

Student loans: not just a problem for the young

Written by Australian Business

October 02, 2013 /**24-7PressRelease**/ -- The recurring problem that student loan debt poses to the financial health of consumers has been a perennial topic in the media for good reason. According to the New York Federal Reserve, which tracks student loan data, such loans are the only type of consumer debt that has continued to grow since the recession hit during the peak of overall consumer debt in 2008. In addition, the amount of outstanding student loans now exceeds all other types of debt except mortgages.

Many think that student loans are solely a problem of the youth. However, recent data from the New York Federal Reserve indicates that its burdens are felt across generations. According to the data, those in their fifties owe \$112 billion in student loans as of the end of 2012. This is a significant increase from the \$34 billion that this age group owed just seven years earlier.

In addition, the Federal Reserve data indicated that student loans are increasingly affecting those in their sixties as well. As of 2012, Americans in this age group owe \$43 billion in student loans, up from just \$8 billion in 2005. Experts believe that this phenomenon can be explained by the fact that many in this age group take on student loan debt to help pay for their grandchildren's and children's educations.

Bankruptcy: a partial solution

As a result of having student loan debt late in life, many find themselves unable to pay it off, forcing them to delay retirement plans. Many assume that [bankruptcy](#) is a solution to their student loan debt problem, but this is not always the case. Since the 1990s, bankruptcy has been unable to discharge federal student loans due to an act of Congress.

Because of lobbying efforts on behalf of lenders, Congress has also made it very difficult to discharge private student loans in bankruptcy. Private student loans are only dischargeable if the borrower meets the following criteria:- He or she made a good faith effort to repay the loan;- He or she would be unable to maintain a very basic standard of living if compelled to repay the loan; and- The difficult financial situation is likely to persist for the life of the loan.

Although most student loan borrowers can prove the first two elements, very few can prove the last one. It is very difficult to prove that one's bleak financial situation would continue indefinitely, as it requires the borrower to prove that future events that would alleviate his or her student loan debt problem (e.g. well-paying employment) would be unlikely to occur.

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Although it cannot directly relieve the burdens of student loans, bankruptcy can help make the burden easier to carry. This is especially true for people who owe other forms of unsecured debt, such as credit cards or [medical bills](#). Bankruptcy can relieve the filer of the obligation to pay most of their unsecured debt, allowing more financial resources to be devoted to paying off the student loan debt.

A bankruptcy attorney can help

If you are struggling with student loan debt, bankruptcy may be able to help you, depending on your situation. An experienced bankruptcy attorney can explain your debt relief options to you and recommend one that would be best for your circumstances.

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