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# Bill Extending Bankruptcy Protections to Student Loan Borrowers Advanced by House Democrats

By Owen Daugherty, NASFAA Staff Reporter

(<mailto:news@nasfaa.org>) The House Judiciary Committee on Tuesday advanced a bill that would amend the bankruptcy code to permit both private and federally held student loans to be more easily discharged in bankruptcy.

The the House Judiciary Committee on a 19-5 vote along party lines, though Rep. Matt Gaetz (R-Fla.), a staunch Trump ally, said he supported the legislation, noting the burden millions of Americans are under due to the student loan debt they hold, but did not vote in committee.

Known as the Student Borrower Bankruptcy Relief Act, the bill calls for striking provisions in the bankruptcy code that prohibit the discharge of student loans except where borrowers can prove an “undue hardship.”

Unlike other forms of debt, like credit cards and medical bills, student loan borrowers must generally prove that they have an undue hardship in order to discharge their student loan debt in bankruptcy, making the process much more difficult. These restrictions previously only applied to federal student loans, but were expanded in a 2005 bankruptcy reform bill to also include private student loans.

Consumer advocate groups say the undue hardship standard is difficult for borrowers to meet since it is not adequately defined in statute and can vary greatly. Supporters of the measure say it would benefit struggling student loan borrowers, with added importance due to the ongoing pandemic caused by the novel coronavirus.

Back in April at the onset of the pandemic, the American Council on Education (ACE) called on lawmakers to restore bankruptcy protections for borrowers facing financial distress.

Bankruptcy reform, with a particular focus on student loan debt, has gained momentum in recent years, with support from Gaetz underscoring movement on the issue.

“I’m grateful that the majority on this committee wants to break away from the Biden record on student loans and would instead chart a way forward that is more fair to America’s young people,” Gaetz said, referring to Democratic nominee Joe Biden, who as a senator backed the 2005 bankruptcy law.

Judiciary Chairman Rep. Jerry Nadler (D-N.Y.) agreed with Gaetz’s assertion.

“It was the wrong thing to do,” he said. “Biden was on the wrong side. Many people in both parties were on the wrong side.”

Rep. Pramila Jayapal (D-Wash.), who has pushed for student loan debt cancelation, said at the hearing that the measure is a step towards reversing the “injustice” that the current bankruptcy code puts on student loan borrowers.

Should the bill pass the House in its current form it is unlikely to pass the Senate, though bankruptcy reform in general and in regards to student loan debt could see progress should Biden win the presidency, as he has made student loan bankruptcy reform part of his [official platform \(https://joebiden.com/bankruptcyreform/\)](https://joebiden.com/bankruptcyreform/).

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