Menendez: We Need Fairness for Student Loan Borrowers, Their Families

Senator Responds to New CFPB Report, Will Introduce Student Loan Transparency Bill

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WASHINGTON, DC – U.S. Senator Bob Menendez (D-NJ) responded to a new reportissued today by the Consumer Financial Protection Bureau (CFPB) outlining a series of unscrupulous practices by student loan lenders, saying he will introduce Christopher's Law to ensure real transparency and beef up protections for student loan borrowers and co-signers. According to the report, more than 90 percent of private student loans today have a co-signer such as a parent or grandparent.

Furthermore, many private student loans allow a lender to automatically put a borrower into default—and require immediate repayment of the loan—if a co-signer dies, becomes disabled, or files for bankruptcy, even if the loan is in good standing and the borrower continues to make all payments.

"It is simply wrong for a lender to try to make a quick buck by taking advantage of a student and their family during a time of tragedy or distress," said Sen. Menendez, a senior member of the Senate Banking Committee. "If a student hasn't missed a payment and their loan is in good standing, there is absolutely no

reason for a lender to put the loan into default because tragedy strikes.”

To make matters worse, while many lenders allow a co-signer to be released from a loan after the borrower meets a minimum number of payments and a credit check, they often make the process so burdensome and inconvenient that very few borrowers and co-signers are able to actually secure a release. The CFPB reports that less than 1 percent of borrowers with loans that include a co-signer release actually obtained one.

“Lenders also shouldn’t be able to use hidden tricks and confusing, burdensome paperwork to stop the fair release of co-signers from a loan. That’s why I am going to introduce Christopher’s Law to stop these unfair practices and address issues and obstacles affecting students and co-signers who take out loans. The CFPB underscores why we need Christopher’s Law sooner rather than later and how important it is to ensure fairness for students and their families.”

The legislation is named in honor of Christopher Bryski, a New Jersey college student who passed away in 2006 after falling into a two-year coma from a severe traumatic brain injury. While mourning the loss of their son, Christopher's family was blindsided with tens of thousands of dollars in student loan debt they were obligated to repay his private lender, because Christopher’s father had co-signed his loan and they were unaware of their obligations if such a tragic event were to occur.

“The Bryskis’ experience makes clear to me we need to do more to make sure the obligations in repaying student loans – in the

case of death or disability – are made clear to both the borrower and the co-signer," Menendez said.

Menendez's 2015 Christopher's Law legislation will:

- Protect students and their families during a time of loss.
    - Prohibit a lender from automatically declaring a default or accelerating the obligations on an otherwise performing loan just because of the death, disability, or bankruptcy of a co-signer.
    - Similarly, the lender would be prohibited from declaring a default or acceleration upon the death, disability, or bankruptcy of the student if the co-signer continues to meet all payment obligations under the loan.
- Automatic co-signer release when the required criteria are met.
    - As the CFPB reports, many lenders today allow co-signers to be released from a loan when the primary borrower meets certain performance and credit conditions, but the lenders often make it so difficult for the student and their co-signers to actually obtain the promised release that few of them actually ever receive it.
    - Require lenders to automatically release the co-signer when the applicable conditions for release are met.

    - Direct the CFPB to set boundaries to prevent lenders from setting unfairly restrictive requirements for a co-signer release.

- Clear disclosure of co-signers’ obligations.
    - Require lenders to clearly and conspicuously describe, in writing, any co-signers' obligations on a loan, including the effect a borrower's or co-signer's death, disability, or inability to engage in any substantial gainful activity would have on such obligations.
    - Require the borrower to designate an individual to have the legal authority to act on behalf of the borrower in the event of the borrower's death, disability, or inability to engage in any substantial gainful activity.