



## Your Students Are Asking: Loan Forgiveness and Discharge



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### Your Students Are Asking

From Great Lakes repayment borrower webcasts:

*"I am about to sign up for a teacher's certification program. Are there any loan forgiveness programs for future teachers?"*

*"What's a good place to see if your job qualifies you for the public service loan forgiveness?"*



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### Your Students Are Asking

From Great Lakes repayment borrower webcasts:

*"If your loan is rehabilitated does it regain the benefit once it meets the qualifications for Teacher Loan Forgiveness?"*

*"If my husband is on disability can my loans be forgiven?"*

*"If not all of my loans are forgiven through Teacher Loan Forgiveness, can I use IBR?"*



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## Your Students Are Asking

From Great Lakes repayment borrower webcasts:

*“If I work for the police department but they hire me as an independent contractor would I qualify for the forgiveness working for a public agency?”*

*“If my loans are discharged in bankruptcy can I borrow again to go back to school?”*



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## Objectives

- ◆ Explain the different forgiveness programs and how students qualify
- ◆ Discuss the disability discharge programs available for those who need it
- ◆ Share the latest news on bankruptcy and student loans
- ◆ Discuss ways to keep your students informed



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## Forgiveness or Discharge?

- ◆ Borrower must meet requirements in order to establish eligibility
- ◆ Generally requires a set period of time to be completed



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## Forgiveness or Discharge?

- ◆ Does not require the borrower to perform a service or act
- ◆ Generally requires a one-time incident to take place for qualification



Stafford Loan Forgiveness for Teachers

The graphic features a large photograph of a smiling woman in a yellow shirt on the left. To its right, the text "Stafford Loan Forgiveness for Teachers" is displayed in white on a green background. Below the main photo are two smaller images: one showing graduates in caps and gowns, and another showing a smiling woman.

## Teacher Loan Forgiveness - TLF

- ◆ Encourages individuals to enter and continue in teaching profession
- ◆ Available to elementary and secondary teachers at low-income schools and educational service agencies



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## Forgiveness Amounts

- ◆ Forgiveness amounts
  - Up to \$5,000
  - Up to \$17,500
- ◆ Amount depends on:
  - When borrower begins qualifying teaching service
  - Borrower's qualifications
  - Subject being taught



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## Who is Eligible for TLF?

- ◆ Must be a new borrower with no outstanding balance as of October 1, 1998
- ◆ Must have a Direct or FFEL Stafford loan or a Direct or FFEL Consolidation loan that includes a Stafford loan



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## Who is Eligible for TLF?

- ◆ Must be a full-time teacher for five consecutive, complete academic years at a qualifying school (or combination of schools)
  - For teaching in an educational service agency, at least part of teaching service must be after the 2007–2008 academic year



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## Who is Eligible for TLF?

- ◆ Loan(s) for which forgiveness is being sought must be made before the end of the fifth year of qualifying teaching service
- ◆ Defaulted loans are not eligible
  - ◆ Defaulted borrowers may regain eligibility by making satisfactory repayment arrangements



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## TLF – Service Began Prior to October 1, 2004

- ◆ Maximum of \$5,000
- ◆ Full-time elementary school teacher who demonstrates knowledge and teaching skills in reading, writing, mathematics, and other areas of the elementary school curriculum
- ◆ Full-time secondary school teacher teaching in a subject area that is relevant to his or her academic major



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## TLF – Program Expanded

- ◆ Taxpayer-Teacher Protection Act of 2004 (TTPA) increased loan forgiveness up to \$17,500 until September 30, 2005
- ◆ Highly qualified teachers
- ◆ Higher Education Budget Reconciliation Act (HERA)
  - ◆ Made TTPA changes permanent
  - ◆ Extended loan forgiveness to certain private school teachers effective July 1, 2006



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## TLF – Program Expanded

- ◆ Maximum of \$17,500
- ◆ Full-time, highly qualified teacher
- ◆ Mathematics or science teacher in qualifying secondary school
- ◆ Highly qualified special education teacher



