

Indiana Legal Services, Inc

Using the law to fight poverty, empower clients, and improve access to justice.

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Cancellation of Student Loans

Is there a program for canceling student loans?

Yes. It is known as the discharge. If you qualify for a discharge, you will no longer owe anything on the loan. You may also become eligible for future financial aid and loans.

Please note – this is different from a discharge in Bankruptcy – for information about Bankruptcy and student loans, see our separate article called “Can I Discharge a Student Loan in Bankruptcy?”.

How does a person qualify for discharge or cancellation of student loans?

Under federal law, there are five main ways to discharge a student loan debt:

- The school’s closure while the student was still enrolled.
- The school’s false certification of the student’s eligibility for the school.
- The school’s failure to pay a refund to a student who properly withdrew from the school.
- The borrower’s permanent and total disability.
- The borrower’s death.

What kind of student loans can be cancelled under these programs?

Depending on the type of cancellation you seek (e.g. disability, school closing), the following types of loans may be subject to discharge:

- Stafford Loans /Guaranteed Student Loans (GSL)
- Supplemental Loans for Students (SLS)
- Parental (PLUS) Loans
- Federal Direct Loans
- Perkins Loans (or National Direct Student Loans)

Certain restrictions apply to some types of discharge, such as the date the loan was taken out.

What is the procedure for discharge of student loans?

In most cases, a written application is required. Borrowers normally fill out forms created by the loan holder (whether a private lender or government), and submit the application to the loan holder. The forms are also available at [Department of Education](#).

Do I need a lawyer to submit an application for discharge?

A lawyer is not required. However, a lawyer may be helpful in evaluation of your case, determining which discharge program(s) you may qualify for, completing the application, gathering supporting documents or information, and representing you before the agency handling the application.

What do I need to do to obtain a disability discharge?

You must obtain a certification from a physician that you are unable to work and earn money because of an illness or injury that is expected to continue indefinitely, or result in death.

The completed form is sent to the holder of the loan, which may be the school, a lending institution, a collection agency, or the government.

The US Department of Education reviews all determinations. It may require additional information to support the borrower's application.

The Department will also help borrowers who don't qualify for disability discharge, to obtain temporary relief such as deferments or forbearance.

If I'm found to be disabled, will I get a discharge immediately?

Not necessarily. You will be placed on a "conditional discharge" for three years from the date you became disabled. During that time, the Government can review your earnings. You do not have to make loan payments, however. If you still satisfy the requirements for disability at the end of three years, you will be discharged.

If you became disabled more than three years before you submit your discharge application, there is no waiting period.

If I'm denied a discharge, can I appeal?

Yes, depending on the type of discharge you are seeking, you may appeal the decision within the agency or to federal court. In some cases, you may want to re-submit your application, especially if circumstances have changed. You should seek the advice of an attorney before attempting an appeal.

Are there other types of student loan cancellations?

Yes. For example, Perkins Loans may be completely canceled in certain circumstances, such as service in Head Start, or in the military in an area of hostilities.

Other types of loans may be canceled or reduced for persons who are full-time teachers in certain low-income school districts for five years.

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