

Disability Program Participation and Student Loan Discharge

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EDUCATION AND LABOR

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- Department of Education allows for Total and Permanent Disability Discharge (TPDD) of Federal Student Loans
- July 2013: Department of Education added SSDI/SSI receipt as a category for TPDD
- Did this increase applications to SSDI and/or SSI?

Yes!

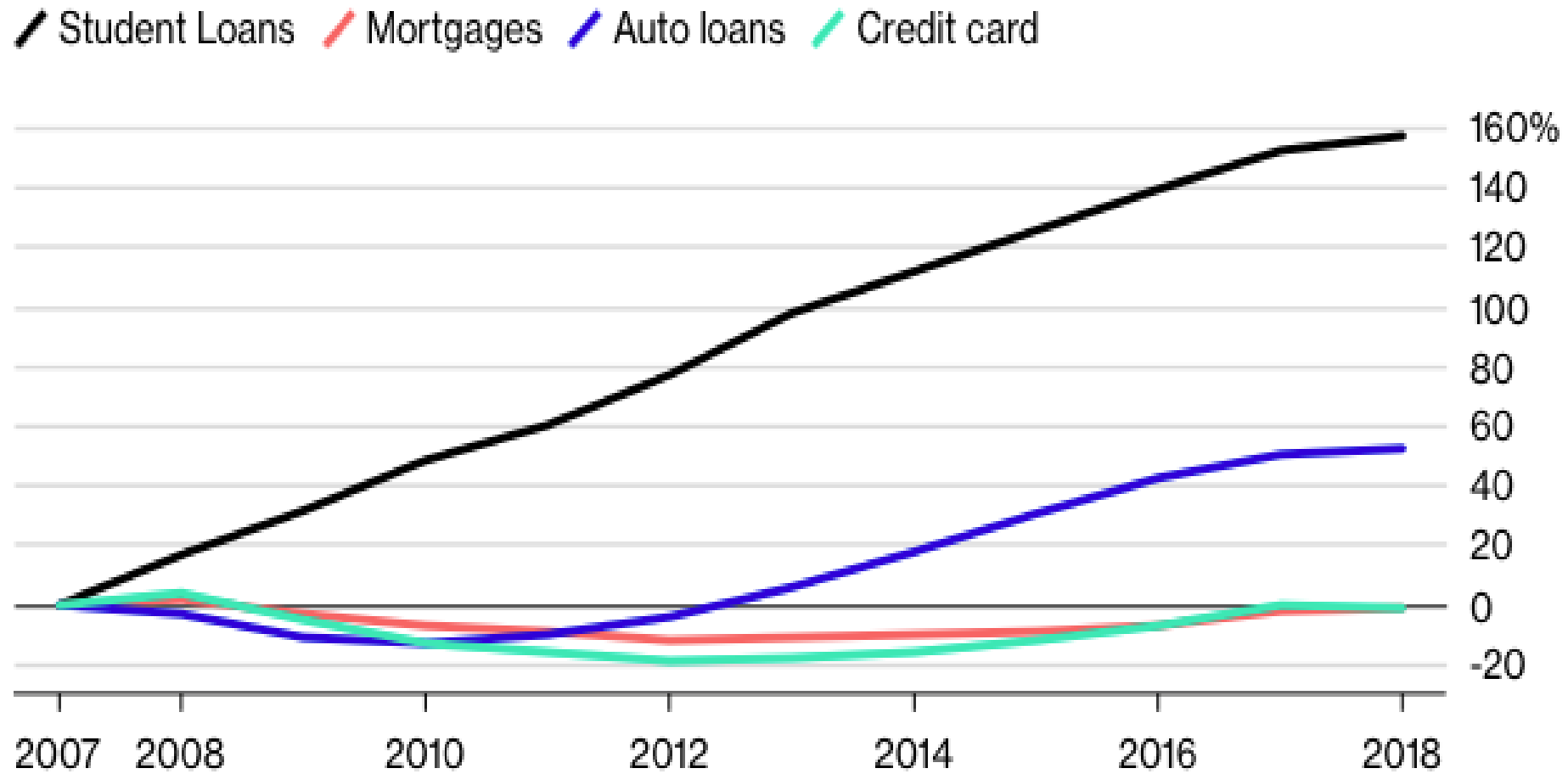
- But why does it matter?
- But eligibility limited to those with determination: “medical improvement not expected” (~25% of beneficiaries)
- Existing TPDD category: physician certifying a disabling condition lasting at least 5 years (most common route for TPDD, even now)
- Beyond specific policy evaluation, broader implications for SSDI/SSI:
 - Programs don’t exist in isolation
 - Better understanding of the pressures on the “marginal applicant”
 - Saliency matters

So, What is TPDD?

