



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

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

A-06-17-50281 | November 2020

MEMORANDUM

Date: November 9, 2020

Refer To:

To: The Commissioner

From: Inspector General

Subject: Social Security Administration Beneficiaries Eligible for Total and Permanent Disability Federal Student Loan Discharge (A-06-17-50281)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration notified the Department of Education about all beneficiaries with *medical improvement not expected* disability status who may have been eligible for total and permanent disability Federal student loan discharge.

If you wish to discuss the final report, please call me or have your staff contact Michelle L. Anderson, Assistant Inspector General for Audit, at 410-965-9700.



Gail S. Ennis

Attachment

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

A-06-17-50281



November 2020

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.

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ABBREVIATIONS

DCF	Disability Control File
ED	Department of Education
MINE	Medical Improvement Not Expected
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
TPD	Total and Permanent Disability

OBJECTIVE

Our objective was 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

SSA administers the Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs under Titles II and XVI of the *Social Security Act*, respectively.¹ The OASDI program provides benefits to retired and disabled workers as well as their dependents and survivors. The SSI program provides monthly payments to individuals with limited income and resources who are aged, blind, or disabled.

Under the *Higher Education Act of 1965*,² Federal student loan recipients with TPD are eligible to have unpaid loans forgiven/discharged. To assist ED in its obligation to ensure that 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.³ Each quarter since January 2016,⁴ ED has provided SSA with data including the names, dates of birth, and Social Security numbers of individuals with unpaid Federal student loans. SSA compares the ED data to its Disability Control File (DCF)⁵ to identify ED borrowers who receive OASDI or SSI disability payments⁶ as the result of disability where *medical improvement is not expected*. 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.

¹*Social Security Act*, 42 U.S.C. §§ 402, 423, and 1381 (govinfo.gov 2019).

² *Higher Education Act of 1965*, 20 U.S.C. § 1087 (a)(1) (govinfo.gov 2018).

³ *Computer Matching Agreement Between the Social Security Administration and the U.S. Department of Education Federal Student Aid, Match #1100*, October 30, 2015.

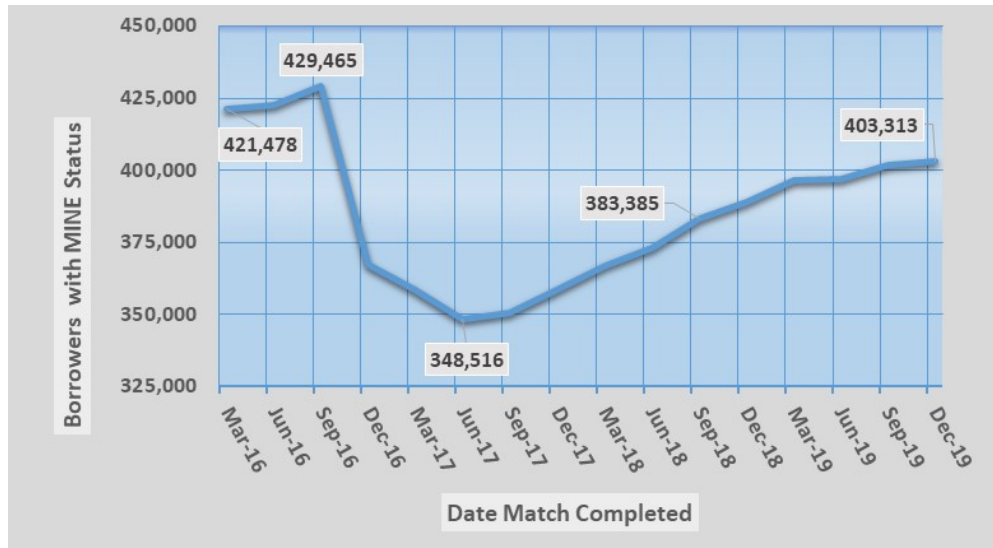
⁴ Office of Systems personnel stated SSA completed the initial data match in January 2016 and provided summary results from matches completed from March 2016 through December 2019.

