

THE PROJECT ON STUDENT DEBT

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Bankruptcy Relief for Private Student Loan Borrowers Advances

“Today the House Judiciary Committee’s Subcommittee on Commercial and Administrative Law took a stand for students and consumers by passing the Private Student Loan Bankruptcy Fairness Act of 2010 (H.R. 5043). The bill reverses the unfair and unjustified special protections for lenders of private student loans enacted in 2005.

“While banks that knowingly make unaffordable loans can simply write off these debts, the 2005 bankruptcy law made it nearly impossible for distressed borrowers to discharge a private student loan, even after meeting the strict criteria for bankruptcy. Under the legislation sponsored by Subcommittee Chairman Steve Cohen and reported today, private student loans would once again be treated like other consumer debt in bankruptcy, rather than like unpaid criminal fines.

“Private student loans are one of the riskiest ways to pay for college. Like credit cards, private loans typically have uncapped, variable interest rates that are highest for those who can least afford them. They also lack the basic consumer protections and flexible repayment options of federal student loans. Yet, under current law, private student loans are treated so harshly in bankruptcy that borrowers are left at the mercy of their lender.

“We applaud the subcommittee members who voted for this bill and urge the full Judiciary Committee to act promptly to restore fairness to the treatment of private student loan debt in bankruptcy. People who borrowed for college and played by the rules deserve basic consumer protections and fair treatment when they hit hard times.”

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An independent, nonprofit organization, the Institute for College Access & Success works to make higher education more available and affordable for people of all backgrounds. The Institute’s Project on Student Debt works to increase public understanding of rising student debt and the implications for our families, economy, and society. For more information see www.projectonstudentdebt.org and www.ticas.org. Follow us on Twitter at www.twitter.com/TICAS_org