

The Fairness for Struggling Students Act of 2013
Fact Sheet

The Fairness for Struggling Students Act of 2013 aims to treat privately issued student loans in bankruptcy the same as other types of private debt. The enactment of this act would overturn the 2005 extension of risk protections to private loan providers.

“This legislation is a no-brainer,” said Joseph Audette, Vice President of Education at NerdScholar. “It is clear that student debt reform is well overdue and we applaud the efforts Senator Durbin and other lawmakers are making to alleviate the financial stress of America’s student population.”

Overview

Summary:

Re-introduced on January 23, 2013 by Senators Dick Durbin (D-IL), Tom Harkin (D-IA), Sen. Sheldon Whitehouse (D-RI), Jack Reed (D-IL), and Al Franken (D-MN), the bill restores the option to discharge private student loans during bankruptcy.

What this means for Private Lenders:	What this means for Students:
Private lenders warn that passing the bill would raise student’s borrowing costs, because the risk of lenders’ losses would increase if more consumers file for bankruptcy.	Students struggling to pay their loans back and in severe economic hardship would have more options to meet their financial obligations and get back on their feet. Federal student loans would remain un-dischargeable to safeguard American taxpayers.

Senator Durbin [quote](#): **“Too many Americans are carrying around mortgage-sized student loan debt that forces them to put off major life decisions like buying a home or starting a family. It’s not only young people facing this crisis, it is parents, siblings and even grandparents who co-signed private loans long ago and are still making payments decades later. It’s time for action. We can no longer sit by while this student debt bomb keeps ticking.”**

Next Steps: Senator Durbin and his colleagues are working to bring the bill to a vote in Congress.

By the numbers:

The private student loan debt mark:

- **\$1 trillion-** total student loan debt, which has surpassed the [\\$858 billion](#) in credit card debt. Student Loan debt is also up there with the [\\$8 trillion](#) mortgage debt Americans currently have.

- **\$150 billion** in private loans make up 20% of all student loan debt
- **\$8 billion** in private loans that are in default, representing more than 850,000 individual loans

The schools with high concentration of private student loan borrowers:

- **47%** of all student loan defaults belong to students at for-profit schools ([Source](#))
- **42%** of students at two-year for-profit colleges have private student loans vs. 5% of students at public colleges and 18% of students at private colleges. ([Source](#))
- **46%** of students at four-year for-profit colleges have private student loans vs. 14% of students at public and 25% of students at private colleges. ([Source](#))

The students with private student loans:

- **60% of student loan borrowers** do not understand the difference between private and federal loans ([Source](#))
- **40%** of households headed by people under 35 have student debt ([Source](#))
- **65% of borrowers** have reported to the CFBP that they have trouble repaying back their loans (Fees, billing, deferment, forbearance, fraud, credit reporting)
- **30% of borrowers** have reported to the CFBP that they experience problems when unable to pay (Default, debt collection, bankruptcy)
- **14%** of all private student loan borrowers are African American vs. 11% whites with a combination of both private and federal. ([Source](#))
- **52% of private loan borrowers** in 2007-2008 borrowed less than they could have in federal loans. ([Source](#))
 - 27% of private loan borrowers had federal student loans but borrowed less than they could have
 - 25% of private loan borrowers took out no federal loans at all

The private student lending industry:

- **17.1%** The percentage of outstanding loans that were in forbearance before the financial crisis in 2007. That figure dropped dramatically to 3.0% by the end of 2011.
- **\$23 billion**- the figure to which the private student loan industry grew to in 2009 compared to the 11.8 billion four years earlier before 2005.
- **25%** of all Federal aid to education goes to for-profit schools, amounting to \$32 billion dollars a year for taxpayers

Who supports this bill? The [American Association of University Women](#); [Consumer Financial Protection Bureau](#); [U.S. Department of Education](#); The Institute For College Access and Success; Sallie Mae, one of the country's major private student loan players.