⁵ The DCF contains a record for all disability-related claims a beneficiary files, including a beneficiary's work and earnings, and data regarding continuing disability reviews pending and processed.

⁶ We use the term "beneficiary" throughout this report in reference to both OASDI beneficiaries and/or SSI recipients.

As illustrated in Figure 1, the number of Federal student loan borrowers SSA identified with MINE status declined from a high of 429,465 in September 2016 to a low of 348,516 in June 2017. However, the number of borrowers SSA identified with MINE status has steadily increased since June 2017.

Figure 1: Federal Student Loan Borrowers SSA Identified with MINE Status March 2016 Through December 2019



SSA provided us ED data that identified approximately 45 million borrowers with unpaid Federal student loan balances it used for data matches completed in quarters ended June and September 2017. SSA also provided us data files it returned to ED for these quarters that identified approximately 376,000 borrowers with MINE status. Our review focused on these records. See Appendix A for more information on our scope and methodology.

RESULTS OF REVIEW

SSA’s data matches did not identify to ED an estimated 36,248 beneficiaries with MINE status who were potentially eligible for student loan discharge (see Appendix B for our sampling methodology and results). This included 33,688 beneficiaries whom SSA omitted because of missing or incorrect medical diary reason codes⁷ in the DCF. The remaining 2,560 beneficiaries were individuals with MINE status whom SSA had converted from disability to retirement benefits before it initiated the matching process.

⁷ Medical diary reason codes are one-digit codes that SSA uses to identify the reason for establishing a medical reexamination diary in the DCF. According to SSA, medical diary reason codes of “5,” “6,” “7,” “8,” or “9” indicate the beneficiary has a permanent disability. Beneficiaries must have one of these codes recorded in the DCF for SSA to identify them as a beneficiary with MINE status under the matching process.

Missing or Incorrect Disability Status in the Disability Control File

We estimate SSA erroneously excluded 33,688 beneficiaries with MINE status from its match results because the DCF did not contain the beneficiaries' correct medical diary reason codes. We identified approximately 648,000 Federal student loan borrowers receiving Disability Insurance benefits in December 2018 whom SSA had not identified with MINE status in its June or September 2017 data matches. From this population, we randomly selected 250 beneficiaries for review and identified 13 with MINE status that SSA should have reported to ED. SSA erroneously excluded

- 10 beneficiaries because systems interface errors caused the beneficiaries' medical diary reason codes to incorrectly appear as "blank" and
- 3 beneficiaries because employees recorded incorrect medical diary reason codes in the DCF.

SSA's Office of Systems reviewed all 13 cases and confirmed SSA erroneously omitted the beneficiaries from the match results it provided ED. Based on its match, SSA did not identify these beneficiaries to ED as potentially eligible for student loan discharge.

Beneficiaries Converted from Disability to Retirement Benefits

SSA omitted from its data match results an estimated 2,560 beneficiaries with MINE status because, before SSA initiated the data matching process, it converted the beneficiaries from disability to retirement benefits.⁸ We identified 41,884 retirement beneficiaries from 1 segment⁹ of the SSA's Master Beneficiary Record¹⁰ who received retirement benefits in November 2015 but were previously entitled to disability benefits. We matched these beneficiaries against the ED borrower files and identified 128 beneficiaries with MINE status on the DCF whose information was not included in SSA's data match results.

Under the matching agreement, SSA only matches ED borrower data for beneficiaries *currently* receiving disability benefits. Therefore, the match excludes beneficiaries with MINE status whom SSA converts to retirement benefits because they have attained full retirement age. Because SSA converted these 128 beneficiaries to retirement benefits *before* it initiated the matching process, SSA did not inform ED they had MINE status and were potentially eligible for student loan discharge.

⁸ SSA converts beneficiaries from the Disability Insurance program to the retirement insurance program at the beneficiary's full retirement age. The age generally ranges from 65 for beneficiaries born before January 2, 1938, to 67 for beneficiaries born January 2, 1960 or later. SSA similarly converts SSI recipients from disability to aged benefits at age 65.

