

# COMMUNITY

## A LOOK AT BORDERLAND

The Journal welcomes ideas for stories about people in our community.  
Call the Journal at 285-7411

# Protect yourself when cosigning loans

### SENIOR CITIZENS' LAW PROJECT

*A legal question and answer line for seniors.*

**Dear Senior Legal Line:**  
**I have grandchildren. One grandchild is asking me to cosign on a car loan. Another grandchild is asking me to cosign on a student loan. I want to help my grandchildren but I've heard stories about parents and grandparents having to pay on loans the kids were not willing or able to pay. What can I do to protect myself. — Signed, Gary**

**Dear Gary:**  
I understand that you want to help your grandchildren. Grandchildren may need a cosigner on a loan for many reasons. The grandchild might not have an established credit history. The grandchild might not have income to pay the monthly payments. Whatever the reason, it shows that a lender believes that the grandchild cannot qualify on his or her own for the loan. Because a cosigner is liable (responsible) for the entire balance of the loan, the lender is more likely to approve the loan.

This may be okay if your grandchild will pay the loan payments or you have enough assets or income to pay off the loan if the grandchild stops paying. However, it often results in heartache and debt for both the grandparent and grandchild when neither can pay. When the

grandchild quits paying, the lender will go after the cosigner for payment of the loan.

With a car loan, the cosigner will probably be responsible for the entire loan and for insurance on the car, under the terms of the financing agreement. Even if the car is repossessed, you and the grandchild will probably still owe money. Newer cars depreciate fast. When the car is repossessed and sold by the lender at a public auction, the sale is often for less than the loan amount.

You and the grandchild are responsible for this "deficiency amount", the amount of the loan not paid off by the sale of the car.

Most grandchildren are not going to use a car to commit a crime, but if a grandchild uses the new car in a commission of a crime, law enforcement officials may confiscate the car (called forfeiture) and sell it if it is involved in certain crimes. The grandchild and the grandparent are still responsible to pay the loan.

For example, a grandparent cosigned for a loan on a new car with his granddaughter. The granddaughter used the car in a commission of a crime and was caught by the police. The police took the car and sold it. The grandparent, as the cosigner, was stuck paying off a \$10,000 loan on a car that neither himself nor his granddaughter had possession of.

If you won't or cannot pay the loan, the lender may sue you for the balance of the loan, even after the car has been repossessed and sold. If they win the lawsuit, and they most likely will since you signed the loan and agreed to be responsible for the loan, the lender will have a judgment against you. This judgment is good for 10 years and can be renewed for another 10 years. The lender will use the judgment to try to get the paid back for the loan, plus interest. While your Social Security benefits are exempt from collections, some large pension incomes may be susceptible to collection.

Also, if you have any ownership interest in real estate, a judgment against you could result in a lien against your real estate. Your homestead is protected and cannot be foreclosed on for this type of lien and if you sell your home, the proceeds remain protected for one year after the sale. However, if the lien is attached to non-homestead real estate, the lender may try to foreclose on the real estate in order to get the lien paid off.

In Minnesota, one car is protected from collection (up to an equity value of \$4,600), so if you have more than one vehicle, the lender may try to get paid by taking your other cars (with the help of the sheriff, of course). No matter what, having an unpaid loan will have a negative impact on your credit rating.

Cosigning a student loan carries similar problems as a car loan, and possibly more problems unique to student loans. Tuitions are increasing and outstripping wage gains for the graduate. Increasingly, graduates cannot keep up with payments. Then the liability falls to cosigners. Making monthly payments could put you in a situation where you have to decide whether to pay the student loan payment or buy your own food, medicine, and monthly housing expenses.

In addition, if the student loans are from the US Department of Education, guaranteed by the federal government, the federal government can collect by garnishing your Social Security benefits. (Federal law gives the federal government the authority to collect from this otherwise protected benefit). The garnishment withholding can run up to 15 percent of the Social Security benefit.

For a retired or disabled worker receiving an average payment of \$1,234 of Social Security retirement or disability benefit, that could mean a reduction of nearly \$190 each month. They will not withhold money that would put your Social Security check below \$750. Please note: Supplemental Security Income will not be garnished to pay federal student loans.

Are there any ways to get out of student loan debt? Unfortunately, student loans

are extremely difficult to be discharged through bankruptcy. Different loans have different cancellation criteria. There is sometimes an option to cancel a student loan debt if the student/borrower can show total and permanent disability.

The disability would have to come about after the student/borrower took the student loans, or the disability was significantly increased, after the loans were taken out.