- Previously, TPDD allowed through:
 1. 100% rating from VA (or Individual Unemployability), or
 2. Physician certifies a physical/mental impairment preventing SGA for at least 60 months/result in death
- July 2013 Addition: Receiving SSDI/SSI, if medical improvement is not expected
- Apply for discharge when applying for SSDI/SSI (loans suspended). Discharge confirmed *after* 3 year monitoring period once SSDI/SSI and TPDD application accepted; can't earn above poverty line or take out new federal student loans

Why Is TPDD Attractive?

Student loans: Fastest-growing type of household debt

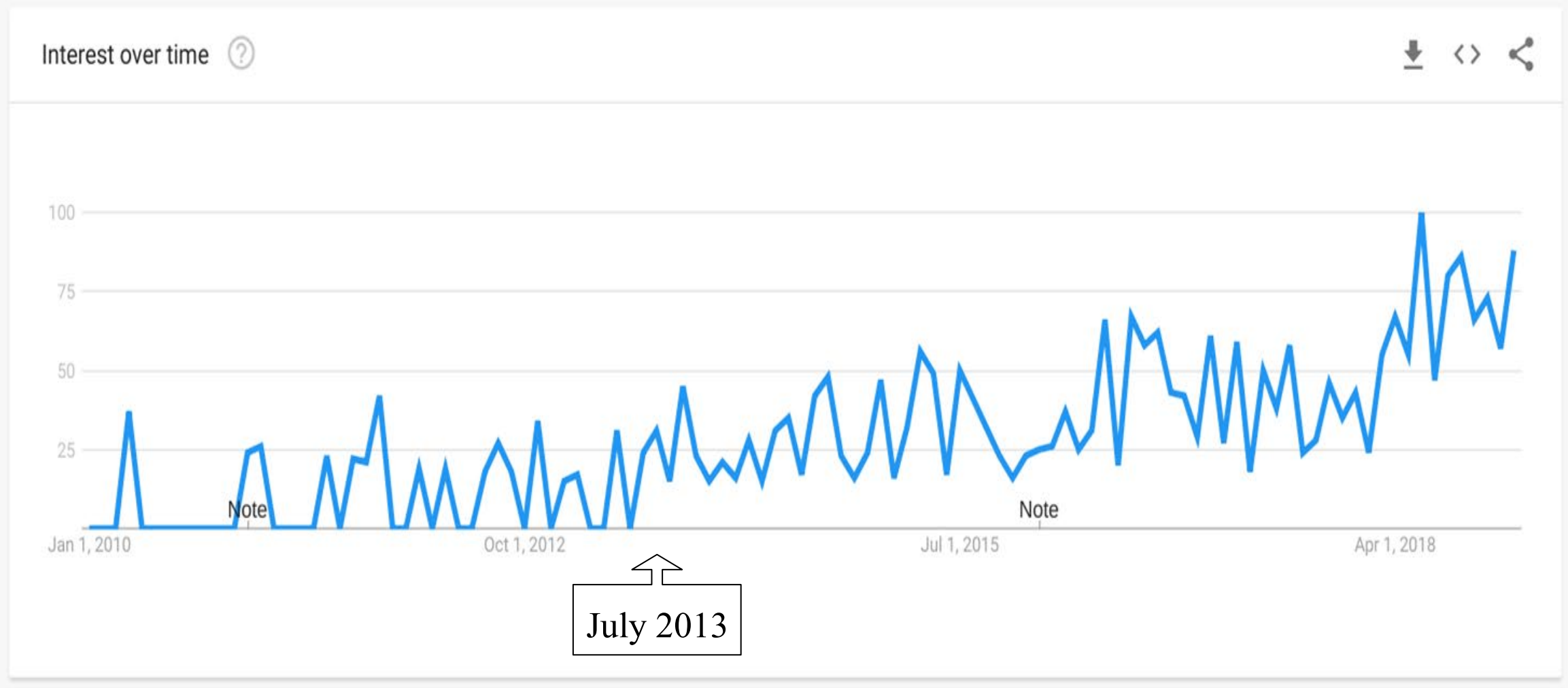


Source: Bloomberg Data

Student Loans, by the Numbers

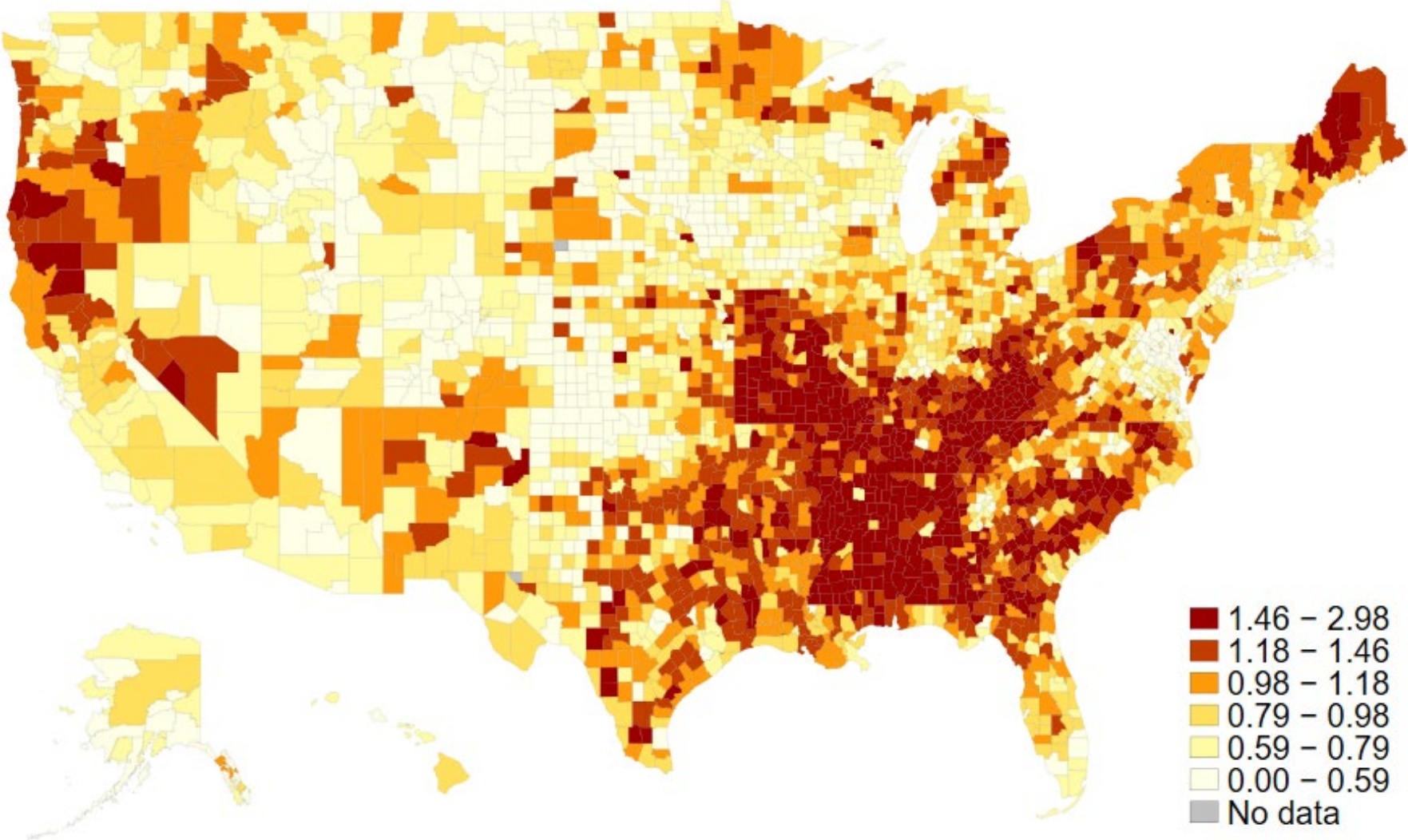
- 45 million have outstanding student loan debt
- \$1.56 trillion in total debt (Forbes, 2019)
- 1 in 10 student loan borrowers is more than 90 days delinquent (Bloomberg, 2018)
- Only 25% of borrowers in lowest income quintile neighborhoods are reducing their balances (NY Fed 2017)

Google Searches for “TPD discharge”