⁹ SSA randomly assigns SSNs. SSA categorizes SSNs into 20 segments, each containing 5 sequential groups consisting of the SSNs' last 2 digits. For example, segment 1 includes all SSNs ending in digits "00" to "04." Each segment represents all 20 segments.

¹⁰ The Master Beneficiary Record contains account, benefit, and transaction data for every OASDI beneficiary.

SSA officials stated the Agency cannot legally provide ED information on these beneficiaries unless both ED and SSA agree to modify the matching agreement. We sent a draft of this report to ED for review. ED officials commented that ED will work with SSA to modify the computer matching agreement to include borrowers with MINE status who have been converted from disability benefits to retirement benefits.

CONCLUSIONS

We estimate data matches SSA completed during our review period did not identify 36,248 borrowers with MINE status.

RECOMMENDATION

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

AGENCY COMMENTS

SSA agreed with our recommendation. The full text of SSA's comments is included in Appendix C.

OTHER MATTERS

The Department of the Treasury administers the Treasury Offset Program—a government-wide delinquent debt matching and payment offset program. ED uses Treasury offset to recover delinquent student loan balances from borrowers' OASDI benefits.¹¹ In April 2016, ED suspended use of Treasury offset of any Federal payments to collect unpaid student loan balances from borrowers of any age identified as receiving Social Security disability benefits for a condition in which medical improvement is not expected, regardless of whether the borrower had applied for student loan discharge.¹² Since 2016, SSA and ED have continued working together to identify borrowers who may be eligible for loan discharge to protect their Social Security benefits from offset and ensure they retain access to the benefits to which they are entitled.

Treasury Offset Applied Against Beneficiaries with MINE Status

We identified 30,058 beneficiaries SSA reported with MINE status in June and/or September 2017 who had Treasury offset applied to their Social Security benefits *after* April 2016. We randomly selected 100 of the beneficiaries and determined that, from May 2016

¹¹ Because SSI is a needs-based program, SSI payments are not subject to Treasury offset.

¹² Government Accountability Office, *Social Security Offsets - Improvements to Program Design Could Better Assist Older Student Loan Borrowers with Obtaining Permitted Relief*, GAO-17-45, p. 32, December 2016.

through November 2019, ED used Treasury offset to collect \$67,459 from 69 disabled beneficiaries with MINE status to satisfy unpaid student loan balances.

We provided ED information on these 69 beneficiaries. ED officials confirmed the Treasury offsets applied against these 69 beneficiaries were to collect delinquent Federal student loan balances. Based on ED's policy change in April 2016, the fact these beneficiaries had MINE status in the months the offsets occurred should have exempted their disability benefits from offset.

ED officials cited two main factors for the offsets. ED used Treasury offset to collect \$56,209 from 22 beneficiaries whose debt-collection activities are administered by various guaranty agencies.¹³ ED allows guaranty agencies to use its access to the Treasury Offset Program to collect delinquent loan balances. According to ED officials, ED may not be providing TPD match results to its guaranty agencies or otherwise preventing them from using Treasury offset to collect delinquent student loan debt from borrowers with MINE status.

ED used Treasury offset to collect \$11,250 from the remaining 47 beneficiaries primarily as the result of timing issues. ED officials explained it can take 1 or 2 months for the administrative process to terminate Treasury offsets already in progress. Of the 47 cases, 33 involved individuals in Treasury offset when ED changed its offset policy in April 2016. In these cases, offsets continued through May or June 2016 before they terminated.

Based on our sample results, 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 period¹⁴ (see Appendix B for our sampling methodology and results). We provided ED with a draft of this report and referred the matter to ED's Office of the Inspector General.

Beneficiaries with Changes in Disability Status

Federal regulations¹⁵ 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.

¹³ According to ED officials, ED collaborates with State and private, non-profit organizations to administer student loans issued prior to July 2010 under the Federal Family Education Loan Program. This Loan Program ended in July 2010. Since that time, ED has issued and administered Federal student loans through its Direct Loan Program.

