

Davis Applauds Advancement of Legislation to Protect Students with Private Education Loans

“U.S. Representative Danny K. Davis Applauds Advancement of His Legislation to Protect Students with Private Education Loans”

[WASHINGTON, D.C.]

– U.S.

Representative Danny K. Davis (D-IL) applauded the passage today of his legislation by the Subcommittee on Commercial and Administrative Law within the U.S. House of Representatives. H.R. 5043, the Private Student Loan Bankruptcy Fairness Act of 2010, will restore fairness in student lending by treating privately issued student loans in bankruptcy the same as other types of private debt.

Davis said, “A hallmark of our Nation’s bankruptcy law is to give an honest but unfortunate debtor a chance to obtain meaningful relief. Unfortunately, without any hearings, in 2005 Congress made private student loans by for-profit lenders extremely difficult to discharge in bankruptcy even after meeting the restrictive criteria for bankruptcy, treating private student debt in the same manner as debts for criminal penalties and back taxes. Thus, an individual who accumulates thousands of dollars in debt for purchases of cars or luxury goods can obtain relief via bankruptcy; however, a teacher with private student loans cannot.”

Davis continued, “This 2005 change gave special federal protections to for-profit lenders, penalized borrowers for pursuing higher education, and provided no incentive to private lenders to lend responsibly. Private education debt is no different than other consumer debt; it involves private profit and deserves no privileged treatment. I am very pleased that the Judiciary Committee has examined this legislation closely via two hearings earlier this year and via passage of the bill today.”

Davis added, “Private student loans are one of the riskiest pathways to pay for college. Like credit card debt, private student loans typically have uncapped, variable interest rates and lack any form of consumer protection, such as fixed interest rates, flexible repayment options, or

debt discharge in the case of disability or death. For these reasons, lenders and financial aid experts generally agree that students should exhaust federal financial aid prior to using private loans. I can think of no reason to justify treating for-profit lenders of educational loans any different than for-profit lenders of credit card debt. I applaud the Subcommittee Members who voted to protect student borrowers seeking to improve their lives with education by restoring the bankruptcy protections that existed prior to 2005.”

The Private Student Loan Bankruptcy Fairness Act of 2010 is supported by 29 organizations that are dedicated to consumer protections and higher education, including: the American Association of Community Colleges; the American Association of State Colleges and Universities; the American Council on Education; the American Federation of Teachers; the Institute for College Access and Success; National Association for Equal Opportunity in Higher Education; and the National Consumer Law Center.

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