FEATURE: FRESH STARTS

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From Debt to Fresh Start: Real Stories of Student Loan Discharge in Bankruptcy

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The role of the consumer bankruptcy attorney is essential to helping distressed borrowers get a fresh start, resolving their debt and restoring balance in their lives and financial affairs. One example where these efforts shine brightest is when bankruptcy professionals can help their clients discharge student loan debt in bankruptcy, especially since recent guidance changes enable consumers to have a path that is affordable and predictable to discharge student loans for the first time in 25 years.

Under the Department of Justice (DOJ) Guidance[1] introduced on November 17, 2022, student loan discharge in bankruptcy has become more accessible than ever before. The law itself didn't change, but the way the government handles these cases has. Under the DOJ's Guidance, the standard for evaluating "undue hardship" in federal student loan cases has softened. By replacing vague and subjective standards with clear, objective criteria, the Guidance gives debtors and their attorneys a more reliable way to assess resolution and often discharge their student loans. What practitioners once viewed as an impossible goal has become a legitimate and increasingly viable strategy.

As student loan debt remains at record levels with fewer repayment options available due to recent policy changes, student loan discharge in bankruptcy provides a promising pathway forward for millions of struggling student loan borrowers. In fact, recent reports indicate that 87% of adversary proceedings in bankruptcy result in a full or partial discharge of student loan debt.[2]

REAL RELIEF: FIVE STUDENT LOAN BANKRUPTCY SUCCESS STORIES

To fully appreciate how this growing practice is changing lives, we can look at the success stories of individuals who have successfully come through this process and got their financial lives back on track.

"They Didn't Lift a Finger"

One client had enrolled in a master's program, borrowing student loans that grew to roughly $150,000 on the promise that the school would help her land a high-paying job after graduation. That promise evaporated the moment she walked across the stage. She reached out to everyone she could think of at the school—admissions, career services, alumni relations—and got nothing back. No leads, no support, no acknowledgment.

She never found the high-paying career she'd been sold. By the time her adversary proceeding was underway, she was working in a call center. She thought she'd go to her grave with her student loans. Instead, the debt was discharged in full.

Parent PLUS Loans That Weren't Even Hers

Another client was carrying $148,000 in Parent PLUS loans—debt she had taken on to help fund her two children's education, not her own. She had only filed for bankruptcy because of this debt; everything else in her financial life was manageable.

She'd been turned away by multiple law firms. Branson Ainsworth took over her case and was able to discharge $120,000 of the balance—a reminder that a partial win is still a major one.

A Lawyer, $150,000 and a Family of Four

A third client was herself an attorney, which made her story land differently and more personally. Even people inside the legal profession can find themselves crushed by student debt without knowing their options. She landed in a Chapter 13 after dealing with litigation from a former business. She had been paying on her loans on and off for more than 15 years without ever making real progress.

At the time of her bankruptcy case, her household income was around $10,000—for a family of four. There was no disposable income to speak of and no realistic path to repayment under any plan, but she was able to discharge more than $150,000 in student loan debt under the new guidance, giving her family room to breathe.

Taking Over a Case Gone Sideways

The fourth case was perhaps the hardest. The client originally filed pro se, was dealing with serious mental health challenges, and during an earlier hearing, she stated in open court that the Assistant U.S. Attorney was being untruthful about having received proper documentation. It did not go over well, and it complicated the case considerably. In the end, however, Branson Ainsworth took over the case, and she discharged over $100,000 in student loan debt. With the burden of her student loan debt now off her shoulders, she can focus on her health.

Life Changes

In another case, the client had earned her doctorate in the healthcare field, taking on roughly $600,000 in student loan debt to fund her education. Shortly after graduating, she was diagnosed with autism spectrum disorder, a condition that made it impossible for her to practice in the demanding, high-sensory clinical environment her profession required.

Unable to work in the field she had trained for, she found work cleaning rental homes to make ends meet, earning a fraction of what a healthcare practitioner would make while still carrying the full weight of her six-figure debt. Through an adversary proceeding, she was able to fully discharge the entirety of her student loan balance, freeing her from a debt that no longer matched her earning capacity or career path.

WHAT THESE CASES HAVE IN COMMON

None of these clients set out to "beat the system." They borrowed in the hopes of finding a path to a better life, or because they were trying to help their kids. Unfortunately, things did not turn out as they had expected, and circumstances left them with no other options. Each had tried, in their own way, to make it work before bankruptcy ever entered the picture.

Student loan discharge in bankruptcy isn't automatic, and it isn't guaranteed. But it is possible—and for the people in these stories, it meant the difference between carrying six figures of debt for the rest of their lives and finally getting to start over.

Since the 2022 Guidance, the consumer bankruptcy community has seen more success than ever in discharging student loan debt in bankruptcy. While discharges are still not automatic and require litigation, millions of dollars in student loan debt have been discharged. Bankruptcy professionals have both an opportunity and a responsibility to explore whether their clients burdened with student loan debt can achieve financial relief in bankruptcy. In doing so, they are demonstrating the significant value that consumer bankruptcy attorneys provide in restoring financial health for their clients.

Many judges across the country have shared that they don't understand why more of these aren't filed by the consumer bar. If you haven't taken one on yet, there is always a first case. The results speak for themselves. ■

ENDNOTES

1. https://www.justice.gov/ust/student-loan-guidance
2. https://www.nytimes.com/2025/12/27/business/student-loans-bankruptcy.html