

Discharging Despair:

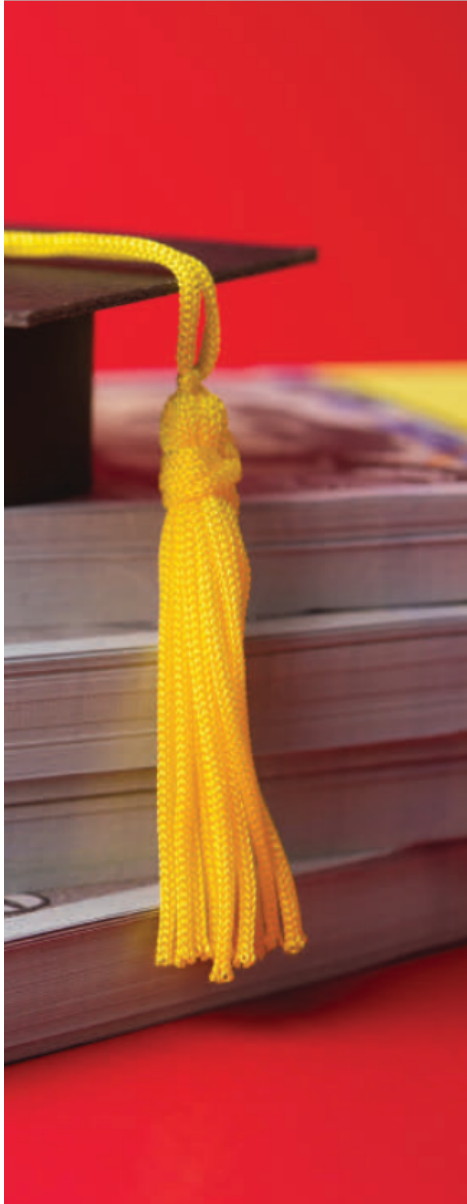
How Bankruptcy Attorneys Can Turn Student Loan Nightmares into New Beginnings

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The statistics are staggering and heartbreaking. According to recent studies, one in 16 student-loan-borrowers has experienced suicidal ideations directly attributed to their student loans.¹ Nearly 80% report chronic anxiety,² while 56% suffer from debt-induced panic attacks and sleepless nights.³ A comprehensive analysis of over 85,000 social media comments revealed a devastating portrait of despair, with borrowers expressing feelings of hopelessness, anger and profound fear about their financial futures.⁴ Student loans are far more than a debt crisis—they represent a full-scale mental health emergency affecting millions of Americans. Bankruptcy could ease this crisis.

The psychological toll of student loan debt manifests itself in countless ways. For instance, it's common for borrowers to delay major life decisions because of crushing monthly payments, such as getting married, purchasing a home or having children. Young professionals may accept jobs they despise, trapped by the need to service debt rather than pursue their passions, often not earning sufficient income to pay their student loans. Frustration compounds financial stress, creating a vicious cycle where mental health deteriorates. This cycle affects job performance and earning potential, which in turn makes the debt even more insurmountable. The American dream drifts away.



The mental health crisis triggered by student loan debt isn't just emotional—it's physical as well. Individuals carrying student loan debt into early middle age face a higher risk of cardiovascular illness.⁵ A 2013 study from Northwestern University found that feelings of significant indebtedness were associated with higher diastolic blood pressure, which can increase the risk of hypertension and stroke.⁶ More recently, a 2023 study in *Addictive Behaviors* found that higher levels of student debt were associated with increased substance use.⁷

Surprisingly, most borrowers, and many bankruptcy attorneys, still don't realize that borrowers may be able to avoid these

consequences by discharging their student loans in bankruptcy. It's now not only possible, but predictable, to discharge federal student loans because of the November 2022 Department of Justice Guidance (the Guidance).⁸ The Guidance is a game changer and shouldn't be ignored. The law hasn't changed; but, under this new Guidance, the process in which federal student loan cases are reviewed for "undue hardship" has been streamlined. This streamlining makes it easier to discharge federal student loans. The Guidance did not just tweak the rules; it revolutionized the entire paradigm of student loan bankruptcy discharge. By focusing on clear, objective criteria that are easy to understand, rather than the subjective "certainty of hopelessness," the Guidance allows debtors and their attorneys a path to recognize which cases meet the criteria to proceed. What was once considered virtually impossible has become remarkably achievable. The data speaks volumes, with success rates of 87% for those using the new attestation process.⁹ This is a complete reversal of the near-zero success rates of the past.

What makes the DOJ Guidance so groundbreaking is that it doesn't just break the chains of never-ending debt; it also breaks the psychological chains that bind borrowers to despair. There's emerging evidence that demonstrates improvements in health and well-being when unsecured debt like student loans is discharged or reduced.¹⁰ When attorneys secure student loan discharges, they're not just changing financial well-being, they're helping clients improve their mental health by removing a seemingly permanent burden.

Yet, despite this game changing and potentially life-changing effects a discharge could have on a debtor's life (financially and emotionally), most bankruptcy attorneys haven't fully embraced this opportunity. Many still operate under outdated assumptions regarding student loan discharge, afraid to even explore the Guidance, let alone recommend it to their clients. This failure represents both a tragedy for struggling borrowers and a massive, missed opportunity for bankruptcy attorneys.

The bankruptcy bar must reevaluate their approach and handling of student loan debt. Bankruptcy attorneys have the power to address one of the most pressing mental health crises of our time. The 87% success

rate is not just a statistic—it represents hundreds of thousands of Americans who could reclaim their mental health, their dreams and their futures. Helping emancipate debtors from their student loan debt is not just altruistic. Attorneys taking up the cause are also opening new revenue streams for their firms. Most debtors were unable to afford the fees associated with adversary proceedings before this new guidance. Removing the litigation and discovery aspects of these cases has made a path for attorneys to affordably represent debtors.

As student loan collections resume, credit reporting and wage garnishments leave millions of borrowers struggling to make ends meet, the need has never been more urgent. Bankruptcy attorneys stand at the intersection of law and public health, uniquely positioned to deliver both financial and psychological liberation. The DOJ Guidance hasn't just changed the rules—it's created a new model where bankruptcy attorneys can be genuine advocates of transformation, turning despair into hope, one discharge at a time. The question is not whether to embrace this opportunity but how quickly can we scale it to meet the overwhelming need. ■

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