

Social Security Administration Beneficiaries Eligible for Total and Permanent Disability Federal Student Loan Discharge

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Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) notified the Department of Education (ED) about all beneficiaries with *medical improvement not expected* (MINE) disability status who may have been eligible for total and permanent disability (TPD) Federal student loan discharge.

Background

Individuals with TPD are eligible to have their Federal loan debt discharged. To assist ED in fulfilling its obligation to ensure borrowers with disabilities who have Federal student loans more efficiently and effectively apply for TPD discharge of their student loans, SSA and ED entered into a computer-matching agreement. ED accepts SSA's MINE designation as evidence of TPD and uses SSA match responses to identify and inform borrowers with TPD of their eligibility for student loan discharge.

In 2016, SSA's initial match under the agreement identified approximately 400,000 borrowers with TPD. SSA reported these matches to ED. Since that time, SSA and ED have conducted similar quarterly data matches.

Findings

SSA needs to improve its data-matching process to assist ED in administering the TPD discharge process for disability beneficiaries with student loan debt. We estimate data matches SSA completed during our review period did not identify 36,248 borrowers with MINE status. This occurred because SSA had incorrect coding in its Disability Control File or had converted the beneficiaries from disability to retirement benefits. As a result, SSA did not identify these beneficiaries to ED as eligible for loan discharge.

Recommendation

We recommend SSA identify all current disability beneficiaries with incorrect medical diary reason codes in the Disability Control File and take appropriate action to update/correct the errors so the matching process identifies all borrowers with MINE status. SSA agreed with our recommendation.

Other Matters

In April 2016, ED suspended use of Treasury offset to collect unpaid student loan balances from borrowers with TPD, even if the borrowers had not applied for loan discharge. However, we estimate, from May 2016 to November 2019, ED used Treasury offset to collect approximately \$20.3 million from 20,740 SSA beneficiaries with MINE status and will collect an additional \$5.7 million from these beneficiaries over a 12-month period. We provided a copy of our draft report to ED and referred the matter to ED's Office of the Inspector General.

Also, Federal regulations require that ED reinstate TPD-discharged loans if, within 3 years of discharge, the borrower receives notice from SSA that he/she is no longer disabled or SSA has determined medical improvement is expected and his/her disability is no longer permanent. However, under the terms of the matching agreement, SSA does not notify ED when the disability status of beneficiaries with MINE status improves. ED is considering a revision to the matching agreement that will allow SSA to inform ED when the disability status of beneficiaries previously reported with TPD improves.