United States Government Accountability Office

Report to Congressional Requesters

December 2016

SOCIAL SECURITY OFFSETS

Improvements to Program Design Could Better Assist Older Student Loan Borrowers with Obtaining Permitted Relief

GAO-17-45

GAO

Highlights

Highlights of GAO-17-45, a report to congressional requesters

December 2016

SOCIAL SECURITY OFFSETS

Improvements to Program Design Could Better Assist Older Student Loan Borrowers with Obtaining Permitted Relief

Why GAO Did This Study

An increasing number of older Americans have defaulted on their federal student loans, which are administered by Education, and have a portion of their Social Security retirement or disability benefits withheld above a minimum benefit threshold to repay this debt. Given that Social Security is the primary source of income for many older Americans, GAO was asked to review these withholdings, known as offsets.

GAO examined: (1) characteristics of student loan debt held by older borrowers subject to offset and the effect on their Social Security benefit; (2) the amount of debt collected by Education through offsets and the typical outcomes for older borrowers; and (3) effects on older borrowers resulting from the program design of relief options. GAO examined data from fiscal years 2001 through 2015 from Education's National Student Loan Data System and other administrative data from Treasury and SSA. GAO also examined aggregated data provided by Education and Treasury, reviewed documentation, and interviewed agency officials about Education's processes for providing relief from offset.

What GAO Recommends

GAO suggests that Congress consider adjusting Social Security offset provisions to reflect the increased cost of living. GAO is also making five recommendations to Education, including that it clarify documentation requirements for permitted relief resulting from disability. Education generally agreed with GAO's recommendations.

View GAO-17-45. For more information, contact Allison Bawden at (202) 512-7215 or bawdena@gao.gov.

What GAO Found

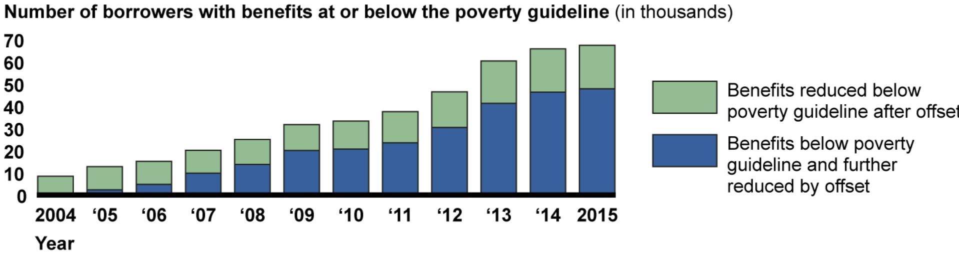
Older borrowers (age 50 and older) who default on federal student loans and must repay that debt with a portion of their Social Security benefits often have held their loans for decades and had about 15 percent of their benefit payment withheld. This withholding is called an offset. GAO's analysis of characteristics of student loan debt using data from the Departments of Education (Education), Treasury, and the Social Security Administration (SSA) from fiscal years 2001-2015 showed that for older borrowers subject to offset for the first time, about 43 percent had held their student loans for 20 years or more. In addition, three-quarters of these older borrowers had taken loans only for their own education, and most owed less than $10,000 at the time of their initial offset. Older borrowers had a typical monthly offset that was slightly more than $140, and almost half of them were subject to the maximum possible reduction, equivalent to 15 percent of their Social Security benefit. In fiscal year 2015, more than half of the almost 114,000 older borrowers who had such offsets were receiving Social Security disability benefits rather than Social Security retirement income.

In fiscal year 2015, Education collected about $4.5 billion on defaulted student loan debt, of which about $171 million—less than 10 percent—was collected through Social Security offsets. More than one-third of older borrowers remained in default 5 years after becoming subject to offset, and some saw their loan balances increase over time despite offsets. However, nearly one-third of older borrowers were able to pay off their loans or cancel their debt by obtaining relief through a process known as a total and permanent disability (TPD) discharge, which is available to borrowers with a disability that is not expected to improve.

GAO identified a number of effects on older borrowers resulting from the design of the offset program and associated options for relief from offset. First, older borrowers subject to offsets increasingly receive benefits below the federal poverty guideline. Specifically, many older borrowers subject to offset have their Social Security benefits reduced below the federal poverty guideline because the threshold to protect benefits—implemented by regulation in 1998—is not adjusted for costs of living (see figure below). In addition, borrowers who have a total and permanent disability may be eligible for a TPD discharge, but they must comply with annual documentation requirements that are not clearly and prominently stated. If annual documentation to verify income is not submitted, a loan initially approved for a TPD discharge can be reinstated and offsets resume.

Impact of Offsets on Older Borrowers' Social Security Benefits

Number of borrowers with benefits at or below the poverty guideline (in thousands)



Source: GAO analysis of data from the Departments of Education and Treasury, and the Social Security Administration. | GAO-17-45

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Abbreviations

Education	Department of Education
Fiscal Service	Bureau of the Fiscal Service
IRS	Internal Revenue Service
NSLDS	National Student Loan Data System
SCF	Survey of Consumer Finances
SSA	Social Security Administration
TPD	Total and Permanent Disability
Treasury	Department of the Treasury

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December 19, 2016

The Honorable Claire McCaskill
Ranking Member
Special Committee on Aging
United States Senate

The Honorable Elizabeth Warren
United States Senate

A growing number of older Americans have student loan debt as they near or enter retirement. Compared to younger borrowers, borrowers age 50 and older have considerably higher rates of default on federal student loans. For those who are in default on their student loans, this debt is generally not discharged in bankruptcy, and their Social Security benefits may be reduced to repay this debt. Specifically, under the Treasury Offset Program, the Departments of Education and Treasury coordinate to withhold a portion of an individual's Social Security retirement or disability benefit to pay off their outstanding federal student loan debt—a process known as administrative offset.[1] Agencies are required to refer such debt to Treasury for offset under the Debt Collection Improvement Act of 1996.[2] GAO previously reported a substantial increase in the number of individuals whose Social Security retirement, survivor, or disability benefits were offset to repay student loan debt for borrowers of all ages, including those aged 65 and older, from 2002 through 2013.[3] Concerns have been raised about the impact of such offsets given that many older Americans rely on Social Security payments for the majority of their income. In addition, the number of those subject to offset may continue to

[1]The Treasury Offset Program was established under the Debt Collection Improvement Act of 1996 to centralize the collection of federal nontax debt, including defaulted federal student loans, at the Department of the Treasury. In addition to Social Security benefits, other federal payments, such as federal tax refunds, are subject to offset.

[2]Pub. L. No. 104-134, § 31001, 110 Stat. 1321, 1321-358. The Debt Collection Improvement Act of 1996, as amended, is currently codified in Chapter 37 of Title 31 of the United States Code. References to the Debt Collection Improvement Act of 1996 are to current law applicable to Treasury offsets in connection with federal student loans in default.

[3]GAO, *Older Americans: Inability to Repay Student Loans May Affect Financial Security of a Small Percentage of Retirees,* GAO-14-866T (Washington, D.C.: Sept. 10, 2014).

increase as the total amount of federal student loan debt owed by Americans grows, as does the number of borrowers.

You asked us to study Social Security offsets for older Americans with defaulted student loan debt. In this review, we examine the experience of older Americans subject to Social Security offsets, including: (1) characteristics of student loan debt held by borrowers subject to offset and the effect on their Social Security benefit; (2) the amount of debt collected by the Department of Education (Education) through offsets and the typical outcomes for those in offset; and (3) effects on older borrowers as a result of program design for offsets and related relief options for disability or financial hardship.

To examine the experience of older Americans who are subject to Social Security offsets for defaulted federal student loan debt, we obtained administrative data needed for our analysis from the Department of the Treasury's (Treasury) Bureau of the Fiscal Service (Fiscal Service), Education, and the Social Security Administration (SSA). To conduct our analysis, we linked the administrative data from Fiscal Service's Treasury Offset Program to data on borrowers' student loans from Education's National Student Loan Data System (NSLDS) and borrowers' Social Security benefits from SSA's Master Beneficiary Record and Disability Control File spanning the timeframe from fiscal years 2001 through 2015. We used the linked record-level data to determine how long borrowers have held loans that became subject to offset, the length of time spent in offset, the size of the reduction in Social Security income, and outcomes for borrowers subject to offset 5 years later. We further analyzed the linked data to determine the effect of Social Security offsets on the balances of defaulted federal student loans, including the proportion of offset applied to fees, interest, and principal. To provide information on the overall population of student loan borrowers, we obtained aggregated data from Education on the total number of borrowers in default and offset by age.

In addition, we reviewed relevant federal laws, regulations, and documentation and interviewed agency officials to obtain information about offsets of Social Security benefits, as well as Education's processes for (1) discharging student loan debt in cases of disability where the borrower is considered to have become totally and permanently disabled, and (2) claiming an exemption or reduction from offset due to financial hardship. To further examine the Total and Permanent Disability (TPD) discharge process, we analyzed aggregated data provided by Education's TPD servicer on TPD discharge applications, approvals, and reinstatements, including the total volume and dollar value. To identify the amount Education collected on defaulted federal student loans through offsets and other payment mechanisms, we analyzed data provided by Education's Default Resolution Group, including aggregated data from the Debt Management and Collection System and information reported by guaranty agencies. In addition, we analyzed aggregated data provided by Fiscal Service on fees assessed by the Treasury Offset Program for Social Security offsets for Education and other federal agencies. We assessed the reliability of all the data sources used in this review by reviewing documentation and conducting testing of the data and as a result determined that they were sufficiently reliable for purposes of this report. More details on our scope and methodology are included in appendix I.

We conducted this performance audit from September 2015 to December 2016 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Older Americans—those in or approaching retirement—and other borrowers who default on their federal student loans are subject to a number of actions by Education to recover outstanding debt.[4] Borrowers may elect a voluntary repayment option to avoid involuntary collection efforts, such as Social Security offsets. (See table 1).

[4]For purposes of this report, we consider older Americans—those in or approaching retirement—to be individuals age 50 and older. As noted in the report, we also distinguish between older Americans who are age 50 to 64 and those who are age 65 and older at the time of their initial offset.

Table 1: Voluntary and Involuntary Options to Repay Defaulted Federal Student Loans

Voluntary options – borrower agrees to repayment	
Option	**Description**
Payment in full	Borrower agrees to pay the entire balance owed
Compromise	Borrower agrees to a reduced overall payment to satisfy the debt(s) in full
Loan consolidation	Borrower agrees to combine multiple federal student loans into one loan and resume repayment
Loan rehabilitation	Borrower agrees to make 9 on-time monthly payments within 10 months
Involuntary options – federal government takes action to collect from borrower	
Option	**Description**
Treasury Offset Program	After notification from the Department of Education (Education), the Department of the Treasury or states (through agreements with the Department of the Treasury) offset certain federal or state payments owed to the borrower, such as federal or state income tax refunds and Social Security retirement or disability benefits
Wage garnishment	Education requires borrower's employer to withhold funds from borrower's pay and send the funds to Education
Litigation	After referral from Education, Department of Justice begins litigation against the borrower

Source: GAO summary of documentation from Education. | GAO-17-45

While Education administers federal student loans, other agencies may become involved in the event that a borrower fails to make repayment. For example, as described in table 1, Education coordinates with Treasury to offset a portion of federal payments to borrowers who have not made scheduled loan repayments. Federal payments subject to offset include federal tax refunds, certain monthly benefits—such as Social Security retirement and disability payments—and wages and retirement benefits for federal employees.[5] The Debt Collection Improvement Act of

[5]The Social Security benefits that Treasury offsets are Federal Old-Age, Survivors, and Disability Insurance Benefits, issued under Title II of the Social Security Act. Treasury does not differentiate among retirement, survivor, and disability benefits in administering Social Security benefit offsets, since all of these benefits are eligible for offset.

1996 centralized the collection of nontax debt, including defaulted federal student loans, at Treasury. Specifically, the Treasury Offset Program within Fiscal Service carries out the transactions for offsetting all federal payments for nontax debt.[6] Offsets for student loan debt through the Treasury Offset Program began in 1999 and were first applied to Social Security benefits starting in 2001.[7]

After a defaulted loan is certified as eligible for offset, certain federal payments, such as any available tax refunds, are offset immediately. Borrowers with monthly federal benefits available for offset, such as Social Security benefits, are informed by mail that their benefits will be offset in 60 days and again 30 days before the offset is taken, allowing borrowers an additional 2 months to resume payment on their loan before offset begins. In addition, Education sends a notice which provides details on the loans eligible for offset and describes options a borrower has to avoid offset. Treasury assesses a fee for each offset transaction, which is subtracted from the offset payment.[8] For fiscal year 2015, Treasury's fee was $15 for each monthly offset of benefit payments and $17 for a single tax refund offset.

Monthly Social Security benefit payments that are eligible for offset are the primary source of income for many older Americans at or near retirement. According to the Social Security Administration (SSA), Social Security benefits accounted for 90 percent or more of income for about 1 in 3 beneficiaries age 65 and older in 2014.[9] Social Security's retirement benefits, which individuals may claim as early as age 62, provide monthly income based on an individual's work and earnings history and are intended to help ensure an adequate retirement income. Disability benefits replace a portion of an eligible workers' income if they are unable

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[6]Treasury also administers a separate but similar program, the Federal Payment Levy Program (FPLP), to offset federal payments for delinquent federal tax debt. The Taxpayer Relief Act of 1997 authorizes the Internal Revenue Service (IRS) to collect delinquent federal tax debt by levying up to 15 percent of certain federal payments until the debt is paid. In the event an individual owes both delinquent tax debt and non-tax debt, delinquent tax debt will be collected first.

[7]Previously, IRS administered tax refund offsets for student loan debt.

[8]31 U.S.C. § 3716(c)(4). Treasury assesses a fee to Education for each offset, and Education passes the fee on to the borrowers.

[9]Social Security Administration, *Fast Facts & Figures about Social Security*, *2016*.

to work due to a long-term disability.[10] When individuals receiving Social Security disability benefits reach Social Security's full retirement age—currently age 66 for people born in 1943-1954—their benefits convert from disability to retirement. Both types of monthly Social Security benefits are eligible for offset if the beneficiary is in default on a federal student loan. Social Security's Supplemental Security Income benefits, which provide monthly cash assistance for eligible individuals with limited financial means, have been exempted from offset.[11]

Certain borrowers may be eligible to discharge their federal student loan debt because they are totally and permanently disabled, regardless of whether or not they are in default. For example, borrowers of any age receiving Social Security disability benefits are eligible for a Total and Permanent Disability (TPD) discharge if SSA has determined that they have a disability for which medical improvement is not expected. Borrowers who are approved for a TPD discharge are generally subject to a 3-year monitoring period during which the discharged loans may be reinstated for several reasons, including that the borrower earned income over a specified threshold.[12] The value of the discharged loan is generally treated as taxable income at the close of the 3-year monitoring period.

The Debt Collection Improvement Act of 1996 specified limits on the amount that Treasury can offset from monthly federal benefits.[13] In 1998, Treasury further exempted all but 15 percent of Social Security benefit

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[10]Adults are generally considered disabled if (1) they cannot perform work that they did before; (2) they cannot engage in any other kind of substantial gainful work because of their medical condition(s); and (3) their disability has lasted, or is expected to last, at least 1 year or is expected to result in death. 42 U.S.C. §§ 423(d) and 1382c(a).

[11]Supplemental Security Income is a federal program funded by general revenue (not by Social Security taxes) that provides monthly cash payments to aged (those 65 and older), blind, and disabled people who have little or no income.

[12]Veterans who qualify for a TPD discharge based on a VA determination of unemployability due to a service-connected disability are not subject to a post-discharge monitoring period. For borrowers who are subject to the 3-year monitoring period, loans may be reinstated during this period for several reasons, including if the borrower's earnings from employment exceeds the poverty guideline amount for a family of two in their state, if the borrower receives a new federal student loan, or if SSA determines that the borrower is no longer disabled or that medical improvement is possible or likely for the borrower's disability.

[13]Specifically, the Debt Collection Improvement Act of 1996 exempted benefit payments totaling $9,000 over a 12 month period. This yearly amount is equivalent to $750 on a monthly basis.

payments from offset. As a result, the amount of allowable offset is the lesser of 15 percent of the monthly benefit payment, the amount by which the benefit payment exceeds $750 per month, or the outstanding amount of the debt.[14] For example, if a borrower with a Social Security benefit of $1,000 per month owes more than $150 in student loan debt, the borrower would have an offset of $150. This is because $150—equivalent to 15 percent of the benefit—is less than the amount of the benefit over $750, which is $250. In addition to the offset threshold, creditor agencies, such as Education, are permitted to grant relief in cases of financial hardship by certifying to Treasury that the offset allowable by law would result in financial hardship.[15] Education established such a process in 2002 to grant financial hardship exemptions or reductions in offset.

Education's Collection Efforts in Fiscal Year 2015

According to Education data for fiscal year 2015, about $4.5 billion was collected by Education, private collection agencies, and guaranty agencies on defaulted federal student loans, excluding loan rehabilitations and consolidations. About half of this amount came from offsets of any federal payments through the Treasury Offset Program, including but not limited to Social Security offsets (see fig. 1). Just over 30 percent of Education's total collections came from administrative wage garnishment, and about 20 percent came from voluntary payments made by borrowers who may have been in the process of making the required number of on-time monthly payments to eventually rehabilitate or consolidate their loans and emerge from default.[16] According to Education officials, borrowers may also make voluntary payments to avoid being

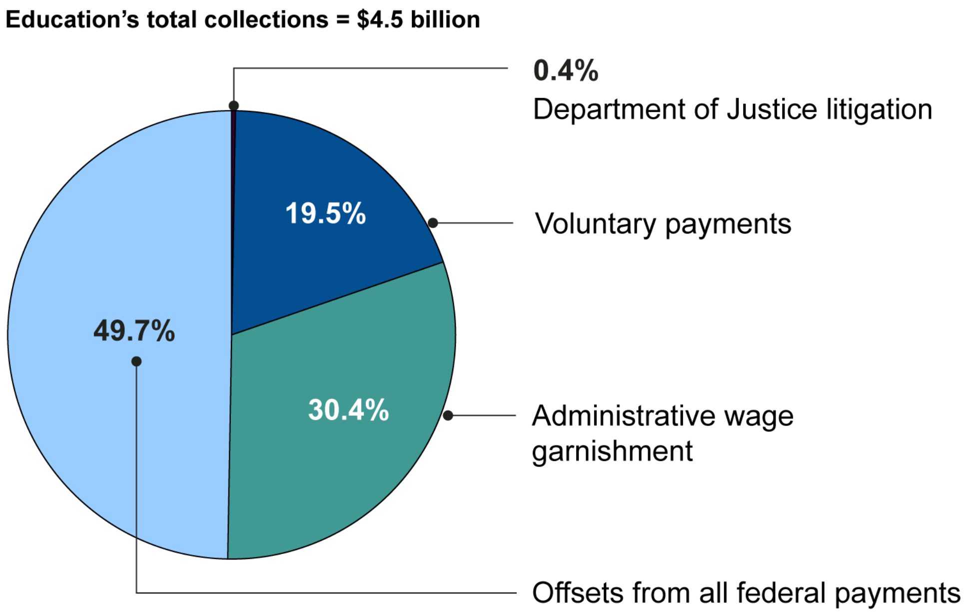
[14]Monthly benefit payment refers to the amount of Social Security benefits paid to an individual after any deductions, such as for Medicare Part B premiums.

[15]31 C.F.R. § 285.5(d)(12). A creditor agency can certify to Fiscal Service that the offset amount allowed by law would result in financial hardship to the debtor and that a lesser offset amount is reasonable and appropriate based on the debtor's financial circumstances.

[16]Borrowers who make at least three consecutive, voluntary, on-time full monthly payments on certain defaulted student loans are eligible for direct consolidation loans whereby they can pay off certain defaulted loans by consolidating them with one or more Direct Loan Program or Federal Family Education Loan Program loans into a single loan with a fixed interest rate. 34 C.F.R. §§ 685.102(b) and 685.220(d)(1). Some borrowers who make nine on-time monthly payments during 10 consecutive months may be eligible for loan rehabilitation, which allows them to have the default removed from their credit history. 34 C.F.R. §§ 682.405(a)(2), (b)(1)(vi)(A) and 685.211(f)(1)(iv). However, borrowers may only rehabilitate a loan once. 34 C.F.R. §§ 682.405(a)(4) and 685.211(f)(12).

subject to other collections actions, such as administrative wage garnishment. In addition to these collections, Education publicly reports recoveries from defaulted loans when they are successfully rehabilitated or consolidated.[17]

Figure 1: Education's Total Collections for Defaulted Student Loans by Type of Collection Effort, Fiscal Year 2015



Source: GAO analysis of data from the Department of Education. | GAO-17-45

Federal Student Loan Debt and Rates of Default, and Offset among Older Americans

Fewer older Americans hold student loan debt, but the rate of increase in the number of older borrowers and the amount of their debt has far outpaced younger borrowers. According to Education data for fiscal year 2015, there were about 37.4 million borrowers under age 50 compared to about 6.3 million borrowers age 50 to 64 and 870,000 borrowers age 65

[17]See 'Default Recoveries by Private Collection Agency' available at: https://studentaid.ed.gov/sa/about/data-center/student/default. Rather than calculating the value of loan payments collected over a specified time period, Education officials said that published data on these types of recoveries include the entire value of the loans because the loan balances are no longer recorded as being in default. In fiscal year 2015, Education reported rehabilitated and consolidated defaulted loan balances that totaled $6.9 billion and $1.2 billion, respectively.

and older.[18] Since fiscal year 2005, these figures represented an increase in the number of borrowers in the age 50 to 64 and 65 and older groups of 119 percent and 385 percent, respectively. In comparison, the growth rate for borrowers age 25 to 49 was 62 percent over this time period. The corresponding increase in the amount of federal student loan debt held by borrowers age 50 to 64 was from about $43 billion to $183 billion over this decade, more than a three-fold increase.[19] Among borrowers age 65 and older, the increase in the amount of federal student loan debt was even larger— it grew from more than $2 billion in fiscal year 2005 to almost $22 billion in fiscal year 2015, about a ten-fold increase.[20] The loans on which older borrowers have defaulted may have either been for their own education or for their children's education through Education's Direct PLUS Loan program.[21]

In fiscal year 2015, compared to younger borrowers a greater share of older borrowers were in default on their student loan debt and became subject to offset from any federal payment, including federal tax refunds

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[18]According to 2013 data from the Survey of Consumer Finances (SCF), about 29 percent of households headed by an individual age 35 to 44 held student loan debt compared to about 12 percent for households headed by an individual age 55 to 64 and about 3 percent for households headed by an individual age 65 and older. These figures are available at: *Historic Tables and Charts*, http://www.federalreserve.gov/econresdata/scf/scfindex.htm. The 2013 SCF did not use the phrase "student loans," but rather asked respondents whether they have education loans. Because of the inclusive wording of the question, the SCF data reflect both federal and private loans. SCF survey responses are also based on the financial situation of an entire household, not just the head of household. Because of this, it is possible that for some households headed by older Americans, the reported student loan debt is held by children or other dependents that are still members of the household. See appendix III, table 4 for more detailed information from the 2013 SCF.

