

School Debt

Now that I'm incarcerated, am I still responsible to pay my student loan?

In a word, "yes". Just because you're incarcerated, doesn't mean that student loan collections cease. If you don't address student loan debt, it will just continue to multiply (due to annual interest accrual) while you're behind bars. The bad news is that filing bankruptcy will not help get rid of it, because student loans are treated differently and essentially cannot be discharged under bankruptcy law. The good news is that, for the very same reason, student debt lenders, compared to other lenders (e.g., credit card companies), are usually much more willing to work with you during your incarceration term and help you arrange affordable monthly payments upon your release... as long as you communicate with them and keep them informed of what is happening along the way.

How can I avoid defaulting on my student loan?

To avoid default, contact your student loan provider(s) and ask for the loan to be placed in a deferment or forbearance plan, or apply for an Income-driven repayment ("IDR") plan based on your \$0 income, which could make the payments \$0. Interest accrual during deferment often is a bit less than during forbearance, and you must reapply annually (up to a three-year time limit each) for deferments or forbearances. It's usually wise to exhaust both of these options before applying for an IDR plan, which tends to have a higher interest rate and also must be recertified annually. For example, the author personally knows a former inmate with a ten-year sentence and large school loan who kept his lender informed about his status and arranged three years of deferment and then three years of forbearance, before switching to an IDR plan in year 7 that kept him out of default and minimized accruing interest until his release and reemployment.

If you have multiple loans, they may have different providers or "servicing companies", and you will need to contact each of them. The U.S. Department of Education (address noted below) can confirm the name/address of your loan provider or servicer, if you need that information.

What if my loan is already in default?

If your student loan is already in default, you ought to try to contact your service provider and let them know that you are currently incarcerated. Ask if you can apply for deferment, forbearance or an IDR plan anyway. Depending on the service provider, they may allow you to take advantage of those programs. (See question above.)

What if my incarceration is over 10 years and I can't pay on my loan?

If you have a defaulted student loan and have been (or will be) incarcerated 10 years or longer, you may be eligible to have the loan declared “uncollectable”. But the borrower is required to document the length of your incarceration via written verification through a letter written on the penal institution’s letterhead and signed by a prison official. They may also allow an email. Include:

- Borrower’s name
- Social security number
- Date of birth
- Inmate number & full name of Institution where held
- Release date or date of eligibility for parole, whichever is sooner

Also include: Name, title and phone number of the official verifying the provided information.
Send the letter to:

- US Department of Education
- P.O. Box 5609
- Greenville, TX 75403-5609

Learn from each other: Mike’s story

Mike faced a ten-year sentence and a large school loan. His good salary was now gone, so how could he handle this large loan without defaulting? While incarcerated, he kept his lender informed about his status and arranged three years of deferment and then three years of forbearance, before switching to an Income Driven Repayment plan in year 7. It was hard work to make these arrangements from prison (with the help of his trusted person on the outside who was his designated Power of Attorney). But their hard work kept him out of default and minimized accruing interest until his release and reemployment.