

Student Loans – Lending Without Risk

by Levitt & Slafkes, P.C. on November 25, 2013



Even though we keep hearing that our country is out of its financial crisis, many individuals are still drowning in debt. One of the largest debts facing Americans is student loan debt – estimated to now be more than [\\$1 Trillion Dollars](#)! So, how did we get in this predicament?

A [recent article](#) gave a historical perspective to answer this question, which we will summarize here.

- In 1965, Lyndon Johnson signed into law the [Higher Education Act \(HEA\)](#), allowing millions of students to afford college with *federally guaranteed* loans and scholarships. In other words, the government guaranteed payment to the lenders if the students defaulted.
- In 1978, the Bankruptcy Reform Act was passed in an effort to prevent physicians and lawyers from eliminating their student loan debt by filing bankruptcy. This law prohibited the discharge of student loans for 5 years after the first payment was made. Congress lengthened the non-discharge period to 7 years in 1990.
- In 1998, Congress essentially eliminated the ability to discharge federally-backed student loan debt in bankruptcy. As a result, the cost of education increased dramatically.
- In 2005, the Bankruptcy Code was amended by the [Bankruptcy Abuse Consumer Protection Act](#) which provided the same non-discharge protection to private student loan lenders.

Today all student loans are nearly impossible to discharge without proving an **undue hardship**, which is an extremely difficult standard to meet.

If you are burdened by debt, including student loans, it is important to seek the advice and guidance of an experienced debt relief lawyer. Contact [Levitt & Slafkes](#) today to learn how we can help.

We are bankruptcy lawyers who know how to make a difference in your financial situation. We have experience you can rely on and we care about your results. Contact our New Jersey law firm [online](#) by filling out the form or by calling 973-323-2953 to schedule a free initial consultation with an attorney at [Levitt & Slafkes, PC](#).

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