The student/borrower may be eligible for a TPD discharge on federal student loans if they are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that: Can be expected to result in death; has lasted for a continuous period of not less than 60 months; can be expected to last for a continuous period of not less than 60 months; or has been determined by the Secretary of Veterans Affairs to make you unemployable due to a service-connected disability.

If you want to learn more about this procedure you can visit <http://studentaid.ed.gov/repay-loans/forgiveness-cancellation/charts/disability-discharge>

After a disability cancellation of the loan the student/borrower cannot earn more than 100 percent of federal poverty guidelines or you risk a revocation of the cancellation. Some fed-

eral loans will be canceled for cosigners, but for a federally subsidized "PLUS" loan both the student/borrower and the cosigning individual would have to be eligible for the disability discharge.

I understand the motivation to help your grandchildren with these loans. As you can see, the consequences can be dire for somebody on a fixed income. Perhaps it is time to talk with the grandchild about a used car that the grandchild can buy with cash. With the student/borrower, discuss possibilities of loans that do not need cosigners. The grandchild can speak to their school's financial aid office for more ideas about ways to pay for school. Beware, if you cosign a loan, be prepared to pay the loan. If this prospect concerns you, then do not cosign the loan.

This column is written by the Senior Citizens' Law Project. It is not meant to give complete answers to individual questions. If you are 60 years of age or older and live within the Minnesota Arrowhead Region, you may contact us with questions for legal help by writing to: Senior Citizens' Law Project, Legal Aid Service of Northeastern Minnesota, 302 Ordean Bldg., Duluth, MN 55802. Include a phone number and return address. To view previous articles, go to: [www.las-nem.org](http://www.las-nem.org).

# Spring truck weight restrictions on highways end

### MN DOT REPORT

Spring truck weight restrictions on state highways ended Friday in the southeast, south and metro frost zones. The restrictions will end in the central Minnesota frost zone Tuesday, accord-

ing to the Minnesota Department of Transportation

Spring load restrictions are still in effect in the north-central and north frost zones.

Ending dates for spring load restrictions are established by monitoring road-

way strength as weather conditions change.

Road restriction maps indicating the locations of weight-restricted routes and state highways open to maximum 10-ton axle weights are listed on the MnDOT website at [www.mrr.dot.state.mn.us](http://www.mrr.dot.state.mn.us). Click on "Seasonal Load Limits," then click on "Spring Load Restrictions" for the most up-to-date information.

The information also is available toll-free by calling 1-800-723-6543 in the United States and Canada or by

calling 651-366-5400 in the Twin Cities area.

Middle-range overweight permits become available within each frost zone when spring load restrictions are lifted. Full-summer overweight permits become available within each frost

zone starting two to three weeks after spring load restrictions are lifted.

Travelers in Minnesota can get up-to-date information on road conditions, construction and weather reports by dialing 511 or visiting [www.511mn.org](http://www.511mn.org).




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## Happy Birthday Handsome!

Love, Bob





## Fundraising Benefit For Theodore Kyle Bilyeu

son of Sherry (Fiedler) and George Bilyeu, grandson of Charlene (Pickar) and Herbert Fiedler and Lorraine (Sneath) and Ted Bilyeu

**When: Saturday, May 17<sup>th</sup> 2014**  
**Where: Hanson's Outpost HWY 53 International Falls, MN**  
**Dinner Starts at 5:00 pm**

Karaoke Starts at 9:00 pm

For more information please visit:  
[www.facebook.com/helpkylierecover](http://www.facebook.com/helpkylierecover) or  
Donate online  
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**Sloppy Joe Dinner 5 pm - 7 pm King of the Road Karaoke Raffles**


**Thank you!**

# CONGRATULATIONS!

## STUDENTS OF THE MONTH ANNOUNCED AT INDUS


The following students have been named "Students of the Month" at Indus School based on their exemplary behavior and attitudes, academic achievement or special achievement, and uniqueness. Four students are chosen from these groupings on a monthly basis: Grades 10-12, Grades 7-9, Grades 4-6, Grades K-3.

Students recognized in April for March are:



Jacob Hasbargen


Jacob is in 5th Grade and is hardworking, courteous to others, and willing to do tasks without complaint, say elementary staff at Indus.



Gabriel Hasbargen-Olson


Gabriel is hardworking and perseveres until tasks are done. He also has a great sense of humor and is great to have in class, notes his 6th grade teacher.

High School Students of the Month are:




Madison Frank

Madison is in 8th grade and gives her best effort, is willing to help and ask for help. She uses her manners and has a positive attitude and smile. She is also punctual for class.



Nathan Lewis

Nathan is in 11th grade and consistently completes his work and shows interest and effort, especially in ProStart. He also helps with extra-curricular activities for international travel club and music.



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## Nicholson's Garden Center

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