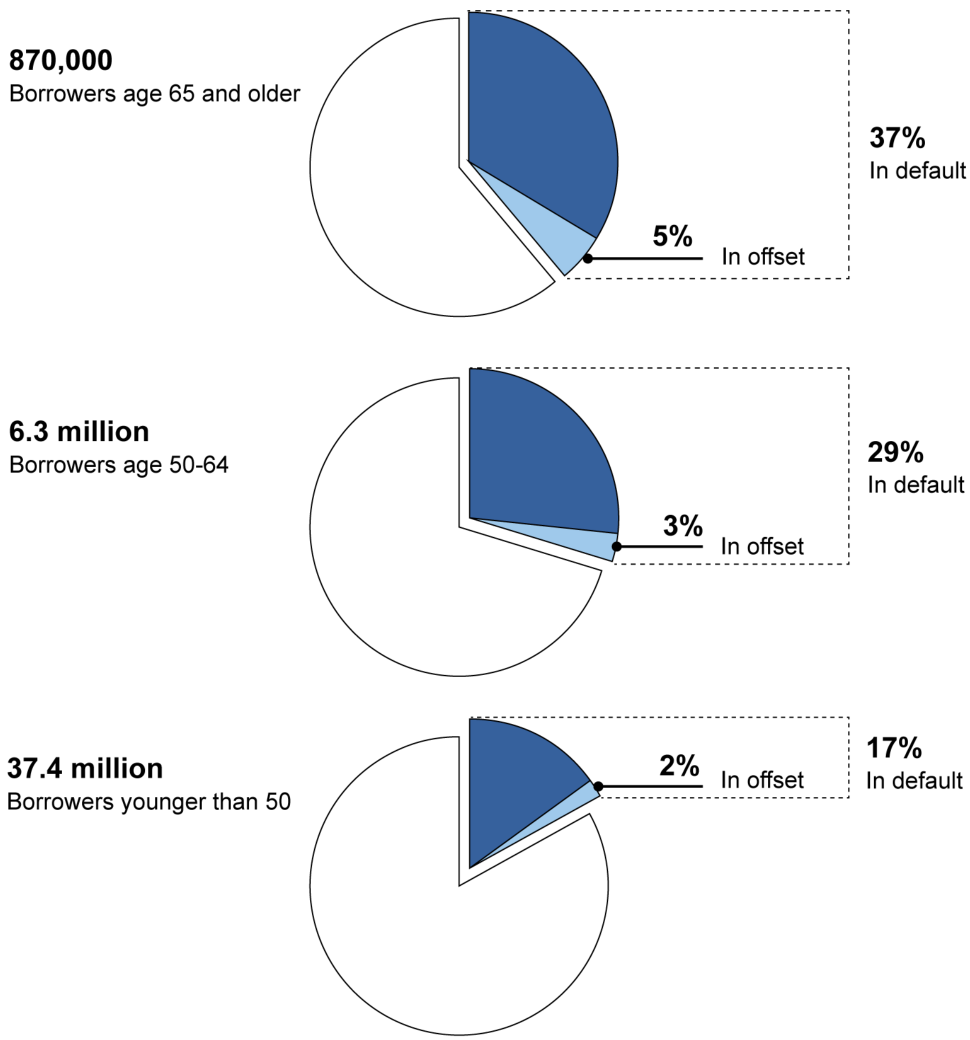
[19]Over the same time period, the amount of federal student loan debt held by borrowers age 25 to 49 increased by 187 percent. For more detailed information on the growth in the number of borrowers and their outstanding federal student loan balances by age, see appendix II, figure 13.

[20]Data in this paragraph do not include less than 0.5 percent of borrowers for whom Education could not determine their age. See appendix II, figures 12 and 13 for more detailed information.

[21]Education's Direct PLUS Loan program offers parents of dependent undergraduate students the opportunity to borrow to finance their children's education. PLUS loans are a form of Direct Loan that can be used by graduate or professional degree students or parents of dependent undergraduate students to pay for educational expenses not paid for by other assistance. Parents or step-parents are eligible for such loans if their child is a dependent student enrolled at least half-time and the school participates in the Direct Loan Program. For more information on Parent PLUS loans, see appendix II.

and Social Security benefits. As shown in figure 2, the share of borrowers age 65 and older in default and offset in fiscal year 2015 was 37 percent and 5 percent, respectively. By contrast, the share of borrowers under age 50 in default and offset was 17 percent and 2 percent, respectively.

Figure 2: Number of Federal Student Loan Borrowers and Share of Those in Default and Offset for Any Federal Payment by Age, Fiscal Year 2015



Source: GAO analysis of data from the Department of Education. | GAO-17-45

Growth in Social Security Offsets and Prevalence of Disability Benefits

In addition, our analysis of data we linked from Education, Treasury, and SSA shows that the number of borrowers, especially older borrowers, who have experienced offsets of Social Security benefits to repay defaulted federal student loans has increased over time. From fiscal years 2002 through 2015, the number of defaulted federal student loan borrowers of any age with Social Security offsets increased from about 36,000 to 173,000. For those under age 50, the number of borrowers with Social Security offsets increased from about 15,000 to 59,000 over this time period—a three-fold increase. For those in the age 50 to 64 and 65 and older groups, the increase was greater—about 407 percent and 540 percent, respectively. In total for fiscal year 2015, about 114,000 borrowers age 50 and older had Social Security disability, retirement, or survivor benefits offset to repay defaulted federal student loans.

Among those subject to Social Security offsets, most received disability benefits rather than retirement or survivor benefits. In fiscal year 2015, 69 percent of defaulted borrowers of any age whose Social Security benefits were offset received disability benefits, including 80 percent of those 50 to 64. Since disability benefits are automatically converted to retirement benefits once beneficiaries reach their full retirement age, the vast majority—95 percent—of defaulted borrowers age 65 and older received retirement or survivor benefits in fiscal year 2015.[22] Of these borrowers, about 23 percent had previously received disability benefits.

Older Americans Often Had Held Student Loan Debt for Decades Prior to Offset, and Many Had the Maximum Possible Amount Withheld through Social Security Offset

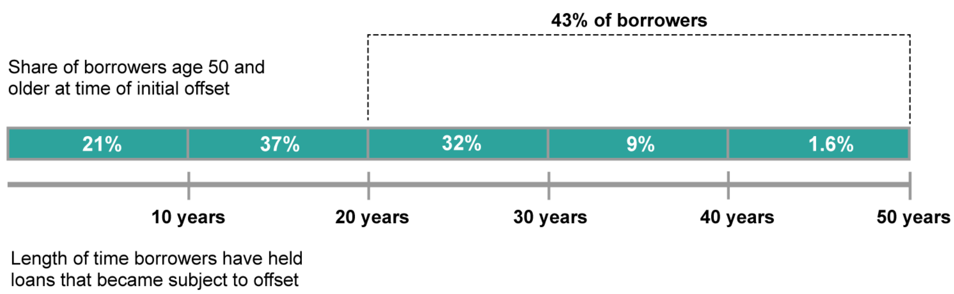
Among borrowers 50 and older at the time of their initial Social Security offset, about 43 percent had held their student loans for 20 years or more. Three-quarters of older borrowers owed loans only for their own education, and most owed less than $10,000 at the time of their initial offset. The typical monthly offset was slightly more than $140 for older Americans, and almost half of those had the maximum possible reduction, equivalent to 15 percent of their Social Security benefit payment. From 2004 to 2014, the population of older Americans in Social Security offset became increasingly composed of those with Social Security income below the median benefit amount.

[22]Social Security's full retirement age is 66 for beneficiaries born between 1943 and 1954.

Many Older Americans Had Held their Student Loans for 20 Years or More at the Time of Initial Offset

About 43 percent of older student loan borrowers with a Social Security offset had held their student loans for 20 years or more, and about 80 percent had held their loans for 10 years or more.[23] According to linked data from the Treasury Offset Program, Education's National Student Loan Data System, and the Social Security Administration from fiscal years 2001 through 2015, the length of time borrowers had held student loans that were in default at the time of their first Social Security offset payment varied as shown in figure 3.[24]

Figure 3: Length of Time Older Borrowers Had Held Student Loans At Time of Initial Social Security Benefit Offset, Fiscal Years 2001 to 2015



Source: GAO analysis of data from the Departments of Education and Treasury, and the Social Security Administration. | GAO-17-45

Note: Percentages in this figure do not add to 100 due to rounding.

These older borrowers generally took out their loans at traditional mid-career working ages, and relatively few of them took out their loans at a traditional college-going age. Across all borrowers 50 or older, 61 percent became subject to offset for loans taken out in their 30s and 40s. For borrowers 50 to 64 at the time of their initial offset, 8.2 percent had outstanding loans that were taken out when they were under 25. Among

[23]Borrowers may hold loans for an extended period of time for several reasons. Deferments and forbearances, including in-school deferments, can extend the repayment period. Extended repayment plans offered on certain loans can last up to 30 years. Additionally, loans remain open and accrue interest while borrowers are in default. Social Security offset may begin after a borrower has been in default for many years if, for instance, the borrower was not receiving Social Security benefits at the time of default. See appendix II for additional discussion of the length of time borrowers were in default before becoming subject to Social Security offset.

[24]When borrowers held consolidation loans, we counted the underlying loans that were paid via the consolidation loan in measuring the length of time the borrower held loans. We excluded all other loans that were paid off or otherwise closed before the borrower became subject to offset.

borrowers 65 and older, 1.4 percent had outstanding loans that were taken out when they were under 25.

Most Older Americans Subject to Social Security Benefit Offset Took Out Loans for Their Own Education and Owed Less than $10,000 at the Time of Initial Offset

Older borrowers who became subject to Social Security offsets predominately defaulted on loans for their own education. Among older borrowers subject to offset of their Social Security benefits, more than three-quarters had defaulted on loans they took out for their own education rather than on loans they took out for a child's education, known as Parent PLUS loans.[25] For borrowers 50 to 64 at the time of initial offset, 82 percent had only ever held loans taken out for their own education. A greater proportion of borrowers 65 or older had Parent PLUS loans, but even among this group, about two-thirds of the borrowers never had Parent PLUS loans.[26]

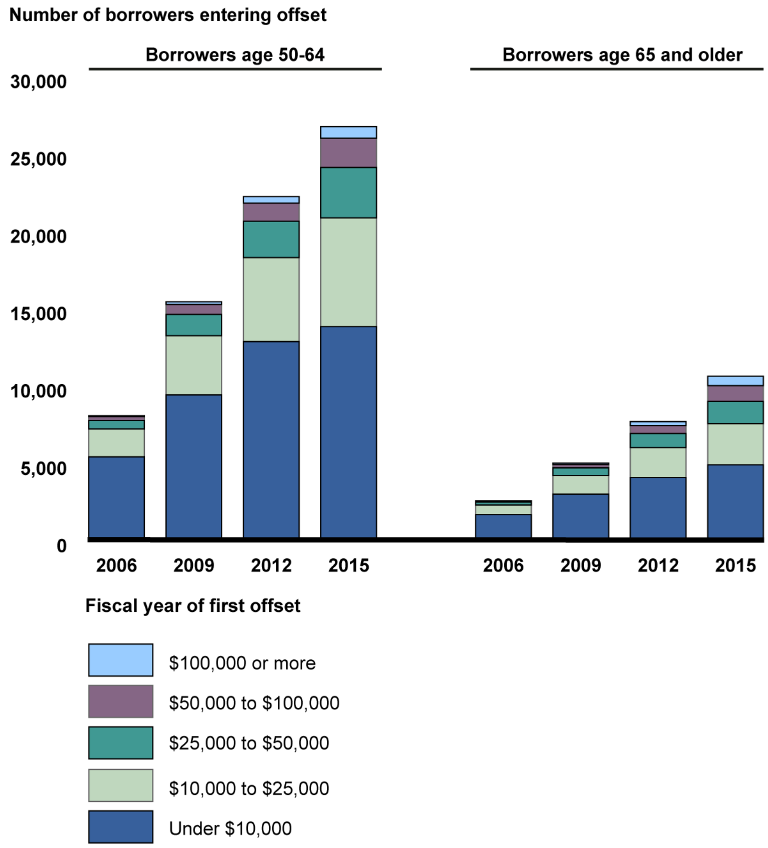
Total federal student loan debt for most older Americans who became subject to offset was less than $10,000, while a small percentage owed $50,000 or more. Initial balances tended to be slightly higher among borrowers 65 and older at the time of their initial offset compared to those 50 to 64.[27] (See fig. 4).

[25]Parents are eligible for Direct PLUS loans to pay for educational expenses not paid for by other assistance if their child is a dependent student enrolled at least half-time and the school participates in the Direct Loan Program.

[26]Among borrowers 50 to 64 at the time of initial offset, 11 percent held only Parent PLUS loans for a child's education and 7 percent of borrowers held loans both for their own education and for a child's education. For borrowers 65 and older, 21 percent of borrowers held only Parent PLUS loans, and 12 percent held both types of loans.

[27]For example, among borrowers 50 to 64 at the time of initial offset, 7 percent owed more than $50,000, including 2 percent who owed more than $100,000. For those 65 and older, 11 percent owed more than $50,000, including 4 percent who owed more than $100,000.

Figure 4: Number of Borrowers Over 50 Becoming Subject to Social Security Offset for the First Time, By Year and Size of Loan Balance



Source: GAO analysis of data from the Departments of Education and Treasury, and the Social Security Administration. | GAO-17-45

Note: Figures not adjusted for inflation.

Many Older Americans Subject to Social Security Offset for Student Loan Debt Have the Maximum Amount Withheld

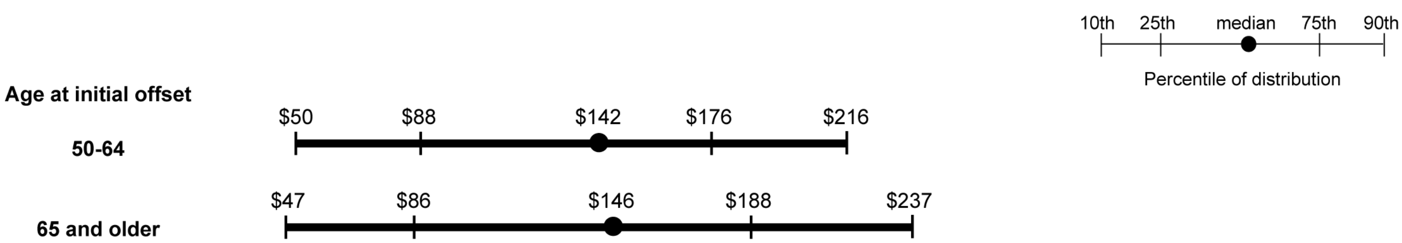
About 44 percent of borrowers 50 and older at the time of their initial offset saw the maximum possible amount of their Social Security benefit withheld, equal to 15 percent of their benefit payment.[28] The offset for the remaining 56 percent was less than the maximum 15 percent of their benefit payment. Most of these borrowers had between 10 and 15 percent of their benefit payment offset. A small proportion of borrowers

[28]The amount of a monthly benefit offset is calculated as the lesser of 15 percent of the monthly benefit payment after any deductions (e.g., Medicare Part B premiums), the amount of the benefit payment over $750, or the outstanding amount of the debt.

(about 5 percent of those 50 to 64 and 4 percent of those 65 and older) were approved for a financial hardship reduction and paid a reduced amount of offset compared to what they would have otherwise.

The typical monthly Social Security benefit offset for older Americans across fiscal years 2001 through 2015 was slightly more than $140. The minimum amount was $25, which is the lowest amount at which Treasury will initiate an offset. For borrowers 65 or older at their initial offset, monthly payments ranged up to about $240 (see fig. 5). At the median, monthly offsets were similar for those 50 to 64 and 65 and older—$142 and $146, respectively.

Figure 5: Distribution of Monthly Social Security Offset Amount for Older Americans, Fiscal Years 2001 to 2015



Source: GAO analysis of data from the Departments of Education and Treasury, and the Social Security Administration. | GAO-17-45

Older Americans in Social Security Offset Increasingly Have Social Security Income Below the Median Benefit Amount

A growing share of Social Security beneficiaries is potentially subject to offset because the share of beneficiaries who have benefits below the protected threshold of $750 has declined. Because of the offset threshold, those receiving monthly benefits of $750 or less who hold defaulted federal student loans are not subject to offset. However, unlike Social Security benefits which are increased on an annual basis through cost of living adjustments, the Social Security offset threshold of $750 has not been adjusted. As the relative value of the offset threshold has declined over time, it applies to a smaller share of Social Security beneficiaries. Across all Social Security beneficiaries in 2004, about 42 percent of those receiving Social Security disability benefits and about 33 percent of those receiving retirement benefits had monthly benefits of less than $750 a month and thus could not become subject to offset. By 2014, however, the share of all beneficiaries below the $750 threshold had fallen to 19 percent of disability beneficiaries and 16 percent of retirement beneficiaries.[29]

Over time, the population of older Americans in Social Security offset has become increasingly composed of those with Social Security incomes below the median benefit amount. In 2004, 21 percent of older Americans subject to Social Security offset received benefits that would have placed them in the bottom half of the overall benefits distribution before considering the amount withheld through offset (see table 2). By 2014, about 60 percent of older Americans subject to offset received benefits that, prior to offset, would place them below the median Social Security benefit amount—about $1,070 for disability beneficiaries and $1,320 for retirement beneficiaries in 2014.

Table 2: Social Security Benefits of Older Americans Subject to Offset Compared to Overall Benefit Distribution

	Proportion of offset population benefit amounts in quintiles (Q) of overall Social Security benefit distribution					
Year	**Q1 (lowest 20 percent)**	**Q2**	**Q3**	**Q4**	**Q5 (highest 20 percent)**	**Percent below median benefit**
2004	0	5	40	37	18	21
2009	0	30	35	23	12	49
2014	2	41	28	20	9	60

Source: GAO analysis of data from the Departments of Education and the Treasury, and the Social Security Administration. | GAO-17-45

Note: Disability beneficiaries subject to Social Security offset for defaulted federal student loans are compared to the overall distribution of disability benefit amounts, and retirement beneficiaries subject to offset are compared to overall distribution of retirement benefits. Quintile cutoffs were calculated using published Social Security Administration tables and are approximate. Benefit amounts are prior to any deductions or offsets.

[29]Across all Social Security beneficiaries, the overall distribution of Social Security benefit amounts tends to increase over time. Cost of living adjustments increase payments to current beneficiaries. Additionally, newly entitled beneficiaries, on average, have higher earnings and thus higher initial benefit amounts than those whose benefits began many years ago.

Social Security Offsets Were a Small Share of Education's Collections and Primarily Paid down Fees and Interest as Many Borrowers Remained in Default after 5 Years

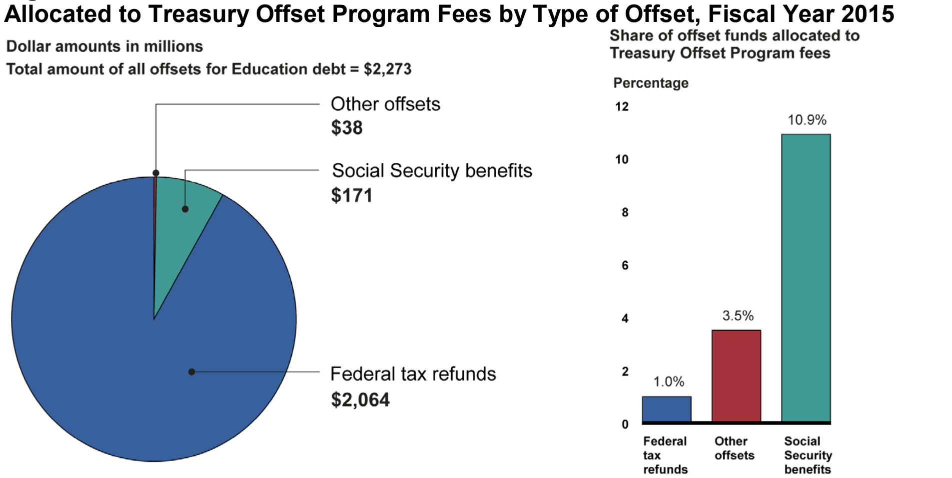
A small share of Education's total collections from the Treasury Offset Program came from Social Security offsets. Nearly three-quarters of the collections through Social Security offset were applied to Treasury Offset Program fees and to interest on the remaining loan balance, rather than to loan principal. With respect to outcomes for older borrowers, about half of borrowers remained in offset for 1 year or less while others remained in offset for multiple years. Over a 5 year time period after becoming subject to Social Security offset, nearly one-third of older borrowers were able to pay off their loans or obtain a disability discharge. However, other older borrowers remained in default on their student loans, and some had their loan balances increase over time despite the reductions to their Social Security benefits.

Social Security Offsets Were a Small Share of Education's Collections through the Treasury Offset Program, but a Relatively Larger Share of These Offsets Went toward Program Fees

Data from Treasury show that Education collected about $171 million in Social Security offsets in fiscal year 2015, which amounted to a small share of the agency's total collections from the Treasury Offset Program (see fig. 6). In total, Education collected almost $2.3 billion from offsets of any kind. The $171 million collected from Social Security offsets was equivalent to about 8 percent of this total. The vast majority of offsets for Education debt— nearly $2.1 billion, or about 91 percent—were from federal tax refunds.[30]

[30]As described earlier, Education's total collections amounted to about $4.5 billion in fiscal year 2015. Thus, about half of this amount—nearly $2.3 billion—came from collections through the Treasury Offset Program, including federal tax refunds and Social Security offsets.

