



Republicans can seize on a prime opportunity to reform student loans

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In a rare display of political courage and bipartisanship last week, Rep. John Katko (R-N.Y.) filed the Discharge Student Loans in Bankruptcy Act with Rep. John Delaney (D-Md.). This bill will return standard bankruptcy protections to all student loans, both federal and private. Katko is well ahead of the conservative curve on this issue, and has a unique opportunity to revitalize the Republican party in the current session by stepping up to lead the fight on this.

President Obama federalized the student loan system, and during his eight years in office, nearly \$1 trillion was added to the nation's student debt tab. Today, the federal government profits well over \$50 billion per year on the program, and even makes a profit on defaulted student loans. This is something that no other lender for any other loan in this country can claim. This is, in fact, a defining hallmark of a predatory lending system. During the same time period, the price of college rose far faster than any other market, including healthcare, and this trend is only accelerating today.

It is a structurally predatory lending system, and Uncle Sam sits atop the hornet's nest. What has caused this hyper-inflationary lending behemoth and its consequences is the fact that the Department of Education is not constrained by standard free-market protections like bankruptcy rights, statutes of limitations, and other bedrock protections that exist for every other type of loan. They were stripped, uniquely, from student loans by Congress, and this has greatly destabilized the entire system.

Make no mistake: The Department of Education loves this freedom from free-market protections, and fights tooth and nail behind the scenes to keep bankruptcy gone from its cash cow. Since Trump was elected, the student loan swamp — unelected bureaucrats in and around the Department of Education — have made bold moves to make this lending system even harsher, and more profitable.

Some true conservatives have noticed this problem, and have begun to speak out. Jeb Bush, for example put the return of bankruptcy protections to student loans into his presidential platform. David Brooks and the Cato Institute have also publicly called for the return of bankruptcy protections to student loans. This issue practically screams out to conservatives, and by sponsoring the Discharge Student Loans in Bankruptcy Act, Katko is demonstrating to his

colleagues that it's fine — that it's in fact a great political benefit — to stand up for the citizens, fight for free-market mechanisms, and against big government.

Make no mistake: This move will endear Katko to tens of thousands of Democratic voters who would have otherwise voted against him next year, with no losses going the other way. There are roughly 100,000 people in his district with student loans, of which about 63,000 are currently unable to pay down their loans.

While few of these voters would ultimately file for bankruptcy, all of them feel the predatory weight of the lending system on their backs, and all will appreciate having this constitutionally mandated power back on their side. I suspect that a large majority of these voters — regardless of party — will be strongly compelled to vote for him based upon this issue alone because it is that strongly held by these borrowers.

What is most interesting is that even if his democratic challengers parrot Katko on this issue, his being a Republican makes the chances for success of the bill go up dramatically. No Democrat with the same position can claim this, and indeed we have seen similar democratically sponsored bills flounder and fail in years past.

This is red, rare meat for Katko, and other Republicans in Congress who are looking at considerable headwinds in next year's election. They had better hop to it and support this bill if they want to avoid crushing defeat.