren, Nadler, Katko Introduce Bill Making Bankruptcy Relief Available for Student Loan Borrowers

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WASHINGTON – U.S. Senators Dick Durbin (D-IL) and Elizabeth Warren (D-MA), and U.S. Representatives Jerrold Nadler (D-NY-01), and John Katko (R-NY-24) today introduced a bicameral bill that would give Americans overwhelmed by student loan debt the option of obtaining meaningful bankruptcy relief. The Student Borrower Bankruptcy Relief Act of 2019 would eliminate the section of the bankruptcy code that makes private and federal student loans nondischargeable, allowing these loans to be treated like nearly all other forms of consumer debt.

“Filing for bankruptcy should be a last resort, but for those student borrowers who have no realistic path to pay back their crushing student loan debt, it should be available as an option to help them get back on their feet,” said Durbin. “Our nation faces a student debt crisis, and it’s time to restore the meaningful availability of bankruptcy relief to student loan borrowers.”

“Long before I came to the Senate, I fought my heart out to keep student loans dischargeable in bankruptcy. But over and over again, Congress chipped away at this critical protection for student loan borrowers,” said Warren. “The Student Borrower Bankruptcy Relief Act fully restores this protection, and I’m thrilled to work with Senator Durbin to fight for this legislation.”

“Americans across the nation are facing crushing student loan debt that is preventing them from purchasing homes and living the true American dream. We must ensure that Americans are able to invest in their education and then go on to live quality lives without the cloud of rising debt hanging over their heads. I am pleased to introduce the bipartisan Student Borrower Bankruptcy Relief Act of 2019, which is a positive step in

that effort. This legislation updates the federal bankruptcy code to ensure student loan debt is treated like almost every other form of consumer debt that can be discharged during bankruptcy,” said Nadler.

“With higher education costs continuing to rise nationwide, many new graduates across our country are leaving college with significant student loan debt,” said Katko. “While other forms of debt are dischargeable in bankruptcy, student loan debt is not. While Congress must continue to work to make college more affordable and accessible, Americans struggling financially should have the option to discharge their student loans during bankruptcy as a last resort. This bipartisan legislation makes that change.”

“We cannot ignore that we have a student loan debt crisis in our country. Far too many of our young people are defaulting on student loans—nearly 1 million borrowers every year—as student loan debt becomes the fastest growing source of household debt,” said co-lead Rep. Joe Neguse (D-CO-02). “The Student Borrower Bankruptcy Relief Act, which I am proud to lead in a bipartisan fashion with Chairman Nadler and Representative Katko, will restore the meaningful availability of bankruptcy relief to student loan borrowers to ensure that borrowers who have no other realistic options are able to discharge payments through bankruptcy. This legislation is just one measure we must pursue to solve the student debt crisis by providing meaningful assurance that student loan borrowers who find themselves in deep financial stress can have a second chance.”

Most forms of debt, such as credit card debt and medical debt, can be discharged through the bankruptcy process. Only a limited number of debts, such as child support payments, alimony, overdue taxes, and criminal fines, are treated as nondischargeable in bankruptcy. However, current federal law also makes student loan debt nondischargeable except in extremely rare cases.

Student debt has not always been given special exemption by the bankruptcy code. Prior to 1976, federal and private student loan debt were both fully dischargeable. Congress then began steadily narrowing the grounds upon which student loan bankruptcy relief could be granted until, in 1998, federal student loans were made completely nondischargeable absent a showing of “undue hardship” which courts have construed to be nearly impossible to demonstrate. In 2005, Congress also made private student loans nondischargeable in bankruptcy. As a result, student borrowers who find themselves unable to repay their loans are now saddled with this debt for life.

Forty-four million Americans owe more than \$1.5 trillion in student loan debt. Cumulative student loan debt has surpassed credit card debt to become the second largest category of private consumer debt after mortgages, and student loan debt is the fastest growing segment of U.S. household debt, increasing by 157 percent since 2007.

Nondischargeable student debt is constraining the career and life choices of student borrowers, and analyses by the Federal Reserve show that the student debt burden is affecting the broader economy.

Since this country's founding, Americans have had the ability to start over through bankruptcy. Filing for bankruptcy is not a step that student borrowers would take lightly, and the strict means test for bankruptcy filing that Congress imposed in 2005 would ensure that borrowers who have the means to repay student debts cannot simply liquidate them in bankruptcy. However, for those student borrowers who have no realistic path to pay back their student loan debt burden, bankruptcy should be available as an option to help them get back on their feet.

The Senate bill is cosponsored by Senators Tammy Baldwin (D-WI), Richard Blumenthal (D-CT), Sherrod Brown (D-OH), Kamala Harris (D-CA), Maggie Hassan (D-NH), Mazie Hirono (D-HI), Amy Klobuchar (D-MN), Patrick Leahy (D-VT), Ed Markey (D-MA), Jeff Merkley (D-OR), Jack Reed (D-RI), Bernie Sanders (I-VT), Jeanne Shaheen (D-NH), Chris Van Hollen (D-MD), and Sheldon Whitehouse (D-RI).

The Student Borrower Bankruptcy Relief Act of 2019 is supported by organizations including Americans for Financial Reform, the Center for Responsible Lending, Consumer Federation of America, Consumer Reports, the National Association of Consumer Advocates, the National Association of Consumer Bankruptcy Attorneys, the National Consumer Law Center (on behalf of its low income clients), National Student Legal Defense Network, Public Citizen, U.S. PIRG, and Young Invincibles.