

The Honorable Chairman Steve Cohen
Subcommittee on Commercial and Administrative Law
2138 Rayburn House Office Building
Washington, DC 20515

October 1, 2009

Dear Chairman Cohen,

U.S. PIRG is the federation of state Public Interest Research Groups-- nonpartisan, non-profit public interest advocacy organizations based in 30 states. We work with students on more than 100 college campuses across the country. On behalf of those hundreds of thousands of college students, USPIRG works to promote an affordable and accessible higher education.

On September 23, 2009, the subcommittee held a hearing entitled "[An Undue Hardship? Discharging Educational Debt in Bankruptcy](#)" to examine the lack of bankruptcy protection afforded borrowers who take on private, unsubsidized student loans to pay for college. Please accept this letter to the public record in support of providing bankruptcy protection to private student loan borrowers.

The social and economic health of the country relies on the number of students graduating from college, but as college budgets are cut at the state level, college costs to students are soaring. Students and their families have turned to loans to finance a college education. Young people, who generally have little or no credit history and no equity, receive unfavorable treatment in the traditional credit market. Four decades ago, Congress created the subsidized student loan programs to provide capital to students regardless of their income and credit. Currently, federal student loans are a crucial part of the college financing equation; 62% of all graduates from four year public colleges carry federal loan debt upon graduation. On average, they carry over \$20,000 in federal loan debt; students may borrow up to \$31,000 in federal student loans.

Unfortunately, as the average amount of federal loan debt climbs, so do the numbers of students taking out more than the average in debt to pay for college. According to the Project on Student Debt, 15% of students are borrowing private loans, yet 64% of these students never maximize the federal aid available to them. These students are taking out riskier, higher priced, private loans to finance their degrees, which can carry an interest rate at 20% *or higher* and offer minimal benefits and inflexible repayment options for borrowers.

In general, private student loans are a costly option for all borrowers and especially costly for low-income students, the very population our federal aid programs are designed to help.

Adding insult to injury, private student loan borrowers are treated more harshly than consumers who carry any other form of debt in that they are denied the right to declare bankruptcy if they simply cannot repay. Student loan borrowers who encounter unforeseen life circumstances later in life, such as a debilitating illness or injury that can keep them from working, must still continue to find a way to repay their loans. People who borrow to pay for college, and are subject to the high costs and harsh terms of

private student loans, deserve fair treatment, especially given the societal value of higher education.

Don't hesitate to contact me with further questions.

Sincerely,

Richard Williams
USPIRG Higher Education Associate