

Student Loans and Bankruptcy

How bankruptcy affects your student loan debts

The seven-year rule

A discharge from bankruptcy releases you from your obligation to repay your student loans if you filed for bankruptcy at least seven years after the date you ceased to be a part or full-time student. (**Note:** The federal or provincial student loan legislation applicable to your loan governs how you determine the date on which you ceased to be a full or part-time student.)

If you declare bankruptcy seven or more years after the date on which you ceased to be a full or part-time student, your student loan debts will be eligible for discharge, together with your other debts. (The seven-year rule applies to both new filings for bankruptcy as well as to bankruptcies that were not yet discharged as of July 7, 2008.)

However, the court can reduce this period to five years if repaying the loan will result in undue hardship.

Hardship provision

If it has been only five or more years since you ceased to be a full- or part-time student, and you are or have been bankrupt, you may make an application to the court for an early discharge of your student loan debts under the “hardship provision.”

Under this provision, you will be discharged from your student loan debts only if the court is satisfied that you

- acted in good faith in connection with your obligation to repay your student loans; and
- have experienced, and will continue to experience, financial difficulty that will prevent you from repaying these debts.

When considering the question of good faith, the courts will look at how debtors used their student loan money, their efforts to complete their educational program, their efforts to repay the loans and their use of available repayment assistance programs,



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such as the federal government's [Repayment Assistance Plan](#), which is available to borrowers who are having difficulty paying back their student loan debt.

<http://www.ic.gc.ca/eic/site/bsf-osb.nsf/eng/br02057.html>

(Excerpt from the Office of the Superintendent of Bankruptcy Website)