¹⁴ On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act* into law. The law includes provisions suspending collection of debts related to Federal student loans, including recovery of student loan debt from Social Security benefits via Treasury offset, through September 30, 2020. We based our 12-month estimate on past collection activities for our sampled beneficiaries. We did not adjust our estimate based on this recent law's temporary suspension of student loan debt collections.

¹⁵ 34 C.F.R. § 685.213 (b)(7)(i)(D) (govinfo.gov 2018).

Under the terms of the matching agreement, SSA does not inform ED when beneficiaries previously reported as having MINE status have improvement in their disability status. We identified 22,705 beneficiaries whom SSA reported as having MINE status in June 2017 but not in September 2017. From this population we reviewed 100 randomly selected beneficiaries and determined SSA excluded 9 beneficiaries because they no longer had MINE status.¹⁶ Based on our sample results, we estimate that 2,043 beneficiaries reported with MINE status in June 2017 had improvements in their disability status and no longer had MINE status in September 2017 (see Appendix B for our sampling methodology and results).

According to SSA, ED initially considered requesting that SSA provide loss of MINE status and effective dates as additional data elements under the matching agreement with SSA. However, SSA officials stated that in August 2016, ED decided not to pursue these additions because it determined that the additional data elements would not provide significant enhancements to the existing process. Federal regulations require that ED reinstate TPD-discharged loans if, within 3 years of discharge, SSA determines the beneficiary is no longer permanently disabled. Provision of this information could allow ED to identify borrowers who experienced medical improvement within 3 years of TPD loan discharge without having to rely on borrowers' voluntarily disclosing this information. SSA officials stated the Agency cannot legally provide ED this information unless both ED and SSA agree to modify the matching agreement.

DEPARTMENT OF EDUCATION COMMENTS

In response to our draft report, ED's Office of Federal Student Aid Chief Operating Officer stated ED will work with SSA to modify the Computer Matching Agreement to include borrowers with MINE status who have been converted from disability to retirement benefits. ED acknowledged that, while it has chosen to halt offset for ED-held loans for borrowers with TPDs who were matched on the list, ED does not require that its guaranty agencies cease offsets against borrowers until loans have been approved for TPD. ED is also considering revising the Agreement to allow SSA to inform ED when beneficiaries previously reported with TPD have improvement in their disability status. The full text of ED's comments is in Appendix D.



Michelle L. Anderson
Assistant Inspector General for Audit

¹⁶ SSA did not report the remaining sampled beneficiaries in September 2017 because (1) their information did not appear in ED's September 2017 borrower file, indicating beneficiaries had either paid off their loans or had loan balances discharged; (2) they died or SSA converted them to retirement benefits before the September 2017 data match was completed; or (3) SSA processing errors prevented their identification.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objectives, we:

- Obtained and reviewed applicable Federal laws and regulations as well as Social Security Administration (SSA) policies and procedures.
- Reviewed prior Office of the Inspector General reports pertaining to the benefit-payment offset.
- Communicated with SSA employees from the Offices of Systems and Operations.
- Obtained data from SSA that included information on approximately 45 million individuals the Department of Education (ED) identified as having student loan balances as of June and September 2017.¹ We also obtained SSA data match results that identified approximately 376,000 beneficiaries with medical improvement not expected (MINE) status.
 - We matched SSA’s Master Beneficiary Record against ED borrower files and SSA match results and identified 647,841 borrowers who received disability benefits in December 2018 whom SSA did not report with MINE status in June or September 2017. We randomly selected 250 beneficiaries and determined whether their personally identifiable information matched SSA records and they had MINE status when SSA completed the 2017 data matches.
 - We obtained a data file created in November 2015 from 1 segment of the Master Beneficiary Record that identified 41,884 retirement beneficiaries in current pay status as of December 2014 whom SSA had converted from disability to retirement benefits at the beneficiaries’ full retirement age. We matched these beneficiaries’ personally identifiable information against June and September 2017 ED borrower files and identified 128 beneficiaries with permanent disability indicator codes on their inactive disability control file records whose information was not included in SSA’s data match results.
 - We compared SSA match results to SSA’s Payment History Update System and identified 30,058 beneficiaries SSA reported with MINE status, but who also had Treasury offset applied against their disability benefits after April 2016. We randomly selected 100 beneficiaries and determined whether ED had applied the offset. If so, we identified amounts of Treasury offset applied during months when the beneficiary had MINE status and was receiving disability benefits. We shared our sample results with ED officials who reviewed them and provided additional information about the offsets.