Figure 6: Total Amount of Offset Collections for Education Debt and Share Allocated to Treasury Offset Program Fees by Type of Offset, Fiscal Year 2015



Source: GAO analysis of data from Transparency.Treasury.gov and the Department of Treasury. | GAO-17-45

Note: These data reflect the amount of net offset collections after any reversals of offsets initially processed during the fiscal year.

As shown in figure 6, a relatively larger share of the total amount collected through Social Security offsets went toward Treasury Offset Program fees. In fiscal year 2015, the fee for each Social Security offset was $15 compared to $17 for each federal tax refund offset. Because offset fees are assessed per transaction, a borrower subject to monthly Social Security offsets could pay up to $180 per year in fees compared to $17 for a single federal tax refund transaction. According to data from Treasury, offset fees collected through the Treasury Offset Program amounted to about 11 percent of Social Security offsets collected for Education debt compared to 1 percent for federal tax refund offsets.[31]

[31]Treasury's data show that overall program fees for collection of federal non-tax debt owed to Education and other federal agencies through the Treasury Offset Program amounted to about $167 million in fiscal year 2015. Of this amount, fees for federal tax refunds and Social Security benefits amounted to about $79 million and $73 million, respectively. Fiscal Service charges fees to Federal agencies for offset to cover the cost of the Treasury Offset Program. According to Fiscal Service, the fee for Social Security offsets, decreased from $17 per offset in fiscal year 2013 to $15 per offset in fiscal year 2014 due to projected increases in the volume of offsets and funding requirements that were relatively constant.

More Than 70 Percent of the Amount Collected through Social Security Offset Was Applied to Borrowers' Fees and Interest

Collections on defaulted student loans through Social Security offset were applied primarily to borrowers' fees—including Treasury Offset Program fees, as well as other fees charged to defaulted borrowers by Education—and interest. Treasury's Bureau of the Fiscal Service retains the Treasury Offset Program fee and sends the remainder of the offset to Education.[32] Education officials said that for each student loan, it applies the offset first to any outstanding fee balance,[33] then to accrued interest, and then to principal.[34] Of the approximately $1.1 billion collected through Social Security offsets from fiscal years 2001 through 2015 from borrowers of all ages, about 71 percent was applied to fees and interest—12 percent to fees and 59 percent to interest—compared to 28 percent that was applied to principal.

Among borrowers 50 or older at the time of initial offset, 53 percent had no portion of their offset payments applied to principal. This figure was even higher among older borrowers whose monthly benefit was below the poverty guideline prior to offset—68 percent of these borrowers had the full amount of their offset payments applied to fees and interest only.[35] In contrast, 23 percent of borrowers 50 and older had the majority of their offset payments applied to principal.[36] These borrowers came disproportionately from those whose monthly benefit was above the poverty guideline even after offset.

[32]As described earlier, Treasury assesses offset fees to Education, and Education, in turn, passes the fees on to borrowers.

[33]These fees are distinct from the fee Treasury charges for the Treasury Offset Program. Certain fees, including late payment fees and collections costs, may be charged to defaulted borrowers. 34 C.F.R. §§ 682.202(e)-(f) and 685.202(d)-(e). Such fees constitute less than 0.01 percent of the aggregate loan balance of older Americans at the time of initial offset.

[34]According to Education officials, when a borrower has multiple loans eligible for offset, Education applies the amount offset to each loan in proportion to that loan's share of the total balance eligible for offset.

[35]These calculations are based on the Department of Health and Human Services Federal Poverty Guideline for a single individual, available at: https://aspe.hhs.gov/prior-hhs-poverty-guidelines-and-federal-register-references.

[36]Among borrowers who were under 50 at the time of their initial offset, 47 percent did not have any portion applied to principal, while 27 percent had more than half of their offsets applied to principal. For those under 50 with benefits below the poverty guideline prior to offset, 56 percent did not have any portion of their offset applied to principal.

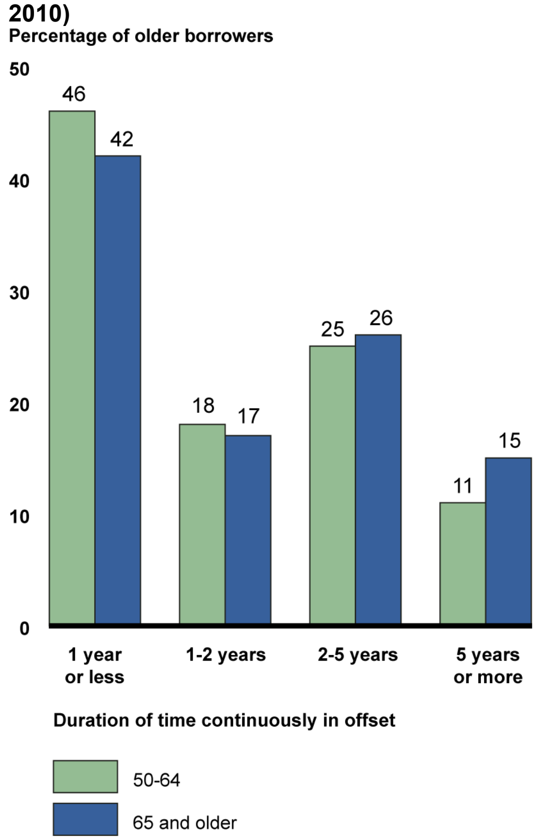
About Half of Older Americans with Defaulted Student Loans Remain Subject to Social Security Offsets for 1 Year or Less, but Those with Larger Balances Tend to Remain Longer

About half of older Americans who had Social Security offsets to repay student loan debt were no longer subject to offset within a year, while slightly more than one-third remained subject to offset for 2 years or more.[37] Looking across the approximately 126,000 borrowers 50 and older whose initial Social Security offset was in fiscal years 2001 through 2010, 45 percent were subject to offset for a year or less, including 8 percent who were only subject to offset for a single Social Security payment.[38] In contrast, 37 percent had their Social Security benefits reduced for multiple years. Specifically, about 25 percent were in offset for 2 to 5 years and 12 percent were in offset for 5 years or more. Results were similar between borrowers 50 to 64 and borrowers 65 and older (see fig. 7).

[37]This section focuses on the longest continuous period of time borrowers were subject to offset. Borrowers can be subject to offset for multiple periods of time. For example, borrowers who rehabilitate their defaulted loans would no longer be subject to offset but could later become subject to offset again if they defaulted a second time.

[38]We restricted this analysis to borrowers who entered offset prior to fiscal year 2011 so that we could track borrowers for 5 years after their initial offset. Across fiscal years 2001 through 2015, there were about 285,000 older borrowers who became subject to offset.

Figure 7: Length of Time Older Borrowers Were Subject to Offset of Their Social Security Benefits for Defaulted Student Loan Debt, by Borrower Age (2001 through 2010)



Source: GAO analysis of data from the Departments of Education and Treasury, and the Social Security Administration. | GAO-17-45

Older borrowers who were subject to offset for shorter periods tended to owe less than those who remained subject to offset for longer periods of time. Specifically:

- **Less than 1 year:** These borrowers had a median loan balance of about $6,000 and an average balance of $12,150 at the time of initial offset.[39]

[39]Because some borrowers have large student loan balances, the average amount of student loan debt per borrower for any group of borrowers tends to be higher than the median amount of debt for that group. This analysis includes borrowers whose initial offset occurred in fiscal years 2006 through 2010 because loan balance histories prior to 2006 were not consistently available from Education.

- **2 to less than 5 years:** These borrowers had a median balance of $8,000 and an average balance of $15,250.
- **5 or more years:** These borrowers had a median balance of $12,800 and an average balance $22,450.

Almost One-Third of Older Americans in Social Security Offset Paid Off or Discharged their Student Loans, but About 36 Percent Were Still in Default after 5 Years

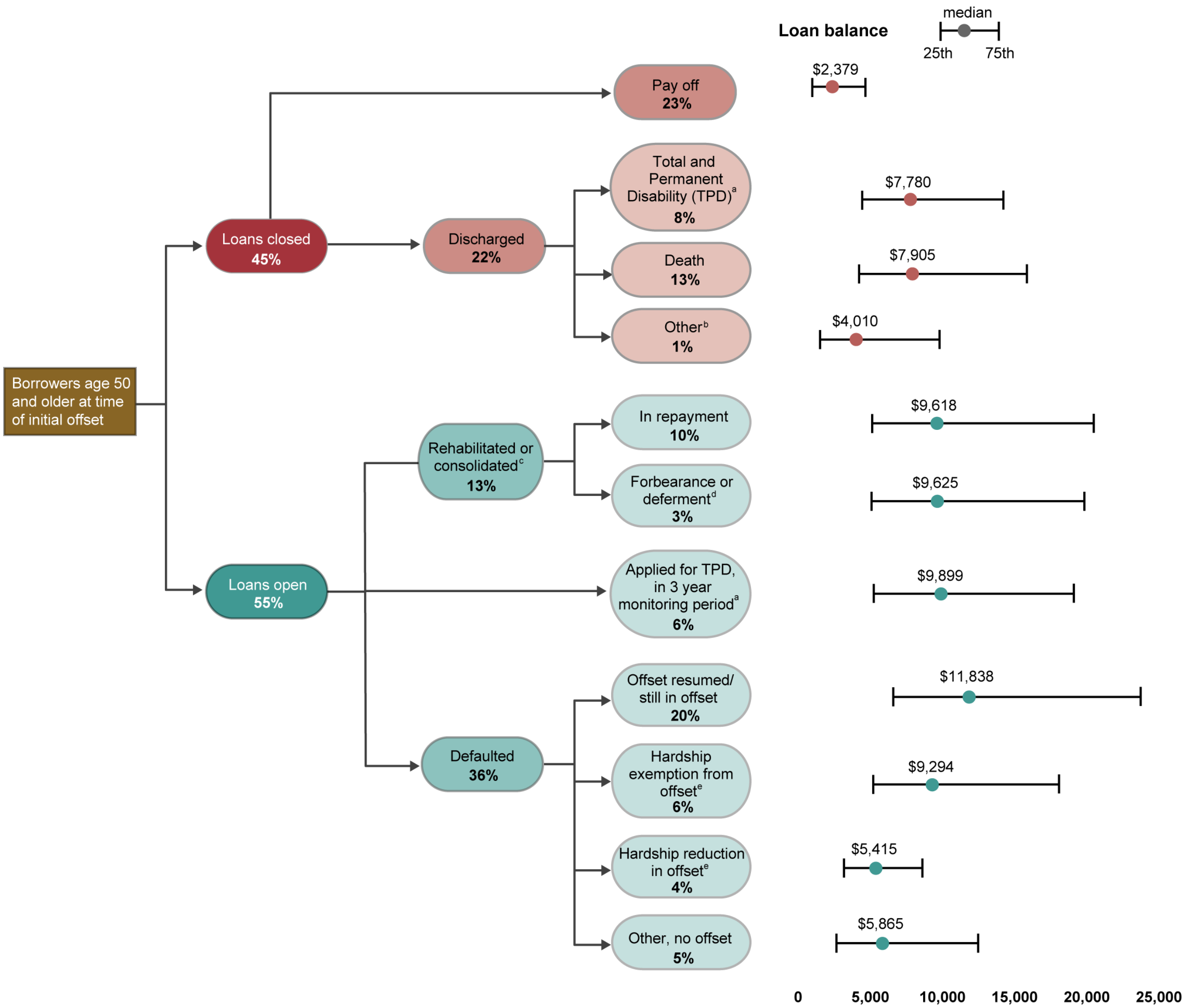
Many older borrowers had paid off or discharged their debt 5 years after their initial Social Security offset, but others remained in default and offset.[40] Among those 50 and older at the time of their initial offset, about 32 percent had paid off or discharged their debt due to disability or school closure or otherwise closed their loans after 5 years for reasons other than death.[41] An additional 13 percent died while their loans were outstanding (see fig. 8). The remainder—about 55 percent—had loans that were still open 5 years after their initial offset. Most of these borrowers with open loans were in default, but others had emerged from default by rehabilitating or consolidating their loans. Specifically, about 36 percent of those 50 and older at the time of their initial offset were in default after 5 years, including 20 percent who were still in offset.[42] A small share—about 10 percent—was able to rehabilitate or consolidate their loans and was in repayment.

[40]Using data encompassing fiscal years 2001 through 2015, we examined outcomes for borrowers 5 years after the date of their initial offset. For some borrowers, the 5-year period included the recession from 2007- 2009, which may have impacted some borrowers' economic situation, including their employment prospects. For more information about the economic impacts for older Americans from the 2007-2009 recession, see GAO, *Income Security: Older Adults and the 2007-2009 Recession,* GAO-12-76 (Washington, D.C.: Oct. 17, 2011).

[41]In certain circumstances, borrowers may be able to discharge their debt for reasons other than disability or death, including if their school closes while they are enrolled or soon after they withdrew or if their school falsely certified their eligibility to receive the loan.

[42]Some borrowers who were in offset 5 years later may not have been continuously in offset.

Figure 8: Share of Older Borrowers by Outcome 5 Years after Initial Social Security Offset to Repay Defaulted Student Loan Debt, Fiscal Years 2001 to 2010



Source: GAO analysis of data from the Departments of Education and Treasury, and the Social Security Administration. | GAO-17-45

Notes: Data on 5 year outcomes include borrowers who became subject to offset prior to fiscal year 2011 in order to observe borrowers for a full 5 year time period through fiscal year 2015. Loan balance data were only available from fiscal year 2006 onward.

[a]Borrowers who are totally and permanently disabled may be eligible to discharge their debt through a Total and Permanent Disability (TPD) discharge subject to several requirements, including a 3-year monitoring period.

[b]In certain circumstances, borrowers may be able to discharge their debt for reasons other than disability or death, including if their school closes while they are enrolled or soon after they withdrew or if their school falsely certified their eligibility to receive the loan.

[c]Rehabilitation is a process by which borrowers can remove a loan from default by making a minimum number of requirement payments. Consolidation allows borrowers to combine multiple loans into one loan.

[d]Under certain circumstances, borrowers who are not in default may also receive a forbearance or deferment that allows them to temporarily postpone or reduce their student loan payments.

[e]Education has also established a process to allow defaulted borrowers who are subject to offset to apply for a financial hardship exemption or reduction in offset.

As shown in figure 8, older borrowers who had been in offset but then paid off their loans had substantially smaller outstanding loan balances at the time of their initial offset compared to other older borrowers subject to offset. For example, the median outstanding balance for older borrowers who were in offset but paid off their loans within 5 years was $2,379 compared to a median outstanding balance of $11,838 for borrowers who were still in offset.[43]

Some Older Americans in Offset Have their Student Loan Debt Increase over Time

Among the 55 percent of older Americans who still had student loans open 5 years after their initial Social Security offset, most had made some progress toward paying down their loan balances, but the loan balances of others increased over time. Taking into account Social Security offsets as well as any other source of payment on a borrower's loans, such as tax refund offsets or voluntary payments, the majority (60 percent) of these borrowers had decreased their loan balances. The loan balances of the remaining 40 percent grew because the payments on their loans from all sources did not keep up with accruing interest.[44]

Borrowers who remained in Social Security offset after 5 years tended to have made more progress in paying down their loan balances compared to other borrowers who still had open loans but were no longer in offset. For example, some borrowers may no longer have been in offset because

[43]Additional information on outcomes of older Americans with Social Security offsets can be found in appendix III, tables 15 and 16, including outcomes by age and duration in offset. Outcomes for those in the age 50 to 64 and age 65 and older categories were similar overall. Older borrowers who had a shorter duration of time spent in offset generally had more favorable outcomes than those who remained in offset for longer periods of time.

[44]A somewhat greater proportion of borrowers younger than 50 who had open loans after 5 years had their loans increase over time; 47 percent of these borrowers owed more at the end of 5 years than they did when their first offset occurred.

they rehabilitated or consolidated their loans, but were then in forbearance or deferment and, thus, were not making payments. Specifically:

- **Borrowers who remained in offset:** Among borrowers 50 and older who still had offsets after 5 years, 32 percent had their loan balances increase after considering all sources of payment on their loans.
- **Borrowers with a financial hardship exemption from offset:** 48 percent of borrowers 50 and older who still had open loans but had secured a hardship exemption—and thus were no longer making payments through Social Security offset—had a greater loan balance after 5 years.
- **Borrowers in forbearance or deferment:** Borrowers 50 and older who exited offset by rehabilitating or consolidating their loans but were in forbearance or deferment at the end of 5 years—and thus not making payments—fared particularly poorly, as 67 percent owed more than they did when they entered offset.

More borrowers who were in Social Security offset for several years paid down principal with their offsets than borrowers who were briefly in offset, but some borrowers had not paid any principal after years of offsets. Among borrowers age 50 or older who stayed in offset for less than 1 year, 60 percent paid only fees and interest. For those in offset for more than 5 years, about one-third paid only fees and interest with their offsets, while about two-thirds paid some principal.[45]

[45]Because many borrowers have accrued outstanding interest balances when they enter offset, a borrower whose Social Security offsets do not decrease the loan principal can still decrease their overall loan balance by paying down the outstanding interest, as long as the amount of the Social Security offset applied to outstanding interest is greater than the monthly interest accruing on the loan.

Program Design May Impact Retirement Security for Older Borrowers, Including Those Seeking Relief Permitted for Permanent Disability or Financial Hardship

A growing number of older borrowers may experience financial hardship in the years leading up to or during retirement because the Social Security offset threshold has not been adjusted for increases in costs of living since program provisions were implemented by regulation in 1998. In addition, many older Americans subject to offset may be eligible for a TPD discharge but they have not applied for one, and Education is taking steps to reduce the numbers of borrowers who have not applied. Education is also taking steps to automatically suspend offsets for certain disabled borrowers, but these steps could adversely affect borrowers at an older age. This is because Education does not provide these borrowers with information that would help them make more informed choices about applying for a TPD discharge. Further, for those who apply for a TPD discharge, key requirements of the 3-year monitoring period are not clearly communicated. As a result, older borrowers and others with disabilities may not complete required documentation to continue receiving this relief. Finally, Education established a process for granting financial hardship exemptions or reductions from offset, but they do not provide borrowers information about this option unless requested or review these exemptions once granted.

A Growing Number of Older Borrowers with Social Security Offsets May Experience Financial Hardship because the Offset Threshold Is Not Adjusted for Increases in Costs of Living

Older borrowers who remain in offset may increasingly experience financial hardship. Such is the case for a growing number of older borrowers whose Social Security benefits have fallen below the poverty guideline because the offset threshold is not adjusted for increases in costs of living. The threshold for Social Security offsets was established to prevent undue financial hardship on borrowers who rely on benefits for a substantial part of their income and who may be unable, rather than unwilling, to repay debts.[46] This is consistent with the policy underlying the Social Security program that benefits are intended to help ensure older Americans have adequate retirement incomes and do not have to depend on welfare.[47] According to SSA, Social Security benefits represented 90 percent or more of total income for about one-third of beneficiaries 65 and older in 2014.[48] At the time it was set, in 1998, the

[46] See H.R. Rep. No. 104-537, at 565-67 (1996) (Conf. Rep.).

[47] Once payments have begun, Social Security benefits are generally adjusted annually to reflect increases in the cost of living. For more information on the Social Security program, see GAO, *Social Security's Future: Answers to Key Questions,* GAO-16-75SP (Washington, D.C.: Oct. 27, 2015).

[48] Social Security Administration, 2016.

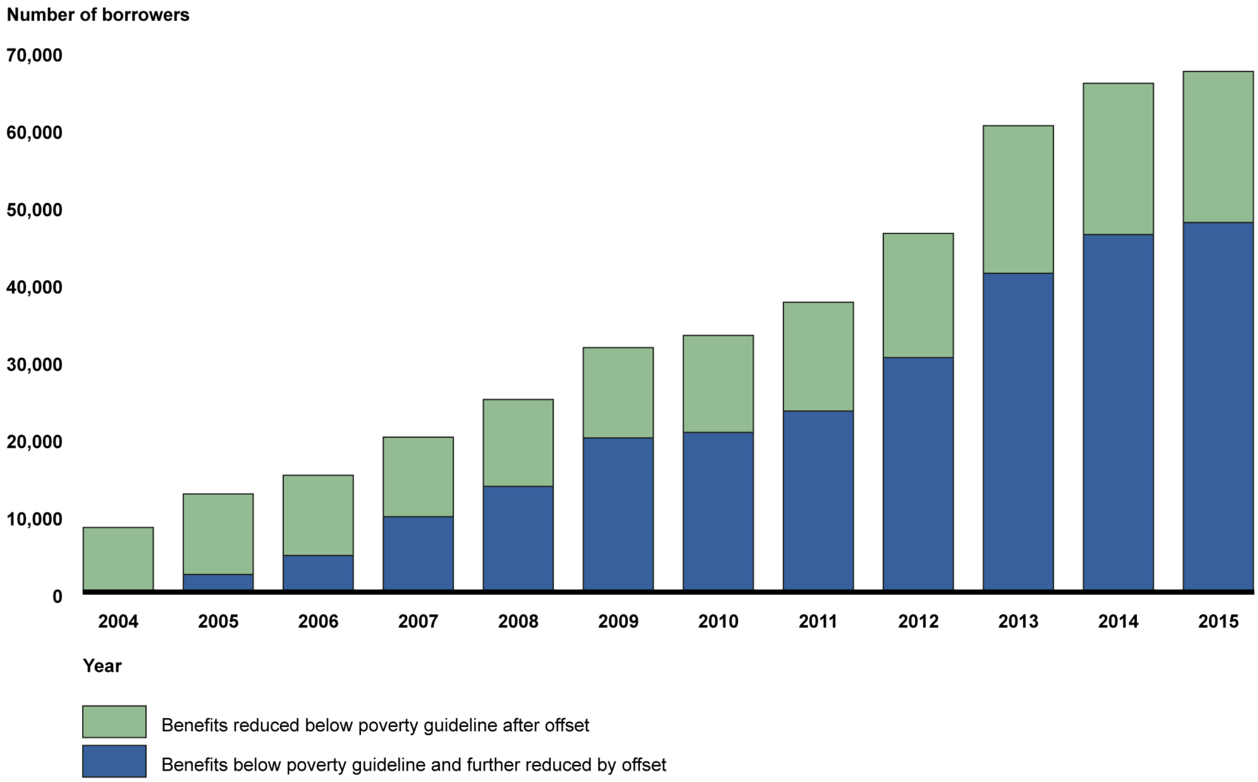
threshold for Social Security offsets was above the poverty guideline—$750 a month represented about 112 percent of the poverty guideline for a single adult that year.[49] However, in the absence of cost of living adjustments, the relative value of the offset threshold has declined over time to well below the poverty guideline. In 2016, the poverty guideline for a single adult equated to a monthly income of about $990, and the $750 threshold represented about 76 percent of this amount.[50] Consequently, an increasing number of older Americans subject to Social Security offsets received benefits below the federal poverty guideline. In fiscal year 2004, about 8,300 borrowers in the 50 and older age category had benefits below the poverty guideline compared to almost 67,300 in fiscal year 2015 (see fig. 9). As a share of borrowers in the 50 and older age category, this growth was equivalent to an increase from 38 percent in fiscal year 2004 to 64 percent in fiscal year 2015.[51] In addition, as shown in figure 9, a growing number of these older borrowers already received Social Security benefits below the poverty guideline before offsets further reduced their income.

