Resolution in Favor of Student Loan Reform

**Sponsors:**

WHEREAS, Student loan debt is the only type of consumer debt in our nation’s history to be categorically excluded from protection under our bankruptcy code; and

WHEREAS, Less than 1% of federally guaranteed loans were actually discharged in bankruptcy prior to the enactment of this exclusion; and

WHEREAS, Both the Consumer Bankers Association and the American Bankers Association openly opposed such discriminatory treatment of student loans; and

WHEREAS, The federal government has stripped away numerous other consumer protections from borrowers of student loans, such as statutes of limitation on the collection of such debt, the ability to refinance interest rates, and protection under the Truth in Lending Act; and

WHEREAS, The federal government presently generates a substantial profit from the origination of student loans, while countless borrowers default on their repayment obligations, because such loans are not protected under standard bankruptcy and consumer law; and

WHEREAS, The removal of these basic consumer protections has coincided with an exponential growth in the cost of attending many of our State colleges and universities; and

WHEREAS, The return of these standard consumer protections will require the Department of Education to take its oversight role seriously, reduce the cost of college tuition, and decrease the current default rate; therefore,

BE IT RESOLVED, BY THE SENATE OF THE URBANA-CHAMPAIGN CAMPUS, that we urge Congress pass to HR 3892, a bill that would restore full bankruptcy protections to all student loans, both private and federally guaranteed, as well as other standard consumer protections, such as statutes of limitation on the collection of student loan debt, the prohibition of wage garnishment to offset student loan debt, and the prohibition on suspensions of professional licenses as a consequence of a student loan default; and

BE IT FURTHER RESOLVED, That we urge the Illinois House of Representatives to pass HR 0620, a resolution calling on the United States Congress to provide standard bankruptcy protections and other consumer rights to individuals with student loan debt; and

BE IT FINALLY RESOLVED, That suitable copies of this resolution be delivered to the members of the Illinois congressional delegation, and all members of the Illinois House of Representatives.

**Sponsored by:**
Joshua Baalman
Tony Fiorentino
George Ordal
To establish student loan borrowers' rights to basic consumer protections, reasonable and flexible repayment options, access to earned credentials, and effective loan cancellation in exchange for public service, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Student Loan Borrowers’ Bill of Rights Act of 2013”.

Ms. Wilson of Florida (for herself, Ms. Brown of Florida, Mr. Rush, and Ms. Norton) introduced the following bill; which was referred to the Committee on Education and the Workforce, and in addition to the Committees on Ways and Means, the Judiciary, and Oversight and Government Reform, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.
TITLE I—BORROWERS’ RIGHT TO 
BASIC CONSUMER PROTEC-
IONS

SEC. 101. DISCHARGEABILITY OF STUDENT LOANS IN 
BANKRUPTCY CASES.

Section 523(a) of title 11 of the United States Code 
is amended—

(1) by striking paragraph (8); and

(2) by redesignating paragraphs (9) through 
(19) as paragraphs (8) through (18).

SEC. 102. REINSTATEMENT OF THE 6-YEAR STATUTE OF 
LIMITATIONS FOR STUDENT LOANS.

Subsection (a) of section 484A of the Higher Edu-
cation Act of 1965 (20 U.S.C. 1091a(a)) is amended to 
read as follows:

“(a) STATUTE OF LIMITATIONS.—Notwithstanding 
any Federal or State statutory, regulatory, or administra-
tive limitation on the period within which debts may be 
enforced—

“(1) an institution that receives funds under 
this title may file a suit or initiate or take another 
action for collection of a refund due from a student 
on a grant made, or work assistance awarded, under 
this title, during the 6-year period beginning on the 
day after the refund first became due (exclusive of
period during which the State statute of limitations
otherwise applicable to a suit under this paragraph
would be tolled under State law);

“(2) a guaranty agency that has an agreement
with the Secretary under section 428(c) may file a
suit or initiate or take another action for collection
of the amount due from a borrower on a loan made
under part B during the 6-year period beginning on
the day after such guaranty agency reimburses the
previous holder of the loan for its loss on account of
the default of the borrower (exclusive of period dur-
ing which the State statute of limitations otherwise
applicable to a suit under this paragraph would be
tolled under State law);

“(3) an institution that has an agreement with
the Secretary pursuant to section 487 may file a suit
or initiate or take another action for collection of the
amount due from a borrower on a loan made under
part D or E after the default of the borrower on
such loan during the 6-year period beginning on the
day after the date of the default of the borrower
with respect to such amount (exclusive of period
during which the State statute of limitations other-
wise applicable to a suit under this paragraph would
be tolled under State law); or
“(4) the Secretary, the Attorney General, or the administrative head of another Federal agency, as the case may be, may file a suit or initiate or take another action for collection of a refund due from a student on a grant made under this title, or for the repayment of the amount due from a borrower on a loan made under this title that has been assigned to the Secretary under this title, during the 6-year period beginning on the day after the refund or the amount first became due.”.

SEC. 103. PROHIBITION OF COLLECTION OF STUDENT LOANS THROUGH CERTAIN OFFSETS OR THROUGH WAGE GARNISHMENT.

