

# **AS RISING STUDENT LOAN DEBT NEARS \$1.2 TRILLION, DURBIN INTRODUCES LEGISLATION TO ADDRESS CRISIS**

## ***Senator and others say it's time to restore fairness and common sense to bankruptcy treatment of student loans***

[WASHINGTON, D.C.] – U.S. Senator Dick Durbin (D-IL) led a group of 12 other Senators today in introducing a bill that will help address the student debt crisis by treating privately issued student loans in bankruptcy the same as other types of private unsecured debt.

Our nation continues to face a student debt crisis, with students and graduates carrying nearly \$1.2 trillion in outstanding student loan debt. 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.

**“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,”** said Durbin.

The Consumer Financial Protection Bureau (CFPB) estimates that around 40 million borrowers held student loan debt in 2013, with an average balance of roughly \$30,000. Private student loans are a particularly urgent concern with \$165 billion of outstanding student loan debts in private loans, which often have high variable interest rates, hefty origination fees, and a lack of repayment options and borrower protections. Because private student loans were made nondischargeable in bankruptcy in 2005, lenders have been incentivized to extend high-cost private loans to students who are unlikely to be able to repay them and who will be burdened with them for life.

The *Fairness for Struggling Students Act of 2015* is cosponsored by U.S. Senators Sheldon Whitehouse (D-RI), Al Franken (D-MN), Richard Blumenthal (D-CT), Patty Murray (D-WA), Jack Reed (D-RI), Elizabeth Warren (D-MA), Ron Wyden (D-OR), Barbara Boxer (D-CA), Tim Kaine (D-VA), Brian Schatz (D-HI), Kirsten Gillibrand (D-NY) and Mazie Hirono (D-HI).

Before changes were made to the bankruptcy code in 2005, only government issued or guaranteed student loans were protected from discharge during bankruptcy. This protection has been in place since 1978 and was intended to safeguard federal investments in higher education. Today's bill 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.

Private loans involve only private profit and do not have the protections that government borrowers enjoy, including caps on interest rates, flexible repayment options, and certain cancellation rights. There are very few types of debts that the bankruptcy law subjects to a different standard, allowing for discharge in only the most extreme circumstances. For example, the bankruptcy code makes it especially difficult for people to discharge child support responsibilities, overdue taxes, and criminal fines. Privately issued student loans should not be on that list. 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.