

GROUPS: DEPARTMENT OF EDUCATION FAILS TO RESPOND TO WHITE HOUSE CALL FOR STUDENT DEBT RELIEF IN “UNDUE HARDSHIP” BANKRUPTCY CASES

WASHINGTON, D.C. – July 13, 2015 – The National Association of Consumer Bankruptcy Attorneys (NACBA) and National Consumer Law Center, Inc. (NCLC) issued the following joint statement today:

“In March, President Obama directed the Department of Education and other federal agencies to do more to help serve the nation’s student loan borrowers, including those in financial distress and those who have been wronged by loan servicers, loan collectors, or schools. In order to provide clarity with respect to the rights of borrowers in bankruptcy, the Department of Education was directed to provide information to assist parties in determining whether an undue-hardship case in bankruptcy should be accepted or contested.

Last week, the Department of Education responded to the White House in the worst possible way by giving a green light to the loan holders’ aggressive strategy of fighting virtually every case in which undue hardship is claimed. Not only is this completely contrary to the intent of President Obama to find a way to help out more student loan borrowers suffering genuine financial distress, it will only serve to encourage loan holders and the Department’s contractors to be even more ruthless in systematically using their considerable legal might to crush any such filings under a mountain of appeals, delays, and other tactics.

Americans have accumulated \$1.2 trillion in student loan debt, exceeding even the level of credit card debt in our nation. Seven in ten college seniors who graduated in 2012 had student loan debt, with an average of \$29,400 per borrower. Because federal law treats student loan debt as nondischargeable in bankruptcy proceedings except in the case of undue hardship, borrowers can be burdened with this debt for a lifetime even if circumstances make it unlikely that the borrower will ever be able to repay.

While we recognize the Department's prerogative to fairly collect on student loan debts owed to it, it is not sensible or cost-effective for the Department or its contractors to engage in lengthy legal challenges and appeals against bankrupt student loan borrowers who have demonstrated a clear and legitimate inability to repay their loans.

The need for action with respect to the student loan debt crisis is urgent. Today’s response from the Department of Education enshrines the worst practices of loan servicers to ride roughshod over borrowers suffering real financial distress. The White House should instruct the Department of Education to reconsider its response and, instead, to adopt an approach that recognizes that a real crisis requires a real solution.”

ABOUT THE GROUPS

Since 1969, the nonprofit **National Consumer Law Center®** (NCLC®) has worked for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the U.S. through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training. www.nclc.org

The National Association of Consumer Bankruptcy Attorneys is the only national organization dedicated to serving the needs of consumer bankruptcy attorneys and protecting the rights of consumer debtors in bankruptcy. Formed in 1992, NACBA now has more than 3,000 members located in all 50 states and Puerto Rico. **www.nacba.org**

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