



**MEDIA ALERT**  
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## **Borrowers with Private Student Loans Blocked from Bankruptcy Relief House Judiciary Committee to Examine the Issue this Wednesday**

This Wednesday, September 23, at 1:00 pm, the House Judiciary Committee's Subcommittee on Commercial and Administrative Law will hold the first ever hearing on private student loans and bankruptcy. The oversight hearing is titled "[An Undue Hardship? Discharging Educational Debt in Bankruptcy.](#)" Lauren Asher, president of the Project on Student Debt's parent organization, the Institute for College Access & Success, will testify as an invited expert witness.

Since 2005, it has been nearly impossible to discharge private student loans through bankruptcy. These expensive, variable-rate loans lack the consumer protections and flexible repayment options of federal loans, leaving borrowers with almost no options for relief when they face catastrophic medical expenses, suffer prolonged unemployment, or otherwise fall on hard times. Too often, young people take out thousands of dollars in risky private loans after receiving inadequate or misleading information from lenders or colleges.

For example, lenders often do not disclose the actual interest rate on a private student loan – as opposed to advertised “as low as” rates – until after the borrower has applied and been approved for the loan. Colleges may recommend private loans before students and parents have taken out all they can in safer, cheaper federal loans, and fail to clarify the significant differences between these financing options. One type of private student loan bypasses colleges entirely, so the college may not know when a student seeks or gets an unnecessary private loan. And most private loans require payment in full even if the borrower dies or becomes severely disabled.

Contact the Project on Student Debt if you would like to interview someone from your area. For example:

- **Cheri in Florida** came from a very low-income family and went to her dream school, a prestigious four-year non-profit college, trusting at 18 that it would open the doors to a successful future. When grant aid and work-study did not cover the full cost, she took out \$30,000 in federal loans and \$100,000 in private loans on the recommendation of the school's financial aid office, which did not make all the differences in terms and costs clear. She lost her real estate job when the market collapsed and now works several part-time jobs while living with her husband in her father's house. Interest-only loan payments on her private loans are \$400 a month, and she has never missed a payment, but she fears that she won't be able to have children, her own home, or any savings because of this insurmountable debt. The same amount of credit card debt would be dischargeable in bankruptcy.

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For more information about private student loans, including research and policy proposals, go to <http://projectonstudentdebt.org/privateloans.vp.html>.