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## TLF – Program Expanded

Maximum of \$5,000	Maximum of \$17,500
Teaching as a highly qualified, full-time teacher in an eligible elementary or secondary school or educational service agency	Teaching as a highly qualified full-time mathematics or science teacher in an eligible secondary school or educational service agency or as a highly qualified special education teacher

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## Qualifying Facility

- ◆ Elementary or secondary school in school district that qualifies for Title I funding
- ◆ Educational service agency defined as:
  - ◆ Regional public multiservice agency authorized by state statute to develop, manage, and provide services or programs to local educational agencies, as defined in section 9101 of the Elementary and Secondary Education Act of 1965, as amended



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## Qualifying Facility

- ◆ More than 30% of enrollment qualify for Title I services
- ◆ Listed in Annual Directory of Designated Low-Income Schools for Teacher Cancellation Benefits
- ◆ Elementary or secondary school operated by the Bureau of Indian Affairs (BIA) or operated on an Indian reservation by an Indian tribal group under contract with the BIA



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## TLF – Definitions

- ◆ Academic year
  - One complete school year at the same school
  - Two complete and consecutive half-years at different schools
  - Two complete and consecutive half-years from different school years, at either the same or different schools



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## TLF – Definitions

- ◆ Highly qualified teacher
  - Defined in No Child Left Behind (section 9101)
  - Fully certified or has passed a state licensing exam; licensed by the state in which he or she teaches



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## TLF – Definitions

- ◆ Highly qualified teacher
  - ◆ New teacher who holds a B.A. and passes a rigorous state test demonstrating knowledge and teaching skills; secondary teachers also must complete major, graduate degree, or coursework equivalent to a major in teaching areas
  - ◆ Teacher who demonstrates competence in subject areas in which he or she teaches based on uniform state standards



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## TLF Changes from HEOA

- ◆ Allows teaching service at educational service agencies that are Title I eligible
  - ◆ <https://www.tcli.ed.gov/CBSWebApp/tcli/TC/LIPubSchoolSearch.jsp>



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## TLF Changes from HEOA

- ◆ Clarifies borrowers may not receive TLF and other loan forgiveness for the same service (double benefits) if borrower receives benefit under:
  - ◆ National and Community Service Act of 1990
  - ◆ Public Service Loan Forgiveness
  - ◆ Service in Areas of National Need



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## Reasons for Rejection

- ◆ Borrower has loans prior to October 1, 1998
- ◆ Borrower has not fulfilled teaching requirement
  - ◆ Five consecutive, complete academic years
  - ◆ Eligible school(s)
- ◆ Application not completed correctly



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## Educating Borrowers

- ◆ Promote TLF to your education departments
- ◆ Include links on your website to [studentaid.ed.gov](http://studentaid.ed.gov)
- ◆ Conduct a special session to borrowers majoring in education preparing for graduation



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## Public Service Loan Forgiveness



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## Public Service Loan Forgiveness

- ◆ Intended to encourage individuals to enter and continue in full-time employment in public service
- ◆ Allows borrowers who are employed by a public service employer to have balance of loan debt forgiven after making 120 qualifying payments



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## PSLF – Who Is Eligible?

- ◆ Direct Loan borrowers
  - ◆ Subsidized and unsubsidized Stafford
  - ◆ Grad PLUS and Parent PLUS
  - ◆ Direct Consolidation
- ◆ FFELP or Perkins borrowers have to consolidate or re-consolidate into Direct Consolidation Loan to take advantage of program



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## PSLF – Eligibility Criteria

- ◆ Must make 120 separate, full monthly payments:
  - ◆ Within 15 days of due date
  - ◆ After October 1, 2007
    - Payments made prior to October 1, 2007 do not count
- ◆ Payments do not have to be consecutive
- ◆ Loan cannot be in default



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## PSLF – Eligibility Criteria

- ◆ Must be employed full time
  - ◆ 30 hours per week or the equivalent
- ◆ Must be working for a public service employer
  - ◆ During the time the borrower makes the qualifying payments
  - ◆ At the time loan forgiveness is requested and granted



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## PSLF – Qualifying Employers