¹ We did not test ED data for validity or completeness.

- We compared SSA’s data match results and identified 22,705 beneficiaries whom SSA reported to ED with MINE status in June 2017 but did not report with MINE status in September 2017. We randomly selected 100 beneficiaries and determined why SSA excluded the beneficiaries from the September 2017 data match results.
- Mailed requests for interviews to five beneficiaries with MINE status who had Treasury offset applied against their disability benefits. We contacted four borrowers who agreed to be interviewed. The fifth beneficiary did not respond to our request.

We conducted our audit from February 2019 to January 2020 in Dallas, Texas. We determined the data used for this audit were sufficiently reliable to meet our audit objectives. The primary entities audited were the Offices of the Deputy Commissioners for Operations and Systems. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B – SAMPLING METHODOLOGY AND RESULTS

We identified 647,841 beneficiaries receiving disability benefits in December 2018 (1) whose personally identifiable information was included in June and/or September 2017 Department of Education (ED) data files and (2) whom the Social Security Administration (SSA) did not report with *medical improvement not expected* (MINE) status in either June or September 2017 match results provided to ED.

We reviewed 250 randomly selected cases and determined SSA erroneously excluded 13 beneficiaries with MINE status from its June/September 2017 output files. In all 13 cases, the beneficiaries' personally identifiable information in ED's input files matched beneficiary information in SSA's Disability Control File, the beneficiaries had MINE status, and were receiving disability benefits when SSA completed both quarterly matches.

Based on our sample results, we estimate SSA erroneously excluded 33,688 beneficiaries with MINE status from June and September 2017 match results provided to ED. As of April 2019, none of our sample cases had been corrected, indicating these omissions were not limited to the June and September 2017 data matches.

Table B-1: Sample Results – Beneficiaries with MINE Status Not Reported to ED in June and September 2017

Description	Amounts
Total Beneficiaries in Population	647,841
Sample Size	250
Beneficiaries with MINE Status Not Reported to ED	13
Point Estimate	33,688
Projection Lower Limit	20,104
Projection Upper Limit	52,733

Note: All projections are at the 90-percent confidence level.

We also obtained November 2015 data from 1 segment of the Master Beneficiary Record that identified 41,884 beneficiaries receiving Social Security payments in December 2014 whom SSA had converted from disability to retirement benefits at the beneficiaries' full retirement age. We matched the data against ED's June and September 2017 borrower files and identified 128 beneficiaries who had MINE status when SSA converted them to retirement benefits and were not in SSA's June or September 2017 match results.

Based on our results, we estimate SSA's matching process did not notify ED of approximately 2,560 beneficiaries with MINE status because SSA had converted them to retirement benefits before it initiated the matching process with ED. All 2,560 beneficiaries were potentially eligible for student loan discharge but SSA did not report them to ED.

Table B–2: Estimate of Beneficiaries with MINE Status Who Were Not Reported to ED Because SSA Converted Them from Disability to Retirement Benefits

Description	Amounts
Beneficiaries from 1 Master Beneficiary Record Segment Receiving SSA Payments in December 2014 and Converted from Disability to Retirement Benefits as of November 2015.	41,884
Beneficiaries with MINE Status at Time of Conversion to Retirement Benefits Who Had Unpaid Student Loan Balances but Were Not Included in June or September 2017 Match Results.	128
Estimated Number of Beneficiaries from all 20 Segments with MINE Status at Time of Conversion to Retirement Benefits Who Were Not Included in June or September 2017 Match Results (128*20)	2,560

In addition, we identified 30,058 beneficiaries SSA reported with MINE Status in its June and/or September 2017 match results who had Treasury offset applied against their disability benefits during at least 1 month between May 2016 and November 2019. We reviewed 100 randomly selected cases and determined 69 beneficiaries with MINE status had \$67,459 withheld¹ for repayment of delinquent Federal student loans. Based on our sample results, we estimate that ED applied Treasury offset to withhold \$20.3 million from 20,740 SSA beneficiaries.

