

# United States Senate

WASHINGTON, DC 20510

November 14, 2016

The Honorable Robert A. McDonald  
Secretary of Veterans Affairs  
810 Vermont Avenue, NW  
Washington, D.C. 20571

The Honorable John B. King Jr.  
Secretary of Education  
400 Maryland Avenue, SW  
Washington, D.C. 20202

Dear Secretary McDonald and Secretary King,

We write to urge the Department of Veterans Affairs (VA) and the Department of Education (ED) to streamline the disability verification process to ensure that any veteran who is permanently disabled is discharged of their federal student loan debt. Such a discharge is allowed under current law, but the lack of coordination between ED and the VA is leaving behind potentially thousands of veterans who could otherwise have their loans forgiven.

Section 437(a) of the Higher Education Act allows student loan borrowers who develop a permanent disability to have their federal student loans forgiven by the Department of Education. This student loan forgiveness also applies to veterans who have been determined by the VA to be unemployable due to a service-connected disability. To verify an individual's eligibility for student loan forgiveness under the law, ED requires documentation from the Social Security Administration (SSA) or the VA regarding the borrower's disability status. However, many disabled Americans have found the process to discharge these loans confusing and burdensome, discouraging them from following through with the process and leaving them to pay off student loans they otherwise would not be required to under law.

Earlier this year, ED and SSA conducted a data match that resulted in the identification of approximately 389,000 Social Security Disability Insurance beneficiaries who are eligible for discharge of their federal student loans – nearly half of whom were in default on their loans. This kind of streamlining is critical to protecting Americans with permanent and total disabilities from unnecessary financial hardship, but was limited to the two agencies in question. We believe the VA and ED should conduct a similar data match to ensure no veterans are denied the benefits for which they are qualified.

Congress recently recognized the complexity of the loan discharge process for veterans with a service-connected disability. At our urging, the explanatory statement that accompanies the recently-enacted FY17 Military Construction, Veterans Affairs, and Related Agencies Appropriations Act directs the VA to enter into a data matching program with ED to improve coordination between federal agencies and eliminate the administrative hurdles that prevent too many veterans from receiving the loan forgiveness they deserve.<sup>1</sup> We urge you to act swiftly upon this recommendation from Congress.

Improving the loan discharge process for borrowers with disabilities does not end with administrative streamlining – there is more to be done, and Congress must act. Under current law, the Internal Revenue Service (IRS) treats the amount of student loans forgiven as income, which must be reported on an individual's tax return and could potentially result in a tax liability. Instead of helping veterans and their

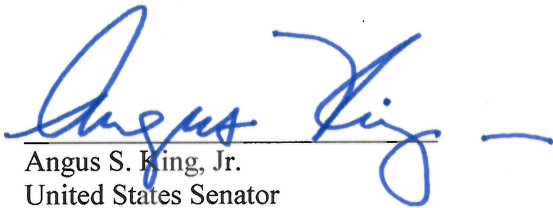
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<sup>1</sup> See p.50 of the Information Technology Systems section of "Explanatory Statement: Division A" that accompanies H.R. 5325 at [www.appropriations.senate.gov/imo/media/doc/DIV%20A.PDF](http://www.appropriations.senate.gov/imo/media/doc/DIV%20A.PDF).


families through loan forgiveness, this misguided policy simply replaces one financial burden with another, as some families are hit with thousands of dollars in immediate tax liability. That is why we have introduced legislation to exempt loans discharged due to disability or death from being treated as income – the Stop Taxing Death and Disability Act (S. 2800). While we continue to work to ensure that this legislation becomes law, the VA and ED should work together to make veterans aware of this potential liability prior to discharging student loans.

We appreciate your attention to this important matter. If you have any questions, please contact Aisha Woodward with Senator King at [aisha\\_woodward@king.senate.gov](mailto:aisha_woodward@king.senate.gov), Brian Winseck with Senator Coons at [brian\\_winseck@coons.senate.gov](mailto:brian_winseck@coons.senate.gov), or Sam Mulopulos with Senator Portman at [sam\\_mulopolos@portman.senate.gov](mailto:sam_mulopolos@portman.senate.gov).


Sincerely,



Angus S. King, Jr.  
United States Senator



Christopher A. Coons  
United States Senator



Rob Portman  
United States Senator