

Student Loans & Bankruptcy: A Path to Financial Relief



THE "UNDUE HARDSHIP" TEST

You must prove repayment prevents maintaining a minimal standard of living long-term.

THE PATH TO DEBT DISCHARGE

FEDERAL VS. PRIVATE LOANS



Flexible Terms, Harder to Discharge



Lack of Flexibility Can Strengthen Hardship Claims



DISCHARGE IS NOT AUTOMATIC

Borrowers must initiate a separate legal process within their bankruptcy case.

BANKRUPTCY CHAPTER COMPARISON

CHAPTER 7 (Debt Liquidation)



Primary Function: Debt Liquidation



Impact on Student Loans:

Eliminates unsecured debt; student loans require a hardship ruling.



CHAPTER 13 (3-5 Year Repayment)



Primary Function: 3-5 Year Repayment



Impact on Student Loans:

Reorganizes debt; can include student loans in the plan to stop arrears.



IMMEDIATE BENEFITS OF FILING



THE AUTOMATIC STAY

Filing immediately stops wage garnishments, lawsuits, and all creditor harassment.



FREEING UP ESSENTIAL CASH FLOW

Eliminating other debts makes your remaining student loan payments more manageable.



Income-Driven Repayment



Consolidation

NON-BANKRUPTCY ALTERNATIVES

Consider income-driven repayment or consolidation before pursuing a bankruptcy discharge.