- ◆ Public service organization
  - ◆ A federal, state, local, or tribal government organization, agency, or entity
  - ◆ A public child or family service agency
  - ◆ A non-profit organization under section 501(c)(3) of the Internal Revenue Code that is exempt from taxation under section 501(a) of the IRC
  - ◆ A tribal college or university



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## PSLF – Qualifying Employers

- ◆ Public service organizations
  - ◆ Public health, public education, early childhood education, public library services
  - ◆ School library or other school-based services
  - ◆ Public child care
  - ◆ Public service for individuals with disabilities and the elderly



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## PSLF – Qualifying Employers

- ◆ Private organizations that provide public services
  - ◆ Emergency management
  - ◆ Military service
  - ◆ Public safety
  - ◆ Law enforcement
  - ◆ Public interest law services



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## PSLF – Qualifying Employers

- ◆ Private organizations that provide public services
  - ◆ Most private schools, colleges, and universities are not-for-profit entities that are tax exempt 501(c)(3) organizations



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## PSLF – Non-Qualifying Employers

Public service organization is **not** a:

- ◆ Business organized for profit
- ◆ Labor union
- ◆ Partisan political organization
- ◆ Religious organization
  - Unless the qualifying public services it provides are unrelated to religious instruction, worship services, or proselytizing



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## PSLF – Qualifying Payments

- ◆ Income-Based Repayment (IBR)
- ◆ Pay As You Earn
- ◆ Income-Contingent Repayment (ICR)
- ◆ Standard 10-year repayment



## PSLF – Non-Qualifying Payments

- ◆ Standard repayment term under the Direct Consolidation Loan that is more than 10 years
  - Standard repayment on a consolidation loan is 10 to 30 years, depending on total education debt
- ◆ In order to have qualifying payments for PSLF, the monthly payment cannot be less than a 10-year standard payment amount



## Applying for PSLF

- ◆ Borrower should submit the Employment Certification Form (ECF) annually to FedLoan Servicing
  - Form is voluntary
  - Available at <http://studentaid.ed.gov/PORTALSWebApp/students/english/PSE.jsp>
- ◆ FedLoan Servicing will review the ECF form(s) to determine if:
  - Employer qualifies as a public service organization
  - Qualifying loan payments were made



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## Counseling Borrowers

- ◆ Identify and reach out to students with majors that could qualify as public service

Public administration      Education  
Public policy      Environmental/public affairs  
Urban affairs/planning  
Public and non-profit leadership



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## Counseling Borrowers

- ◆ Educate borrowers to:
  - ◆ Pursue a Direct Consolidation loan if they have FFELP loan(s) for PSLF benefit
  - ◆ Select a qualifying repayment plan
  - ◆ Make payments on time
  - ◆ Submit Employment Certification Form annually to FedLoan Servicing



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Income-Based Repayment (IBR) Forgiveness



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## Income-Based Repayment

- ◆ Designed to help borrowers with unmanageable payments relative to income
- ◆ Borrower must demonstrate a partial financial hardship



Partial Financial Hardship (PFH) is based on loan debt, income, and family size



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## Income-Based Repayment

- ◆ Payment will be capped at 15% of the borrower's discretionary income
- ◆ Direct and FFELP Stafford, Graduate PLUS, and Consolidation loans qualify
  - ◆ Parent PLUS loans do not qualify
- ◆ Borrowers must re-apply each year



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## IBR Forgiveness Criteria

- ◆ Remaining balance forgiven after 25 years of qualifying repayment, including any:
  - ◆ Payments made under IBR or another income-driven plan
  - ◆ Payments made under the standard repayment (or any other plan) that were not less than the standard plan
  - ◆ Periods of economic hardship deferment
- ◆ Any loan amount forgiven may be taxable



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## IBR Changes

SAFRA/HCERA of 2010 will bring changes to Income-Based Repayment:

- ◆ Effective for new Direct Loan borrowers on or after July 1, 2014
  - ◆ Cap monthly payment to 10% of discretionary income (as opposed to 15%)
  - ◆ Forgive remaining debt after 20 years of qualifying repayment (as opposed to 25 years)



