

III. CONCLUSION

For the reasons explained above, the judgment of conviction and the sentence are

AFFIRMED.



In the Matter of: **Jonathon R.  
GERHARDT, Debtor.**

**United States Department of  
Education, Appellee,**

v.

**Jonathon R. Gerhardt, Appellant.**

**No. 03-30040.**

United States Court of Appeals,  
Fifth Circuit.

Oct. 23, 2003.

Chapter 7 debtor sought discharge of his student loans. The United States Bankruptcy Court for the Eastern District of Louisiana, Jerry A. Brown, J., 276 B.R. 424, entered judgment in favor of debtor, and creditor appealed. The District Court, Ivan L.R. Lemelle, J., reversed. On further appeal, the Court of Appeals, Edith H. Jones, Circuit Judge, held that debtor, a healthy, well-educated 43-year-old with no dependents, was not entitled to “undue hardship” discharge of his more than \$77,000 in student loan debt, though debtor, from his income as principal cellist for philharmonic orchestra, as supplemented by his earnings as part-time cello teacher, was not currently earning enough to per-

mit repayment of this debt while still maintaining minimal standard of living.

Judgment of district court affirmed.

**1. Bankruptcy  $\S$ 3782, 3785.1**

Court of Appeals reviews decision of district court sitting in its bankruptcy appellate capacity, by applying same standards of review to bankruptcy court’s findings of fact and conclusions of law as were applied by district court. Fed.Rules Bankr.Proc.Rule 8013, 11 U.S.C.A.

**2. Bankruptcy  $\S$ 3782, 3786**

Generally, bankruptcy court’s findings of fact are reviewed for clear error, and its conclusions of law are reviewed de novo. Fed.Rules Bankr.Proc.Rule 8013, 11 U.S.C.A.

**3. Bankruptcy  $\S$ 3782**

Whether debtor is entitled to “undue hardship” discharge of student loan obligations involves conclusion regarding legal effect of bankruptcy court’s factual findings and should be reviewed de novo on appeal. Bankr.Code, 11 U.S.C.A. § 523(a)(8).

**4. Bankruptcy  $\S$ 3351.10(1)**

To be entitled to “undue hardship” discharge of student loan obligations, debtor must make three-part showing: (1) that debtor cannot maintain, based on current income and expenses, a minimal standard of living for himself and his dependents if forced to repay loans; (2) that additional circumstances exist indicating that this state of affairs is likely to persist for significant portion of loan repayment period; and (3) that debtor has made good faith efforts to repay loans. Bankr.Code, 11 U.S.C.A. § 523(a)(8).

**5. Bankruptcy  $\S$ 3351.10(3)**

Chapter 7 debtor, a healthy, well-educated 43-year-old with no dependents, was

not entitled to “undue hardship” discharge of his more than \$77,000 in student loan debt, though debtor, from his income as principal cellist for philharmonic orchestra, as supplemented by his earnings as part-time cello teacher, was not currently earning enough to permit repayment of this debt while still maintaining minimal standard of living, where debtor, during orchestra’s off-season, had simply collected unemployment and failed to show that he could not obtain additional steady employment in number of different arenas; no reasons out of debtor’s control existed to perpetuate his present inability to repay his student loans. Bankr.Code, 11 U.S.C.A. § 523(a)(8).

#### 6. Bankruptcy ⇌3351.10(1)

“Additional circumstances” that debtor must demonstrate, beyond a mere present inability to repay his student loans, in order to be entitled to “undue hardship” discharge of his student loan obligations encompass circumstances that impact on debtor’s future earning potential but which either were not present when debtor applied for loans or have since been exacerbated. Bankr.Code, 11 U.S.C.A. § 523(a)(8).

See publication Words and Phrases for other judicial constructions and definitions.

#### 7. Bankruptcy ⇌3351.10(1)

Second prong of three-pronged *Brunner* test for “undue hardship” discharge of student loan debt, that additional circumstances must exist indicating that debtor’s present inability to repay his student loans is likely to persist for significant portion of loan repayment period, is meant to be demanding requirement. Bankr.Code, 11 U.S.C.A. § 523(a)(8).

#### 8. Bankruptcy ⇌3351.10(1)

Fact that debtor is currently in financial straits is insufficient to warrant “un-

due hardship” discharge of his student loan obligations; rather, debtor must specifically prove a total incapacity in the future to pay his debts for reasons not within his control, reasons such as psychiatric problems, lack of usable job skills, or severely limited education. Bankr.Code, 11 U.S.C.A. § 523(a)(8).

