

Forgiveness, Cancellation, and Discharge

When can my federal student loans be forgiven, canceled, or discharged?

You must repay your loans even if you don't complete your education, can't find a job related to your program of study, or are unhappy with the education you paid for with your loan. However, certain circumstances might lead to your loans being forgiven, canceled, or discharged.

The list below is a quick view of some of the types of forgiveness, cancellation, and discharge.

Type of Forgiveness, Cancellation, or Discharge	Direct Loans	<i>Federal Family Education Loan (FFEL) Program Loans</i>	Perkins Loans
Total and Permanent Disability Discharge	X	X	X
Death Discharge	X	X	X
Discharge in Bankruptcy (in rare cases)	X	X	X
Teacher Loan Forgiveness	X	X	
Public Service Loan Forgiveness	X		

Total and Permanent Disability (TPD) Discharge

A TPD discharge relieves you from having to repay a William D. Ford Federal Direct Loan (Direct Loan) Program loan, Federal Family Education Loan (FFEL) Program loan, and/or Federal Perkins Loan (Perkins Loan) Program loan or complete a TEACH Grant service obligation on the basis of your total and permanent disability. Before your federal student loans or TEACH Grant service obligation can be discharged, you must provide information to the U.S. Department of Education (ED) to show that you are totally and permanently disabled. ED will evaluate the information and determine if you qualify for a TPD discharge.

You can show that you are totally and permanently disabled in one of the following three ways:

1. If you are a veteran, you can submit documentation from the U.S. Department of Veterans Affairs (VA) showing that the VA has determined that you are unemployable due to a service-connected disability.
2. If you are receiving Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI) benefits, you can submit a Social Security Administration (SSA) notice of award for SSDI or SSI benefits stating that your next scheduled disability review will be within five to seven years from the date of your most recent SSA disability determination.

3. You can submit certification from a physician that you are totally and permanently disabled. Your physician must certify that you are unable to engage in any substantial gainful activity by reason of a 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.

Death Discharge

If you, the borrower, die, then your federal student loans will be discharged. If you are a parent PLUS loan borrower, then the loan may be discharged if you die, or if the student on whose behalf you obtained the loan dies.

The loan will be discharged if a family member or other representative provides a certified copy of the death certificate to the school (for a Federal Perkins Loan) or to the loan servicer (for a Direct Loan or FFEL Program loan). For more information, contact your loan servicer.

Discharge in Bankruptcy (rare)

This is not an automatic process—you must prove to the bankruptcy court that repaying your student loan would cause undue hardship.

If you file Chapter 7 or Chapter 13 bankruptcy, you may have your loan discharged in bankruptcy only if the bankruptcy court finds that repayment would impose undue hardship on you and your dependents. This must be decided in an adversary proceeding in bankruptcy court. Your creditors may be present to challenge the request. The court uses this three-part test to determine hardship:

- If you are forced to repay the loan, you would not be able to maintain a minimal standard of living.
- There is evidence that this hardship will continue for a significant portion of the loan repayment period.
- You made good-faith efforts to repay the loan before filing bankruptcy (usually this means you have been in repayment for a minimum of five years).

Your loan will not be discharged if you are unable to satisfy any one of the three requirements. If your loan is discharged, you will not have to repay any portion of your loan, and all collection activity will stop. You also will regain eligibility for federal student aid if you had previously lost it.

Teacher Loan Forgiveness

If you are a teacher and also a new borrower (i.e., you did not have an outstanding balance on a Direct Loan or FFEL Program loan on Oct. 1, 1998, or on the date you obtained a Direct Loan or FFEL Program loan after Oct. 1, 1998) and have been teaching full-time in a low-income elementary or secondary school or educational service agency for five consecutive years, you may be able to have as much as \$17,500 of your subsidized or unsubsidized loans forgiven. Your PLUS loans cannot be included. For more information, go to Teacher Loan Forgiveness. If you have a Federal Perkins Loan, see Perkins Loan Cancellation for teacher cancellation in that loan program.

Public Service Loan Forgiveness

If you are employed in certain public service jobs and have made 120 payments on your Direct Loans (after Oct. 1, 2007), the remaining balance that you owe may be forgiven. Only payments made under certain repayment plans may be counted toward the required 120 payments. You must not be in default on the loans that are forgiven. For more information, contact your loan servicer.

How do I find out if I qualify and how do I apply to have my loan forgiven, canceled, or discharged?

After reviewing the conditions, if you think you qualify, contact your loan servicer. You can view your loan information including the types of loans you have and your loan servicer at the National Student Loan Data System www.nslds.ed.gov.

Do I need to make payments while my discharge application is being reviewed?

Yes. Until you hear whether your discharge has been approved, you should continue making payments on your loan to prevent it from going into default or accruing (accumulating) additional interest. However, note the following:

If you have a Direct Subsidized Loan, Direct Unsubsidized Loan, Federal Subsidized Stafford Loan, or Federal Unsubsidized Stafford Loan, you can be granted forbearance. Your loan servicer should grant forbearance until a decision is made on your application. If forbearance is granted, no one is permitted to collect on your loan until it is determined whether you are eligible for a loan discharge.

What happens if my loan discharge is approved?

If you qualify for a complete discharge of your loan, you are no longer obligated to make loan payments. Depending on the type of loan discharge program for which you may be eligible, the U.S. Department of Education may be required to refund to you some or all of the payments you made on the loan. In addition, any adverse credit record related to a default might be deleted, and no tax refund offset or wage garnishment will take place to collect on the discharged loan. If the loan was in default, the discharge may erase the default status. If you have no other defaulted loans, you regain eligibility for federal student aid.

Common Questions

The following are some common questions about loan forgiveness, cancellation, or discharge.

I was very young when I borrowed this money. Do I still have to pay? Yes. The fact that you didn't fully understand the implications of getting a loan, or the fact that it's been many years since you signed for the loan, does not mean that you do not have to pay.

I signed the Master Promissory Note but I didn't attend class. Do I still have to pay? If you received the proceeds of a loan but never attended classes, you are obligated to return the funds immediately. Your school will return any funds that it received and applied to your account. If you do not return the funds that you directly received, your loan will be placed in default.

I'm a parent that took a PLUS loan to help pay for my child's education. Can my loan ever be forgiven, canceled, or discharged? You must repay your parent PLUS loan even if the student doesn't complete his or her education or can't find a job related to the program of study, or if you or the student is unhappy with the education. However, the loan may be discharged if the child for whom you borrowed dies, or if you die or become totally and permanently disabled.

Contact your loan servicer for more information. If you don't know who your loan servicer is, visit NSLDS.