Table B–3: Sample Results – Treasury Offset Used to Withhold Payments from Disability Beneficiaries with MINE Status, May 2016 Through November 2019

Description	Amounts
Population	30,058
Sample Size	100
Cases Where Treasury Offset Applied Against Beneficiary with MINE Status	69
Error Rate	69%
Total Amount Offset from 69 Beneficiaries	\$67,459
Estimated Number of Beneficiaries with Offset (30,058* .69)	20,740
Point Estimate	\$20,276,826
Projection Lower Limit	\$13,668,109
Projection Upper Limit	\$26,885,543

Note: All projections are at the 90-percent confidence level.

We also determined that, in November 2019, Treasury continued to offset/withhold an average of \$196 from 8 sampled beneficiaries' monthly payments. Based on our sample results, we estimate ED will withhold an additional \$5.7 million through Treasury offset from 2,405 SSA beneficiaries over the next 12 months if no corrective action occurs.

¹ All offsets occurred during months SSA records indicated the beneficiaries had MINE status.

Table B–4: Estimated Offsets over the Next 12 Months if Not Corrected

Description	Amounts
Total Records in Population	30,058
Sample Size	100
Sample Records with Treasury Offset as of November 2019	8
Error Rate	8%
Average Amount Withheld from 8 Beneficiaries in November 2019	\$196
Average Amount Withheld from 8 Beneficiaries over 12 Months	\$2,352
Estimated Beneficiaries with Ongoing Offset (30,058 * .08)	2,405
Estimated Amount Withheld over the Next 12 Months (2,405 * \$2,352)	\$5,656,560

Finally, we compared SSA’s June and September 2017 data match results and identified 22,705 beneficiaries with MINE status whom SSA reported to ED in June 2017 but did not report with MINE status in September 2017. We randomly selected 100 cases and, based on our review of SSA records, determined that SSA excluded 9 beneficiaries from the September 2017 match results because the beneficiaries’ medical condition had improved since the prior data match. Based on our sample results, we estimate 2,043 beneficiaries SSA reported with MINE status in June 2017 had improvements in their disability status between June and September 2017.

Table B–5: Sample Results – Beneficiaries SSA Reported with MINE Status in June 2017 Whose Disability Status Improved Before September 2017 Data Match

Description	Amounts
Total Beneficiaries in Population	22,705
Sample Size	100
Beneficiaries Whose Medical Condition Improved	9
Point Estimate	2,043
Projection Lower Limit	1,086
Projection Upper Limit	3,443

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: October 27, 2020

Refer To:

To: Gail S. Ennis
Inspector General

From: 

Stephanie Hall
Chief of Staff

Subject: Office of the Inspector General Draft Report, “Social Security Administration Beneficiaries Eligible for Total and Permanent Disability Federal Student Loan Discharge” (A-06-17-50281) – INFORMATION

Thank you for the opportunity to review the draft report. We agree with the recommendation.

Please let me know if we can be of further assistance. You may direct staff inquiries to Trae Sommer at (410) 965-9102.

Appendix D– DEPARTMENT OF EDUCATION COMMENTS



August 21, 2020

Honorable Ms. Gail Ennis
Inspector General
Social Security Administration
United States Government Accountability Office
Washington, D.C.

Dear Ms. Ennis:

Thank you for providing the U.S. Department of Education (“Department” or “ED”) with the opportunity to respond to the draft Inspector General (IG) report, “Social Security Administration (SSA) Beneficiaries Eligible for Total and Permanent Disability (TPD) Federal Student Loan Discharge (A-06-17-50281)”.

In administering student financial assistance programs, Federal Student Aid (FSA) understands that borrowers with total and permanent disabilities can struggle to repay their student loans. It is FSA’s objective to work closely with the Social Security Administration to identify borrowers who are potentially eligible for Federal student loan discharges.

