

Why can't I get rid of my student loan debt in bankruptcy?

We read about the student loan problem frequently, and if you're a person who has large student loans and is having difficulty paying them back, you're experiencing the "student loan problem" very personally. huffingtonpost.com recently said "**Student loans have become the sudden modern toxic loan ... we should expect to see this rate of student loan saturation increase, burying more in debt and a working life of feeding the student loan payments.**"

What's going on here? What is causing this problem and why aren't student loans dischargeable (able to be removed) in bankruptcy like other loans?

It starts with the noble premise that Congress wanted to encourage people to obtain a college education, and to accomplish that created the federal guaranteed student loan program. This program offers student loans to people with little regard for creditworthiness. After all, how many students would be able to qualify for "normal" loans?

To help ensure that those loans would be available, Congress did not want to discourage lending for fear of bankruptcy losses. It therefore made student loans very difficult to discharge in bankruptcy. In one case, the U.S. Court of Appeals said "In return for giving aid to individuals who represent poor credit risks, it strips these individuals of the refuge of bankruptcy in all but extreme circumstances," representing "a conscious Congressional choice to override the normal 'fresh start' goal of bankruptcy."

So there we have it, a noble goal along with seemingly reasonable means to accomplish that goal. How is it working out?

For one, the goal of providing a means for people to get a college education is working out, and that's very good. But **another result is that large numbers of people are buried in student loan debt with no hope of paying it off and no way to get rid of it.**

In extreme cases, people have been allowed to discharge their student loan debt in bankruptcy, but the vast majority cannot, including a physician who opted to remain a missionary, a registered nurse who went to chiropractic school at age 45 but found that her new profession didn't provide sufficient income to pay off her debts, and a school bus driver whose hopes that an education would provide her with a position in the travel industry were not fulfilled.

There are moves under discussion to provide relief for student loan debt in situations not as extreme as now required. However, **until that happens we're left with a real problem**, an increasing number of people who are behind in their student loan payments, have no means to pay it off in a reasonable amount of time, and have no money to "spend normally" which would help the economy prosper.

If you have student loans and want to learn about how to manage them, here are some resources:

direct.ed.gov/RepayCalc/dlindex2.html

finaid.org/loans/ibr.phtml

studentloanborrowerassistance.org

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