(a) Prohibition on Offset of Social Security Benefits.—Section 3716(c)(3)(A) of title 31, United States Code, is amended—

(1) in clause (i), by striking “except as provided in clause (ii)” and inserting “except as provided in clauses (ii) and (iii)”; and

(2) by adding at the end the following new clause:

“(iii) Notwithstanding clause (i), any payments due to an individual under Federal benefits programs cited under clause (i) shall not be subject to offset under this subsection if the offset is for payments certified by the
Department of Education under a program administered by the Secretary of Education under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.)."

(b) Prohibition on Offset of Tax Refund.—Section 3720A(a) of title 31, United States Code, is amended—

(1) by striking "Any Federal agency" and inserting "(1) Except as provided in paragraph (2), any Federal agency"; and

(2) by adding at the end the following new paragraph:

"(2) Any past-due legally enforceable debt owed by an individual to the Department of Education under a program administered by the Secretary of Education under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.) shall not be subject to notification under paragraph (1), and any refund of Federal taxes paid by the individual shall not be subject to reduction under subsection (c) for such debt.".

(c) Prohibition on Wage Garnishment.—Section 3720D(a) of title 31, United States Code, is amended—

(1) by striking "Notwithstanding" and inserting: "(1) Except as provided in paragraph (2) and notwithstanding"; and
(2) by adding at the end the following new paragraph:

“(2) Any delinquent nontax debt owed by an individual to the Department of Education under a program administered by the Secretary of Education under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.) shall not be subject to collection under this section through garnishment of disposable pay of the individual.”.

TITLE II—BORROWER’S RIGHT TO REASONABLE AND FLEXIBLE REPAYMENT OPTIONS

SEC. 201. EXCLUSION FROM GROSS INCOME FOR DISCHARGE OF STUDENT LOAN INDEBTEDNESS.

(a) In general.—Paragraph (1) of section 108(f) of the Internal Revenue Code of 1986 is amended by striking “if such discharge” and all that follows and inserting a period.

(b) Student Loans.—Paragraph (2) of section 108(f) of such Code is amended by striking “made by—” and all that follows and inserting the following: “. Such term includes indebtedness used to refinance indebtedness which qualifies as a student loan under the preceding sentence.”.

(c) Conforming Amendments.—Section 108(f) of such Code is amended by striking paragraphs (3) and (4).
(d) EFFECTIVE DATE.—The amendments made by this section shall apply to discharges of indebtedness after the date of the enactment of this Act.

SEC. 202. 529 PLAN DISTRIBUTION FOR STUDENT LOAN PAYMENTS.

(a) IN GENERAL.—Subparagraph (A) of section 529(e)(3) is amended by striking clause (iii) and inserting the following new clause:

“(iii) interest or principal paid with respect to a qualified education loan (as defined in section 221) with respect to a designated beneficiary.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 529(e)(3)(A) of such Code is amended by striking the second sentence.

(2) Section 72(t)(7)(A) of such Code is amended by inserting “determined without regard to subparagraph (A)(iii) thereof” after “section 529(e)(3)”.

(3) Section 530(b)(2)(A)(i) of such Code is amended by inserting “determined without regard to subparagraph (A)(iii) thereof” after “section 529(e)(3)”.

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(c) **Effective Date.**—The amendments made by this section shall apply to distributions made after the date of the enactment of this Act.

**SEC. 203. INCLUSION OF PARENT PLUS LOANS IN REPAYMENT PROGRAMS.**

(a) **Income Contingent Repayment Plan.**—Section 455(d)(1)(D) of the Higher Education Act of 1965 (20 U.S.C. 1087e(d)(1)(D)) is amended by striking “, except that the plan described in this subparagraph shall not be available to the borrower of a Federal Direct PLUS loan made on behalf of a dependent student;”.

(b) **Income-Based Repayment.**—

(1) **Section 493C.**—Section 493C of the Higher Education Act of 1965 (20 U.S.C. 1098e) is amended—

(A) in subsection (a)—

(i) by striking “this section” and all that follows through “hardship” and inserting “In this section, the term ‘partial financial hardship’”; and

(ii) by striking, “(other than an excepted PLUS loan or excepted consolidation loan)”;

(B) in subsection (b)—
(i) in paragraph (1), by striking ``(other than an excepted PLUS loan or excepted consolidation loan)''; and

(ii) in paragraph (6)(A), by striking ``(other than an excepted PLUS loan or excepted consolidation loan)''; and

(C) in subsection (e), by striking ``(other than an excepted PLUS loan or excepted consolidation loan),''.

(2) Section 455(d)(1)(E).—Section 455(d)(1)(E) of such Act (20 U.S.C. 1087e(d)(1)(D)) is amended by striking ``that the plan described in this subparagraph shall not be available to the borrower of a Federal Direct PLUS Loan made on behalf of a dependent student or a Federal Direct Consolidation Loan, if the proceeds of such loan were used to discharge the liability on such Federal Direct PLUS Loan or a loan under section 428B made on behalf of a dependent student''.