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Pay As You Earn Forgiveness



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## Pay As You Earn

- ◆ Initiative of the Obama administration
- ◆ Modeled after IBR plan
- ◆ Intended to provide additional relief for borrowers now
- ◆ Available as of December 21, 2012



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## Pay As You Earn

- ◆ Borrower must demonstrate a partial financial hardship (PFH)
  - ◆ PFH is based on loan debt, income, and family size
- ◆ Payment will be capped at 10% of the borrower's discretionary income
- ◆ Direct Stafford, Graduate PLUS, and Consolidation loans qualify
  - ◆ Parent PLUS loans do not qualify
- ◆ Borrowers must re-apply each year



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## Pay As You Earn

- ◆ Must meet the definition of a new borrower
  - ◆ No outstanding DL or FFELP balance as of 10/1/2007, or no outstanding balance on the date a borrower receives a new loan after 10/1/07; AND
  - ◆ Receives a **disbursement** of a DL on/after 10/1/2011
  - ◆ Must receive a Direct Consolidation loan based on application received on/after 10/1/2011, unless it repays a DL or FFELP loan that was outstanding as of 10/1/2007



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## Pay As You Earn Forgiveness Criteria

- ◆ Remaining balance forgiven after 20 years of qualifying repayment, including any:
  - ◆ Payments made under Pay As You Earn or another income-driven plan
  - ◆ Payments made under the standard repayment (or any other plan) that were not less than the standard plan
  - ◆ Periods of economic hardship deferment
- ◆ Any loan amount forgiven may be taxable



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## Pay As You Earn and IBR

Encourage borrowers to:

- ◆ Seek Pay As You Earn or IBR if they need a monthly payment that is more in line with their income or they owe more than they earn in a year
- ◆ Complete all forms (tax return does not need to be signed any longer)
- ◆ Submit additional documentation, if requested
- ◆ Re-apply each year



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Other  
Forgiveness  
Programs



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## Forgiveness Programs

- ◆ Income Contingent Repayment
- ◆ Federal Perkins Loan
- ◆ Nursing Loan Forgiveness



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## Disability Discharge



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### Total and Permanent Disability Discharge

- ◆ An individual who is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that:
  - ◆ Can be expected to result in death;
  - ◆ Has lasted for a continuous period of not less than 60 months; or
  - ◆ Can be expected to last for a continuous period of not less than 60 months



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### Total and Permanent Disability Discharge

- ◆ Eligible borrowers can receive discharge if determined to meet definition by physician and meet other requirements established by Department of Education



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## TPD Changes

Effective  
July 1, 2013

- ◆ TPD processing changes based on November 1, 2012 Final Rules
  - Direct, Perkins and FFELP loan borrowers to apply directly to ED for a TPD discharge
  - Adds a definition for “borrower or veteran’s representative” to allow a borrower’s family member, attorney, or other individual authorized to act on borrower’s behalf in connection with TPD application



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## TPD Changes

Effective  
July 1, 2013

- ◆ TPD processing changes based on November 1, 2012 Final Rules
  - ED will accept Social Security Administration notice of award for Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI) benefits that indicates borrower’s disability will be reviewed within 5-7 years as basis for discharge



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## Application Process

Effective  
July 1, 2013

- ◆ Once borrower notifies ED they are totally and permanently disabled, ED will:
  - Inform borrower with information on how to apply
    - Borrower must complete and submit the Total and Permanent Disability Discharge Application to ED
    - If based on doctor certification, must submit within 90 days of certification
    - Social Security Administration notice of award for SSDI or SSI benefits accepted



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## Application Process

Effective July 1, 2013

- ◆ Once borrower notifies ED he is totally and permanently disabled, ED will:
  - ◆ Identify all Title IV loan holders and notify them on borrower's intent to apply
  - ◆ Instruct loan holders to suspend collection on borrower's account for 120 days
  - ◆ Inform borrower collection is suspended but will resume if no application is received



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## Application Process

Effective July 1, 2013

- ◆ After TPD application is received, ED will instruct lenders/servicers to continue suspension until determination is made
  - ◆ Suspension is unlimited – no set timeframe in which applications are reviewed
- ◆ ED will notify borrower:
  - ◆ Application is received
  - ◆ Suspension of collection in place during review
  - ◆ What review process entails