[49]This figure is based on the Department of Health and Human Services Federal Poverty Guideline in 1998 for a single individual in the 48 contiguous states and the District of Columbia, available at: https://aspe.hhs.gov/prior-hhs-poverty-guidelines-and-federal-register-references.

[50]This poverty guideline applies to a single individual in the 48 contiguous states and the District of Columbia.

[51]Likewise, a growing number of younger borrowers subject to Social Security offset have benefits below the poverty guideline. In fiscal year 2004, 7,600 borrowers under 50 who had Social Security offsets received benefits—primarily for disability—below the poverty guideline, equivalent to 47 percent of this group. By fiscal year 2015, this number had risen to nearly 51,500 borrowers, equivalent to 76 percent of this group.

Figure 9: Number of Borrowers Age 50 and Older Whose Social Security Benefits Are below the Poverty Threshold after Offset for Education Debt, Fiscal Years 2004 to 2015



Source: GAO analysis of data from the Departments of Education and Treasury, and the Social Security Administration. | GAO-17-45

Note: Borrowers' Social Security benefit and offset amounts for each month in a fiscal year were compared to the monthly equivalent of the Department of Health and Human Services Federal Poverty Guideline for a single individual in the 48 contiguous states and the District of Columbia in the relevant calendar year. Borrowers who received Social Security benefits below the poverty guideline for the majority of months they were subject to offset in a fiscal year were categorized as being below the poverty guideline.

Proposals to adjust Social Security offset provisions—such as by indexing the offset threshold—have been made by Education and proposed in legislation. In October 2015, Education proposed that the Social Security offset threshold be indexed to inflation.[52] In its support for this proposal, Education noted that the Debt Collection Improvement Act of 1996 recognizes that Social Security is "a key source of income for many

[52]U.S. Department of Education, "Strengthening the Student Loan System to Better Protect All Borrowers," Oct. 1, 2015.

disabled and elderly Americans." In addition to Education's proposal, legislation was introduced in October 2015 to index the Social Security offset threshold to inflation.[53]

It is also important to recognize that adjusting Social Security offset provisions would reduce Education's recoveries from Social Security offsets. If the offset limit had been indexed to match the rate of increase in the poverty guideline, 62 percent of all older borrowers whose Social Security benefits were offset for federal student loan debt in fiscal year 2015 would have kept their entire benefit and 13 percent would have had a smaller offset.[54] In total, our analysis found that Education would have collected about 40 percent of the amount collected through Social Security offsets for borrowers of any age in fiscal year 2015.

Many Older Borrowers Subject to Offset May Be Eligible for a Total and Permanent Disability Discharge under Education's Process but Have Not Applied

Older Americans subject to Social Security offset may be eligible to have their student loan debt discharged because they are severely disabled.[55] According to our analysis of linked data from Education, Treasury, and SSA, the large majority of older borrowers in offset who had their student loans discharged did so through Education's total and permanent disability (TPD) discharge process. For those 50 and older who were initially subject to offset between fiscal years 2001-2010, TPD discharges represented about 90 percent of all non-death related discharges within 5

[53]Social Security Garnishment Modernization Act of 2015, H.R. 3747, 114th Cong. § 2. Other legislation has been introduced to exempt these benefits from offset. For example, one bill proposed to exempt Social Security benefits from offset only in the case of federal student loan debt. Stop Social Security Garnishment for Student Debt Act of 2015, H.R. 3967, 114th Cong. § 2. Another bill proposed a comparable exemption in the case of any federal debt. Protection of Social Security Benefits Restoration Act, S. 2387, 114th Cong. § 2 (2015). Additionally, in 2015, Treasury modified a similar but separate IRS program that reduces Social Security benefits and other federal payments to collect on delinquent federal tax debt—the Federal Payment Levy Program—in order to exempt Social Security disability benefits from levy. One existing regulatory provision for Social Security offset generally that could be adjusted to decrease the amount of Social Security benefits subject to offset is the 15 percent cap on Social Security offsets. However, Fiscal Service indicated that it does not have the authority to adjust the 15 percent cap on Social Security offsets for only student loans without a statutory change.

[54]For this analysis, we calculated what the offset threshold would have been in fiscal year 2015 if it had remained at 112% of the poverty guideline as it was in 1998. Similarly, 74 percent of borrowers under 50 whose Social Security benefits were offset in fiscal year 2015 would have kept their entire benefit, and 13 percent would have had a smaller offset.

[55]Education's process for such a discharge applies to older borrowers as well as borrowers under age 50.

years after the initial offset. In total, after 5 years, about 8 percent of those 50 and older at the time of their initial offset applied for and successfully obtained a TPD discharge of their loans, while about 6 percent more were initially approved, but were still in the conditional 3-year monitoring period.[56]

Education's TPD discharge process permits such discharges for certain recipients of Social Security disability benefits of any age. Effective July 1, 2013, the eligibility criteria for TPD discharges were modified to include borrowers receiving Social Security disability benefits if SSA has determined they have a disability in which medical improvement is not expected.[57] Borrowers who receive disability benefits but are not in this status, as well as other borrowers who do not receive disability benefits, may still apply for a TPD discharge based on a physician's certification or a determination from the Department of Veterans Affairs. Under Education's TPD process, when borrowers alert their loan servicer that they are disabled they are referred to Education's centralized TPD servicer who provides them application materials. According to Education officials, effective from April 2016, offsets are suspended on the borrower's loans during the 120-day application period. Once borrowers submit their completed application, Education determines if they are

[56]As described earlier, during the 3-year period while discharge of an individual's loan is under consideration, Education is primarily monitoring individuals' annual income and continuing disability status. Loans may be reinstated during this period for several reasons, including if the borrower's earnings from employment exceeds the poverty guideline amount for a family of two in their state, if the borrower receives a new federal student loan, or if SSA determines that the borrower is no longer disabled or that medical improvement is possible or likely for the borrower's disability.

[57]In addition, borrowers can qualify for a TPD discharge based on physician certification or documentation from the Department of Veterans Affairs showing that the borrower is unemployable due to a service-connected disability.

Tax Treatment of Federal Student Loans Discharged Due to Total and Permanent Disability

The total value of loans discharged through the Total and Permanent Disability (TPD) discharge process is generally treated as income subject to federal tax. In some cases, this may result in a considerable amount of tax liability for disabled borrowers. According to data from Education, the median amount of debt per borrower discharged due to TPD in fiscal year 2015 was about $17,500. The President's 2017 Budget proposal includes a provision to exclude TPD discharges and other loan forgiveness programs from taxable income, but Congress would need to pass legislation to implement this change.

Education officials said that they alert borrowers about the tax treatment of TPD discharges, but do not provide advice. Instead, the application form in use at the time of our review directed borrowers to consult with a tax professional to determine how the TPD discharge may affect their personal taxes. The revised form, which has not yet been implemented, directs borrowers to contact the Internal Revenue Service for more information about tax consequences.

Source: GAO analysis of data and documentation from the Department of Education and *Budget of the United States Government, Fiscal Year 2017* and Department of Education, *Student Loans Overview Fiscal Year 2017 Budget Proposal*.| GAO-17-45

eligible for a discharge. As described earlier, borrowers approved for a TPD discharge are generally subject to a 3-year monitoring period during which the discharged loans may be reinstated for several reasons, including that the borrower earned income over a specified threshold. Once the 3-year monitoring period has been completed and the discharge processed, the loans cannot be reinstated. The value of the discharged loans is generally treated as taxable income at the close of the 3-year monitoring period, as described in the sidebar.[58]

While TPD discharges represent the largest share of loan discharges for older Americans in offset, data from Education indicate that a considerable number of borrowers of any age, including those age 50 and older, who are eligible for a TPD discharge have not fully completed the application process.[59] Education has taken steps to identify and conduct outreach to such borrowers of all ages, many of whom are certified for offset. Specifically, in December 2015 Education began matching NSLDS data with SSA records to identify borrowers who receive disability benefits and who are eligible for a TPD discharge because SSA had determined that their medical improvement was not expected. Once identified, borrowers were sent a letter explaining they are eligible for a TPD discharge and describing the actions they must take to apply. Based on this data matching, Education reported in April 2016 that it had initially identified approximately 387,000 borrowers of any age eligible for a TPD discharge. Of these, over 100,000 borrowers were in default and had been certified for offset.[60] According to Education, as of July 31, 2016, TPD discharge applications were sent to about 234,000 borrowers based on the data matching and slightly more than 19,000 applications had been submitted and approved.[61] Education officials said that nearly 1,800 additional applications had been submitted but not yet approved, generally because the agency was in the process of following up to obtain

[58]According to Education officials, in some circumstances borrowers may not pay federal income tax on the value of the discharged loan, for instance when discharged loans exceed their assets.

[59]These data from Education were not available by age and include both older and younger borrowers.

[60]Borrowers who are certified for offset because of their defaulted federal student loans may not have their Social Security benefits reduced for multiple reasons, including that their benefits are below the Social Security offset threshold or they have received a financial hardship exemption.

[61]In addition, about 12,500 letters were sent to borrowers but returned because the borrower is no longer at that address.

missing signatures on these applications. Approximately 213,000 borrowers who were sent forms had not yet applied. Education officials said that the agency will do additional follow up to increase the number of applications submitted and subsequently approved. According to Education officials, as of October 2016, an additional approximately 7,000 borrowers were identified as being eligible for a TPD discharge through the quarterly data match and were certified for offset.

New Efforts Education Is Taking to Automatically Suspend Offsets for Certain Disabled Borrowers May Adversely Affect Borrowers at Older Ages

As part of their data-matching effort described above, Education officials said they are immediately suspending offsets for borrowers of any age identified as receiving Social Security disability benefits for a condition in which medical improvement is not expected. According to Education officials, the agency decided in April 2016 to suspend offsets of any federal payments through the Treasury Offset Program for borrowers identified as eligible for a TPD discharge through the data-matching effort, regardless of whether or not the borrower returns the application form.[62] The suspension from offset for those eligible but not approved for a TPD discharge continues for as long as Education identifies through its quarterly data match that the borrower has a disability in which medical improvement is not expected. During the time that offsets are suspended a borrower's loan continues to be in defaulted status, and Education officials said that interest would continue to accrue on a borrower's loan balance. Education officials also said that once disabled borrowers are converted to Social Security retirement benefits at their full retirement age—currently age 66 for people born in 1943-1954—offsets would resume unless the borrower applied and was approved for a TPD discharge or a financial hardship exemption.[63] Using the linked NSLDS, Treasury Offset Program, and SSA data, we identified about 32,000 borrowers who were 50 and older at the time of their initial offset and who

[62]Education officials cited their authority under 31 C.F.R. § 285.5(d)(12), which states that a creditor agency can certify to Treasury's Fiscal Service that the offset amount allowed by law would result in financial hardship and that a lesser offset amount is reasonable and appropriate based on the debtor's financial circumstances.

[63]Under Social Security's program rules, when individuals receiving Social Security disability benefits reach Social Security's full retirement age their benefits convert from disability to retirement.

had a disability in which medical improvement is not expected, but who had not applied for a TPD discharge.[64]

Although Education is now automatically suspending offset payments for borrowers who are TPD discharge-eligible, it has not taken steps to inform borrowers about key information. For example, Education has not informed borrowers that they are suspended from offset even if they do not apply for the TPD discharge. Further, Education has not provided information to borrowers about the potential consequences from continuing to accrue interest without applying for the TPD discharge, or that their offsets may later resume if their benefits are converted. Education's Federal Student Aid division's strategic goals include providing superior service and information to borrowers to support customers' decision-making. In addition, *Standards for Internal Control in the Federal Government* state that the agency should externally communicate the necessary quality information to achieve the entity's objectives, which in this case is to provide offset relief to borrowers eligible to receive it.[65] Education officials said that the agency does not have written guidance on the suspension process and conducts the suspension by using the data match to directly inactivate offsets for borrowers in Fiscal Services' system. Without any communication from Education, some borrowers who previously had Social Security offsets suspended while receiving Social Security disability benefits could be surprised by a reduction in their monthly Social Security benefits as their offsets resume once they begin receiving retirement benefits. Providing information to borrowers on the potential for offsets to resume once they begin receiving retirement benefits—and that interest on their loan will have continued to accrue in the interim—will allow borrowers to make a more informed choice about whether to apply for the TPD discharge.

[64]These borrowers had disability benefits that were offset after the revised TPD regulations went into effect on July 1, 2013 through the end of fiscal year 2015.

[65]GAO, *Standards for Internal Control in the Federal Government,* GAO-14-704G (Washington, D.C.: Sept. 10, 2014).

Key Requirements of the TPD Discharge Process are Unclear, and Many Eligible Older Borrowers who Are Initially Approved Have Their Loans Reinstated

Unclear requirements for Education's TPD discharge program may affect even those older borrowers in offset who do apply for relief, particularly for completing the 3-year monitoring period. Further, the effects of Education's program design for TPD discharge are not limited to older borrowers but also impact disabled borrowers of any age who apply for the discharge. Using summary data from Education for all borrowers who applied for TPD discharge, we identified that almost 110,000 individuals were approved for TPD discharge in fiscal year 2014, while an additional almost 103,000 were approved in fiscal year 2015.[66] The total loan balances discharged in those years were over $2.7 billion and nearly $2.6 billion, respectively.[67] Education's data show that a large number of those approved for a TPD discharge had their loans reinstated during the 3-year monitoring period. According to summary data provided by Education's TPD servicer, in fiscal year 2015, 61,536 borrowers initially approved for a TPD discharge had loans reinstated during the 3-year monitoring period with a total value of about $1.2 billion.[68] Further, our analysis of NSLDS data showed that about 20 percent of borrowers 50 and older at the time of their initial offset, and who were in the 3-year monitoring period from July 1, 2008 through the end of fiscal year 2012, later had their loans reinstated.[69]

[66]As described earlier, in addition to a borrower's Social Security disability status, borrowers can qualify for a TPD discharge based on physician certification or documentation from the Department of Veterans Affairs showing that the borrower is unemployable due to a service-connected disability. Borrowers approved for a TPD discharge through a Veterans Administration application are not subject to the 3-year monitoring period and annual income verification requirement and their loans are not transferred to Education's TPD servicer.

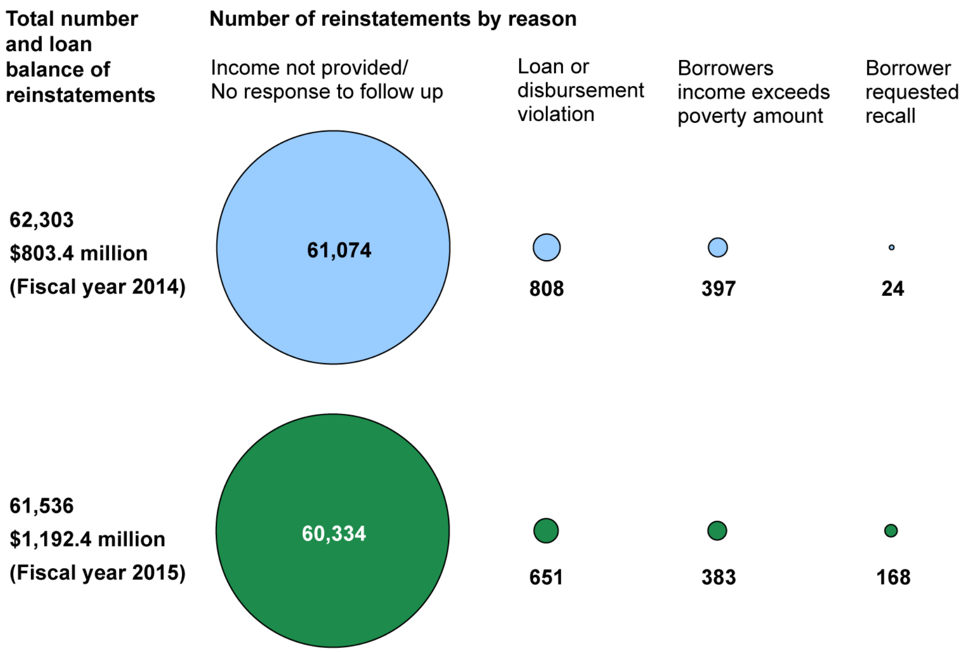
[67]Data on TPD discharge loan balances from Veterans Administration applications was not available.

[68]In the same fiscal year, Education's data show that 102,652 TPD discharges were approved. Of this amount, 93,931 were subject to the 3-year monitoring period. Some of the borrowers who were reinstated in fiscal year 2015 were initially approved and entered the 3-year monitoring period prior to 2015. Cohort level data to track outcomes for the TPD discharge population over the 3-year monitoring period were not available.

[69]On July 1, 2008, regulations became effective that made the income monitoring period prospective from the date of the TPD discharge approval.

As shown in figure 10, the vast majority of borrowers of any age whose loans were reinstated—98 percent in fiscal year 2015—had this occur because they did not submit the annual income verification form.[70]

Figure 10: Number of Reinstatements of Total and Permanent Disability Discharges (TPD) during 3-year Monitoring Period for Borrowers of All Ages by Reason, Fiscal Years 2014 and 2015



Source: GAO analysis of data from the Department of Education. | GAO-17-45

Note: A borrower's loan may be reinstated for several reasons during the 3-year monitoring period. For example, a loan or disbursement violation includes cases where a borrower's loan is reinstated if they receive a new Direct Loan, Perkins Loan, or TEACH Grant. Borrower requested recall refers to cases where a borrower voluntarily requests the TPD servicer to reinstate their loan (e.g., due to tax consequences or other circumstances).

We found that the high number of loans reinstated because the borrower did not provide the annual income verification form results from unclear annual reporting requirements. Specifically, documentation provided by Education to borrowers in the 3-year monitoring period does not clearly and prominently state all requirements to report income annually. Federal agencies are directed to use language that is clear, concise, and well-

[70]Education's data included all borrowers who were approved for a TPD discharge and were in the 3-year monitoring period regardless of age or offset status.

organized that the public can understand in documents that explain how to comply with requirements the federal government administers or enforces.[71] Moreover, *Standards for Internal Control in the Federal Government* state that the agency should externally communicate the necessary quality information to achieve the entity's objective.[72] However, we found that the forms the TPD servicer provides to borrowers may not clearly communicate all requirements to avoid loan reinstatement. In particular, the TPD discharge approval form sent to borrowers states that violating certain requirements will result in loan reinstatement, such as earning income from employment above the poverty guideline amount for a family of two in their state. However, the additional annual reporting requirement may be unclear because the form does not explicitly state that the loan will be reinstated if the borrower does not return the annual income verification form—even if they have no earnings—to document that their earnings from employment are below the poverty guideline for a family of two in their state. In addition, we found that the annual income verification form sent by Education's TPD servicer each year during the 3-year monitoring period does not state that failure to submit the form will result in loan reinstatement (see app. IV for a copy of documentation provided by Education's TPD servicer). According to Education, if a borrower does not return the income verification form, the TPD servicer resends the form two additional times, but the follow up attempts do not include any additional language to alert the borrower that failure to return the form will result in loan reinstatement. For borrowers who fail to return the annual income verification form, their loans are reinstated and offsets may resume. The number of reinstatements may continue to grow as more borrowers are initially approved through Education's recent data matching and outreach efforts unless unclear annual reporting requirements are addressed.

Borrowers whose loans are reinstated have 1 year to appeal to have their case re-evaluated, but most do not. The notice sent to borrowers informing them of the loan reinstatement provides the reason for the reinstatement and information on how to appeal. The borrower may appeal by mail or online through Education's TPD servicer's website.[73] However, most borrowers who have their loans reinstated do not

[71]Plain Writing Act of 2010, Pub. L. No. 111-274, 124 Stat. 2861, 2861-62.

[72]GAO-14-704G.

[73]www.disabilitydischarge.com.

successfully appeal. According to Education's data for borrowers of any age in the 3-year monitoring period, 20,368 reinstatement appeals were approved in fiscal year 2015, but 62,303 loans were reinstated during the prior fiscal year.[74] Borrowers who do not appeal their loan reinstatement may have offsets resume.

In addition, even with improvements to clarify forms sent to borrowers, it may be difficult for disabled borrowers to comply with documentation requirements. Although Education officials recognize that the population of borrowers approved for a TPD discharge may have difficulty in providing documentation due to the severity of their disabilities, borrowers must take action to manually submit the income verification form each year during the 3-year monitoring period.[75] In contrast to manual activities, *Standards for Internal Control in the Federal Government* state that automated control activities tend to be more reliable because they are less susceptible to human error and are typically more efficient.[76] While Federal Student Aid's responsibilities include improving operational efficiency and the quality of service for customers across the entire student aid life cycle, the agency has not taken steps to reduce burdens for disabled borrowers in providing the income verification form. In contrast for another process that involves income verification, Education has taken steps to improve operational efficiency and the quality of customer service by reducing burdens on borrowers through a tool that automatically identifies income information. Specifically, the application process for income-driven repayment plans includes a feature—the IRS Data Retrieval Tool—to transfer income information from a borrower's federal tax return.[77] According to Education, this tool has helped simplify and streamline the process for borrowers while improving both speed and

[74]Summary data provided by Education did not identify borrowers who appealed but were denied.

[75]Education's Federal Student Aid Ombudsman also previously reported that, in some cases they examined, borrowers suffered from mental illness or brain injuries and records indicated they had difficulty navigating the TPD discharge process. See: Department of Education's Federal Student Aid Ombudsman, *Fiscal Year 2008 First Quarter Report*.

[76]GAO-14-704G.

