

Friday, September 28, 2007

ALPHA CONSUMER

by Kimberly Palmer



Getting Out of Student Loan Debt

September 27, 2007 10:41 AM ET |

Dear Alpha Consumer,

I am faced with a real hardship. I am a graduate of the University of Miami, with over \$125,000 in student loans. I also have \$50,000 in credit card debt. I am trying to get a job to pay them off, but being physically disabled I have been unemployed since May of 1998. I have been deferring my student loans for the past nine years. What can I do?

Almost \$200,000 would be an overwhelming amount of debt for nearly anyone. But being unemployed makes it almost unbearable.

The federal government will, in some cases, discharge the federal loans of people with disabilities that prevent them from working. "You need to be able to show that you are unable to work and earn money, not just now, but indefinitely, because of the condition," says Deanne Loonin, staff attorney at the [National Consumer Law Center](#).

Her organization's student loan website, [Student Loan Borrower Assistance](#), gives advice on applying for loan discharges. You and your doctor will need to fill out an [Education Department form](#) to apply.

The Education Department also offers [deferments and forbearances](#) for a variety of other reasons, including if your monthly loan payments exceed 20 percent of your monthly gross income. The downside of deferring, though, is that some loans will continue to accrue interest, leaving you even deeper in debt.

If you're dealing with private loans, then Paul Wrubel, cofounder of [Tuition Coach](#), recommends calling lenders directly and asking for a deferment. While each lender will be different, Wrubel says most are willing to work with borrowers to prevent them from defaulting on their loans. When you call to ask for flexibility, Wrubel recommends asking, "How can I defer it?" instead of "Can I defer it?" which will encourage them to explain all the options. A letter from a doctor explaining the disability will also help.

What you don't want to do is just fail to pay and not let lenders know why. "The thing that makes them most nervous is when they don't hear from you," Wrubel says.

Student loan provider [Sallie Mae](#) started its own campaign to make it easier for people with disabilities to navigate their options. It walks both borrowers and their doctors through the discharge application process. In some cases, your university, which has leverage and contacts with its lenders, might be willing to help you negotiate. The University of Miami, however, did not respond to repeated requests for information about any help it could offer.

Finding work, if at all possible, is the best way to improve your financial situation over the long term. [Liz Fussell, Director of the University of Tennessee's Center on Disability and Employment](#), says people with disabilities often have to actively ask for help—from their schools, employers, or government offices—to get the assistance they need. She recommends turning to the resources of public universities, many of which offer disability employment services. The [University of Tennessee's office](#), for example, helps students with disabilities to pick majors and find jobs.

Most cities and towns also have a Labor Department Career Center to help people, including those with disabilities, find jobs. Find the closest one to you through a quick Web search or at the [Labor Department's website](#). There's help out there, but you have to look for it.