#### 9. Bankruptcy ⇌3351.10(1)

Nothing in Bankruptcy Code suggests that debtor may choose to work only in field in which he was trained, obtain low-paying job in that field and then, because he is unable to repay his student loans from his earnings on that job, claim that it would be “undue hardship” to require him to repay student loans. Bankr.Code, 11 U.S.C.A. § 523(a)(8).

Eneid A. Francis (argued) and Stephen A. Higginson, Asst. U.S. Attys., New Orleans, LA, for Appellee.

M. Elizabeth Bowman (argued), Bowman & Howley, Gretna, LA, for Appellant.

Appeal from the United States District Court for the Eastern District of Louisiana.

Before REAVLEY, JONES and CLEMENT, Circuit Judges.

EDITH H. JONES, Circuit Judge:

Over a period of years, Jonathon Gerhardts obtained over \$77,000 in government-insured student loans to finance his education at the University of Southern California, the Eastman School of Music, the University of Rochester, and the New England Conservatory of Music. Gerhardts is a professional cellist. He subsequently defaulted on each loan owed to the United States Government.

In 1999, Gerhardt filed for Chapter 7 bankruptcy and thereafter filed an adversary proceeding seeking discharge of his student loans pursuant to 11 U.S.C. § 523(a)(8). The bankruptcy court discharged Gerhardt's student loans as causing undue hardship. On appeal, the district court reversed, holding that it would not be an undue hardship for Gerhardt to repay his student loans. Finding no error, we affirm the district court's judgment.

### I. STANDARD OF REVIEW

[1,2] We review the decision of a district court, sitting as an appellate court, by applying the same standards of review to the bankruptcy court's findings of fact and conclusions of law as applied by the district court. *In re Jack/Wade Drilling, Inc.*, 258 F.3d 385, 387 (5th Cir.2001). Generally, a bankruptcy court's findings of fact are reviewed for clear error and conclusions of law are reviewed de novo. *Williams v. IBEW Local 520 (In re Williams)*, 337 F.3d 504, 508 (5th Cir. 2003).

[3] Whether courts review the "undue hardship" determination de novo is a matter of first impression in this circuit. A number of our sister circuits have confronted this precise issue, determining that the dischargeability decision is a question of law subject to de novo review. *See In re Long*, 322 F.3d 549, 553 (8th Cir.2003); *In re Rifino*, 245 F.3d 1083, 1086–87 (9th Cir.2001); *In re Brightful*, 267 F.3d 324, 327 (3d Cir.2001); *In re Hornsby*, 144 F.3d 433, 436 (6th Cir.1998); *In re Woodcock*, 45 F.3d 363, 367 (10th Cir.1995); *In re Roberson*, 999 F.2d 1132, 1137 (7th Cir. 1993); *Brunner v. New York State Higher Educ. Serv. Corp.*, 831 F.2d 395, 396 (2d Cir.1987). Similarly, this court has held that determining dischargeability of a debt arising from a willful and malicious injury

under 11 U.S.C. § 523(a)(6) is a question of law subject to de novo review. *In re Williams*, 337 F.3d at 508. The decision to discharge Gerhardt's debts represents a conclusion regarding the legal effect of the bankruptcy court's factual findings as to his circumstances. Thus, the district court correctly applied de novo review to the bankruptcy court's dischargeability holding, and this court applies the same standard on appeal.

### II. UNDUE HARDSHIP TEST

[4] This circuit has not explicitly articulated the appropriate test with which to evaluate the undue hardship determination. The Second Circuit in *Brunner* crafted the most widely-adopted test. *See In re Cox*, 338 F.3d 1238, 1241 (11th Cir. 2003); *In re Ekenasi*, 325 F.3d 541, 546 (4th Cir.2003); *Rifino*, 245 F.3d at 1087–88; *Brightful*, 267 F.3d at 327–28; *Roberson*, 999 F.2d at 1135–36. To justify discharging the debtor's student loans, the *Brunner* test requires a three-part showing:

- (1) that the debtor cannot maintain, based on current income and expenses, a "minimal" standard of living for [himself] and [his] dependents if forced to repay the loans;
- (2) that additional circumstances exist indicating that this state of affairs is likely to persist for a significant portion of the repayment period of the student loans;
- and (3) that the debtor has made good faith efforts to repay the loans. *Brunner*, 831 F.2d at 396.