[77]Income-driven repayment plans are repayment plans offered by Education that base monthly payments on income and family size for borrowers who meet certain eligibility requirements. For more information on these plans, see GAO, *Federal Student Loans: Education Could Do More to Help Ensure Borrowers Are Aware of Repayment and Forgiveness Options,* GAO-15-663 (Washington, D.C.: Aug. 25, 2015).

accuracy.[78] Because Education has not included such a method to automate annual income verification and streamline the annual income verification process for the TPD discharge, Education has not made it easy for some borrowers to comply with the requirements of the 3-year monitoring period and avoid having their loans reinstated and offsets resume.[79]

Education's annual income verification process may also result in under-reporting of earnings from some borrowers. For example, Education does not independently verify earnings for borrowers who submit the form and report they have no earnings. The borrower is required to sign and return the form certifying they had no earned income during the specified time period and is notified that there can be a penalty for making false statements or misrepresentations. However, Education officials said that they do not take action to verify this reported information. Borrowers who do report earnings are required to provide supporting documentation, such as their W-2. Education's current verification process also does not address instances in which a borrower with income from multiple employers only includes income and supporting documentation from some, but not all, of them. This could result in borrowers receiving a TPD discharge when their loan should have been reinstated. Automating verification could also improve Education's internal controls by addressing situations where people may fail to report some or all income.

[78]U.S. Department of Education, *Strengthening the Student Loan System to Better Protect All Borrowers*.

[79]Certain borrowers in the 3-year monitoring period might automatically meet the TPD income requirements based on their Social Security status. Specifically, for those receiving Social Security disability benefits who are not blind or in a trial work period, Social Security's Substantial Gainful Activity test determines whether individuals' have earnings from employment below a level that is less than the level used for the Education's 3-year monitoring period.

Education Neither Provides Older Borrowers Information about the Financial Hardship Exemption Unless Requested Nor Does it Review These Exemptions after Initial Approval

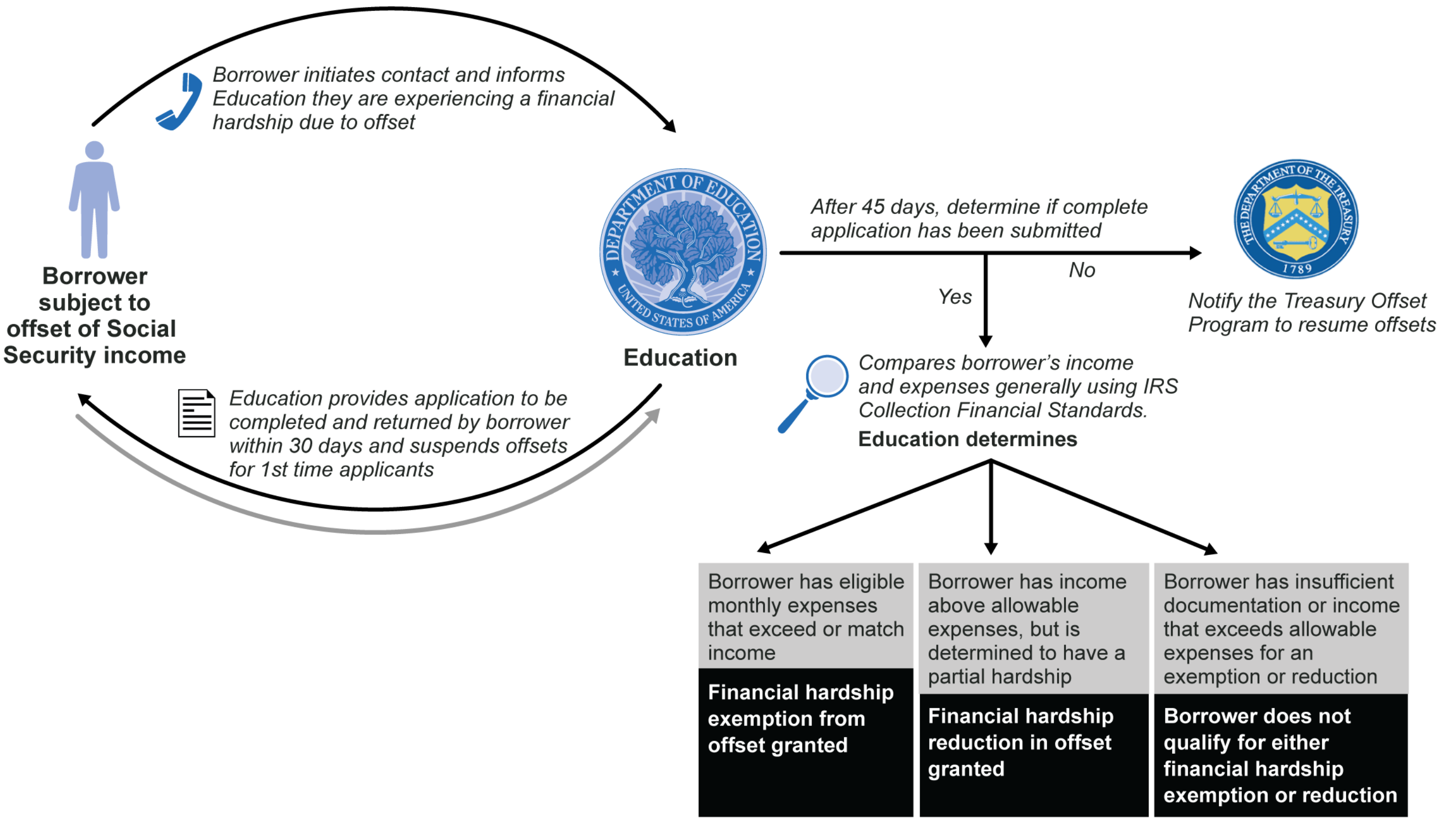
Aside from a loan discharge for disability, older borrowers who are subject to offset may obtain relief by requesting a financial hardship exemption or reduction through a process established by Education, subject to certain requirements.[80] This relief option is also available to borrowers under age 50. Borrowers who initiate contact with Education and state that they are experiencing a financial hardship due to Social Security offset are sent an application package to document their income and expenses. Borrowers with Social Security benefits below the poverty guideline as well as borrowers with higher benefits may apply. As shown in figure 11, Education determines eligibility based on a comparison of an individual's documented income and qualified expenses, rather than a specific income threshold. Education officials said they immediately suspend or reduce Social Security offsets for borrowers making a first-time request while their application is processed. However, for borrowers who have previously applied but had offsets restarted, offsets continue during the subsequent application submission and review process.

Once a borrower submits the required documentation on income and qualified expenses—such as housing, utilities, health care, and transportation—Education then compares a borrower's income and expenses and generally uses IRS collection standards to determine eligibility.[81] If the application is approved, the borrower will either be exempted from offset or have a reduced offset. These borrowers' loans are still considered to be in defaulted status, and interest continues to accrue on them.

[80] 31 C.F.R. § 285.5(d)(12). A creditor agency can certify to Treasury's Fiscal Service that the offset amount allowed by law would result in financial hardship and that a lesser offset amount is reasonable and appropriate based on the debtor's financial circumstances. Education has separate processes for granting financial hardship exemptions for each type of offset, such as Social Security benefits and federal tax refunds.

[81] IRS Collection Financial Standards are available at: https://www.irs.gov/businesses/small-businesses-self-employed/collection-financial-standards. Under these standards, IRS has established a specified allowable amount for food, clothing, and certain other expenses instead of requiring monthly statements.

Figure 11: Application and Review Process for Hardship Exemption or Reduction from Social Security Offset



Source: GAO analysis of U.S. Department of Education documentation and interviews with agency officials. | GAO-17-45

According to Education's data, more borrowers request a financial hardship exemption rather than a reduction in offset. Education reported that in fiscal year 2015, it received 12,573 requests for a financial hardship exemption from Social Security offsets from borrowers of all ages.[82] During that same time frame, Education also received 2,631 requests for a reduction in Social Security offsets. While Education officials said they do not formally track the volume of hardship exemption and reduction approvals, they estimated that the majority of materially complete applications are approved. According to our analysis of NSLDS and Treasury Offset Program data, among borrowers 50 and older at the time of their initial Social Security offset, 16 percent obtained a hardship

[82]These data from Education were not available by age and include both older and younger borrowers.

exemption and 5 percent obtained a hardship reduction at some point while they were in offset from fiscal years 2001 through 2015.[83]

However, we found that Education does not make information about the existence of the financial hardship exemption option or application process generally available to borrowers subject to Social Security offset. Although borrowers who are subject to offset may request a financial hardship exemption or reduction, information about this option is not generally available because neither Education's website nor forms sent to borrowers regarding offset inform them about these options. If borrowers are aware of this option—for example, as a result of information from an advocacy group–and contact Education or their servicer and state they are experiencing a financial hardship due to offset, then Education or the servicer would provide information to borrowers about the option and application process, including the Financial Status Statement to document their income and expenses.[84] *Standards for Internal Control in the Federal Government* state that agencies should externally communicate necessary information to achieve the agency's objectives.[85] Although Education has established a financial hardship exemption option, officials acknowledged that the agency has not taken steps to proactively inform borrowers about this option or process. For example, Education's website does not include information on the hardship exemption process in relation to the Treasury Offset Program.[86] In addition, the financial hardship exemption application form is not included under "Offset Forms" in the website's section on "Forced Collections." Education officials said that borrowers may use the Financial Disclosure Statement for Wage Garnishment Hearings available on the website—instead of the Financial Status Statement sent by Education to those who initially contact and inform the agency of their financial hardship—to submit their income and expenses for the financial hardship exemption review. However, this option is not noted on the website. Moreover, the offset notice sent to borrowers does not provide information on the

[83]As described earlier, 5 years after a borrower's initial offset, a slightly lower share of borrowers were currently receiving a hardship exemption or reduction—6 percent and 4 percent, respectively.

[84]For example, external from Education's website, borrowers can find information on the hardship exemption option on a website maintained by an advocacy group, www.studentloanborrowerassistance.org.

[85]GAO-14-704G.

[86]https://myeddebt.ed.gov.

financial hardship exemption option or process. This notice is sent to borrowers 65 days prior to the start of an offset and informs them of options for objecting to collection of the debt. In contrast, the notice IRS sends to individuals with delinquent federal tax debt subject to the Federal Payment Levy Program provides information on how to avoid having Social Security income withheld in cases of financial hardship.[87] By providing information about the existence of the hardship exemption option and its application process, Education could better serve borrowers who have little or no discretionary income—including those receiving benefits below the poverty guideline—and who may be eligible for permitted relief.

Borrowers who apply can be approved for a financial hardship exemption or reduction for a 1-year period, but these exemptions, once granted, are not subject to further review and remain in place indefinitely because there is no annual review process. According to Education officials, financial hardship exemptions and reductions are intended to be subject to an annual review. The approval letter sent to borrowers who are granted a financial hardship exemption or reduction states that their financial status will be reviewed again at the end of 12 months and that the borrower will need to submit a new Financial Status Statement or their offsets will resume. *Standards for Internal Control in the Federal Government* also state that the entity determines an oversight structure to fulfill responsibilities set forth by applicable guidance.[88] However, according to Education officials, borrowers are not prompted to resubmit the form and, as a result, may continue to receive the hardship exemption or reduction indefinitely. Education officials said their Debt Management and Collection System requires enhancements in order to perform an annual review and there are no definitive plans to implement this feature. In the absence of an annual review, some borrowers who no longer qualify for a financial hardship exemption or reduction based on their income and expenses may continue to avoid offset or pay a reduced amount.

Conclusions

A growing number of individuals who are 50 and older have defaulted on their student loan debt and become subject to Social Security offset, which can have serious financial consequences for those in or

[87]Available at https://www.irs.gov/pub/notices/cp91_english.pdf

[88]GAO-14-704G.

approaching retirement, especially for those at lower income levels or who are unable to work and make up for lost income. Our analysis shows that more than half of this population was disabled and receiving Social Security disability benefits that were reduced through offset, while others may have been retired but relying on Social Security for most of their income.

While the federal student aid program is designed to hold borrowers accountable for repaying their debt, policy makers have sought to balance this goal with preserving the income security of those who cannot do so due to disability or old age. To that end, the Social Security offset threshold was implemented in 1998 to reflect this balance by establishing a minimum monthly benefit payment above the poverty guideline at that time. Although Social Security benefits are adjusted for increased costs of living, the effect is diminished because the offset threshold is not comparably adjusted. The result is that thousands of individuals subject to offset are left with benefits below the poverty guideline. By allowing the offset to reduce benefits below the poverty guideline, the balance of policy goals the Congress sought when enacting the Debt Collection Improvement Act of 1996 has not been maintained.

Similarly, total and permanent disability discharge provisions were established to assure that those who cannot work because they are disabled are relieved from having to repay their loans. Yet, our findings indicate that Education's program design may make it difficult for borrowers of any age with total and permanent disabilities to avail themselves of this option. Education has taken important steps to identify and conduct outreach with these borrowers, but unless a better method is developed to allow them to verify their annual income during the 3-year monitoring period, the majority of loans may be reinstated after initially being approved. In addition, clearer communication from Education about related changes in policy to borrowers subject to offset who are identified as being eligible for a TPD discharge, including the consequences of failing to apply for such a discharge, would help borrowers make better decisions about managing their debt.

Lastly, unless Education takes steps to inform borrowers facing financial hardship that they may be eligible for relief, those with little or no discretionary income may continue to have their Social Security benefits reduced. Improving outreach for this option while establishing an annual review process for those who receive it will help ensure that only eligible borrowers are exempted from offset on an ongoing basis. In establishing such an annual review process, Education may identify lessons learned from addressing challenges with such requirements in the TPD discharge process in order to streamline information needed from borrowers.

Matter for Congressional Consideration

To preserve the balance between the importance of repaying federal student loan debt and protecting a minimum level of Social Security benefits put in place by the Debt Collection Improvement Act of 1996, Congress should consider modifying Social Security administrative offset provisions, such as by authorizing the Department of the Treasury to annually index the amount of Social Security benefits exempted from administrative offset to reflect changes in the cost of living over time.

Recommendations for Executive Action

We are making five recommendations to the Secretary of Education. To improve program design for Social Security offsets and related relief options, we recommend the following actions:

- Inform affected borrowers of the suspension of offset and potential consequences if the borrower does not take action to apply for a TPD discharge. Such information could include notification that interest continues to accrue and that offsets may resume once their disability benefits are converted to retirement benefits.
- Revise forms sent to borrowers already approved for a TPD discharge to clearly and prominently state that failure to provide annual income verification documentation during the 3-year monitoring period will result in loan reinstatement;
- Evaluate the feasibility and benefits of implementing an automated income verification process, including determining whether the agency has the necessary legal authority to implement such a process;
- Inform borrowers about the financial hardship exemption option and application process on the agency's website, as well as the notice of offset sent to borrowers; and
- Implement an annual review process to ensure that only eligible borrowers are exempted from offset for financial hardship on an ongoing basis.

Agency Comments and Our Evaluation

We provided a draft of this product to the Department of Education, the Social Security Administration, and the Department of Treasury for review and comment. Treasury provided technical comments only, which we have incorporated where appropriate. SSA and Education generally agreed with the findings, conclusions, and recommendations of this report, and provided written comments that are reproduced in appendixes V and VI. Education also provided technical comments, which we have incorporated where appropriate.

In its written comments, Education noted that there are a growing number of older Americans with student loan debt and that this population experiences higher rates of default. Moreover, Education recognized the importance of improving and streamlining communications with these borrowers. To better inform borrowers whose offsets are suspended without applying for a TPD discharge, Education said it will implement a process to notify borrowers about the suspension. In addition, Education said it will take steps to improve the clarity of the TPD discharge forms and determine if the department has the legal authority and operational capability to automate the income verification process during the 3-year monitoring period. We agree that Education should take these steps to better inform borrowers and streamline the income verification process. We also appreciate Education's willingness to review the TPD discharge forms. In doing so it is important to ensure that the forms clearly and prominently state that unless the income verification form is completed and returned—even if a borrower has no income to report—their loans will be reinstated.

Regarding the financial hardship exemption option, Education generally agreed with both recommendations and said it will take steps to inform borrowers about the option and application process. Education said it plans to revise its website to include such information but noted that the notice of offset is sent by Treasury. While Treasury sends a notice of offset to borrowers, Education sends borrowers a separate notice of offset that provides details on the loans eligible for offset and informs borrowers of their options to avoid offset. In addition to the options already described on Education's form, including the option for borrowers to apply for a financial hardship exemption from Social Security offset would provide borrowers more complete information. We appreciate Education's willingness to coordinate with Treasury to improve communication with borrowers about the availability of this relief option, but we continue to believe that Education should provide comprehensive information on relief options in the form Education sends borrowers. Education also noted that it plans to automate the process for tracking financial hardship exemptions, which will allow for regular reviews to ensure that only eligible borrowers are exempted. However, Education said that due to funding limitations the implementation of these improvements has not been scheduled. We encourage Education to take the necessary steps to implement an annual review process.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the Secretary of Education, the Secretary of the Treasury, and the Acting Commissioner of the Social Security Administration. In addition, the report will be available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-7215 or bawdena@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VII.

Allison Bawden
Acting Director, Education, Workforce and Income Security

Appendix I: Objectives, Scope, and Methodology

Our objectives for this review were to examine: (1) characteristics of student loan debt held by older borrowers subject to offset and the effect on their Social Security benefit, (2) the amount of debt collected by the Department of Education (Education) through offsets and the typical outcomes for older borrowers; and (3) effects on older borrowers as a result of program design for offsets and related relief options.

To answer our research objectives, we analyzed administrative data from Education, the Department of the Treasury's (Treasury) Bureau of the Fiscal Service (Fiscal Service), and the Social Security Administration (SSA). Specifically, we obtained and linked administrative data from Fiscal Service's Treasury Offset Program to Education's National Student Loan Data System (NSLDS) and SSA's Master Beneficiary Record (MBR) and Disability Control File (DCF) in order to examine the student loan history and outcomes for older Americans with Social Security offsets. We also examined aggregated data provided by Education on the total number of borrowers in default and offset by age and the total outstanding federal student loan balance by age.

In addition, we reviewed relevant federal laws, regulations, and documentation. We also interviewed agency officials to obtain information about offsets of Social Security benefits, as well as Education's processes for discharging student loan debt in cases of disability and claiming an exemption or reduction from offset due to financial hardship. We obtained documentation from agency officials, including forms sent to borrowers during the application and approval process for both Total and Permanent Disability (TPD) discharges and financial hardship exemptions. To further examine the TPD discharge process, we analyzed aggregated data provided by Education's TPD servicer on TPD discharge applications, approvals, and reinstatements, including the total volume and dollar value. To identify the amount Education collected on defaulted student loans through offsets and other payment mechanisms, we analyzed data provided by Education's Default Resolution Group, including aggregated data from the Debt Management and Collection System and information reported by guaranty agencies. We also analyzed aggregated data provided by Fiscal Service on fees assessed by the Treasury Offset Program by type of offset for Education and other federal agencies.

Finally, we analyzed published data from the 2013 wave of the Federal Reserve Board's Survey of Consumer Finances (SCF) to update figures which we previously reported on the overall share of households with student loan debt with the most recent data available.[1] This updated data is available in appendix III. The SCF gathers various economic and financial data at the household level, such as student loan, mortgage, and credit card debt, and is conducted once every 3 years. Because survey responses are based on the financial situation of an entire household, not just the head of household, it is possible that the reported student loan debt for some households headed by older Americans is held by children or other dependents that are still members of the household.

Treasury, NSLDS, and SSA data

In order to identify the population of older Americans subject to Social Security offset in NSLDS, we linked NSLDS data to Treasury Offset Program and SSA data because Education does not receive information on the type of offset (e.g., Social Security, federal tax refund, etc.). Similarly, Treasury Offset Program data contain only aggregate information about the amount of debt a borrower owes to Education and does not have details on the Social Security benefit being offset, such as whether it is a retirement, survivor, or disability benefit. Using these linked data, we examined information on borrowers' loans, such as the disbursement and default dates for the loans that became subject to Social Security offset, to determine how old the loans are and how long they have been in default. In addition, we examined how long individuals were subject to offset and what happened to them 5 years after their initial offset payment. More information about each individual dataset is found below.

Treasury Offset Program data

The Treasury Offset Program carries out transactions for offsetting federal payments for delinquent nontax debt. We obtained record-level data for 480,097 individuals who were subject to offset of Social Security benefit payments due to a defaulted debt owed to Education from fiscal year 2001 to 2015, including information on the amount and date of offsets.

[1]Federal Reserve Survey of Consumer Finances (SCF), *Historic Tables and Charts*, http://www.federalreserve.gov/econresdata/scf/scfindex.htm. For prior GAO work, see GAO, *Older Americans: Inability to Repay Student Loans May Affect Financial Security of a Small Percentage of Retirees,* GAO-14-866T (Washington, D.C.: Sept. 10, 2014).

NSLDS data

NSLDS is Education's central database for information on federal financial aid for higher education, including student loans. We obtained record-level data on borrowers' loan histories from NSLDS on 477,867 individuals identified from the Treasury Offset Program data as having been subject to offset of Social Security benefit payments due to defaulted federal student loans at some time from fiscal year 2001 to 2015. A small proportion of the individuals—about 0.46 percent—who were identified through the Treasury Offset Program data did not match to student loan records in NSLDS. According to Education officials, debt owed to Education can also result from overpayments of federal education grants such as Pell grants, and grant recipients who do not repay this debt timely are submitted to Treasury for offset.

We examined a variety of information from NSLDS for borrowers with Social Security benefit offsets, including loan disbursement dates, default dates, loan statuses, and loan balances over time. Analyses that used NSLDS data on loan balances were restricted to fiscal year 2006 forward because NSLDS did not consistently retain detailed loan balance history prior to 2006. Analyses of borrower outcomes over time were restricted to borrowers who entered offset early enough that sufficient time had elapsed to observe the outcomes over the entire length of time, as noted in the report.

