

# United States Senate

WASHINGTON, DC 20510

November 9, 2018

The Honorable Betsy DeVos  
Secretary of Education  
400 Maryland Avenue, SW  
Washington, D.C. 20202

Re: Docket ID ED-2018-FSA-0065

Dear Secretary DeVos:

We appreciate the U.S. Department of Education (“Department”) undertaking a data-matching program with the U.S. Department of Veterans Affairs (VA) to ease the process for Total and Permanent Disability (TPD) discharge of loans made under Title IV of the Higher Education Act for eligible veterans. Now that this critical data-matching program has been implemented, we urge the Department to take the next essential step to provide relief to our nation’s veterans by automatically discharging loans for eligible veterans and to proactively reach out to veterans who may be eligible but for whom there may be a minor discrepancy in the data match. As we approach Veterans’ Day this year, taking such steps to ease the burden of student debt would be an excellent example of working to help our veterans with the same commitment and dedication that these individuals demonstrated in serving and sacrificing for their country.

## **Automatic loan discharge**

The Department and VA have previously identified more than 42,000 severely disabled veterans holding over \$1 billion in student loans. Over 11,000 of these veterans have defaulted on their loans and are suffering significant economic consequences as a result. It would be unreasonable and unnecessary to require severely disabled veterans who are identified through the matching program to jump through additional hoops for loan discharges that they are entitled to receive.

Under the current program, VA provides the Department with data elements (name, date of birth, and Social Security number) for veterans who are receiving disability compensation benefits with a VA determination that they have a 100 percent disabling service-connected disability rating or that they are totally disabled based on an individual unemployability (IU) rating. The Department then determines which of these veterans have borrowed student loans under Title IV of the *Higher Education Act*, and notifies them of their potential eligibility for a discharge. Instead, we request that the Department automatically discharge these loans.

Previously, the Department expressed concern about a potential tax liability for the individual whose loan would be discharged as the reason for not implementing an automatic loan discharge. In response to a June 2018 hearing question on whether the Department was aware of any specific example of state tax liability, the Department responded in writing: “*No. The Department has not reviewed each State’s tax laws on this point.*” Additionally, the Tax Cuts and Jobs Act of 2017 removed all federal tax liability for TPD discharges, and the attached review of state tax laws shows that most states that have an individual income tax have already conformed to federal

treatment of discharged student loan debt. The Department, therefore, can and should proceed to automatically discharge loans for severely disabled veterans.

At a minimum, the Department could allow a borrower whose loans will be automatically discharged a period of time to opt out of the TPD loan discharge, as “opt-out” processes have been proven to be much more beneficial to individuals experiencing financial distress than “opt-in” processes. Also, all communications should be made proactively accessible for borrowers with a visual impairment. We understand the Department only provides written notices to borrowers who receive a match under the TPD program, but many borrowers may have a severe visual or physical impairment that prevents them from effectively receiving and returning this paper form. If receiving help is only upon request (i.e. “opt-in”) many veterans will be tragically left out of relief for no fault of their own.

Our goal should be to ease the burden for veterans eligible for TPD discharge. A process for automatic discharge would go a long way to achieving that goal, and help these veterans be able to focus on the other urgent health and financial needs they may have, instead of paying back federal student loans that should be discharged.

**Reaching veterans where there is a discrepancy in the data match**

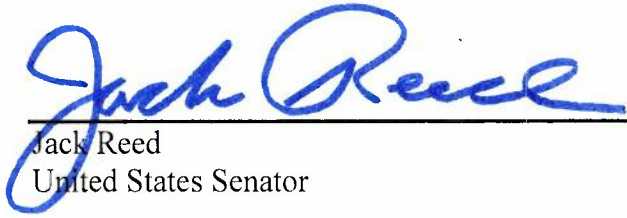
We also urge the Department to develop a process for reviewing records where there is a minor discrepancy in the data match with VA and for proactively reaching out to individuals who may be eligible for TPD based on the partial data match. Common database errors such as a transposed number or letter, a missing hyphen in a name, or a change in name due to marriage could preclude a severely disabled veteran from benefitting from this data matching initiative. Furthermore, many of these data errors are not the veteran’s fault, and may have occurred due to data errors that originated with a financial aid office, student loan servicer, or the Department itself. An individual who may be eligible for TPD discharge should not lose out in receiving debt relief because of an error in data entry or a minor discrepancy between VA records and Department records.

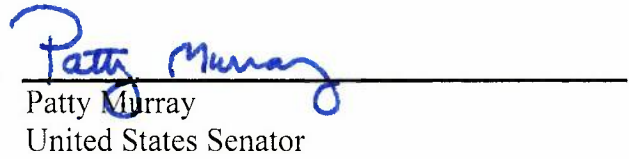
Veterans who have served our nation and are now unable to work because of a severe disability should not have to worry about student loan payments. We urge you to implement these reforms to automate and streamline the loan discharge process as quickly as possible. We request a response to our letter by November 30, 2018. Thank you for considering these recommendations.

