

Equitable Distribution: Classification of Student Loans as Marital Debt

Marital debt is debt incurred during the marriage by either or both spouses for the joint benefit of the parties. *Huguelet v. Huguelet*, 113 N.C. App. 533 (1994). The party asking that the debt be classified as marital has the burden of proving the value of the debt on the date of separation and that the debt was incurred during the marriage for the joint benefit of the parties. *Miller v. Miller*, 97 N.C. App. 77 (1990).

In 2015, I wrote about the classification of marital debt in this blog post, <https://civil.sog.unc.edu/equitable-distribution-classification-of-marital-debt/>. I discussed the decision of the North Carolina Court of Appeals in the case of *Warren v. Warren*, 241 N.C. App. 634 (2015), wherein the appellate court affirmed the trial court's classification of wife's student loan debt as marital debt. In doing so, the court held that to establish that the loans were incurred for the joint benefit of the parties, the party seeking the marital classification has the burden of proving that the loans resulted in a tangible benefit to the marriage. The court in *Warren* stated:

"In order for the court to classify student loan debt as marital debt, the parties must present evidence regarding whether the marriage lasted long enough after incurring the debt and receiving the degree for the married couple to substantially enjoy the benefits of the degree or higher earnings."

The North Carolina Court of Appeals recently revisited the classification of student loans, this time student loans incurred in the name of the husband during the marriage for the education of the adult daughter of the parties. In *Purvis v. Purvis*, (November 16, 2021), the court of appeals again affirmed the trial court's classification of the debt as marital but this time the court held that no tangible benefit to the marriage is required to establish joint benefit.

[*Purvis v. Purvis*](#)

During the marriage, the daughter of the parties attended Sweet Brier College. To pay for the expense of her education, the daughter incurred student loans in her name and husband incurred student loans in his name. The loan proceeds were used by the daughter for tuition, books and living expenses. The parties made a joint decision to incur the loans to help the daughter, but they decided that the loans would be in the sole name of the husband due to discrepancies in the credit scores of the parties. The parties made payments on the loan during the marriage using funds from their joint checking account. On the date of separation, the outstanding debt for the loans incurred by husband was \$164,163.00.

In the equitable distribution proceeding, wife moved for summary judgment on the issue of the classification of the loan debt, arguing that the loans were the separate debt of husband. The trial

court denied her motion and ruled that the loan balance was a marital debt. Wife appealed, arguing that husband failed to establish that the debt was incurred for the joint benefit of the parties.

Joint Benefit

The court of appeals affirmed the trial court after concluding that the student loan debt was incurred for the joint benefit of the parties. The court explained:

“Here, the parties do not dispute that there was a joint agreement to incur the debt. Nor do the parties dispute that [wife] actively participated in obtaining the loans. The parties’ affidavits demonstrate there was a joint benefit, in that their daughter’s tuition, books, and living expenses were covered by the loan rather than out-of-pocket expenses. Further, providing [their] daughter with a formal education was something that [they] both wanted and agreed, to do.”

The court distinguished appellate decisions from Nebraska and Rhode Island that classified student loan debt for adult children as separate debt, explaining that those cases involved situations where one spouse did not know about the debts at the time they were incurred and did not consent to the loans at the time they were incurred.

The court in *Purvis* also explicitly addressed the issue of the lack of a tangible benefit to the marriage, stating:

“Although this is not a tangible benefit in that the [student] loans were not deposited in the parties’ account, a tangible benefit is not required under North Carolina law. *Warren v. Warren*, 241 N.C. App. 634, 637, 773 S.E.2d 135, 137-38 (2015) (“Although our Courts have not specifically defined what constitutes a joint benefit in the context of marital debt, this Court has never required that the marital unit actually benefited from the debt incurred.”).”

Despite citing the *Warren* decision, the court of appeals in *Purvis* offers no explanation for the seemingly contradictory statement in that earlier decision regarding the need to show that the marriage benefited from the higher educational degree received by wife as the result of her student loans.

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