SSA MBR and DCF data

SSA's MBR contains administrative records of Social Security beneficiaries. We obtained record-level data on the ages of borrowers certified for offset for Education debt from fiscal year 2001 to 2015, as well as the types and amounts of benefits they received. SSA's DCF contains additional administrative data on Social Security Disability Insurance beneficiaries. From the DCF, we obtained information on the continuing disability review category (e.g., the determination that medical improvement is not expected) for the population of borrowers identified from the Treasury Offset Program data.[2]

Data Reliability

We conducted a data reliability assessment of the summary and record-level administrative data we used by reviewing documentation on the datasets, requesting and reviewing the queries used to generate the data

[2]For more information on SSA's continuing disability review process, see GAO, *Social Security Disability: SSA Could Increase Savings by Refining Its Selection of Cases for Disability Review,* GAO-16-250 (Washington, D.C.: Feb. 11, 2016).

extracts, and interviewing officials about how the data are collected and their appropriate uses. When possible, we compared our summary-level data to publicly reported information to ensure completeness and accuracy. Additionally, we performed electronic testing of the record-level linked administrative data to identify missing or unreliable data and to resolve discrepancies across the separate data sources. In particular,

- **Date of birth:** NSLDS was missing date of birth information for some borrowers. To ensure we had a reliable date of birth variable, we also obtained date of birth information in the MBR data. We compared these two sources to identify and resolve discrepancies, including using dates of loan disbursement to ensure that date of birth was consistent with plausible borrower ages at time of loan disbursement.
- **Consolidation loans:** In determining the length of time borrowers held loans prior to offset, we matched consolidation loans to the underlying closed loans that were paid off via consolidation and included information on these loans. We excluded all other loans that were paid off prior to offset.
- **Application of offset payments:** NSLDS did not always contain complete information on the application of offset payments across loan principal, interest on the outstanding balance, and program fees due to data reporting issues. We measured the total amount of offset payments and the number of individual offset transactions per borrower using Treasury Offset Program data. We only included a borrower in our analysis if we were able to identify the application of the offset payment for a majority of the borrower's individual offset transactions.
- **Death discharges:** Loan discharges due to death may not occur immediately after a borrower's death because Education requires documentation of the death.[3] When we identified a borrower as deceased through the MBR data, we considered the borrower to have received a death discharge as of the month of the borrower's death, regardless of whether a death discharge was indicated in the NSLDS data.

Through our testing, we identified some data elements that were not sufficiently reliable, and we did not use these data elements in our analysis. Additionally, in certain analyses we were unable to calculate measures for a small proportion of borrowers, and we note these

[3]34 C.F.R. §§ 682.402(b) and 685.212(a).

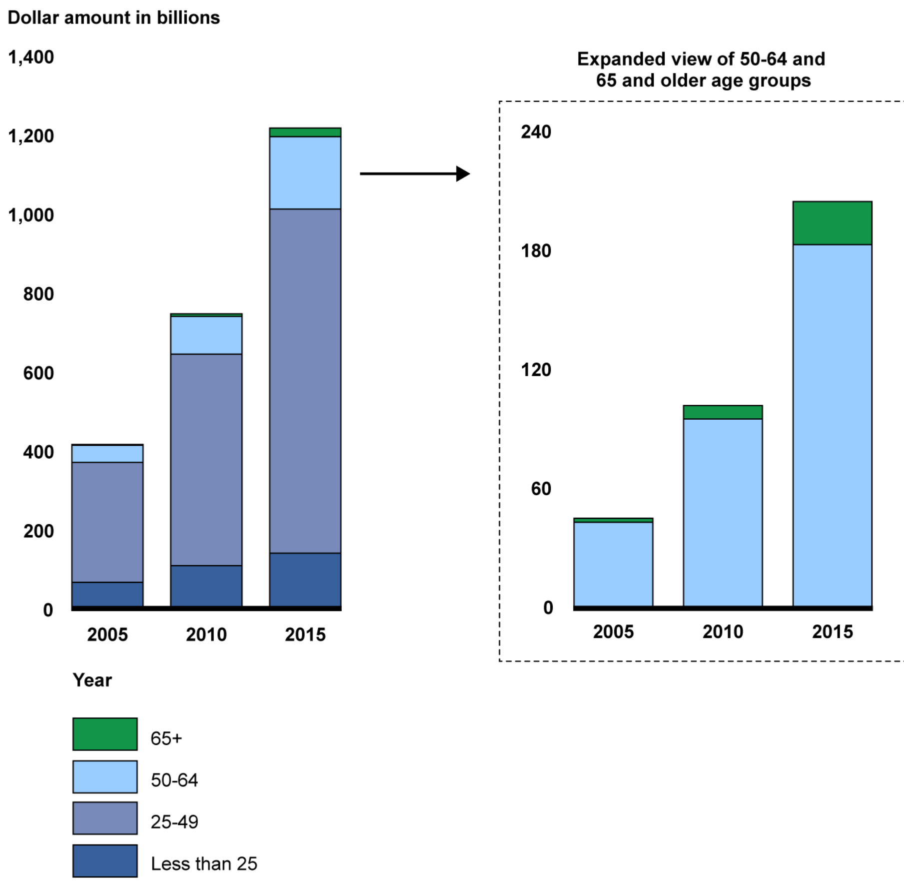
limitations in the report. We excluded 13 borrowers for whom no date of birth could be determined from all analyses, and we excluded 33 borrowers for whom MBR data was unavailable from analyses that required MBR data elements. For purposes of our analysis, we found the data elements we ultimately reported on to be sufficiently reliable based on this assessment.

Appendix II: Additional Data Analysis of Student Loan Debt for Older Americans

Trends in Federal Student Loan Debt, Default, and Offset

The total amount of federal student loan debt held by borrowers age 50 and older is considerably less than for younger age groups. Figure 12 shows the total dollar amount of federal student loan debt held by borrowers of all ages and older Americans in particular, since fiscal year 2005.

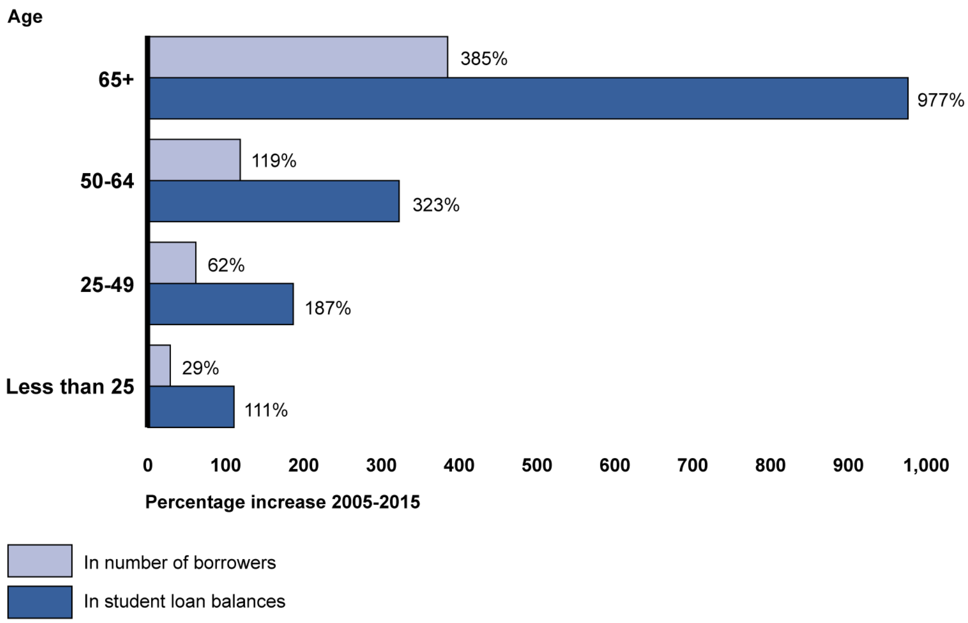
Figure 12: Outstanding Federal Student Loan Balances by Age Group for Fiscal Years 2005, 2010, and 2015



Source: GAO analysis of data provided by the Department of Education. | GAO-17-45

While fewer older Americans hold student loan debt, the rate of increase in the number of older borrowers and the amount of their debt far outpaced younger borrowers (see fig. 13).

Figure 13: Percentage Increase in the Number of Borrowers and their Outstanding Federal Student Loan Balances from Fiscal Years 2005 to 2015



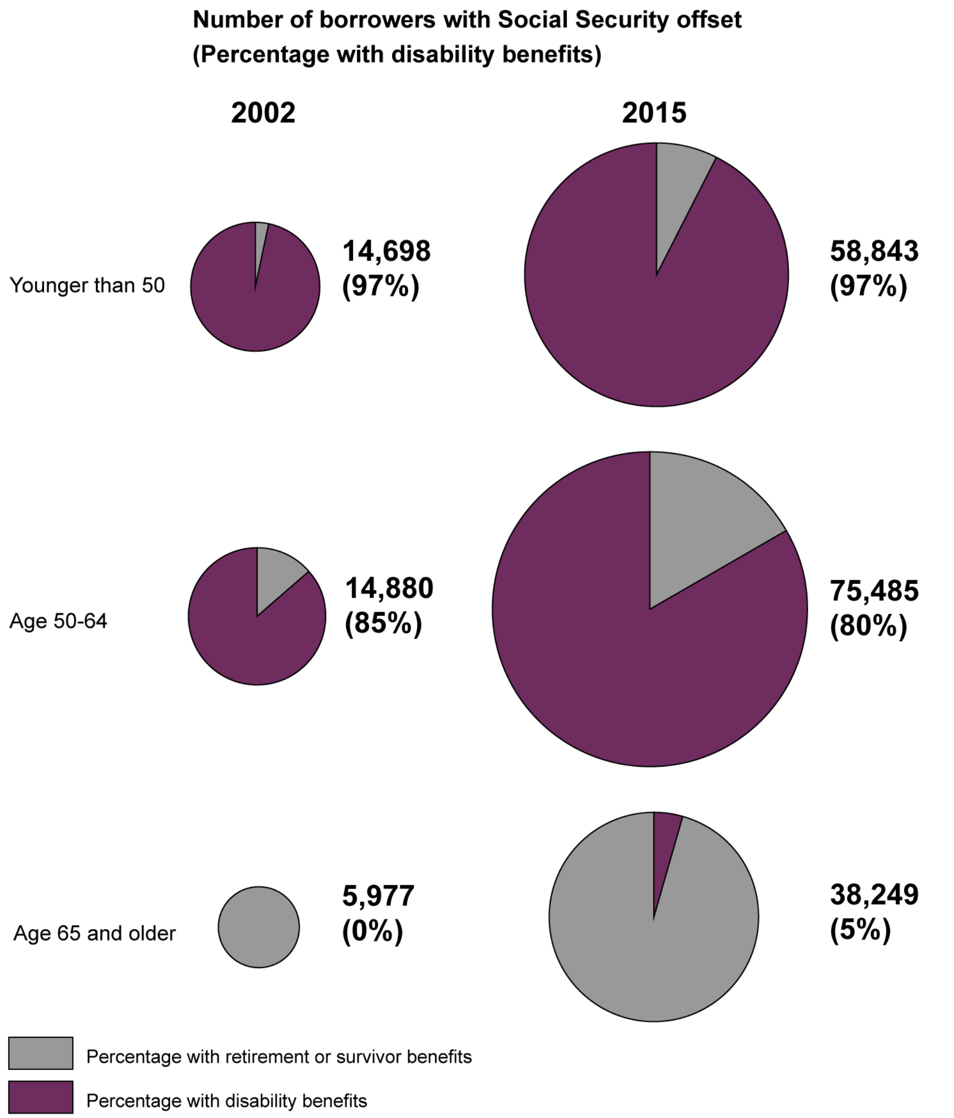
Source: GAO analysis of data provided by the Department of Education. | GAO-17-45

As the number of federal student loan borrowers and the amount of debt have increased over time, so have the number of borrowers who are in default and subject to an offset of any federal payment. Data from Education show that, from fiscal years 2005 to 2015, the total number of borrowers of all ages in default increased from about 4.3 million to 8.6 million. The corresponding increase in the number of borrowers subject to any offset was from about 387,000 to slightly more than 1 million.[1] Over the same time period, borrowers were increasingly likely to default on their loans and become subject to offset. The share of borrowers of all ages in default increased from about 15 percent in default in fiscal year 2005 to 19 percent in fiscal year 2015 while the share of borrowers in offset increased from 1.4 percent in fiscal year 2005 to 2.3 percent in fiscal year 2015.

[1]Some borrowers in default may not be subject to offset. For example, some borrowers may not have been in default long enough to have their debt certified for offset or they may not receive federal payments that are subject to offset, such as Social Security benefits or federal tax refunds.

The number of borrowers, especially older borrowers, who have experienced offsets of Social Security benefits to repay defaulted federal student loans has increased over time. As shown in figure 14, there are more borrowers subject to Social Security offsets who received disability benefits compared to retirement or survivor benefits. Once disabled beneficiaries reach their full retirement age (currently age 66 for people born in 1943-1954), disability benefits are automatically converted to retirement benefits. Thus, for defaulted borrowers age 65 and older, the vast majority—95 percent—received retirement or survivor benefits.

Figure 14: Number of Borrowers with Social Security Offsets for Federal Student Loan Debt in Fiscal Years 2002 and 2015



Source: GAO analysis of data from the Departments of Education and Treasury, and the Social Security Administration. | GAO-17-45

Older Borrowers with Student and Parent PLUS Loans

The majority of older borrowers hold loans taken out for their own education rather than for their children's education. According to data from Education, about 31 percent of borrowers age 50 to 64 had loans taken out for their children's education in fiscal year 2015. Among borrowers age 65 and older, this figure was less, about 24 percent. Instances of default are substantially lower for older Americans with loans for their children's education compared to student loans for their own education. In fiscal year 2015, the share of borrowers age 50 to 64 with Parent PLUS loans in default was 10 percent compared to 35 percent for those with student loans. Likewise, the share of borrowers age 50 to 64 with Parent PLUS loans in offset was about 1 percent compared to 3 percent for those with student loans.

Length of Time in Default Prior to Offset

Many older borrowers who held student loans for an extended period of time had also been in default for a decade or more before becoming subject to Social Security offset.[2] About 68 percent of borrowers who eventually became subject to Social Security offset were not yet receiving Social Security retirement, disability or survivor benefits when they defaulted on their student loans. Among these borrowers, most had been in default for a decade or more before becoming subject to Social Security offset, and just over 20 percent of these borrowers had been in default for 20 or more years at the time they became subject to offset.

Other older Americans who were already receiving Social Security benefits at the time of default became subject to offset within shorter timeframes. About 71 percent of borrowers who were already receiving Social Security benefits when they defaulted on their student loans became subject to offset within 3 years after their default. We previously reported that under Education's annual process for certifying defaulted debt for offset, Education sends the defaulted debt to Fiscal Service between 17 and 29 months after the last payment on the debt.[3] Not all

[2]We included only borrowers who first became subject to offset in 2004 or later in our analyses of the length of time borrowers were in default. Borrowers whose initial offsets occurred in the early years of the program cannot be included in these analyses as they may have been in default for many years before Fiscal Service began offset of Social Security benefit payments in mid-2001.

[3]GAO-14-866T. This annual certification process was still in place at the time of our review. According to the independent auditors' reports accompanying Federal Student Aid's financial statements for fiscal years 2014 and 2015, Education's annual certification process does not comply with statutory timeframes for referring past-due federal nontax debts to Treasury for administrative offset. It was beyond the scope of our review to evaluate Education's compliance with these statutory timeframes.

defaulted borrowers receiving Social Security benefits are immediately subject to offset: For example, borrowers whose benefit amount is below $750 per month are not subject to offset but may later become subject to offset if cost of living adjustments increase their benefits above the $750 threshold. About 20 percent of older borrowers who were receiving Social Security benefits at the time of their default became subject to offset 5 or more years after their default.[4]

Student Loan Balances of Older Borrowers with Social Security Offsets Compared to Other Older Borrowers

Older borrowers who became subject to Social Security offsets tended to have relatively lower outstanding student loan balances compared to other older borrowers who were not in default. As shown in table 3, the average amount of debt held by these older borrowers with Social Security offsets was less than the average for older borrowers who were not in default.[5] Looking only at borrowers in default, older borrowers who became subject to Social Security offsets owed more than the average for all defaulted borrowers of their age.

[4]For additional details on the length of time borrowers were in default on their student loans prior to Social Security benefit offset, see appendix III, tables 21 and 22.

[5]Consistent with the work of other researchers, we find that borrowers who are in default tend to owe less on student loans than borrowers with loans in good standing. For an example, see Meta Brown, Andrew Haughwout, Donghoon Lee, Joelle Scally, and Wilbert van der Klaauw, "Looking at Student Loan Defaults through a Larger Window," *Federal Reserve Bank of New York Liberty Street Economics Blog*, February 2015.

Table 3: Average Student Loan Balance of Borrowers 50 and Older, by Loan Status

		Loan status		
Fiscal Year	**All borrowers 50 and older**	**Loans in good standing**	**All loans in default**	**Defaulted loans with Social Security offset**
2006	$16,200	$19,150	$8,000	$11,900
2009	$19,600	$23,050	$10,000	$14,600
2012	$23,900	$27,950	$13,300	$17,500
2015	$28,600	$33,900	$16,050	$22,050

Source: GAO analysis of data from the Departments of Education and the Treasury, and the Social Security Administration. | GAO-17-45

Note: Figures not adjusted for inflation.

Appendix III: Supplemental Data Analysis Tables for Older Americans with Student Loan Debt

Table 4: Incidence of Debt by Age of Head of Household and Type of Debt, 2013

Age of head of household	Mortgage[a]	Credit card	Student	Vehicle	Any debt
18-34	28.6%	36.8%	41.7%	35.2%	77.1%
35-44	52.7	41.7	28.7	37.0	84.8
45-54	55.3	44.3	18.6	36.5	82.3
55-64	45.8	43.4	12.0	30.8	78.7
65-74	38.9	32.8	3.1	24.4	66.4
75 and older	18.6	21.1	*	10.7	41.4
Total, all ages	**41.5**	**38.1**	**20.0**	**30.9**	**74.5**

Source: Federal Reserve Survey of Consumer Finances (SCF), Historic Tables and Charts, http://www.federalreserve.gov/econresdata/scf/scfindex.htm. | GAO-17-45

*Ten or fewer observations.

[a]Data in this column reflect home mortgage debt other than home equity lines of credit.

Table 5: Number of Student Loan Borrowers Less than Age 50 by Type of Loan and Status, Fiscal Years 2005 to 2015

Fiscal Year	All			Default			Default and Offset		
	Parent PLUS	Student	Total	Parent PLUS	Student	Total	Parent PLUS	Student	Total
2005	810,144	23,887,158	**24,577,159**	29,936	3,329,956	**3,357,025**	2,420	314,156	**316,471**
2006	771,214	24,999,564	**25,631,427**	32,262	3,361,943	**3,391,145**	2,530	300,543	**302,965**
2007	745,804	26,092,324	**26,701,637**	35,745	3,514,787	**3,547,049**	3,415	364,638	**367,920**
2008	762,334	27,360,026	**27,984,764**	40,115	3,744,642	**3,780,695**	4,830	508,964	**513,569**
2009	817,605	29,232,837	**29,905,884**	44,209	3,940,626	**3,980,146**	4,755	462,295	**466,824**
2010	902,752	31,092,246	**31,831,296**	50,528	4,282,043	**4,326,900**	4,939	475,693	**480,441**
2011	992,632	32,763,084	**33,566,167**	56,679	4,597,257	**4,647,334**	5,769	557,192	**562,714**
2012	985,722	34,177,462	**34,950,523**	67,106	5,145,714	**5,204,730**	5,250	567,265	**572,176**
2013	937,795	35,230,852	**35,956,971**	71,284	5,593,468	**5,655,282**	8,895	711,433	**719,927**
2014	905,399	36,121,628	**36,812,471**	73,390	5,976,766	**6,039,462**	9,586	781,341	**790,432**
2015	915,960	36,670,319	**37,355,550**	73,291	6,318,389	**6,379,955**	8,995	824,970	**833,334**

Source: GAO analysis of data from the National Student Loan Data System, Department of Education. | GAO-17-45

Note: Default and offset category includes borrowers with offsets from any type of federal payment, such as tax refunds, and includes but is not limited to borrowers with Social Security benefit offsets.

Table 6: Number of Student Loan Borrowers Age 50 to 64 by Type of Loan and Status, Fiscal Years 2005 to 2015

Fiscal Year	All			Default			Default and Offset		
	Parent PLUS	Student	Total	Parent PLUS	Student	Total	Parent PLUS	Student	Total
2005	1,077,817	1,940,604	**2,881,615**	74,726	674,279	**742,553**	6,630	53,206	**59,540**
2006	1,059,602	2,262,279	**3,153,974**	78,567	731,331	**803,183**	6,781	54,700	**61,153**
2007	1,085,746	2,534,001	**3,438,999**	84,485	799,786	**877,005**	8,932	70,368	**78,832**
2008	1,177,766	2,769,534	**3,742,961**	93,343	876,922	**962,253**	13,946	128,941	**142,121**
2009	1,316,362	3,050,487	**4,138,760**	102,563	958,245	**1,051,702**	16,544	156,085	**171,628**
2010	1,484,615	3,356,906	**4,589,359**	117,314	1,051,770	**1,158,427**	13,113	96,290	**108,774**
2011	1,656,568	3,616,339	**5,000,340**	132,277	1,139,452	**1,259,587**	15,682	113,045	**127,985**
2012	1,764,217	3,876,878	**5,356,444**	155,293	1,279,393	**1,420,198**	15,015	121,911	**136,269**
2013	1,841,956	4,129,138	**5,678,787**	170,880	1,391,323	**1,545,397**	19,519	131,779	**150,550**
2014	1,917,582	4,392,501	**6,010,338**	186,823	1,506,902	**1,674,339**	23,678	141,667	**164,422**
2015	1,975,287	4,627,777	**6,301,821**	204,493	1,632,236	**1,814,152**	24,398	144,769	**168,090**

Source: GAO analysis of data from the National Student Loan Data System, Department of Education. | GAO-17-45

Note: Default and offset category includes borrowers with offsets from any type of federal payment, such as tax refunds, and includes but is not limited to borrowers with Social Security benefit offsets.