The draft IG report presents three findings:

- 1) Data matches SSA completed during our review period failed to identify all beneficiaries with TPD who were potentially eligible for Federal student loan discharge.
- 2) ED used Treasury offset to collect delinquent Federal student loan balances from SSA beneficiaries with TPD who were eligible for discharge.
- 3) Under the terms of the computer matching agreement, SSA did not inform ED when beneficiaries with TPD had improvement in their disability status that could require that ED reinstate discharged Federal student loans.

Data Matching

SSA IG Finding #1: *“SSA’s data matches failed to identify to ED an estimated 36,248 beneficiaries with TPD who were potentially eligible for student loan discharge. This included 33,688 beneficiaries that SSA omitted because of missing or incorrect medical diary reason codes in the DCF. The remaining 2,560 beneficiaries were individuals with TPD whom SSA had converted from disability to retirement benefits prior to initiation of the matching process.”*

Response: Thank you for flagging this data matching issue which may have failed to identify borrowers eligible for TPD student loan discharges in the current data matching exchanges.

The Department has no insight into whether the Social Security Administration omitted any potentially TPD eligible borrowers due to missing or incorrect medical diary reason codes. However, the Department stands ready to promptly process any additional potential beneficiaries if or when SSA updates its data responses.

As for potential beneficiaries who converted from disability to retirement benefits prior to the initiation of the matching process, all previous Computer Matching Agreements (CMAs) signed between ED and SSA have included only beneficiaries that receive disability benefits with a Medical Improvement Not Expected (MINE) status. Therefore, ED will work with SSA to modify our CMA to include borrowers with a MINE status who have been converted from disability benefits to retirement benefits. We look forward to working with SSA to modify our CMA to cover these borrowers.

Treasury Offset applied against beneficiaries with TPD

SSA IG Finding #2: *“As discussed earlier, in April 2016, ED changed its policy to stop using Treasury offset to collect unpaid student loan balances from borrowers with TPD, even if the borrowers had not applied for student loan discharge. However, we identified 30,058 beneficiaries SSA reported with TPD in June and/or September 2017 who had Treasury offset applied to their Social Security benefits after April 2016.”*

Response:

Upon receipt and analysis of the quarterly SSA match file, the Department notifies the Department of Treasury to cease any further offset of borrowers on the match list with ED held Federal student loans. Upon notification from the TPD servicer that a borrower has applied for TPD and the loan has been discharged, the Department refunds any offsets received on ED held loans after the effective date of disability.

As noted in the report, there are two main reasons why a borrower matched in the SSA file may still be subject to offset; 1) the time it takes to fully process the SSA match file and notify Treasury to cease offset on appropriate borrowers; 2) Federal Family Education Loans (FFEL) that are held by Guaranty Agencies. In general, it can take the Department weeks to fully process the SSA match file and to send the notifications to the Department of Treasury to cease future offset. Additionally, while the Department has chosen to halt offset for ED held loans for borrowers who were matched on the list, Guaranty Agencies are not required to immediately cease offset until the loans have been approved for TPD.

Beneficiaries with Changes in Disability Status

SSA IG Finding #3: *“Under the terms of the matching agreement, SSA does not inform ED when beneficiaries previously reported with TPD have improvement in their disability status...Based on our sample results, we estimate that 2,043 beneficiaries reported as TPD in June 2017 had improvements in their disability status and were no longer TPD in September 2017.”*

Response: The Department is considering working with SSA to review and revise the CMA accordingly.

We appreciate the time and the effort that went into the audit and the opportunity to comment on the draft report for this important subject.

Sincerely,

Mark A. Brown

Mark A. Brown
Major General (r)
Chief Operating Officer
Office of Federal Student Aid



Mission:

The Social Security Office of the Inspector General (OIG) serves the public through independent oversight of SSA’s programs and operations.

Report:

Social Security-related scams and Social Security fraud, waste, abuse, and mismanagement, at oig.ssa.gov/report.

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