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## Application Process

Effective July 1, 2013

- ◆ If borrower is eligible, ED will:
  - ◆ Notify borrower and loan holders of approval and provide physician's certification date or date of SSA notice of award
- ◆ If borrower is not eligible, ED will:
  - ◆ Notify borrower
  - ◆ Notify loan holders of denial and direct them to resume collection
  - ◆ Return loan to prior status and period of review is treated as forbearance



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## Common Reasons for Rejected TPD Requests

- ◆ TPD application is not filled out completely
- ◆ Physician indicates borrower is not TPD by checking “no” on the application
- ◆ TPD application is not completed by an M.D. or D.O.



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## Post-Discharge Monitoring Period

- ◆ Borrower determined eligible by Nelnet (ED’s TPD servicer)
- ◆ Effective July 1, 2010, conditional period was changed to post-discharge monitoring period for new applications
- ◆ Three-year post-discharge monitoring period begins
  - ◆ Nelnet will monitor income and receipt of a Title IV loan or TEACH grant
  - ◆ Begins on the date the discharge was granted



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## Post-Discharge Monitoring Period



- ◆ Borrower cannot receive a Title IV loan or TEACH Grant
  - ◆ Borrower has 120 days to return/cancel loan funds obtained in error
- ◆ Payments received by the loan holder after the date the physician’s TPD certification or date of SSA notice of award are refunded and no further payments required during the monitoring period
- ◆ Borrower cannot earn more than poverty line in their state for family of two



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## Post-Discharge Monitoring Period

- ◆ If the borrower returns to school during the post-discharge monitoring period, they must:
  - ◆ Resume payment on the previously discharged loan or acknowledge that they are once again subject to the terms of the TEACH Grant Agreement to Serve before receiving the new loan



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## Reinstatement

- ◆ If a borrower does not meet the conditions during the post-discharge monitoring period, the loans or TEACH Grant service obligation will be reinstated
  - ◆ ED will notify borrower of reinstatement
  - ◆ Borrower will be required to repay loan or fulfill TEACH Grant service obligation
  - ◆ Borrower not responsible for past interest on reinstated loan



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## After Post-Discharge Monitoring Period

- ◆ After post-discharge monitoring period, borrower can receive a Title IV loan or TEACH grant if they:
  - ◆ Obtain a statement from doctor that they may engage in "substantial gainful activity" (work or earn money) – **and** –



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## After Post-Discharge Monitoring Period

- ◆ After post-discharge monitoring period, borrower can receive a Title IV loan or TEACH grant if they:
  - ◆ Sign a statement acknowledging that the new loan or TEACH Grant service obligation cannot be discharged in the future on the basis of any injury or illness present at the time the new loan or TEACH Grant is made, unless the condition substantially deteriorates so that he or she is again totally and permanently disabled



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## Veterans

- ◆ Veteran borrowers who have been certified as totally and permanently disabled by Veterans Affairs must:
  - ◆ Be certified as unemployable due to service-connected condition
  - ◆ Complete TPD application and submit to ED



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## Veterans

- ◆ Must provide documentation from VA
- ◆ No documentation from physician required or additional documentation related to his or her disabling condition
- ◆ Not be subject to the 3-year post-discharge monitoring period



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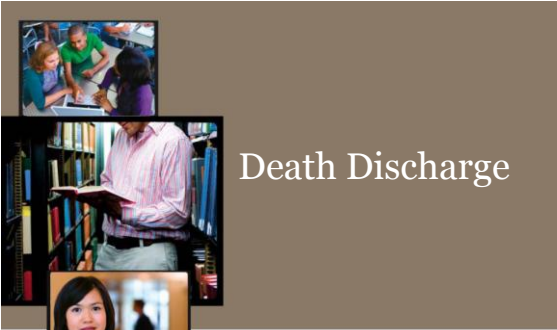
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# Death Discharge



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## Death Discharge

- ◆ Discharge of remaining balance available when borrower or student (for Parent PLUS loans) dies
- ◆ Regulation change back in 2007 allows lenders to grant death discharge based on accurate and complete photocopy of the death certificate