Table 7: Number of Student Loan Borrowers Age 65 and Over by Type of Loan and Status, Fiscal Years 2005 to 2015

Fiscal Year	All			Default			Default and Offset		
	Parent PLUS	Student	Total	Parent PLUS	Student	Total	Parent PLUS	Student	Total
2005	65,394	117,620	179,292	15,400	61,301	75,998	2,302	6,413	**8,661**
2006	66,819	141,195	203,506	16,871	69,184	85,237	2,301	7,025	**9,256**
2007	70,862	169,212	234,881	18,873	78,967	96,866	3,123	9,733	**12,750**
2008	79,304	204,538	277,137	21,578	92,102	112,502	5,506	21,292	**26,606**
2009	88,905	244,144	324,671	24,055	105,939	128,629	8,883	31,488	**40,044**
2010	101,504	290,632	381,656	27,125	121,508	146,982	4,602	14,442	**18,851**
2011	117,616	339,267	444,059	30,323	138,102	166,497	5,280	17,563	**22,587**
2012	141,064	418,819	543,123	36,567	170,322	204,481	4,483	23,137	**27,420**
2013	162,456	497,337	639,271	41,546	195,445	234,189	5,309	27,657	**32,733**
2014	186,142	590,089	751,601	47,435	228,303	272,422	6,461	31,255	**37,427**
2015	210,256	687,927	869,988	55,200	269,582	320,758	7,339	33,009	**40,043**

Source: GAO analysis of data from the National Student Loan Data System, Department of Education. | GAO-17-45

Note: Default and offset category includes borrowers with offsets from any type of federal payment, such as tax refunds, and includes but is not limited to borrowers with Social Security benefit offsets.

Table 8: Outstanding Federal Student Loan Balances by Age Group from Fiscal Years 2005-2015

Fiscal Year	Less than 25	25-49	50-64	65 and older
2005	$66,440,281,262	$303,629,618,145	$43,373,976,585	$2,013,549,282
2006	$70,595,220,829	$338,720,890,555	$51,815,616,467	$2,542,482,521
2007	$75,137,874,848	$378,809,273,116	$61,085,030,923	$3,253,432,360
2008	$81,891,069,030	$422,195,848,189	$70,813,210,183	$4,239,990,040
2009	$95,100,445,799	$474,851,982,672	$82,097,330,046	$5,363,239,378
2010	$108,447,306,208	$535,600,192,014	$95,454,805,652	$6,758,473,524
2011	$122,311,345,220	$606,115,402,757	$112,736,426,400	$8,764,815,772
2012	$133,597,809,027	$677,455,576,769	$129,521,859,341	$11,500,274,885
2013	$140,198,344,120	$743,322,199,652	$146,063,755,043	$14,229,734,658
2014	$142,505,339,872	$808,781,778,261	$164,611,364,176	$17,673,022,482
2015	$139,988,882,339	$871,052,477,325	$183,412,049,596	$21,680,371,417

Source: GAO analysis of data from the National Student Loan Data System, Department of Education. | GAO-17-45

Note: Figures not adjusted for inflation.

Table 9: Student Loan Balances of Borrowers Under 50 When First Subject to Offset, Fiscal Years 2006 to 2015

Fiscal year	Share of borrowers with loan balance under $10,000	$10,000 to less than $25,000	$25,000 to less than $50,000	$50,000 to less than $100,000	$100,000 or more	Total Number of Borrowers First Subject to Offset
2006	67.93	22.04	6.64	2.79	0.61	**7,202**
2007	65.83	22.54	8.06	2.88	0.69	**8,426**
2008	62.06	24.37	9.27	3.53	0.78	**10,553**
2009	61.58	24.92	8.93	3.72	0.86	**13,505**
2010	59.68	24.70	10.38	4.35	0.89	**13,458**
2011	57.38	25.52	10.83	5.02	1.25	**14,575**
2012	57.20	26.20	10.71	4.87	1.02	**18,620**
2013	53.49	27.05	12.38	5.82	1.25	**22,584**
2014	49.97	27.42	13.80	7.23	1.57	**19,437**
2015	48.21	28.88	14.11	7.16	1.64	**19,973**

Source: GAO analysis of data from the Department of Education, the Department of the Treasury, and the Social Security Administration. | GAO-17-45

Note: Figures not adjusted for inflation. Table excludes 3,185 borrowers for whom it was not possible to determine a loan balance.

Table 10: Student Loan Balances of Borrowers 50-64 When First Subject to Offset, Fiscal Years 2006 to 2015

Fiscal year	Share of borrowers with loan balance under $10,000	$10,000 to less than $25,000	$25,000 to less than $50,000	$50,000 to less than $100,000	$100,000 or more	Total Number of Borrowers First Subject to Offset
2006	66.92	22.47	6.83	3.06	0.72	**8,029**
2007	66.03	22.98	7.54	2.76	0.69	**9,854**
2008	63.42	23.68	8.46	3.48	0.96	**12,198**
2009	60.89	24.91	8.93	4.12	1.14	**15,394**
2010	58.46	25.00	9.81	4.96	1.77	**15,854**
2011	56.01	25.80	10.61	5.66	1.91	**17,476**
2012	57.80	24.45	10.61	5.27	1.88	**22,192**
2013	53.59	26.46	11.56	6.24	2.15	**28,491**
2014	52.52	25.40	12.20	7.06	2.83	**24,804**
2015	51.64	26.31	12.20	7.08	2.77	**26,712**

Source: GAO analysis of data from the Department of Education, the Department of the Treasury, and the Social Security Administration. | GAO-17-45

Note: Figures not adjusted for inflation. Table excludes 3,220 borrowers for whom it was not possible to determine a loan balance.

Table 11: Student Loan Balances of Borrowers 65 or Older When First Subject to Offset, Fiscal Years 2006 to 2015

Fiscal year	Share of borrowers with loan balance under $10,000	$10,000 to less than $25,000	$25,000 to less than $50,000	$50,000 to less than $100,000	$100,000 or more	Total Number of Borrowers First Subject to Offset
2006	64.71	24.21	7.53	2.72	0.83	**2,536**
2007	63.04	23.90	8.37	3.60	1.09	**3,309**
2008	59.54	24.56	9.62	4.51	1.77	**3,836**
2009	59.52	24.13	9.97	4.54	1.83	**4,973**
2010	54.72	25.44	11.24	5.69	2.91	**4,536**
2011	51.47	24.95	13.01	7.27	3.29	**4,826**
2012	52.78	25.27	11.86	6.73	3.36	**7,653**
2013	49.86	26.01	12.56	7.63	3.94	**10,556**
2014	48.39	23.93	13.52	9.09	5.07	**9,118**
2015	45.89	25.08	13.65	9.55	5.82	**10,592**

Source: GAO analysis of data from the Department of Education, the Department of the Treasury, and the Social Security Administration. | GAO-17-45

Note: Figures not adjusted for inflation. Table excludes 1,112 borrowers for whom it was not possible to determine a loan balance.

Table 12: Average Student Loan Balance of Borrowers Under 50, By Loan Status, Fiscal Years 2006 to 2015

Fiscal year	Average balance for all borrowers under 50	Average balance for borrowers with loans in good standing	Average balance for borrowers with loans in default	Average balance for borrowers with Social Security benefit offsets
2006	$15,969	$17,235	$7,669	$11,273
2007	17,001	18,333	8,303	12,049
2008	18,013	19,425	8,971	13,131
2009	19,058	20,504	9,638	13,453
2010	20,233	21,808	10,220	14,302
2011	21,701	23,362	11,364	15,670
2012	23,206	25,141	12,144	15,233
2013	24,572	26,763	12,828	16,724
2014	25,841	28,303	13,300	18,660
2015	27,065	29,673	14,406	19,147

Source: GAO analysis of data from the Department of Education, the Department of the Treasury, and the Social Security Administration. | GAO-17-45

Table 13: Average Student Loan Balance of Borrowers 50-64, By Loan Status, Fiscal Years 2006 to 2015

Fiscal year	Average balance for all borrowers 50-64	Average balance for borrowers with loans in good standing	Average balance for borrowers with loans in default	Average balance for borrowers with Social Security benefit offsets
2006	$16,429	$19,272	$8,105	$11,836
2007	17,762	20,845	8,756	11,904
2008	18,919	22,178	9,502	13,115
2009	19,836	23,140	10,138	14,202
2010	20,799	24,130	10,935	15,926
2011	22,546	25,825	12,806	17,154
2012	24,181	28,017	13,548	16,531
2013	25,721	29,947	14,418	18,287
2014	27,388	32,100	15,185	19,878
2015	29,105	34,261	16,350	20,049

Source: GAO analysis of data from the Department of Education, the Department of the Treasury, and the Social Security Administration. | GAO-17-45

Table 14: Average Student Loan Balance of Borrowers 65 and Older, By Loan Status, Fiscal Years 2006 to 2015

Fiscal year	Average balance for all borrowers 65 and Older	Average balance for borrowers with loans in good standing	Average balance for borrowers with loans in default	Average balance for borrowers with Social Security benefit offsets
2006	$12,493	$16,334	$7,164	$12,063
2007	13,851	18,177	7,689	13,310
2008	15,299	20,058	8,335	15,422
2009	16,519	21,608	8,763	15,899
2010	17,708	22,835	9,522	18,694
2011	19,738	24,904	11,126	21,021
2012	21,174	26,903	11,686	20,378
2013	22,259	27,796	12,682	22,442
2014	23,514	29,235	13,450	25,216
2015	24,920	31,059	14,410	27,058

Source: GAO analysis of data from the Department of Education, the Department of the Treasury, and the Social Security Administration. | GAO-17-45

Table 15: Share of Student Loan Borrowers with Various Outcomes 5 Years after Their Initial Social Security Offset by Age, Fiscal Years 2001 to 2010

Outcome	Age at Initial Social Security Offset		
	Under 50	**50 to 64**	**65 and older**
Loans closed - total	**37.17**	**44.35**	**48.06**
Paid off	19.93	22.21	26.49
Discharged – Other	0.61	1.01	0.97
Discharged – Death	8.78	12.64	15.12
Discharged – Total and Permanent Disability (TPD)	7.84	8.49	5.48
Loans open – total	**62.83**	**55.65**	**51.94**
Rehabilitated or consolidated – total	**17.74**	**13.60**	**12.67**
In repayment	11.51	10.33	9.97
Forbearance or deferment	6.22	3.27	2.70
Applied for TPD, in 3-year monitoring period	6.85	6.42	3.52
Defaulted – total	**38.24**	**35.63**	**35.75**
Offset resumed/still in offset	21.00	20.00	21.62
Other, no offset	7.24	5.47	4.91
Hardship exemption from offset	5.97	6.02	5.72
Hardship reduction in offset	4.04	4.14	3.50
Number of borrowers in age group:	91,425	96,519	28,525

Source: GAO analysis of data from the Department of Education, the Department of the Treasury, and the Social Security Administration. | GAO-17-45

Note: Data on 5-year outcomes include borrowers who became subject to offset prior to fiscal year 2011 in order to observe borrowers for a full 5-year time period through fiscal year 2015.

Table 16: Share of Student Loan Borrowers with Various Outcomes 5 Years after Their Initial Social Security Offset by Duration of Offset, Fiscal Years 2001 to 2010

Outcome	Age of borrower at time of initial offset					
	Under 50		50-64		Over 65	
	Duration of time in offset		Duration of time in offset		Duration of time in offset	
	Less than 1 year	1 year or more	Less than 1 year	1 year or more	Less than 1 year	1 year or more
Loans closed - total	**40.30**	**32.85**	**49.13**	**38.50**	**55.22**	**40.94**
Paid off	19.24	20.89	22.37	22.02	29.79	23.21
Discharged – Other	0.68	0.52	1.11	0.89	1.32	0.62
Discharged – Death	10.29	6.71	14.29	10.62	16.45	13.79
Discharged – Total and Permanent Disability (TPD)	10.09	4.73	11.36	4.97	7.66	3.32
Loans open - total	**59.71**	**67.15**	**50.88**	**61.50**	**44.78**	**59.07**
Rehabilitated or consolidated – total	**21.39**	**12.69**	**16.94**	**9.50**	**16.93**	**8.45**
In repayment	13.92	8.19	12.82	7.27	13.22	6.75
Forbearance or deferment	7.47	4.50	4.12	2.23	3.71	1.70
Applied for TPD, in 3-year monitoring period	7.74	5.62	7.67	4.88	4.03	3.01
Defaulted – total	**30.58**	**48.84**	**26.27**	**47.12**	**23.82**	**47.61**
Offset resumed/still in offset	15.34	28.82	13.15	28.42	11.74	31.44
Other, no offset	7.27	7.20	5.45	5.48	5.17	4.65
Hardship exemption from offset	5.51	6.59	5.42	6.76	5.11	6.33
Hardship reduction in offset	2.46	6.23	2.25	6.46	1.80	5.19
Number of borrowers in category:	53,038	38,387	53,195	43,324	14,217	14,308

Source: GAO analysis of data from the Department of Education, the Department of the Treasury, and the Social Security Administration. | GAO-17-45

Note: Data on 5-year outcomes include borrowers who became subject to offset prior to fiscal year 2011 in order to observe borrowers for a full 5-year time period through fiscal year 2015.

Table 17: Share of Borrowers Under 50 Whose Social Security Benefits Are below the Poverty Guideline after Offset for Defaulted Federal Student Loans, Fiscal Years 2001 to 2015

Fiscal year	Benefits below poverty guideline and further reduced by offset	Benefits reduced below poverty guideline after offset	Benefits above poverty guideline after offset	Number of borrowers
2001	.	.	100.00	1,700
2002	.	.	100.00	14,565
2003	.	.	100.00	14,007
2004	0.59	46.09	53.32	16,281
2005	10.29	48.07	41.64	18,964
2006	19.10	42.99	37.91	20,994
2007	31.53	34.72	33.74	24,818
2008	36.73	30.60	32.67	30,402
2009	43.55	26.65	29.80	36,681
2010	42.89	26.25	30.87	40,034
2011	43.61	26.04	30.34	45,163
2012	46.83	24.44	28.73	52,639
2013	51.35	22.87	25.77	63,380
2014	54.15	21.48	24.37	66,575
2015	55.31	21.13	23.56	67,369

Source: GAO analysis of data from the Department of Education, the Department of the Treasury, and the Social Security Administration. | GAO-17-45

Note: Table excludes 442 borrowers for whom it was not possible to determine the Social Security benefit amount.

Table 18: Share of Borrowers 50-64 Whose Social Security Benefits Are below the Poverty Guideline after Offset for Defaulted Federal Student Loans, Fiscal Years 2001 to 2015

Fiscal year	Benefits below poverty guideline and further reduced by offset	Benefits reduced below poverty guideline after offset	Benefits above poverty guideline after offset	Number of borrowers
2001	.	.	100.00	2,988
2002	.	.	100.00	14,949
2003	.	.	100.00	14,416
2004	0.31	37.26	62.43	16,434
2005	8.39	40.74	50.87	19,600
2006	15.79	37.22	46.99	21,706
2007	27.15	30.21	42.65	26,612
2008	31.28	26.96	41.76	32,844
2009	37.86	23.39	38.75	39,647
2010	36.40	23.01	40.59	43,501
2011	36.79	22.72	40.50	49,837
2012	39.58	21.69	38.72	59,245
2013	43.86	20.81	35.34	72,765
2014	45.82	19.99	34.19	77,962
2015	46.62	19.43	33.95	78,464

Source: GAO analysis of data from the Department of Education, the Department of the Treasury, and the Social Security Administration. | GAO-17-45

Note: Table excludes 118 borrowers for whom it was not possible to determine the Social Security benefit amount.

Table 19: Share of Borrowers 65 and Over Whose Social Security Benefits Are below the Poverty Guideline after Offset for Defaulted Federal Student Loans, Fiscal Years 2001 to 2015

Fiscal year	Benefits below poverty guideline and further reduced by offset	Benefits reduced below poverty guideline after offset	Benefits above poverty guideline after offset	Number of borrowers
2001	.	.	100.00	953
2002	.	.	100.00	5,857
2003	.	.	100.00	5,324
2004	0.53	38.39	61.08	5,494
2005	9.45	39.82	50.74	6,108
2006	18.77	34.48	46.75	6,659
2007	30.19	27.47	42.34	8,179
2008	33.93	24.07	42.00	9,873
2009	41.14	20.22	38.64	11,850
2010	37.63	20.00	42.37	12,667
2011	35.98	19.86	44.16	13,950
2012	38.88	18.31	42.81	17,520
2013	41.01	17.43	41.56	22,609
2014	42.07	15.97	41.96	24,877
2015	41.79	16.04	42.17	26,715

Source: GAO analysis of data from the Department of Education, the Department of the Treasury, and the Social Security Administration. | GAO-17-45

Note: Table excludes five borrowers for whom it was not possible to determine the Social Security benefit amount.

Table 20: Length of Time Borrowers Held Student Loans at Time of Initial Social Security Offset, Fiscal Years 2001 to 2015

Length of Time	Share of borrowers under 35 at time of initial offset	Share of borrowers 35-49	Share of borrowers 50-64	Share of borrowers 65 and older
Less than 5 years	18.20	9.12	6.30	4.52
5-10 years	46.42	20.49	15.78	12.41
10-15 years	30.64	20.50	17.43	18.06
15-20 years	4.74	24.63	19.03	21.07
20-25 years	.	17.92	19.15	20.13
25-30 years	.	6.82	12.42	12.37
30-35 years	.	0.51	6.07	5.83
35-40 years	.	.	2.55	3.09
40 years or more	.	.	1.27	2.52
Number of borrowers in age group:	38,416	15,1922	21,6632	66,000

Source: GAO analysis of data from the Department of Education, the Department of the Treasury, and the Social Security Administration. | GAO-17-45

Note: Table excludes 4,884 borrowers for whom it was not possible to determine the length of time the borrower held loans that became subject to offset. Dashes indicate lengths of time not applicable to an age group.

Table 21: Length of Time in Default Prior to Offset for Borrowers Not Receiving Social Security Benefits At Time of Offset, Fiscal Years 2004-2015

Length of Time	Share of borrowers under 50 at time of initial offset	Share of borrowers 50-64	Share of borrowers 65 and older
Less than 5 years	34.06	23.24	12.39
5-10 years	24.00	17.49	14.17
10-15 years	20.83	20.08	21.60
15-20 years	15.61	20.76	24.78
20 years or longer	5.51	18.43	27.06
Number of borrowers in age group:	87,784	133,681	32,234

Source: GAO analysis of data from the Department of Education, the Department of the Treasury, and the Social Security Administration. | GAO-17-45

Table 22: Length of Time in Default Prior to Offset for Borrowers Receiving Social Security Benefits At Time of Offset, Fiscal Years 2004-2015

Length of Time	Share of borrowers under 50 at time of initial offset	Share of borrowers 50-64	Share of borrowers 65 and older
Less than 2 years	57.92	57.73	54.13
2-3 years	17.86	14.65	14.21
3-4 years	7.00	5.22	6.11
4-5 years	4.48	3.53	4.31
5 years or longer	12.75	18.86	21.24
Number of borrowers in age group:	75,381	54,199	24,033

Source: GAO analysis of data from the Department of Education, the Department of the Treasury, and the Social Security Administration. | GAO-17-45

Table 23: Proportion of Social Security Offset Collections Applied to Principal, Interest, and Fees on Defaulted Federal Student Loans, Fiscal Years 2001 to 2015

Category	Age at Initial Social Security Offset		
	Under 50	50 to 64	65 and older
Principal	31.15	26.83	26.31
Interest	55.74	61.00	62.18
Fees	13.11	12.17	11.50
Collections included in calculation of percentages	$394,315,594	$469,075,139	$160,717,380
Total collections	**$419,727,588**	**$506,759,493**	**$175,923,528**

Source: GAO analysis of data from the Department of Education, the Department of the Treasury, and the Social Security Administration. | GAO-17-45

Note: Percentages were calculated excluding approximately 7.1 percent of offset collections for which we could not accurately determine the amount applied to principal, interest and fees. The total collections row contains all collections, including the 7.1 percent for which a further breakdown was unavailable.

Table 24: Share of Borrowers Paying Student Loan Principal Via Social Security Offset, by Duration of Offset, Fiscal Years 2001 to 2015

Outcome	Age of borrower at time of initial offset					
	Under 50		50-64		Over 65	
	Duration of time in offset		Duration of time in offset		Duration of time in offset	
	Less than 1 year	1 year or more	Less than 1 year	1 year or more	Less than 1 year	1 year or more
No principal paid	57.28	35.01	62.17	43.66	58.84	45.07
Up to 50 percent of payment applied to principal	18.08	35.01	15.83	33.66	15.88	32.74
More than 50 percent of payment applied to principal	24.65	29.98	22.00	22.68	25.28	22.18
Number of borrowers included in calculation of percentages:	92,328	81,020	106,437	89,083	30,830	28,567
Total number of borrowers in category:	**108,189**	**84,247**	**124,845**	**93,850**	**36,069**	**30,653**

Source: GAO analysis of data from the Department of Education, the Department of the Treasury, and the Social Security Administration. | GAO-17-45

Note: Percentages were calculating excluding 10.4 percent of borrowers for whom we could not accurately determine the amount applied to principal, interest and fees. The total collections row contains all collections, including the 10.4 percent for which a further breakdown was unavailable.

Table 25: Number of Borrowers in Social Security Offset due to Defaulted Federal Student Loans, by Benefit Type and Borrower Age, Fiscal Years 2001 to 2015

Fiscal Year	Age of borrower at time of initial offset					
	Under 50		50-64		Over 65	
	Type of Social Security benefit		Type of Social Security benefit		Type of Social Security benefit	
	Disability benefit	Retirement or survivors' benefit	Disability benefit	Retirement or survivors' benefit	Disability benefit	Retirement or survivors' benefit
2001	1,599	108	1575	1,413	0	954
2002	14,221	477	12,575	2,305	0	5,977
2003	13,046	514	11,985	2,506	8	5,834
2004	14,745	543	13,670	2,881	33	6,456
2005	16,914	568	16,213	3,402	118	7,553
2006	18,491	596	18,274	3,535	187	8,345
2007	21,590	655	22,395	4,129	347	10,553
2008	26,373	763	27,954	4,807	520	12,756
2009	31,853	870	33,255	6,074	731	15,451
2010	34,585	1,021	35,562	7,605	823	16,654
2011	38,678	1,141	40,250	9,306	824	18,804
2012	45,133	1,299	47,570	10,777	1,186	23,492
2013	54,166	1,484	58,804	12,593	1,764	29,998
2014	56,614	1,593	61,236	14,027	1,792	34,209
2015	57,180	1,663	60,401	15,084	1,778	36,471
Total distinct borrowers, any year	**186,512**	**5,900**	**168,339**	**50,349**	**2,524**	**64,197**

Source: GAO analysis of data from the Department of Education, the Department of the Treasury, and the Social Security Administration. | GAO-17-45

Note: Fiscal year 2001 numbers reflect a partial year because Social Security benefit offset began in mid-2001. Borrowers receiving a disability benefit at the time of their initial offset may later age into retirement benefits at their full retirement age, currently age 66 for people born in 1943-1954. Table excludes 33 borrowers for whom a Social Security benefit type could not be determined.

