

Loan Forgiveness, Cancellation & Discharge

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***CONDITIONS THAT MAY RESULT IN
FULL OR PARTIAL CANCELLATION OR
DISCHARGE:***

- ❖ ***Death***
- ❖ ***Total & permanent disability***
- ❖ ***False certification***
- ❖ ***Closed school***
- ❖ ***Unpaid refund***
- ❖ ***Military service***
- ❖ ***Bankruptcy***
- ❖ ***Full-time teaching***



❖ **Death**

- In the case of the death of a borrower, FFELP loans are discharged, including PLUS loans held by a deceased student's parent.

❖ **Total & Permanent Disability**

- A physician (M.D. or D.O.) must certify the date that the borrower became unable to work and earn money because of an injury or illness that is expected to continue indefinitely or result in death.



❖ ***False Certification***

- If borrowers who did not have high-school diploma or GED at the time that they borrowed,
 - AND they were admitted to a program under “Ability to Benefit,” but didn’t meet requirements of ATB.
- If the school forged signatures on a loan application, check or authorization for EFT.

❖ ***Closed School***

- Intended to provide relief for borrowers unable to complete a program due to a school closing.
 - The school closed while student was enrolled.
 - The school closed while student was on an approved LOA.
 - Student withdrew within 90 days of school’s closing.
 - The student is not in a teach-out program.



❖ ***Unpaid refund***

- If a student paid for but did not complete the program and was entitled to a refund that was not paid, a portion of the loan may be discharged.

❖ ***Military Service***

- Under certain circumstances, military personnel may have their loans repaid by the U. S. Secretary of Defense. (Questions about this program should be addressed to the local recruiting office. This is a recruitment program – not a loan-forgiveness or cancellation program.)



❖ **Bankruptcy**

- Whether a bankruptcy discharge relieves borrowers of their obligation to repay their student loans is now determined by whether a court has ruled that repayment would impose an undue hardship on the borrower (since 10/8/98).

If borrowers advise you that they meet this condition, they should send the following to the holder of their loans:

- Court ruling, if any, regarding whether repayment would impose an undue hardship
- Copy of the notice of first meeting of creditors
- List of creditors filed in the bankruptcy proceedings
- Final Discharge Order



❖ ***Full-Time Teaching***

- Who is eligible:
 - Must be a new borrower as of 10/1/98 (no balance owed on any loan made prior to that date)
 - Must have been employed as a full-time teacher for five consecutive, complete years in a qualified elementary or secondary school serving a low-income community
 - Loan must have been taken out before the end of the fifth year of that employment



❖ ***Full-Time Teaching (Cont'd)***

- How much can be forgiven?
 - Up to \$5,000 of principal and accrued interest for an elementary or secondary school teacher
 - Up to \$17,500 for math or science secondary school teachers or special-ed teachers
 - Amounts previously repaid are not refunded
- How to apply:
 - Students use the 'Teacher Loan Forgiveness Application' and submit it to their lender

