American Bankers Association®

Memo

September 29, 2020

To: Members of the House Judiciary Committee

From: James Ballentine, Executive Vice President, Congressional Relations & Political Affairs

Re: ABA's Views on Full Committee Markup

On behalf of the members of the American Bankers Association (ABA), I am writing to express our opposition to two bills changing the Bankruptcy Code that are scheduled for markup today. As explained further below, both bills would increase the cost of borrowing and reduce the availability of credit. This burden would fall mainly on lower-income and younger borrowers. These bills are bad public policy at a time where individuals and businesses continue to struggle with the challenges of the COVID-19 emergency.

The Student Borrower Bankruptcy Relief Act (H.R. 2648) would allow any person, regardless of ability to pay, to wipe out student loans in bankruptcy. This would apply to borrowers even if it is not an "undue hardship" to repay their loans. Allowing borrowers with the means to repay to wipe out student loans would increase the costs of student lending and those costs would be passed on to all borrowers, thus burdening the needy students with higher costs. Moreover, it would impose significant burdens on the federal treasury because many student loans are either government loans or are backed by the government.

The Protecting Homeowners in Bankruptcy Act (H.R. 8366), would establish a federal homestead exemption of $100,000 and override state laws regarding homestead exemptions in bankruptcy. This bill would benefit only those bankruptcy filers who are wealthy enough to own homes (not renters) and are also wealthy enough to have substantial home equity. It would increase risk for home mortgages lenders and therefore raise borrowing costs for all future home borrowers. This would especially affect first time and lower income families seeking to purchase a home.

The ABA does not have any formal positions on the additional legislation being considered before the Committee.