(c) Pay As You Earn.—The income-contingent repayment plan (based on the President's ``Pay As You Earn'' repayment initiative) implemented in parts 674, 682, and 685 of title 34, Code of Federal Regulations, as amended by the final regulations published by the De-
part of Education in the Federal Register on Novem-
ber 1, 2012 (77 Fed. Reg. 66088 et seq.), shall be avail-
able to borrowers of—

(1) a Federal Direct PLUS loan made on be-
half of a dependent student; and

(2) a Federal Direct Consolidation Loan, the
proceeds of which were used to discharge the liabil-
ity on a Federal Direct PLUS Loan or a loan under
section 428B made on behalf of a dependent stu-
dent.

(d) Loan Forgiveness for Service in Areas of
National Need.—Section 428K(a)(2) of such Act (20
U.S.C. 1078–11(a)(2)) is amended—

(1) in subparagraph (A), by striking “(other
than an excepted PLUS loan or an excepted consoli-
dation loan (as such terms are defined in section
493C(a)))”; and

(2) in subparagraph (B), by striking “(other
than an excepted PLUS loan or an excepted consoli-
dation loan)”.

SEC. 204. Determination of Adverse Credit History.

Section 428B(a)(1)(A) of the Higher Education Act
of 1965 (20 U.S.C. 1078–2(a)(1)(A)) is amended by strik-
ing “regulations promulgated by the Secretary” and in-
serting “section 685.200(c) of title 34, Code of Federal Regulations (as in effect on September 30, 2011)”.

**TITLE III—BORROWERS’ RIGHT TO A MEANINGFUL DEGREE**

**SEC. 301. PROHIBITION ON SUSPENSIONS OF PROFESSIONAL LICENSES FOR LOAN DEFAULT.**

No evidence of an individual’s default on the repayment of a loan made, insured, or guaranteed under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.) may be admitted into evidence in a Federal or State proceeding involving the individual’s professional or vocational license.

**SEC. 302. PROHIBITION ON LOSS OF ACCESS TO TRANSCRIPTS FOR LOAN DEFAULT.**

Section 487(a) of the Higher Education Act of 1965 (20 U.S.C. 1094(a)) (as amended by section 301) is further amended by adding at the end the following new paragraph:

“(31)(A) The institution will not prohibit a student from accessing the student’s transcripts, degree scrolls, or other certifications of coursework or educational attainments at the institution because the student is in default on the repayment of a loan made, insured, or guaranteed under this title.
“(B) For purposes of this paragraph, the term ‘student’ includes former students.’’.

TITLE IV—RIGHT TO EFFECTIVE LOAN CANCELLATION FOR BORROWERS ENGAGED IN PUBLIC SERVICE CAREERS

SEC. 401. EXTENSION OF LOAN CANCELLATION FOR BORROWERS EMPLOYED IN PUBLIC SERVICE JOBS FOR 5 YEARS.

Section 455(m) of the Higher Education Act of 1965 (20 U.S.C. 1087e) is amended by adding at the end the following new paragraph:

“(5) LOAN CANCELLATION AFTER 5 YEARS.—Beginning fiscal year 2014, the Secretary shall also cancel 50 percent of the balance of interest and principal due on any eligible Federal Direct Loan not in default for borrowers employed in a public service job for 5 years during the repayment of such loans—

“(A) by applying paragraph (1)(A)—

“(i) by substituting ‘60’ for ‘120’ each place it appears; and

“(ii) by substituting ‘October 1, 2007’ for ‘October 1, 2013’; and
“(B) by applying paragraph (2), by substituting ‘50 percent of the balance’ with ‘the balance’.”.
WHEREAS, Student loan debt is the only type of consumer debt in our nation's history to be categorically excluded from protection under our bankruptcy code; and

WHEREAS, Less than 1% of federally guaranteed loans were actually discharged in bankruptcy prior to the enactment of this exclusion; and

WHEREAS, Both the Consumer Bankers Association and the American Bankers Association openly opposed such discriminatory treatment of student loans; and

WHEREAS, The federal government has stripped away numerous other consumer protections from borrowers of student debt, such as statutes of limitation on the collection of such debt, the ability to refinance interest rates, and protection under the Truth in Lending Act; and

WHEREAS, The federal government presently generates a substantial profit from the origination of student loans, while countless borrowers default on their repayment obligations, because such loans are not protected under standard bankruptcy and consumer law; and
WHEREAS, The removal of these basic consumer protections has coincided with an exponential growth in the cost of attending many of our State colleges and universities; and

WHEREAS, The return of these standard consumer protections will require the Department of Education to take its oversight role seriously, reduce the cost of college tuition, and decrease the current default rate; therefore, be it

RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE NINETY-EIGHTH GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that we urge Congress to restore full bankruptcy protections to all student loans, both private and federally guaranteed, as well as other standard consumer protections, such as statutes of limitation on the collection of student loan debt, protection under the Truth in Lending Act, and the ability to refinance interest rates on student loans; and be it further

RESOLVED, That suitable copies of this resolution be delivered to the members of the Illinois congressional delegation.