

**APPROVED BY SENATE**

**04/14/2014**

**RS.14.02**

April 14, 2014

**UNIVERSITY OF ILLINOIS  
URBANA-CHAMPAIGN SENATE**

Prefiled Resolution

RS.14.02 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

113<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 3892

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.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 15, 2014

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

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## A BILL

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.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Student Loan Bor-  
5 rowers’ Bill of Rights Act of 2013”.

1 **TITLE I—BORROWERS’ RIGHT TO**  
2 **BASIC CONSUMER PROTEC-**  
3 **TIONS**

4 **SEC. 101. DISCHARGEABILITY OF STUDENT LOANS IN**  
5 **BANKRUPTCY CASES.**

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

8 (1) by striking paragraph (8); and

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

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

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

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

20 “(1) an institution that receives funds under  
21 this title may file a suit or initiate or take another  
22 action for collection of a refund due from a student  
23 on a grant made, or work assistance awarded, under  
24 this title, during the 6-year period beginning on the  
25 day after the refund first became due (exclusive of

1 period during which the State statute of limitations  
2 otherwise applicable to a suit under this paragraph  
3 would be tolled under State law);

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

15 “(3) an institution that has an agreement with  
16 the Secretary pursuant to section 487 may file a suit  
17 or initiate or take another action for collection of the  
18 amount due from a borrower on a loan made under  
19 part D or E after the default of the borrower on  
20 such loan during the 6-year period beginning on the  
21 day after the date of the default of the borrower  
22 with respect to such amount (exclusive of period  
23 during which the State statute of limitations other-  
24 wise applicable to a suit under this paragraph would  
25 be tolled under State law); or

1           “(4) the Secretary, the Attorney General, or the  
2           administrative head of another Federal agency, as  
3           the case may be, may file a suit or initiate or take  
4           another action for collection of a refund due from a  
5           student on a grant made under this title, or for the  
6           repayment of the amount due from a borrower on a  
7           loan made under this title that has been assigned to  
8           the Secretary under this title, during the 6-year pe-  
9           riod beginning on the day after the refund or the  
10          amount first became due.”.

11 **SEC. 103. PROHIBITION OF COLLECTION OF STUDENT**  
12                           **LOANS THROUGH CERTAIN OFFSETS OR**  
13                           **THROUGH WAGE GARNISHMENT.**

14           (a) PROHIBITION ON OFFSET OF SOCIAL SECURITY  
15 BENEFITS.—Section 3716(c)(3)(A) of title 31, United  
16 States Code, is amended—

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

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

22           “(iii) Notwithstanding clause (i), any payments due  
23 to an individual under Federal benefits programs cited  
24 under clause (i) shall not be subject to offset under this  
25 subsection if the offset is for payments certified by the

1 Department of Education under a program administered  
2 by the Secretary of Education under title IV of the Higher  
3 Education Act of 1965 (20 U.S.C. 1070 et seq.).”.

4 (b) PROHIBITION ON OFFSET OF TAX REFUND.—  
5 Section 3720A(a) of title 31, United States Code, is  
6 amended—

7 (1) by striking “Any Federal agency” and in-  
8 serting “(1) Except as provided in paragraph (2),  
9 any Federal agency”; and

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

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

20 (c) PROHIBITION ON WAGE GARNISHMENT.—Section  
21 3720D(a) of title 31, United States Code, is amended—

22 (1) by striking “Notwithstanding” and insert-  
23 ing: “(1) Except as provided in paragraph (2) and  
24 notwithstanding”; and

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

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

9           **TITLE II—BORROWER’S RIGHT**  
10           **TO REASONABLE AND FLEXI-**  
11           **BLE REPAYMENT OPTIONS**

12           **SEC. 201. EXCLUSION FROM GROSS INCOME FOR DIS-**  
13           **CHARGE OF STUDENT LOAN INDEBTEDNESS.**

14           (a) IN GENERAL.—Paragraph (1) of section 108(f)  
15 of the Internal Revenue Code of 1986 is amended by strik-  
16 ing “if such discharge” and all that follows and inserting  
17 a period.

18           (b) STUDENT LOANS.—Paragraph (2) of section  
19 108(f) of such Code is amended by striking “made by—  
20 ” and all that follows and inserting the following: “. Such  
21 term includes indebtedness used to refinance indebtedness  
22 which qualifies as a student loan under the preceding sen-  
23 tence.”.

24           (c) CONFORMING AMENDMENTS.—Section 108(f) of  
25 such Code is amended by striking paragraphs (3) and (4).

1 (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to discharges of indebtedness after  
3 the date of the enactment of this Act.

4 **SEC. 202. 529 PLAN DISTRIBUTION FOR STUDENT LOAN**  
5 **PAYMENTS.**

6 (a) IN GENERAL.—Subparagraph (A) of section  
7 529(e)(3) is amended by striking clause (iii) and inserting  
8 the following new clause:

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

13 (b) CONFORMING AMENDMENTS.—

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

16 (2) Section 72(t)(7)(A) of such Code is amend-  
17 ed by inserting “determined without regard to sub-  
18 paragraph (A)(iii) thereof” after “section  
19 529(e)(3)”.

20 (3) Section 530(b)(2)(A)(i) of such Code is  
21 amended by inserting “determined without regard to  
22 subparagraph (A)(iii) thereof” after “section  
23 529(e)(3)”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to distributions made after the  
3 date of the enactment of this Act.

