



HOUSE COMMITTEE ON THE  
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## Press Releases

**Ranking Members Nadler and Correa Re-Introduce the Student Borrower Bankruptcy Relief Act of 2024 to Assist Insolvent Student Borrowers**

**The Student Borrower Bankruptcy Relief Act of 2024 would update outdated bankruptcy eligibility and improve access to**

# justice for student borrowers.

Washington, September 30, 2024

**WASHINGTON, D.C.** – As the Department of Education’s repayment "on-ramp" expires September 30th, House Judiciary Committee Ranking Member Jerrold Nadler and Subcommittee on Administrative Law, Regulatory Reform, and Antitrust Ranking Member Lou Correa re-introduced a bill that would give Americans overwhelmed by student loan debt the option of obtaining meaningful bankruptcy relief. The Student Borrower Bankruptcy Relief Act of 2024 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.

“This legislation is a crucial step in addressing the pervasive injustice of student loan debt that ensnares millions of Americans in a cycle of financial hardship. This legislation will empower borrowers to discharge their student loans in bankruptcy, restoring fairness and dignity to those striving for a brighter future. It is our responsibility to ensure that every individual has the opportunity to rebuild their lives and contribute meaningfully to our nation's prosperity,” **said House Judiciary Committee Ranking Member Jerrold Nadler.**

“Today, millions of Americans remain saddled by insurmountable student loan debt, even while making regular payments. Student loan borrowers, here in Orange County and across the country, deserve a fair opportunity for a fresh start—just like everyone else,” **Antitrust**

**Subcommittee Ranking Member Correa said.** “This important legislation will give relief to millions of overburdened student loan borrowers—especially our veterans, seniors, and low-income borrowers—and help them break this cycle of debt, allowing them to more fully participate in our economy on Main Street.”

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, under current law, borrowers are unable to discharge their student loans in bankruptcy unless they can prove “undue hardship.” This has resulted in a near-total prohibition, with 99.9% of borrowers unable to discharge their student loans even while in bankruptcy. The Student Borrower Bankruptcy Relief Act would repeal Section 523(a)(8) of the Bankruptcy Code, eliminating this harmful exception and restoring fairness to student borrowers.

In addition to providing relief, this bill aims to reconcile two competing eligibility standards within the Bankruptcy Code. In 1976, Congress introduced the “undue hardship” standard to restrict bankruptcy relief for student borrowers to only those in demonstrable need. In 2005, Congress imposed strict means testing for bankruptcy filing that would ensure that borrowers who have the means to repay debts cannot simply liquidate them in bankruptcy. However, Congress never repealed the 1976 undue hardship standard. As a re-

sult of this redundancy, and no clear definition for “undue hardship,” courts have ruled inconsistently with as many as six interpretations of “undue hardship” across the country.

The solution is clear. Congress should fulfill its constitutional duty to maintain “uniform laws on the subject of bankruptcies” by repealing the “undue hardship” standard. Since this country’s founding, the bankruptcy system was intended as a delicate balance between the liberty of debtors and the rights of creditors. By arbitrarily excluding student borrowers from the equal protection of our bankruptcy system, the “undue hardship” standard has upset the delicate balance of our Bankruptcy Code. Congress now has the opportunity to cure this defect in the Bankruptcy Code by passing the Student Borrower Bankruptcy Relief Act of 2024.

This legislation also comes at a critical moment. Too many Americans—especially veterans, seniors, and low-income borrowers—are expected to default on their student loans as the Department of Education’s “on ramp” to repayment expires September 30th. In addition, forty-three million Americans owe more than \$1.77 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. 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. The Student Borrower Bankruptcy Relief Act makes bankruptcy as an option for student borrowers who have no realistic path to pay back their student loan debt. Congress must act now to pass this long-overdue legislation.

### **The Student Borrower Bankruptcy Relief Act will:**

- **R**epeal Section 523(a)(8) of the Bankruptcy Code, which currently prevents the discharge of federal and private student loans absent a showing of “undue hardship.”
- **E**liminate the need for borrowers to prove “undue hardship” through costly proceedings in court, reducing the legal and financial burdens on borrowers already at their most perilous financial state.
- **M**aintain existing bankruptcy means-testing, ensuring that only those who are already eligible for bankruptcy can access this relief. This also ensures that the fresh start provided by the legislation is available only to those demonstrably in need, without disturbing bankruptcy eligibility criteria beyond current standards.

Original Cosponsors: Reps. Lou Correau (CA), Hank Johnson (GA), Eric Swalwell (CA), Ted Lieu (CA), Pramila Jayapal (WA), Mary Gay Scanlon (PA), Joe Neguse (CO), Maxine Waters (CA), Eleanor Holmes Norton (DC), Nydia Velázquez (NY), Jan Schakowsky (IL), Rashida Tlaib (MI), and Sylvia Garcia (CA).

### **What Groups Are Saying**

“For too long, millions of Americans have been crushed by the weight of student loan debt, all while bankruptcy relief has been pushed far out of reach for too many. The Student Loan

Bankruptcy Relief Act will change that and ensure that student loan debt is treated like any other consumer debt that can be discharged in bankruptcy,” said **Aissa Canchola Bañez, Policy Director of the Student Borrower Protection Center**. “We applaud Reps. Nadler and Correa and their colleagues for introducing this critical piece of long overdue legislation.”

**Ed Boltz, the legislative co-chair for the National Association of Consumer Bankruptcy Attorneys (NACBA) said:** "Borrowers have for too long faced devastating and predatory student loans, with any meaningful relief being denied not only in bankruptcy but also at every turn by the Supreme Court. This bill will give real relief to those who truly need a fresh start from crushing student debt."

The Student Borrower Bankruptcy Relief Act of 2024 is supported by organizations including Americans for Financial Reform, Consumer Federation of America, Consumer Reports, National Association of Consumer Advocates, National Association of Consumer Bankruptcy Attorneys, National Consumer Law Center (on behalf of its low-income clients), Public Citizen, Student Borrower Protection Center, The Debt Collective, and Young Invincibles.

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