Sincerely,

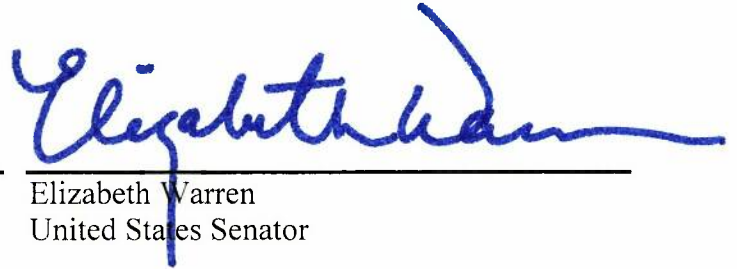
CC: The Honorable Robert Wilkie, Secretary, U.S. Department of Veterans Affairs

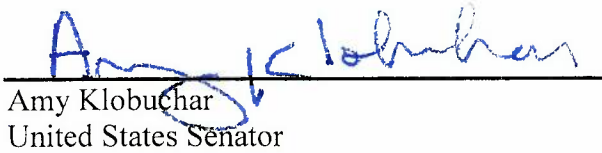
Enclosure: State tax liability associated with loan discharge for severely-disabled veterans

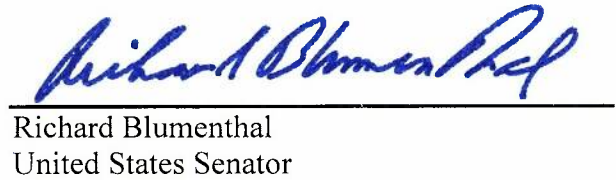
  
Jack Reed  
United States Senator

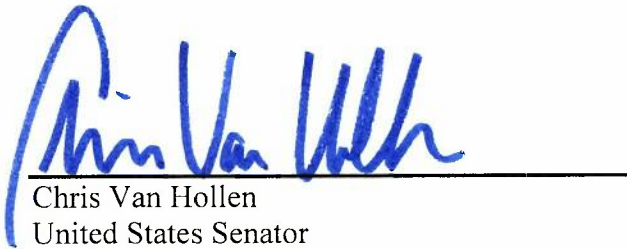
  
Patty Murray  
United States Senator

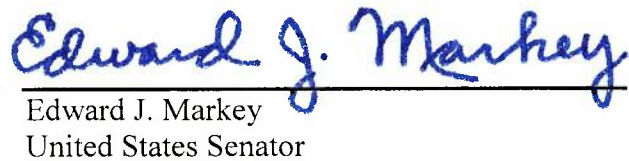
  
Sheldon Whitehouse  
United States Senator

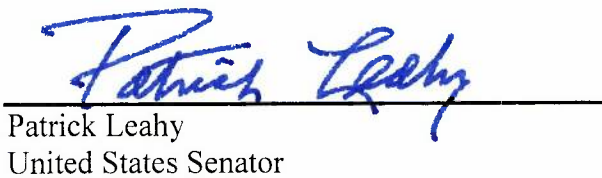
  
Elizabeth Warren  
United States Senator

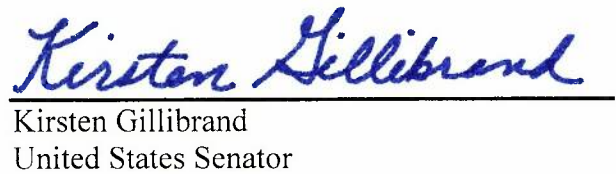
  
Amy Klobuchar  
United States Senator

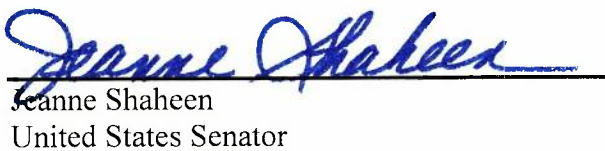
  
Richard Blumenthal  
United States Senator

  
Chris Van Hollen  
United States Senator

  
Edward J. Markey  
United States Senator

  
Patrick Leahy  
United States Senator

  
Kirsten Gillibrand  
United States Senator

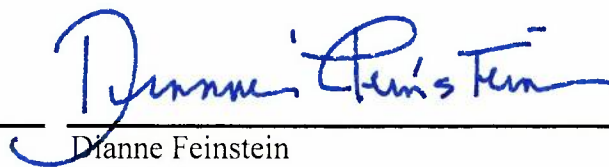
  
Jeanne Shaheen  
United States Senator

  
Tammy Duckworth  
United States Senator



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Margaret Wood Hassan  
United States Senator



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Dianne Feinstein  
United States Senator