

119TH CONGRESS
1ST SESSION

H. R. _____

To provide a more equitable discharge standard for student loan borrowers.

IN THE HOUSE OF REPRESENTATIVES

Mr. CORREA introduced the following bill; which was referred to the
Committee on _____

A BILL

To provide a more equitable discharge standard for student
loan borrowers.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Student Loan Bank-
5 ruptcy Improvement Act of 2025”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds the following:

8 (1) Student loan borrowers deserve an oppor-
9 tunity to discharge debt using a fair, nation-wide
10 standard for relief.

1 (2) The current standard of “undue hardship”
2 fails to provide an achievable avenue for relief of
3 student loan debt requiring significant costs and a
4 paperwork burden.

5 (3) Student loan borrowers rarely meet the ar-
6 bitrary and draconian standard of “undue hard-
7 ship,” especially in jurisdictions using the “Brun-
8 ner” test, with only 0.01% successfully being dis-
9 charged as of 2022.

10 (4) The criteria utilized in the “Brunner” test,
11 which is used by most bankruptcy courts in the
12 United States, is inconsistent with the main goal of
13 bankruptcy of giving honest debtors a “fresh start,”
14 enabling them to more fully participate and con-
15 tribute to the economy.

16 (5) The “Brunner” test was developed by the
17 courts decades ago when debtors could discharge
18 their student loans in bankruptcy by simply waiting
19 five or seven years – it should no longer be used now
20 that the waiting period for discharge was eliminated
21 by Congress.

22 (6) By changing the standard of hardship, Con-
23 gress would provide bankruptcy courts with needed
24 flexibility to adopt more reasonable criteria in deter-
25 mining discharge standards for student loan debt.

1 (7) Adopting this new “hardship” standard
2 does not negate requirements for discharge under
3 bankruptcy proceedings like means testing, disclo-
4 sure requirements, and exemption limitations, secur-
5 ing bankruptcy’s integrity and benefitting both debt-
6 ors and creditors who have an increased opportunity
7 for repayment.

8 (8) As of June 2025, around six million bor-
9 rowers of federal student loans are passed due by at
10 least 90 days.

11 (9) A majority of borrowers with 90 days or
12 more past due student loans as of June 2025 could
13 move into default by September 2025.

14 (10) Millions of student loan borrowers are fac-
15 ing significant credit score declines making it more
16 expensive or difficult to get necessary insurance,
17 loans, and credit cards.

18 (11) The vast majority of debtors seeking bank-
19 ruptcy discharges for student loans never obtained
20 degrees or got degrees that have not enabled them
21 to secure better employment or have a higher earn-
22 ing potential as predicted when Congress adopted
23 the “undue hardship” standard.

24 (12) According to a Duke Law Journal article,
25 between 2011 and 2019, less than 0.1 percent of ap-

1 plications made by student loan debtors in bank-
2 ruptcy court seeking a discharge of student loan
3 debt were successful, largely because attorneys dis-
4 courage their clients from seeking an adversary pro-
5 ceeding on the belief that it is too hard to meet the
6 undue hardship standard.

7 (13) Each year, less than one percent of the ap-
8 proximately 250,000 people who file for bankruptcy
9 seek to discharge student loan debt based on “undue
10 hardship,” a mere fraction of the nearly 43 million
11 people who have federal student loan debt.

12 (14) Between November 2022 and September
13 2024, approximately 2,500 people sought to dis-
14 charge student loan debt through bankruptcy,

15 (15) The Department of Education (Depart-
16 ment) recently reported that twenty percent of bor-
17 rowers are in default and another four million are
18 between three and six months behind on their pay-
19 ments. The Department estimates that as many as
20 10 million borrowers could be in default within a few
21 months.

22 (16) There is little evidence of debtors abusing
23 the bankruptcy system by seeking unfair discharges
24 of student loan obligations, a concern raised by Con-

1 gress when it adopted the “undue hardship” stand-
2 ard.

3 (17) The concerns of abuse were addressed and
4 minimized with the passage in 2005 of the Bank-
5 ruptcy Abuse Prevention and Consumer Protection
6 Act with the enactment of a rigorous Means Test to
7 evaluate debtors’ ability to repay debts.

8 (18) Student loan debt owed by Americans who
9 file for bankruptcy with student loans is often never
10 paid, whereas bankruptcy proceedings provide an op-
11 portunity to address this reality.

12 (19) With the restart of student loan collec-
13 tions, the number of borrowers with student loan
14 debt is expected to rise. The change to a “hardship”
15 standard will facilitate fair and appropriate dis-
16 charges and repayment plans.

17 **SEC. 3. AMENDMENT 11.**

18 Section 523(a)(8) of title 11, United States Code, is
19 amended by striking “undue”.

20 **SEC. 4. APPLICATION OF AMENDMENT.**

21 The amendment made by this Act shall apply with
22 respect to cases commenced before, on, and after the date
23 of the enactment of this Act.