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# False Certification Due to Identity Theft



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## Identity Theft

- ◆ Part of Higher Education Reconciliation Act (HERA) of 2006
- ◆ Discharge based on crime of identity theft



## Identity Theft

- ◆ Borrower must certify he or she did not sign the promissory note, or that any other means of identification used to obtain the loan were used without individual's authorization
- ◆ Borrower must certify he or she did not knowingly receive or benefit from the proceeds of the loan made without the individual's authorization



## Identity Theft

- ◆ Borrower must provide lender a copy of a local, state, or federal criminal court verdict or judgment that conclusively determines individual named as borrower or endorser was a victim of identity theft on a student loan and identifies the perpetrator of the crime
- ◆ Regulations effective July 1, 2008, clarify that a perpetrator must be named in the verdict



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## Identity Theft

- ◆ Regulations effective July 1, 2008
  - ◆ Lender must grant administrative forbearance for 120 days while lender investigates case
  - ◆ Cease credit bureau reporting for 120 days while lender investigates claim



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## Have You Heard?

Should bankruptcy be allowed for student loan debt?

<http://www.scpf.org/programs/airtalk/2012/04/09/25945/should-bankruptcy-be-allowed-for-student-loan-debt>



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## Have You Heard?

### Congress Proposes Relief for Student Loan Borrowers

<http://www.usnews.com/education/blogs/student-loan-ranger/2011/06/22/congress-proposes-relief-for-student-loan-borrowers>



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## Have You Heard?

### Obama should push bankruptcy relief for student loans

<http://www.cnn.com/2012/04/26/opinion/kamenetz-obama-higher-education/index.html>



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## Types of Bankruptcy

- ◆ **Chapter 7 bankruptcy** – assets are liquidated, or sold for cash, to pay your creditors; any remaining unsecured debt, such as credit card debt, is usually discharged

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## Types of Bankruptcy

- ◆ **Chapter 13 bankruptcy** – must repay all or a portion of debts in installments specified by a court-ordered bankruptcy plan; once successfully complete the Chapter 13 bankruptcy plan, the court discharges most or all of the remaining unsecured debts with the exception of student loans



## Nothing Has Changed Yet?

Federal or private student loans are non-dischargeable in bankruptcy

- ◆ Rare exception - if a bankruptcy court rules that repayment would cause undue hardship to the borrower



## What is Considered Undue Hardship?

- ◆ Definition of undue hardship varies
  - ◆ Brunner test
    - Cannot maintain a “minimal” standard of living if student loans are paid
    - Present circumstances will probably continue for the entire repayment period
    - Have made sincere attempts to repay the loan



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## What is Considered Undue Hardship?

- ◆ Other definitions of undue hardship
  - ◆ Totality of the circumstances test
    - Debtor’s past, present, and reasonably reliable future financial resources;
    - Calculation of the debtor’s reasonable necessary living expenses; and
    - Any other relevant facts and circumstances surrounding each particular bankruptcy
  - ◆ Severe medical condition that prevents them from finding employment



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A collage of three photographs on a blue background. The top photo shows a man and a woman in a professional meeting. The middle photo shows a man and a woman smiling. The bottom photo shows two graduates in caps and gowns.

You Make the Difference



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## Informed Borrowers = Successful Borrowers

- ◆ According to the Institute for Higher Education Policy, “borrowers are rarely familiar with all the repayment options available to them before they become delinquent or default”
- ◆ Including loan forgiveness and discharge into your default prevention efforts will ensure students are aware of all of their options



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## Help Your Students

Understand the options they have in repayment

Know there are forgiveness options for some programs

Realize where to turn if they have questions



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## Help Your Students

Comprehend the importance of communicating with their loan holder(s)

Recognize the need to follow up on required documentation

Determine which program is the best fit for them



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## Resources

[mygreatlakes.org](http://mygreatlakes.org)

[studentaid.ed.gov](http://studentaid.ed.gov)

Common Manual...Unified Student Loan Policy

- ♦ Chapter 13 – Discharge and Forgiveness

FSA Handbook

- ♦ Chapter 1 – Student Eligibility



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