

Can You Get Your Student Loan Discharged?

Obviously, if you are in trouble on your student loan, the best relief you can hope for is to get it discharged. A loan that is discharged is effectively forgiven, and you get a new start – you can even apply for another student loan, if you are so inclined. There are five major ways a student loan can be discharged. You should consider whether any of these apply to you. (There are some other possibilities for discharge, too, but these are very rare, like if the school forged your name or falsified your high school graduation status).

1. Your school closed. If the branch of your school closed completely before you were able to finish your program, you are eligible for a discharge. This generally happens only at small schools; bigger schools know better. They generally teach their existing programs to completion; this is called “teaching-out” the program.
2. You didn’t have a high school diploma or equivalent, and weren’t tested for suitability for your program. If you apply to a trade school and you don’t have a high school diploma or equivalent, the school MUST give you a test to determine whether you have the “ability to benefit” (ATB) at the school. In other words, the school can’t enroll you and take your money if it can’t show you have a realistic chance of succeeding there. If you were given bogus tests, or given assistance in passing the test, you may be eligible for an ATB discharge.
3. The school owed you a refund but didn’t pay it. If you signed up for a school but left it early on, the school owes you a refund for the portion of school you paid for but didn’t get. If the school doesn’t pay you that refund, you can get that amount discharged.
4. Bankruptcy. If your prospects for paying back your loan are especially bleak, you may be able to get your loan discharged in bankruptcy. This is very hard, however. Most student loans are simply not dischargeable in bankruptcy. This is something Congress needs to change, but don’t hold your breath. If you are disabled, taking care of someone who is disabled, or otherwise cannot work, bankruptcy may be an option. You should contact a qualified bankruptcy attorney and discuss if this is realistic for you.
5. Trade school fraud. I’ll have a lot more to say about this in later posts, but if your school defrauded you – that is, made promises it knew were false – you may not only be able to get your loan discharged, but you may be able to get some money from the school as well. Again, you should consult with a qualified attorney (like me) about this.

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