

September 23, 2009

The Honorable Steve Cohen
Chairman, Subcommittee on Commercial and Administrative Law
Committee on the Judiciary
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Cohen:

On behalf of the undersigned organizations, we thank you for convening the House Committee on the Judiciary Subcommittee on Commercial and Administrative Law for a hearing entitled “An Undue Hardship? Discharging Educational Debt in Bankruptcy.” We understand that this is the first Congressional hearing to focus on issues related to the non-dischargeability of private (non-federal) student loans.

Private student loans are one of the riskiest, most expensive ways to pay for college. Like credit cards, they have variable interest rates that are often higher for those who can least afford them. However, unlike credit cards, private student loans are nearly impossible to discharge in bankruptcy. Further, private student loan borrowers are not eligible for the important deferment, income-based repayment, or loan forgiveness options that come with federal student loans. They generally have no right to assistance if they face unemployment, disability, financial distress, or even a school that closes its doors leaving them without the ability to complete their degree.

Our broad coalition of groups representing students, consumers, institutions of higher education and public policy organizations urge Congress to end the unfair special bankruptcy treatment for lenders who saddle students and their families with high-risk, high-cost private student loans. Thank you for your bringing attention to this important and urgent issue.

Signed,

American Association of Collegiate Registrars and Admissions Officers
American Association of Community Colleges
American Association of State Colleges and Universities
American Council on Education
Association of Jesuit Colleges and Universities
American Federation of Teachers
Campus Progress Action
Consumer Action
Consumers Union
Dēmos: A Network for Ideas & Action
National Association of College Admissions Counseling
National Association of Consumer Bankruptcy Attorneys
National Consumer Law Center (on behalf of our low-income clients)
National Education Association
Project on Student Debt
U.S. Public Interest Research Group
United States Student Association
USAction