Student Loan Debt Reaching Alarming Levels

March 14, 2012 - Student loan debt now exceeds credit card debt in the United States and many are now predicting that it will be the next economic bubble to collapse. If correct, student loan borrowers are likely to face a scenario with few options since student loans can't be dismissed in bankruptcy court and loan discharges from the federal government are almost unheard of.

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Bankruptcy attorneys nationwide are reporting significant increases in the number of clients seeking relief from student loans. But bankruptcy is not a feasible option to discharge this type of loan.

Congress has mandated that student loans be repaid. As a part of that mandate, they have forbidding federal bankruptcy courts from discharging student loans as a part of the bankruptcy process. While this may seem heartless to some, the alternative view is that it would be very bad for taxpayers if student loans could simply be wiped out.

Borrowers do have some options however. Students who borrow money from college can enroll in certain federal programs that can reduce or eliminate their debt if they elect to go into certain careers. These include teaching and certain community service types of work.

After graduation, students also have several repayment options. Among these is an income based program that limits annual payments to a percentage of income, and which will completely wipe out remaining debt after 25 years of repayment.

But other than these options, student borrowers have few alternatives. And if their parent's use the federal program to borrow as a means to help their children get through school, their repayment options are even more limited.

The best bet for students and parents exploring financing options for college is to find ways to limit the amount of money that needs to be borrowed. There are methods to do this, without putting your degree plans on hold. These include going to community college for the first two years of school, going to in-state colleges and borrowing only the amount that you actually need rather than the full amount that is offered.

Students should also try to get scholarship money wherever and whenever possible.

Student loan debt currently amounts to $867 Billion. Credit card debt for the country is currently a little over $700 Billion.

byJim Malmberg
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