

BANKRUPTCY BEAGLE

ACCURATE AND LOW COST INFORMATION ABOUT BANKRUPTCY



WHAT ARE THE ADMINISTRATIVE (STATUTORY) STUDENT LOAN DISCHARGE OPTIONS?

STUDENT LOAN DEBT IS ONE OF TWO UNFORGIVABLE DEBTS (THE OTHER BEING BACK CHILD SUPPORT). ONCE YOU TAKE ON A STUDENT LOAN, WHETHER YOU ARE A BORROWER OR COSIGNER, YOU ARE BASICALLY STUCK WITH DEBT...ALMOST!

YOU MAY BE AWARE THAT IT IS AT LEAST POSSIBLE TO DISCHARGE STUDENT LOAN DEBT IN BANKRUPTCY. SEE MY DISCUSSION OF THAT [TOPIC HERE](#). BUT FOR FEDERALLY GUARANTEED STUDENT LOANS, BUT NOT PRIVATE STUDENT LOANS, THERE ARE A HANDFUL OF ADMINISTRATIVE, OR STATUTORY, DISCHARGE ALTERNATIVES. BUT THESE ALTERNATIVES ARE VERY MUCH SITUATION SPECIFIC AND UNFORTUNATELY, THERE IS NO CATCH ALL DISCHARGE OPTION. ALSO, I MUST STRESS, THERE IS NO LEGAL DISTINCTION BETWEEN A BORROWER AND A COSIGNER, THE SAME RULES APPLIES; UNFORTUNATELY, A COSIGNER IS EQUALLY LIABLE FOR A STUDENT LOAN DEBT.

1. **SCHOOL CLOSURE:** IF THE SCHOOL THE BORROWER IS ATTENDING CLOSES (WHILE SHE WAS ATTENDING), THE BORROWER MAY SEEK FORGIVENESS OF STUDENT LOAN DEBT. *20 U.S.C. §1087(c)(1)*. THIS DISCHARGE IS THE MOST FREQUENTLY GRANTED. *NATIONAL CONSUMER LAW CENTER, STUDENT LOAN LAW (4TH ED. 2010)*.
2. **FALSE CERTIFICATION:** WHEN A BORROWER ATTEMPTS TO TAKE OUT A FEDERALLY GUARANTEED LOAN, THE SCHOOL MUST CERTIFY THAT THE BORROWER IS ELIGIBLE. IF THE SCHOOL FALSELY CERTIFIES A STUDENT'S ELIGIBILITY FOR STUDENT LOANS, THAT STUDENT LOAN MAY BE FORGIVEN. *20 U.S.C. §1087(c)(1)*. WITHIN THIS CATEGORY, THERE ARE FOUR PRIMARY WAYS A STUDENT CAN BE FALSELY CERTIFIED: (1) FALSIFYING A NON-HIGH SCHOOL GRADUATES ABILITY TO BENEFIT FROM THE PROGRAM; (2) STUDENT IS UNABLE TO MEET MINIMUM STATE JOB REQUIREMENTS AFTER COMPLETING THE PROGRAM; (3) THE SCHOOL FORGES OR ALTERS THE STUDENT LOAN NOTE OR ENDORSEMENT ON THE CHECK; AND (4) THE BORROWER IS A VICTIM OF IDENTITY THEFT OR OTHER FRAUD. *NATIONAL CONSUMER LAW CENTER, STUDENT LOAN LAW (4TH ED. 2010)*.
3. **UNPAID TUITION REFUND:** IF A STUDENT NEVER ATTENDS A PROGRAM OR WITHDRAWS WITHIN THE ALLOWED AMOUNT OF TIME, THE AMOUNT OF TUITION THAT SHOULD HAVE BEEN REFUNDED, BUT WASN'T, CAN BE DISCHARGED. THIS

SITUATION MOST COMMONLY ARISES WITH TRADE SCHOOLS. THE STUDENT ENROLLS AND THE SCHOOL HELPS THE STUDENT OBTAIN STUDENT LOANS; THE STUDENT NEVER ATTENDS OR WITHDRAWS, BUT THE SCHOOL KEEPS THE MONEY. THE BORROWER CAN SEEK TO HAVE THE LOAN FORGIVEN FOR THE AMOUNT THAT SHOULD HAVE BEEN REFUNDED. *20 U.S.C. §1087(c)*.

4. **DISABILITY DISCHARGE:** IF A BORROWER BECOMES PERMANENTLY AND TOTALLY DISABLED, HE MAY SEEK AN ADMINISTRATIVE DISCHARGE OF HIS FEDERALLY GUARANTEED STUDENT LOANS. *20 U.S.C § 1087(A)*. WHAT THAT MEANS IS THE INABILITY OF THE BORROWER TO MAINTAIN *SUBSTANTIAL GAINFUL ACTIVITY*.
5. **PUBLIC SERVICE DISCHARGE:** IF THE BORROWER GOES INTO CERTAIN JOB TYPES, (E.G. TEACHER), THERE ARE PROGRAMS TO FORGIVE ALL OR A PORTION OF THE BORROWERS STUDENT LOAN DEBTS.
6. **VICTIMS OF 9/11:** CERTAIN RELATIVES OF SEPTEMBER 11, 2001 VICTIM MAY BE ELIGIBLE FOR STUDENT LOAN DEBT FORGIVENESS.

THERE ARE, OF COURSE, MANY SUB REQUIREMENTS, BUT TO DISCHARGE STUDENT LOAN DEBT, THE ABOVE ARE THE 6 BASIC OPTIONS. NOT ALL LOAN TYPES QUALIFY FOR EACH OPTION. FOR EXAMPLE, FALSE CERTIFICATION DISCHARGE DOES NOT APPLY TO PERKINS LOANS, BUT DOES APPLLE TO FFEL AND DIRECT LOANS.

AS YOU CAN SEE, THE ABOVE OPTIONS WILL ONLY APPLY TO A VERY NARROW GROUP OF BORROWERS AND CO-SIGNERS. UNTIL LAW IS CHANGED, THE MAIN GOAL WITH STUDENT LOAN DEBT ISSUES IS TO MANAGE COLLECTION ACTIVITY AND REPAYMENT. CERTAINLY, A DISCHARGE SHOULD BE SOUGHT WHEN APPLICABLE, BUT A STUDENT LOAN DISCHARGE IS VERY MUCH AN EXCEPTION, OR RARE EVENT. LASTLY, NONE OF THE ABOVE OPTIONS APPLY TO PURELY PRIVATE STUDENT LOANS.

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