4 **SEC. 203. INCLUSION OF PARENT PLUS LOANS IN REPAY-**  
5 **MENT PROGRAMS.**

6 (a) INCOME CONTINGENT REPAYMENT PLAN.—Sec-  
7 tion 455(d)(1)(D) of the Higher Education Act of 1965  
8 (20 U.S.C. 1087e(d)(1)(D)) is amended by striking “, ex-  
9 cept that the plan described in this subparagraph shall  
10 not be available to the borrower of a Federal Direct PLUS  
11 loan made on behalf of a dependent student;”.

12 (b) INCOME-BASED REPAYMENT.—

13 (1) SECTION 493C.—Section 493C of the High-  
14 er Education Act of 1965 (20 U.S.C. 1098e) is  
15 amended—

16 (A) in subsection (a)—

17 (i) by striking “this section” and all  
18 that follows through “hardship” and in-  
19 serting “In this section, the term ‘partial  
20 financial hardship’”; and

21 (ii) by striking, “(other than an ex-  
22 cepted PLUS loan or excepted consolida-  
23 tion loan)”;

24 (B) in subsection (b)—

1 (i) in paragraph (1), by striking  
2 “(other than an excepted PLUS loan or  
3 excepted consolidation loan)”; and

4 (ii) in paragraph (6)(A), by striking  
5 “(other than an excepted PLUS loan or  
6 excepted consolidation loan)”; and

7 (C) in subsection (e), by striking “(other  
8 than an excepted PLUS loan or excepted con-  
9 solidation loan),”.

10 (2) SECTION 455(d)(1)(E).—Section  
11 455(d)(1)(E) of such Act (20 U.S.C.  
12 1087e(d)(1)(D)) is amended by striking “, except  
13 that the plan described in this subparagraph shall  
14 not be available to the borrower of a Federal Direct  
15 PLUS Loan made on behalf of a dependent student  
16 or a Federal Direct Consolidation Loan, if the pro-  
17 ceeds of such loan were used to discharge the liabil-  
18 ity on such Federal Direct PLUS Loan or a loan  
19 under section 428B made on behalf of a dependent  
20 student”.

21 (c) PAY AS YOU EARN.—The income-contingent re-  
22 payment plan (based on the President’s “Pay As You  
23 Earn” repayment initiative) implemented in parts 674,  
24 682, and 685 of title 34, Code of Federal Regulations,  
25 as amended by the final regulations published by the De-

1 partment of Education in the Federal Register on Novem-  
2 ber 1, 2012 (77 Fed. Reg. 66088 et seq.), shall be avail-  
3 able to borrowers of—

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

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

11 (d) LOAN FORGIVENESS FOR SERVICE IN AREAS OF  
12 NATIONAL NEED.—Section 428K(a)(2) of such Act (20  
13 U.S.C. 1078–11(a)(2)) is amended—

14 (1) in subparagraph (A), by striking “(other  
15 than an excepted PLUS loan or an excepted consoli-  
16 dation loan (as such terms are defined in section  
17 493C(a)))”; and

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

21 **SEC. 204. DETERMINATION OF ADVERSE CREDIT HISTORY.**

22 Section 428B(a)(1)(A) of the Higher Education Act  
23 of 1965 (20 U.S.C. 1078–2(a)(1)(A)) is amended by strik-  
24 ing “regulations promulgated by the Secretary” and in-

1 serting “section 685.200(c) of title 34, Code of Federal  
2 Regulations (as in effect on September 30, 2011)”.

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

5 **SEC. 301. PROHIBITION ON SUSPENSIONS OF PROFES-**  
6 **SIONAL LICENSES FOR LOAN DEFAULT.**

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

13 **SEC. 302. PROHIBITION ON LOSS OF ACCESS TO TRAN-**  
14 **SCRIPTS FOR LOAN DEFAULT.**

15 Section 487(a) of the Higher Education Act of 1965  
16 (20 U.S.C. 1094(a)) (as amended by section 301) is fur-  
17 ther amended by adding at the end the following new para-  
18 graph:

19 “(31)(A) The institution will not prohibit a stu-  
20 dent from accessing the student’s transcripts, degree  
21 scrolls, or other certifications of coursework or edu-  
22 cational attainments at the institution because the  
23 student is in default on the repayment of a loan  
24 made, insured, or guaranteed under this title.

1           “(B) For purposes of this paragraph, the term  
2           ‘student’ includes former students.”.

3   **TITLE IV—RIGHT TO EFFECTIVE**  
4   **LOAN CANCELLATION FOR**  
5   **BORROWERS ENGAGED IN**  
6   **PUBLIC SERVICE CAREERS**

7   **SEC. 401. EXTENSION OF LOAN CANCELLATION FOR BOR-**  
8                   **ROWERS EMPLOYED IN PUBLIC SERVICE**  
9                   **JOBS FOR 5 YEARS.**

10          Section 455(m) of the Higher Education Act of 1965  
11   (20 U.S.C. 1087e) is amended by adding at the end the  
12   following new paragraph:

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

20                   “(A) by applying paragraph (1)(A)—

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

23                           “(ii) by substituting ‘October 1, 2007’  
24                           for ‘October 1, 2013’; and

1                   “(B) by applying paragraph (2), by sub-  
2                   stituting ‘50 percent of the balance’ with ‘the  
3                   balance’.”.

○



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1

HOUSE RESOLUTION

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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

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

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

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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

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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

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

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

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

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