Table 26: Age at Loan Origination For Student Loans Held at Time of Initial Social Security Offset, Fiscal Years 2001 to 2015

Age at loan origination	Share of borrowers under 35 at time of initial offset	Share of borrowers 35-49	Share of borrowers 50-64	Share of borrowers 65 and older
Less than 20	34.24	13.20	2.13	0.17
20-24	40.51	23.88	6.05	1.22
25-29	23.11	22.47	9.71	2.10
30-34	2.14	19.33	14.26	3.64
35-39	.	13.23	16.82	7.27
40-44	.	7.09	18.10	13.55
45-49	.	0.80	17.19	19.29
50-54	.	.	10.80	19.71
55-59	.	.	4.57	17.04
60-64	.	.	0.37	10.23
65 and older	.	.	.	5.77
Number of borrowers in age group:	38,416	151,922	216,632	66,000

Source: GAO analysis of data from the Department of Education, the Department of the Treasury, and the Social Security Administration. | GAO-17-45

Note: Table excludes 4,884 borrowers for whom it was not possible to determine their age at the time of loan origination for loans that became subject to offset. Dashes indicate categories not applicable to an age group.

Appendix IV: Copy of Education's Total and Permanent Disability Servicer's Form for Annual Income Verification[1]

OMB No. 1845-0065
Form Approved
Exp. Date 6/30/2016

TPD PDM

Total and Permanent Disability Discharge: Post-Discharge Monitoring

William D. Ford Federal Direct Loan (Direct Loan) Program / Federal Family Education Loan (FFEL) Program/ Federal Perkins Loan (Perkins) Program / Teacher Education Assistance for College and Higher Education (TEACH) Grant Program

Use this form to provide documentation of your annual earnings from employment during the post-discharge monitoring period.

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form or on any accompanying document is subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.

SECTION 1: APPLICANT IDENTIFICATION

Please enter or correct the following information.

☐ **Check this box if any of your information has changed.**

SSN ___ ___ ___ - ___ ___ - ___ ___ ___ ___

Name ______________________

Address ______________________

City, State, Zip Code ______________________

Telephone (   ) ______________________

E-mail Address (Optional) ______________________

SECTION 2: DOCUMENTATION OF EARNED INCOME

Type or print using dark ink. Enter dates as month-day-year (mm-dd-yyyy). Use only numbers. Example: January 31, 2013 = 01-31-2013. Include your name and Social Security Number on any documentation that you submit with this form. If you need help completing this form, contact the U.S. Department of Education at: 888-303-7818. Throughout this form, the words "we" and "us" refer to the U.S. Department of Education. To submit this form, send it to:

U.S. Department of Education, TPD Servicing, P.O. Box 87130, Lincoln, NE 68501-7130.

Your obligation to repay a discharged loan or complete a discharged TEACH Grant service obligation will be reinstated if you receive annual earnings from employment above the poverty guideline for a family size of two, regardless of your actual family size, for any of the three years following the date on which your loans and/or TEACH Grant service obligations were discharged. The poverty guidelines are established annually by the U.S. Department of Health and Human Services, and are available online at: **aspe.hhs.gov/poverty**. For2015, the poverty guidelines for a family size of two are as follows:

Family Size	48 States & DC	Alaska	Hawaii
2	$15,930.00	$19,920.00	$18,330.00

Note: If you do not reside in a U.S. state or DC, we will use the poverty guideline for the contiguous 48 states and DC.

Your post-discharge monitoring period begins the day after we grant a discharge of your loans or TEACH Grant service obligation, and ends three years from that date. Each year, for three years, we will ask for information about your annual earnings from employment for a 12-month period that is based on the date that your post-discharge monitoring period began.

1. Complete item 2, based on the following period: 0 6 - 1 6 - 2 0 1 4 through 0 6 - 1 5 - 2 0 1 5
2. **Did you have income *earned from employment* during the period described in Item 1?** Income from employment includes **(1)** wages, tips, or other taxable employee pay, or **(2)** earnings from self-employment. Do not include untaxed income such as Supplemental Security Income, child support, or federal or state public assistance or other unearned income such as income from interest or dividends.
   - ☐ Yes—You must provide documentation of all income you receive from employment or self-employment. See Acceptable Documentation below.
   - ☐ No—By signing this form, you are certifying that you had no earned income from employment for the period described in Item 1. Continue to Section 3.

Acceptable Documentation

Do not provide documentation of unearned income, such as income from interest or dividends. Do not report untaxed income, such as Supplemental Security Income, child support, or federal or state public assistance.

- You must provide **one piece of supporting documentation** for each source of income earned from employment. For example, documentation includes a federal or state income tax return, a W-2, a federal income tax return transcript, an earnings statement from the Social Security Administration, an earnings statement from a state or local agency, or a pay stub from any employment.
- Unless the **frequency** is clearly indicated on the documentation that you provide, write on your documentation how often you receive the income, for example, "twice per month" or "every other week".
- If you are submitting documentation of income that you receive on a calendar-year basis, but a **portion of the income in the documentation is outside of the period described in Item 1**, write on your documentation the amount of the income that you received during the period described in Item 1.
- **Copies** of original documentation are acceptable.
- If **no documentation** of your earned income is available, submit a signed statement explaining the amount and source of your source of earned income.

SECTION 3: APPLICANT UNDERSTANDINGS AND CERTIFICATION

- **I understand** that: I may be required to repay my discharged loans and/or complete my discharged TEACH Grant service obligation if, during the three-year post-discharge monitoring period, which begins on the date that I receive a discharge, **(1)** I receive annual earnings from employment that exceed the poverty guideline amount for a family of two in my state, regardless of my actual family size; **(2)** I receive a new loan under the Direct Loan or Perkins Loan Program or a new TEACH Grant; **(3)** I receive a disbursement of a Direct Loan, Perkins Loan, or TEACH Grant that was initially disbursed prior to my discharge date and I fail to ensure that the disbursement is returned to the loan holder or (for a TEACH Grant) to the U.S. Department of Education within 120 days of the disbursement date; or **(4)** the Social Security Administration determines that I am no longer disabled or changes my continuing disability review period to a period that is shorter than 5-7 years or more, after I had been previously determined to be disabled by the Social Security Administration and was receiving SSDI or SSI benefits with a continuing disability review period of 5-7 years or more.
- **I certify** that all of the information I have provided on this form and in any accompanying documentation is true, complete, and correct to the best of my knowledge and belief.

______________________ **Applicant's or Representative's Signature**

__________ **Date**

______________________ **Printed Name of Representative (if applicable)**

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[1]Education proposed a revised version of this form that was approved by the Office of Management and Budget on Sept. 30, 2016. However, Education officials said in October 2016 that the revised form would not be implemented for several months. The revised form also does not explicitly state that the loan will be reinstated if the borrower does not return the annual income verification form—even if they have no earnings—to document that their earnings from employment are below the poverty guideline for a family of two in their state.

SECTION 4: DEFINITIONS

- A **discharge of a loan** due to a total and permanent disability cancels your obligation (and, if applicable, an endorser's obligation) to repay the remaining balance on your FFEL, Perkins Loan, and/or Direct Loan program loans.
- The **post-discharge monitoring period** begins on the date the U.S. Department of Education grants a discharge of your loan or TEACH Grant service obligation and lasts for three years. If you fail to meet certain conditions at any time during or at the end of the post-discharge monitoring period, the U.S. Department of Education will reinstate your obligation to repay your loan or complete your TEACH Grant service. See Section 5 for more information.
- The **William D. Ford Federal Direct Loan (Direct Loan) Program** includes Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans, and Direct Consolidation Loans.
- The **Federal Perkins (Perkins) Loan Program** includes Federal Perkins Loans, National Direct Student Loans (NDSL), and National Defense Student Loans (Defense Loan).
- The **Teacher Education Assistance for College (TEACH) Grant** provides grants to students who agree to teach full time for at least four years in high-need fields in low-income elementary or secondary schools as a condition for receiving the grant funds. If a TEACH Grant recipient does not complete the required teaching service within eight years after completing the program of study for which the TEACH Grant was received, the TEACH Grant funds are converted to a Direct Unsubsidized Loan that the grant recipient must repay in full, with interest, to the U.S. Department of Education.
- A **representative** is a member of your family, your attorney, a law firm or legal aid society, or another individual or organization authorized to act on your behalf in connection with your total and permanent disability discharge application.

SECTION 5: IMPORTANT INFORMATION ABOUT THE POST-DISCHARGE MONITORING PERIOD AND REINSTATEMENT

POST-DISCHARGE MONITORING PERIOD

If you were granted a discharge, we will monitor your status during the 3-year post-discharge monitoring period that begins on the date the discharge is granted. We will reinstate your obligation to repay your loan(s) and/or to complete your TEACH Grant service if, at any time during the post-discharge monitoring period, you:

- Receive annual earnings from employment that exceed the poverty guideline amount for a family of two in your state, regardless of your actual family size;
- Receive a new loan under the Direct Loan Program or Perkins Loan Program, or a new TEACH Grant;
- Receive a disbursement of a Direct Loan, Perkins Loan, or TEACH Grant that was initially disbursed prior to your discharge date and fail to ensure that the disbursement is returned to the loan holder or (for a TEACH Grant) to us within 120 days of the disbursement date; or
- Receive a notice from the Social Security Administration (SSA) indicating that you are no longer disabled or that your continuing disability review will no longer be 5 to 7 years or more from the date of your last SSA disability determination (after you had been previously determined to be disabled by the SSA, were receiving SSDI or SSI benefits, and had a continuing disability review period of 5-7 years or more from the date of your last SSA disability determination).

During the 3-year post-discharge monitoring period, we will monitor the National Student Loan Data System (NSLDS) to determine whether you have received a new loan under the Direct Loan Program or the Perkins Loan Program or a TEACH Grant, or whether you have failed to ensure that a loan or TEACH Grant disbursement was returned to the loan holder or (for a TEACH Grant) to us within 120 days of the disbursement date.

During the 3-year post-discharge monitoring period, you (or your representative) must:

- Promptly notify us if your annual earnings from employment exceed the poverty guideline amount for a family of two in your state, regardless of your actual family size;
- Promptly notify us of any changes in your address or telephone number;
- Provide us with documentation of your annual earnings from employment, on a form that we will provide; and
- Promptly notify us if you had been previously determined to be disabled by the SSA, were receiving SSDI or SSI benefits, and had a continuing disability review period of 5 to 7 years or more from the date of your last SSA disability determination, but the SSA determines that you are no longer disabled or changes your continuing disability review period to a period that is shorter than 5 to 7 years.

REINSTATEMENT OF OBLIGATION TO REPAY A LOAN OR COMPLETE TEACH GRANT SERVICE

If you do not meet the requirements outlined above at any time during or at the end of the post-discharge monitoring period, we will reinstate your obligation to repay your loans and/or to complete your TEACH Grant service. If your loan is reinstated, you will be responsible for repaying your loans to us in accordance with the terms of your promissory note(s). Your loans will be returned to the status that would have existed if we had not received your total and permanent disability discharge application. However, you will not be required to pay interest on your loans for the period from the date of the discharge until the date your repayment obligation was reinstated. We will be your loan holder. If your TEACH Grant service obligation is reinstated, you will again be subject to the requirements of your TEACH Grant Agreement to Serve. If you do not meet the terms of that agreement and the TEACH Grant funds you received are converted to a Direct Unsubsidized Loan, you must repay that loan in full, and interest will be charged from the date(s) that the TEACH Grant funds were disbursed. If your obligation to repay your loans or complete your TEACH Grant service obligation is reinstated, we will notify you of the reinstatement. This notification will include:

- The reason or reasons for the reinstatement;
- For loans, an explanation that the first payment due date on the loan following the reinstatement will be no earlier than 60 days following the date of the notification of reinstatement; and
- Information on how you may contact us if you have questions about the reinstatement, or if you believe that your obligation to repay a loan or complete TEACH Grant service was reinstated based on incorrect information.

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SECTION 6: IMPORTANT NOTICES

Privacy Act Notice. The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you:

The authorities for collecting the requested information from and about you are §421 *et seq.*, §451 *et seq.*,§461 *et seq.*, and §420L *et seq.* of the Higher Education Act of 1965, as amended (the HEA) (20 U.S.C. 1071 *et seq.*, 20 U.S.C. 1087a *et seq.*, 20 U.S.C. 1087aa *et seq.*, and 20 U.S.C. 1070g *et seq.*) and the authorities for collecting and using your Social Security Number (SSN) are §§428B(f) and 484(a)(4) of the HEA (20 U.S.C. 1078-2(f) and 1091(a)(4)) and §31001(i)(1) of the Debt Collection Improvement Act of 1996 (31 U.S.C. 7701(c)). Participating in the Federal Family Education Loan (FFEL) Program, the William D. Ford Federal Direct Loan (Direct Loan) Program, the Federal Perkins Loan (Perkins Loan) Program, and/or the Teacher Education Assistance for College and Higher Education (TEACH) Grant Program and giving us your SSN are voluntary, but you must provide the requested information, including your SSN, to participate.

The principal purposes for collecting the information on this form, including your SSN, are to verify your identity, to determine your eligibility to receive a FFEL, Direct Loan, and/or Perkins Loan program loan or a TEACH Grant, to receive a benefit on a loan (such as a deferment, forbearance, discharge, or forgiveness) or a discharge of a TEACH Grant service obligation, to permit the servicing of your loan(s) or TEACH Grant(s), and, if it becomes necessary, to locate you and to collect and report on your loan(s) if your loan(s) become delinquent or in default. We also use your SSN as an account identifier and to permit you to access your account information electronically.

The information in your file may be disclosed, on a case-by-case basis or under a computer matching program, to third parties as authorized under routine uses in the appropriate systems of records notices.

For a loan or for a TEACH Grant that has not been converted to a Direct Unsubsidized Loan, the routine uses of the information that we collect about you include, but are not limited to, its disclosure to federal, state, or local agencies, to institutions of higher education, and to third party servicers to determine your eligibility to receive a loan or a TEACH Grant, to investigate possible fraud, and to verify compliance with federal student financial aid program regulations.

In the event of litigation, we may send records to the Department of Justice, a court, adjudicative body, counsel, party, or witness if the disclosure is relevant and necessary to the litigation. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for action. We may send information to members of Congress if you ask them to help you with federal student aid questions. In circumstances involving employment complaints, grievances, or disciplinary actions, we may disclose relevant records to adjudicate or investigate the issues. If provided for by a collective bargaining agreement, we may disclose records to a labor organization recognized under 5 U.S.C. Chapter 71. Disclosures may be made to our contractors for the purpose of performing any programmatic function that requires disclosure of records. Before making any such disclosure, we will require the contractor to maintain Privacy Act safeguards. Disclosures may also be made to qualified researchers under Privacy Act safeguards.

For a loan, including a TEACH Grant that has been converted to a Direct Unsubsidized Loan, the routine uses of this information also include, but are not limited to, its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to creditors, to financial and educational institutions, and to guaranty agencies to verify your identity, to determine your program eligibility and benefits, to permit making, servicing, assigning, collecting, adjusting, or discharging your loan(s), to enforce the terms of the loan(s), to investigate possible fraud and to verify compliance with federal student financial aid program regulations, to locate you if you become delinquent in your loan payments or if you default, or to verify whether your debt qualifies for discharge or cancellation. To provide default rate calculations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal, state or local agencies. To provide financial aid history information, disclosures may be made to educational institutions. To assist program administrators with tracking refunds and cancellations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal or state agencies. To provide a standardized method for educational institutions to efficiently submit student enrollment status, disclosures may be made to guaranty agencies or to financial and educational institutions. To counsel you in repayment efforts, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal, state, or local agencies.

Paperwork Reduction Notice. According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a currently valid OMB control number. Public reporting burden for this collection of information is estimated to average 0.5 hours (30 minutes) per response, including the time for reviewing instructions, searching existing data resources, gathering and maintaining the data needed, and completing and reviewing the information collection. Individuals are obligated to respond to this collection to obtain a benefit in accordance with 34 CFR 674.61(b) or (c), 34 CFR 682.402(c)(2) or (c)(9), 34 CFR 685.213(b) or (c), and 34 CFR 686.42(b). Send comments regarding the burden estimate(s) or any other aspect of this collection of information, including suggestions for reducing this burden, to the U.S. Department of Education, 400 Maryland Avenue, SW, Washington, DC 20210-4537, or e-mail **ICDocketMgr@ed.gov** and reference OMB Control Number 1845-0065. **IMPORTANT: Do NOT return the completed Post-Discharge Monitoring form to this address. If you return the completed form to this address, it will delay the processing of your request.**

If you have comments or concerns regarding the status of *your individual submission* of this form, contact the U.S. Department of Education at 1-888-303-7818.

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Appendix V: Comments from the Department of Education

November 29, 2016

Ms. Allison Bawden
Acting Director
Education, Workforce, and
Income Security Issues
U.S. Government Accountability Office
Washington, DC 20548

Dear Ms. Bawden:

Thank you for providing the Department of Education (Department) with an opportunity to review and respond to the draft copy of the Government Accountability Office (GAO) report, "SOCIAL SECURITY OFFSETS: Improvements to Program Design Could Better Assist Older Student Loan Borrowers with Obtaining Permitted Relief" (GAO-17-45). In administering the student financial assistance programs, Federal Student Aid understands that a growing number of older Americans have student loan debt as they near or enter retirement. Compared with younger borrowers, those borrowers age 50 and older have considerably higher rates of default on federal student loans. It is our objective to work closely with this population to improve and streamline communications between the Department of Education/Federal Student Aid and older borrowers.

The Department's response to the recommendations follows.

Recommendation 1: *Inform affected borrowers of the suspension of offset and potential consequences if the borrower does not take action to apply for a TPD discharge. Such information could include notification that interest will continue to accrue if the borrower does not apply for a TPD discharge and that offsets may resume once their disability benefits are converted to retirement benefits;*

Response: The Department agrees with this recommendation. We have taken steps over the past year to establish data matches with the Social Security Administration (SSA) and Department of Veterans Affairs to identify borrowers who are eligible for a TPD discharge; this process includes outreach directly to borrowers with information on the benefits of the discharge, their eligibility status, and how to apply for the discharge. The Department recently decided to suspend offset indefinitely for borrowers whose eligibility is established through the data matches. (As loan discharges have potential tax implications for the borrower, and for other reasons, we are not able to automatically grant the discharge until a borrower applies.) Currently, we do not notify borrowers of the suspension, but we will implement a process to do so in the future.

Federal Student Aid
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830 First St. N.E., Washington, DC 20202

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Recommendation 2: *Revise forms sent to borrowers already approved for a TPD discharge to clearly and prominently state that failure to provide annual income verification documentation during the 3-year monitoring period will result in loan reinstatement;*

Response: The current OMB TPD–Post discharge forms contain the recommended language in the first bullet of the Earned Income Section. In order to more clearly provide this information FSA has recommended that the new OMB form, which is in its public comment period, (1) use a larger font size for the form and (2) use "plain language." We believe that this approach will increase the readability of the document and provide more clarity to borrowers.

Recommendation 3: *Evaluate the feasibility and benefits of implementing an automated income verification process, including determining whether the agency has the necessary legal authority to implement such a process;*

Response: The Department agrees with this recommendation and is working with SSA to determine if we have the legal authority and operational capability to automate the income verification process. This work will be expanded as necessary to include other Federal agencies with access to income data.

Recommendation 4: *Inform borrowers about the financial hardship exemption option and application process on the agency's website, as well as the notice of offset to borrowers; and*

Response: The Department agrees with the recommendation to inform borrowers about the financial hardship exemption option and the application process on our agency's website, and will include this change in upcoming revisions to our web content. With respect to the notice of offset to borrowers, we should clarify that the notice of offset is sent by the Department of the Treasury. Accordingly, we will share this recommendation with Treasury and discuss possible changes to the notice.

Recommendation 5: *Implement an annual review process to ensure that only eligible borrowers are exempted from offset on an ongoing basis. In doing so, Education should consider strategies to address the challenges some borrowers may have – as shown with the TPD discharge process – in complying with annual reporting requirements.*

Response: The Department agrees with this recommendation. We plan to fully automate our process for tracking hardship and other exceptions from offset; this will allow for regular reviews to ensure that only eligible borrowers are excepted. Due to competing priorities and funding limitations, full implementation of these improvements has not been scheduled. As we fully implement this process, which is likely to increase the number of borrowers who have their SSA benefits offset, we will review complementary strategies to assist borrowers in complying with annual reporting requirements.

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Thank you for the opportunity to review and comment on the draft GAO report.

Sincerely,

James W. Runcie
Chief Operating Officer

Appendix VI: Comments from the Social Security Administration

SOCIAL SECURITY ADMINISTRATION USA

SOCIAL SECURITY
Office of the Commissioner

November 30, 2016

Ms. Allison Bawden
Managing Director
United States Government Accountability Office
441 G. Street, NW
Washington, DC 20548

Dear Ms. Bawden:

Thank you for the opportunity to review and comment on the draft GAO report, "Improvements to Program Design Could Better Assist Older Student Loan Borrowers with Obtaining Permitted Relief" (GAO-17-45). We have no position regarding the legislative change recommended in the draft report. We otherwise agree with the report's findings and conclusions. We have no comments to submit for your consideration.

If you have any questions, please contact me at (410) 965-4991. Your staff may contact Gary S. Hatcher, Senior Advisor for the Audit Liaison Staff, at (410) 965-0680.

Sincerely,

Frank Cristaudo
Executive Counselor to the Commissioner

SOCIAL SECURITY ADMINISTRATION BALTIMORE, MD 21235-0001

Appendix VII: GAO Contact and Staff Acknowledgments

GAO Contact

Allison Bawden, (202)512-7215 or bawdena@gao.gov

Staff Acknowledgments

In addition to the contact named above, Michael Collins (Assistant Director), Sharon Hermes (Analyst in Charge), Christopher Zbrozek, and John Mingus made key contributions to this report.

Also contributing to this report were Deborah Bland, Ben Bolitzer, Helen Desaulniers, Charles Jeszeck, Theresa Lo, Ying Long, Sheila McCoy, Kevin Metcalfe, Mimi Nguyen, Dae Park, Kenneth Rupar, Kathleen van Gelder, Walter Vance, and Adam Wendel.

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