



September 14, 2023

Dear Mr. President and Congress,

RE: Student Loan Justice

The federal student loan program, as currently constituted, is in [catastrophic failure](#). Even before the pandemic, nearly 3-in-5 borrowers were [not making payments](#) on their loans, 85% were [never](#) going to be able to repay their loans, and most (similarly) were headed into default on their loans. These metrics will turn significantly worse when repayment resumes. In short, the federal student loan program is no longer viable and should be ended and replaced.

The President should suspend the lending program, and (with Congress) implement a temporary (1-2 year) direct funding plan for the colleges (at reduced funding levels). During this hiatus, the Department of Education, Congress, Executive Branch and other stakeholders (which must include/emphasize affected/potentially affected citizens) should develop and deploy a new funding model that maximizes educational attainment and minimizes cost. If loans are to be retained in such a model, they must have all of the standard consumer protections (i.e. bankruptcy rights, statutes of limitations, etc) as other commercial loans, and be free, or nearly free of interest, as originally intended when the Higher Education Act was passed in 1965.

There is a universe of bad faith acts that the servicers, the colleges, and the Department of Education (frankly) engage in including and going well beyond failing to inform borrowers about options in their best interests, and servicing actions that are illegal under fair lending laws for non-student loans. That is why bankruptcy is so important...not so much that many people will file, but rather to prevent those bad faith acts from happening in the first place. Without the threat of bankruptcy on the borrower's side, they can lie, cheat, and steal with absolute impunity.

On the subject of whether some interest adjustment is in order, this quote says it all. This is LBJ's quote from the signing ceremony of the Higher Education Act!

*"We can provide loans FREE OF INTEREST."* ~ President Lyndon B. Johnson, 1965

The President should immediately order the Department of Education to suspend its ["new" bankruptcy process](#), and instead simply stop opposing student loan borrowers in bankruptcy court, so that the debt reverts to being treated the same as all other loans in bankruptcy proceedings. For discharged debt, the colleges, collectively, should be compelled to reimburse the government for at least half of the amounts originally borrowed, with wealthier colleges assuming a proportional share of the financial burden.

Also, there should be a full audit of the servicers (and their collection units), the colleges, and especially the Department of Education. The corruption runs through them all.

Finally, the President should be prepared to invoke section 1082 of the Higher Education Act, and cancel federally owned student loans as deemed necessary, depending on the volume of bankruptcies that result.

Sincerely,

Alan Collinge  
Studentloanjustice.org

Links: [catastrophic failure](#) <http://bit.ly/studentloansfinished>,



**Student**  
Loan Justice

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[not making payments](http://bit.ly/mostnotpaying) <http://bit.ly/mostnotpaying>,

[never](http://bit.ly/slj85percent) <http://bit.ly/slj85percent>,

["new" bankruptcy process](#)

<https://studentloanjustice.medium.com/new-bankruptcy-process-for-student-loans-is-a-cruel-dangerous-joke-for-borrowers-2cb286784198>