



Analysis: Obama's New Student Loan 'Bill Of Rights' Won't Do Much

By Blake Neff

March 10, 2015

President Barack Obama has announced the creation of a new student loan "bill of rights" that he says will position the federal government to help young people overwhelmed by debt.

The new measures, however, will actually change very little.

"Higher education has never been more important, but it's also never been more expensive," Obama said during a speech to students at Georgia Tech, where he officially announced his plan.

Obama's "bill of rights" comes in the form of a memorandum ordering several federal agencies to use a variety of measures to make paying off student loans slightly easier. For example, the Department of Education is ordered to create a single central website by the summer of 2016 for students to manage their student loan payments. It will also craft a unified complaint system for students who believe they have been wronged by student lenders.

Meanwhile, third-party companies tasked by the government with collecting student loans will be ordered to take steps to improve transparency and to ensure they inform debtors about all the options they have to reduce monthly payments.

While all of this might make the student loan process a little more user-friendly, it probably won't lead to that many reduced payments or to a reduction in the country's enormous \$1.3 trillion student debt load. Currently, the average college senior leaves school with over \$28,000 in student loans.

The changes aren't as sweeping as Obama might like, but they allow him to act without consulting Congress. Several larger student loan reform proposals have been pushed in Congress, including a bipartisan bill crafted by Sens. Marco Rubio and Mark Warner and a more liberal one created by Sen. Elizabeth Warren. However, none have come close to reaching the president's desk.

Obama also suggested that greater regulations of private industry could be on the horizon. His memorandum also orders the Education and Treasury departments, along with the Consumer Financial Protection Bureau, to investigate whether students with private student loans should be allowed to discharge their loans in bankruptcy. Currently, such loans cannot be discharged except in extreme circumstances, a law that is designed to compensate for the fact that student borrowers typically lack assets when borrowing and can't have their degree repossessed.

"We're going to take a hard look at whether we need new laws to strengthen protections for all borrowers, wherever you get your loans from," Obama said, suggesting he may soon seek more restrictions on private companies that issue student loans.

While limited, Obama's new "bill of rights" isn't without its critics. Neal McCluskey, an education expert at the libertarian Cato Institute, told The Daily Caller News Foundation that Obama's plan actually doubled down on the logic that is causing college costs and student loans to spiral out of control. He pointed towards the memorandum's premise that every student has the right to "easily find the resources they need to pay for college."

"The general idea seems to be anyone should be able to get whatever they need to pay for college and the costs to the student – who knows about the taxpayers – should be low," McCluskey said. "Of course, in practice that's basically what we've been doing for decades."