

GAO Report Shows Draconian Consequences of SSA Offsets for Student Loan Borrowers

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Today, the Government Accountability Office released a report documenting the draconian consequences that the Department of the Treasury's practice of garnishing Americans' social security payments has on vulnerable student loan borrowers in default.

"Taking money from Social Security retirement or disability benefits to repay old student loans is an extraordinary collection tool. It is time to reexamine this program and weigh the true costs of taking Social Security benefits from elderly and disabled Americans against the small amount this brings into federal coffers," said director of NCLC's Student Loan Borrower Assistance project, Persis Yu.

The report found that for more than two-thirds of borrowers whose monthly benefit was below the poverty line, the money deducted from their Social Security benefits was enough only to pay fees and interest, so the amount of the debt was not even reduced. The report also found that of older student loan borrowers with a Social Security offset, 43% had held their loans for 20 years or more and 80% had held their loans for 10 years or more. "For too many borrowers, there is no light at the end of this tunnel," said Yu.

Although there are rules designed to protect a portion of the recipient's benefits, the dollar amount protected has not changed since 1996, and leaves a borrower with only \$750/month (\$9,000/year) to live on. There is also a process for borrowers to stop or reduce the amount of the offset if it is causing financial hardship, but the report found that the Department does not proactively tell borrowers about this right. "It is unacceptable that vulnerable borrowers are facing hardship simply because the Department of Education is not informing them of their rights."

Since 2005, NCLC advocates have highlighted the need for Congress to better protect Social Security recipients. At a minimum, advocates have called for Congress to index the \$9,000 exemption to cost of living or inflation increases and to apply a ten year limit to Social Security offsets.