

Title:

How Bankruptcy Affects Student Loans

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722

Summary:

The vast majority of government student loans cannot be gotten rid of easily, even filing for bankruptcy will not resolve these debts.

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Article Body:

The vast majority of government student loans cannot be gotten rid of easily, even filing for bankruptcy will not resolve these debts. The only way that these types of loans can be taken care of in bankruptcy is if you can prove that they are a substantial hardship on you and your finances and this is a pretty hard thing to do in most cases, especially since the rest of your debts will be taken care of with the bankruptcy filing.

If you do wish to try to get your student loans discharged you will have to prove that there is no way you will be able to pay this debt according to the schedule that has been laid out, that even in time you will still not be able to pay it according to the same schedule and that you have tried unsuccessfully in the past. A good faith effort is necessary. This means that you have not tried lying to your creditors and that you are working as much as you can to get the money that you need but are still coming up short.

What can be discharged and what cannot can also fall directly onto the shoulders of the bankruptcy judge. If you are lucky and you get a judge that allows for these discharges then you might just get away without having to pay off these loans, or at least part of them. In many places it is left up to the judge to go with their own gut feeling.

Keep in mind that while it is true that lenders cannot be sending you bills to pay while you are in bankruptcy, they have to wait until it is over, that does not by any means mean that interest will not be accruing on your loan. And since you do not have to pay, most people don't and once they come out of bankruptcy they find themselves in a whole new batch of trouble than when they went in.

Student loans are flexible loans, they have many more options than some other

loans out there. If you find yourself having trouble paying off your student loans let the lender know. Tell them exactly what the problem is and they will most likely be willing to work with you to get around it. If the plan and the schedule that you have set is just not a possible one for you to follow then talk to the lender about coming up with a new one. The thought of contacting lenders scares most people but it works, you are not going to get in more trouble, in fact what you are doing is heading trouble off at the pass. If you have defaulted on your loan you will even find such programs as rehabilitation programs that help you get you out of default. These programs are great, all you have to do is show your good faith effort by paying a lower amount for a set period of time. If you manage to stick to this it will show the lender that you can be depended upon and the lender can take you out of default.

Another route that many people take instead of bankruptcy is loan consolidation. The Direct Loan Servicing Center, working under the auspices of the Department of Education will give you several different options to choose from if you need some help to pay off your loans. Their standard plan is a great one, it is simple and it is effective. All you have to do is pay \$50 each and every month until the balance is paid off in full or until 10 years is up, whichever comes first. There is another plan which will keep you paying for anywhere from 12 to 30 years. While this is a great option for those who just don't have much money at all it is one of the most expensive ones simply because 30 years of interest really adds up to a significant amount of money. These are just a couple of the payment plans that you can find available to you. If you are in financial trouble talk to your lender! So you might not be able to resolve your debt completely all at once, at least there are options out there that will give you some peace of mind.