

Discharge of Student Loans Outside of Bankruptcy

Total and permanent disability (TPD) discharge

34 C.F.R. §682.402(c), student loans may be cancelled for total and permanent disability. A borrower must have a physician certify that the borrower is unable to work and earn money, even on a limited basis, because of an injury or illness that is expected to continue indefinitely or result in death. After a guarantor grants a preliminary approval, the borrower's loans are transferred to the U.S. Secretary of Education for review. If the Secretary approves the borrower's application, the borrower's loans are conditionally discharged from the date that the borrower became totally and permanently disabled. Monitoring takes place of the borrower's earnings for three years after the date the borrower's doctor certified that he or she was disabled, and if, after three years, the borrower satisfies the criteria for discharge (not earning more than 100 percent of the poverty line for a family of two and not receiving a new student loan), then the balance of the borrower's student loans is discharged and any payments made by the borrower after the date of disability are refunded. Some borrowers may be entitled to an immediate discharge of their loans if a doctor certifies that the date of the disabling condition preceded the borrower's TPD application by more than three years.

Closed School Discharge

Pursuant to 34 C.F.R. §682.402(d), borrowers who could not complete the program of study for which they received student loans because the school at which the borrower was enrolled closed or the borrower withdrew from the school not more than 90 days prior to the date the school closed, as determined by the Secretary, are eligible for discharge of the student loan debt. Further, any payments made by the borrower are refunded.

False Certification Discharge

Pursuant to 34 C.F.R. §682.402(e), a borrower's student loans can be discharged if a school, or other person, if applicable, falsely certified the borrower's eligibility to benefit from the education or signed the borrower's name without authorization by the borrower on the loan application or promissory note.

Death Discharge

Pursuant to 34 C.F.R. §682.402(b)(1), "If an individual borrower dies, or the student for whom a parent received a PLUS loan dies, the obligation of the borrower and any endorser to make any further payments on the loan is discharged."