Student Loans In and Out of Bankruptcy

UTCLE: 16th Annual Consumer Bankruptcy Conference

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Current State of Student Loans in the U.S.

Student loan debt currently totals about $1.56 trillion

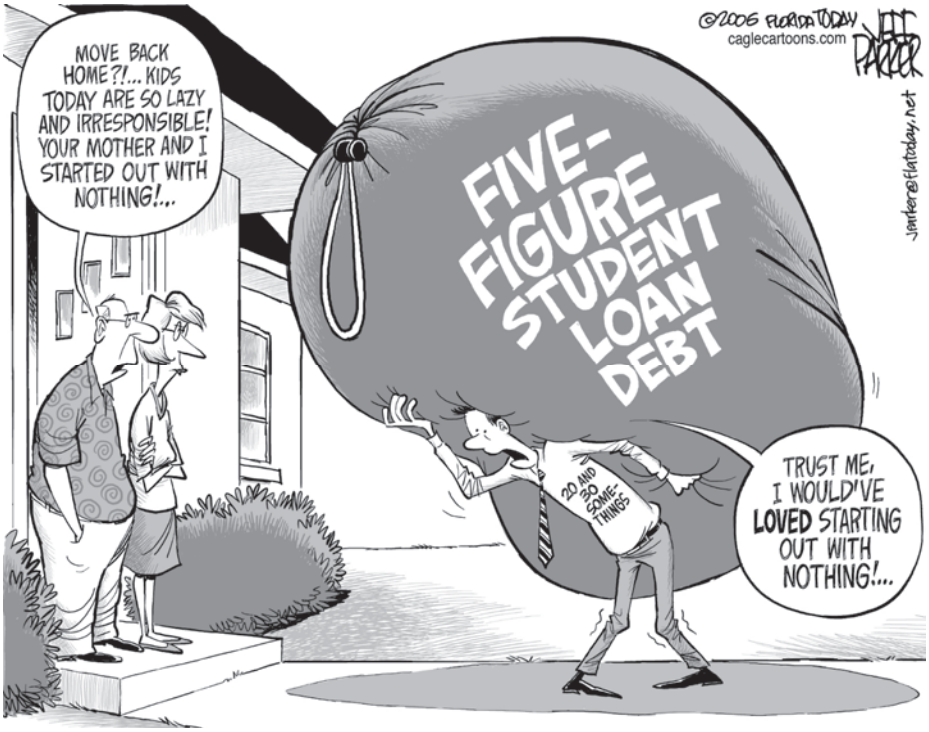
Approximately 45 million borrowers in the U.S.

- Median student loan debt is $17,000
- Average student loan interest rate is 5.8%

Student loan debt is now the second highest consumer debt–behind only mortgage debt–and higher than both credit card and auto loan debts

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A Brief History of Student Loans in Bankruptcy Cases

- **Education Amendments Act of 1976**
  - Barred discharge of qualified student loans, absent undue hardship, for a period of five years from the date payments commenced
- **Bankruptcy Code Amendments of 1978**
  - The student loan exception to discharge was moved from the Higher Education Act to the Bankruptcy Code
  - Expanded to include private loans backed by non-profit institutions
  - 5-year period ran from the date the loan "first become due," no tolling period during any suspension

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A Brief History of Student Loans in Bankruptcy Cases

- **1990 Bankruptcy Code Amendments**
  - Increased discharge bar period from 5 to 7 years
- **1998 Bankruptcy Code Amendments**
  - Removed 7-year time bar, thereby requiring a showing of undue hardship to discharge a government-backed loan or a private loan backed by a non-profit
- **2005 Bankruptcy Code Amendments**
  - Expanded the type of loans excepted from discharge, absent a showing of undue hardship
  - Absent a showing of undue hardship, all qualified loans, including most private loans, now excepted from discharge



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First appeared as part of the conference materials for the
16th Annual Conference on Consumer Bankruptcy Practice session
"Student Loans In and Out of Bankruptcy"