Because the Second Circuit presented a workable approach to evaluating the "undue hardship" determination, this court expressly adopts the *Brunner* test for purposes of evaluating a Section 523(a)(8) de-

cision.<sup>1</sup>

A. *Minimal Standard of Living*

[5] Under the first prong of the *Brunner* test, the bankruptcy court determined that Gerhardt could not maintain a minimal standard of living if forced to repay his student loans. Evidence was produced at trial that Gerhardt earned \$1,680.47 per month as the principal cellist for the Louisiana Philharmonic Orchestra (“LPO”), including a small amount of supplemental income earned as a cello teacher for Tulane University. His monthly expenses, which included a health club membership and internet access, averaged \$1,829.39. The bankruptcy court’s factual findings are not clearly erroneous. Consequently, we agree with the bankruptcy court’s conclusion of law, which we review de novo, that flows from these factual findings. Given that Gerhardt’s monthly expenses exceed his monthly income, he has no ability at the present time to maintain a minimal standard of living if forced to repay his loans.

B. *Persisting State of Affairs*

[6–8] The second prong of the *Brunner* test asks if “additional circumstances exist indicating that this state of affairs is likely to persist [for a significant period of time].” *Brunner*, 831 F.2d at 396. “Additional circumstances” encompass “circumstances that impacted on the debtor’s future earning potential but which [were] either not present when the debtor[ ] ap-

plied for the loans or [have] since been exacerbated.” *In re Roach*, 288 B.R. 437, 445 (Bankr.E.D.La.2003). This second aspect of the test is meant to be “a demanding requirement.” *Brightful*, 267 F.3d at 328. Thus, proving that the debtor is “currently in financial straits” is not enough. *Id.* Instead, the debtor must specifically prove “a total incapacity . . . in the future to pay [his] debts for reasons not within [his] control.”<sup>2</sup> *In re Faish*, 72 F.3d 298, 307 (3d Cir.1995) (quoting *In re Rappaport*, 16 B.R. 615, 617 (Bankr.D.N.J. 1981)).

Under the second prong of the test, the district court correctly concluded that Gerhardt has not established persistent undue hardship entitling him to discharge his student loans. Gerhardt holds a masters degree in music from the New England Conservatory of Music. He is about 43 years old, healthy, well-educated, and has no dependents, yet has repaid only \$755 of his over \$77,000 debt.<sup>3</sup> During the LPO’s off-seasons, Gerhardt has collected unemployment, but he has somehow managed to attend the Colorado Music Festival. Although trial testimony tended to show that Gerhardt would likely not obtain a position at a higher-paying orchestra, he could obtain additional steady employment in a number of different arenas. For instance, he could attempt to teach full-time, obtain night-school teaching jobs, or even work as a music store clerk.<sup>4</sup> Thus, no reasons out-

1. Both the bankruptcy court and district court applied the *Brunner* test to the facts of this case.
2. Some examples of “additional circumstances” include “psychiatric problems, lack of usable job skills, and severely limited education.” *Roach*, 288 B.R. at 445.
3. Our analysis of the second *Brunner* prong inevitably overlaps to some degree with the third prong, which asks if the debtor has

made a good faith effort to repay the loan. *Brunner*, 831 F.2d at 396. However, because we resolve this case under the second prong, it is unnecessary to explore the third prong in depth.

4. This is not meant to be an exhaustive list of possible employment opportunities for Gerhardt, but instead merely seeks to illustrate other viable avenues for income.

of Gerhardt's control exist that perpetuate his inability to repay his student loans.

[9] In addition, nothing in the Bankruptcy Code suggests that a debtor may choose to work only in the field in which he was trained, obtain a low-paying job, and then claim that it would be an undue hardship to repay his student loans. *See, e.g., In re Grigas*, 252 B.R. 866, 875 (Bankr.D.N.H.) (concluding that a debtor could not satisfy the second *Brunner* prong when financial distress was self-imposed). Under the facts presented by Gerhardt, it is difficult to imagine a professional orchestra musician who would not qualify for an undue hardship discharge.

Accordingly, Gerhardt "has failed to demonstrate the type of exceptional circumstances that are necessary in order to meet [his] burden under the second prong" of *Brunner*. *Brightful*, 267 F.3d at 330. Finding no error, the judgment of the district court is AFFIRMED.



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**Editor's Note:** The opinion of the United States Court of Appeals, Fifth Circuit, in *BCCA Appeal Group v. U.S.E.P.A.*, published in the advance sheet at this citation, 348 F.3d 93, was withdrawn from the bound volume on petition for rehearing.

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