



EdFed

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How to Qualify for Loan Cancellation

For a college grad with big student loans, it's probably the closest thing you can imagine to hitting the lottery: getting a discharge or cancellation of all your loans and making those debts instantly vanish. Unlike the lottery, you're not going to receive a million dollar prize. But if you can get a lender to agree to cancel or forgive \$20,000, \$50,000, or even \$100,000 worth of student loans, wouldn't that feel like you hit the jackpot?

Well, here's the good news for anyone struggling with federal student loan debt: you can, in fact, have those enormous student loans completely wiped out by taking advantage of instances where you're already eligible for loan cancellation or forgiveness. Let's call these instances loopholes of the student loan world, because they represent narrow windows of opportunity that you take advantage of by escaping repayment of your student loans altogether.

And here's even better news: even if you're not eligible for loan cancellation, every single one of can get up to \$60,000 worth of your college debts paid off by the government, just by tapping into a little-known resource called the Federal Student Loan Repayment Program. This program allows any federal agency in the country – and there are hundreds of federal agencies – to make payments on your behalf totaling as much as \$10,000 a year to your loan holder. I think this rarely discussed option could be a lifesaver for many of you.

Under federal law, you can get your student loans cancelled or discharged due to any of the following circumstances:

- Death
- Total and permanent disability
- School-related issues or improper certification by your school
- Full-time teaching or public service work
- Military service
- Bankruptcy

If you dropped out of school for any reason, experienced personal problems that forced you to abandon your studies, didn't like your instructors, couldn't get a job after graduation, were plagued by financial difficulties, or even if you thought the quality of the instruction you received was subpar, you cannot get a discharge. None of those reasons will hold weight with the Department of Education. Let me also caution you that getting a student loan cancelled or discharged is rare and often requires tremendous perseverance, know-how, and work on your part.

Having said that, even though obtaining a discharge can be a big hassle, it is nevertheless certainly worth the effort and frustration you may experience in the process.