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NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States* v. *Detroit Timber & Lumber Co.,* 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

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UNITED STUDENT AID FUNDS, INC. *v.* ESPINOSA

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

No. 08–1134. Argued December 1, 2009—Decided March 23, 2010

A plan proposed under Bankruptcy Code (Code) Chapter 13 becomes effective upon confirmation, see 11 U. S. C. §§1324, 1325, and will result in a discharge of the debts listed in the plan if the debtor completes the payments the plan requires, see §1328(a). A debtor may obtain a discharge of government-sponsored student loan debts only if failure to discharge that debt would impose an "undue hardship" on the debtor and his dependents. §§523(a)(8); 1328. Bankruptcy courts must make this undue hardship determination in an adversary proceeding, see Fed. Rule Bkrtcy. Proc. 7001(6), which the party seeking the determination must initiate by serving a summons and complaint on his adversary, see Rules 7003, 7004, 7008. Respondent Espinosa's plan proposed repaying the principal on his student loan debt and discharging the interest once the principal was repaid, but he did not initiate the required adversary proceeding. The student loan creditor, petitioner United, received notice of the plan from the Bankruptcy Court and did not object to the plan or to Espinosa's failure to initiate the required proceeding. The Bankruptcy Court confirmed the plan without holding such a proceeding or making a finding of undue hardship. Once Espinosa paid his student loan principal, the court discharged the interest. A few years later, the Department of Education sought to collect that interest. In response, Espinosa asked the court to enforce the confirmation order by directing the Department and United to cease any collection efforts. United opposed the motion and filed a cross-motion under Federal Rule of Civil Procedure 60(b)(4), seeking to set aside as void the confirmation order because the plan provision authorizing discharge of Espinosa's student loan interest was inconsistent with the Code and the Bankruptcy Rules, and because United's due process rights were violated

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when Espinosa failed to serve it with the required summons and complaint. Rejecting those arguments, the Bankruptcy Court granted Espinosa's motion in relevant part and denied the cross-motion. The District Court reversed, holding that United was denied due process when the confirmation order was issued without the required service. The Ninth Circuit ultimately reversed. It concluded that by confirming Espinosa's plan without first finding undue hardship in an adversary proceeding, the Bankruptcy Court at most committed a legal error that United might have successfully appealed, but that such error was no basis for setting aside the order as void under Rule 60(b)(4). It also held that Espinosa's failure to serve United was not a basis upon which to declare the judgment void because United received actual notice of the plan and failed to object.

Held:

1. The Bankruptcy Court's confirmation order is not void under Rule 60(b)(4). Pp. 6–14.

(a) That order was a final judgment from which United did not appeal. Such finality ordinarily would "stan[d] in the way of challenging [the order's] enforceability," *Travelers Indemnity Co.* v. *Bailey*, 557 U. S. ___, ___. However, Rule 60(b)(4) allows a party to seek relief from a final judgment that "is void," but only in the rare instance where a judgment is premised either on a certain type of jurisdictional error or on a violation of due process that deprives a party of notice or the opportunity to be heard. United's alleged error falls in neither category. Conceding that the Bankruptcy Court had jurisdiction to enter the confirmation order, United contends that the judgment is void because United did not receive adequate notice of Espinosa's proposed discharge. Espinosa's failure to serve the summons and complaint as required by the Bankruptcy Rules deprived United of a right granted by a procedural rule. United could have timely objected to this deprivation and appealed from an adverse ruling on its objection. But this deprivation did not amount to a violation of due process, which requires notice "reasonably calculated, under all the circumstances, to apprise interested parties of the pendency of the action and afford them an opportunity to present their objections," *Mullane* v. *Central Hanover Bank & Trust Co.*, 339 U. S. 306, 314. Here, United's actual notice of the filing and contents of Espinosa's plan more than satisfied its due process rights. Thus, Espinosa's failure to make the required service does not entitle United to relief under Rule 60(b)(4). Pp. 7–10.

(b) Contrary to United's claim, the confirmation order is not void because the Bankruptcy Court lacked statutory authority to confirm Espinosa's plan absent an undue hardship finding under §523(a)(8). Such failure is not on par with the jurisdictional and notice failings

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that define void judgments qualifying for Rule 60(b)(4) relief. Section 523(a)(8) does not limit a bankruptcy court's jurisdiction over student loan debts or impose requirements that, if violated, would result in a denial of due process. Instead, it requires a court to make a certain findings before confirming a student loan debt's discharge. 'That this requirement is " 'self-executing,' " *Tennessee Student Assistance Corporation* v. *Hood*, 541 U. S. 440, 450, means only that the bankruptcy court must make an undue hardship finding even if the creditor does not request one; it does not mean that a bankruptcy court's failure to make the finding renders its subsequent confirmation order void for Rule 60(b)(4) purposes. Although the Bankruptcy Court's failure to find undue hardship was a legal error, the confirmation order is enforceable and binding on United because it had actual notice of the error and failed to object or timely appeal. Pp. 10–14.

2. The Ninth Circuit erred in holding that bankruptcy courts must confirm a plan proposing the discharge of a student loan debt without an undue hardship determination in an adversary proceeding unless the creditor timely raises a specific objection. A Chapter 13 plan proposing such a discharge without the required determination violates §§1328(a)(2) and 523(a)(8). Failure to comply with this self-executing requirement should prevent confirmation even if the creditor fails to object, or to appear in the proceeding at all, since a bankruptcy court may confirm only a plan that, *inter alia,* complies with the "applicable provisions" of the Code. §1325(a). Neither the Code nor the Rules prevent parties from stipulating to the underlying facts of undue hardship or prevent the creditor from waiving service of a summons and complaint. Pp. 14–16.

3. Expanding the availability of Rule 60(b)(4) relief is not an appropriate prophylaxis for discouraging unscrupulous debtors from filing Chapter 13 plans proposing to dispense with the undue hardship requirement in hopes that the bankruptcy court will overlook the proposal and the creditor will not object. Such bad-faith efforts should be deterred by the specter of penalties that "[d]ebtors and their attorneys face . . . under various provisions for engaging in improper conduct in bankruptcy proceedings," *Taylor* v. *Freeland & Kronz*, 503 U. S. 638, 644. And Congress may enact additional provisions to address any difficulties should existing sanctions prove inadequate. Pp. 16–17.

553 F. 3d 1193, affirmed.

THOMAS, J., delivered the opinion for a unanimous Court.