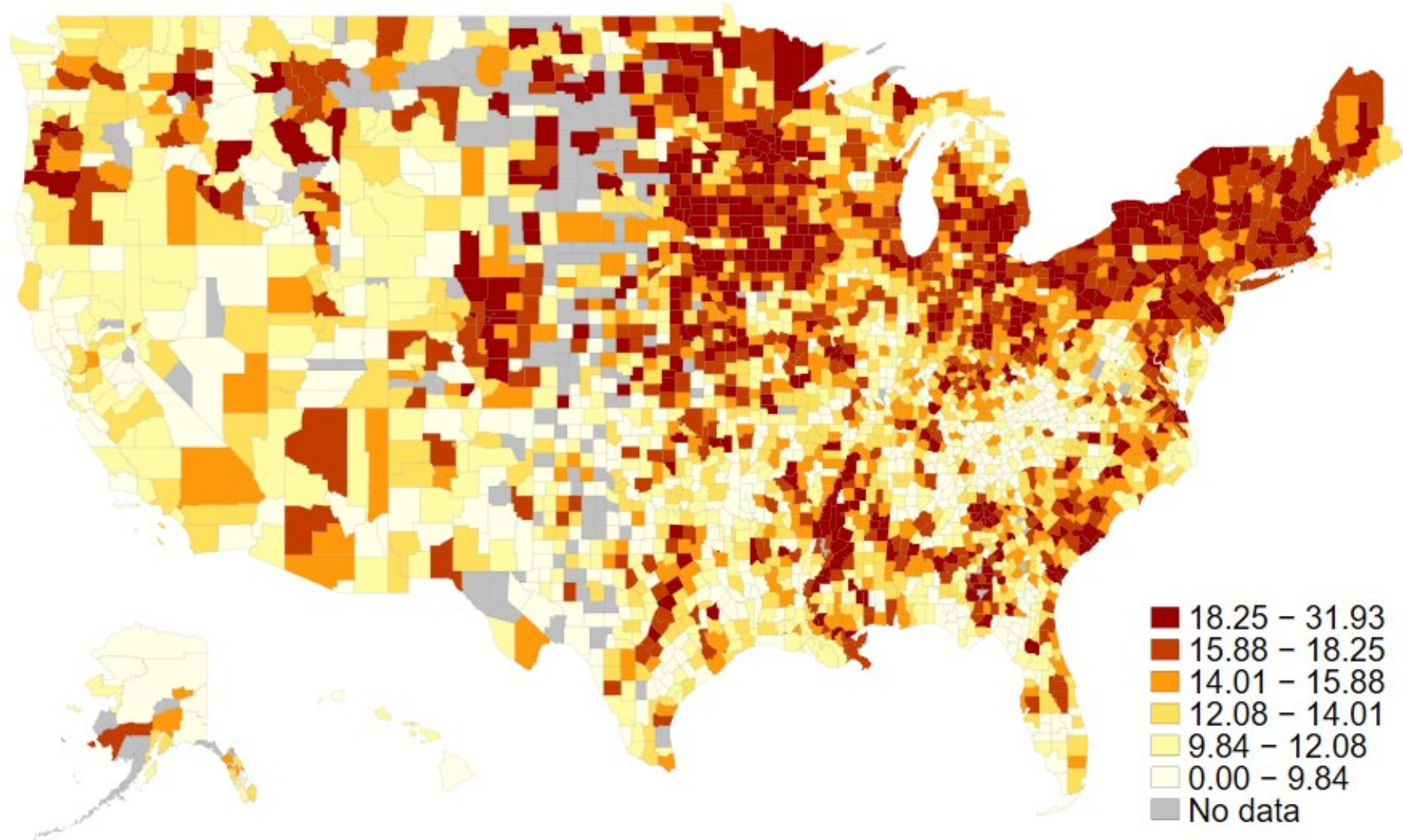
Source: Google Trends

SSDI Applicants as % of 18-65 Population, 2010 (Mean: 1.02%)



Source: Authors' calculations from Form 831-generated statistics.

Percentage with any student loan debt (Mean: 14.1%)



Among individuals with a credit bureau record

Difference-in-Differences Study Design

- Pre vs. post July 2013 change, by student loan indebtedness
 - Use prevalence of *any* student debt, not *amount* of student debt
- Assumption: SSDI application trends would otherwise be parallel across student loan indebtedness in the absence of TPDD change
- Reporting SSDI results here; similar findings for SSI

County-Level Approach (2000-2016)

- Treatment: % of population with any student loans
 - Credit Bureau data
- Outcome: Per-capita % or log of SSDI applications
 - SSA-provided
- Rich array of county-level socio-demographics; many specifications with fixed effects for year, state, Commuter Zone, county trends

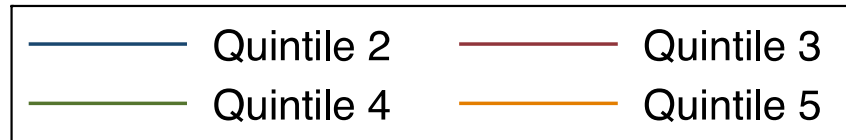
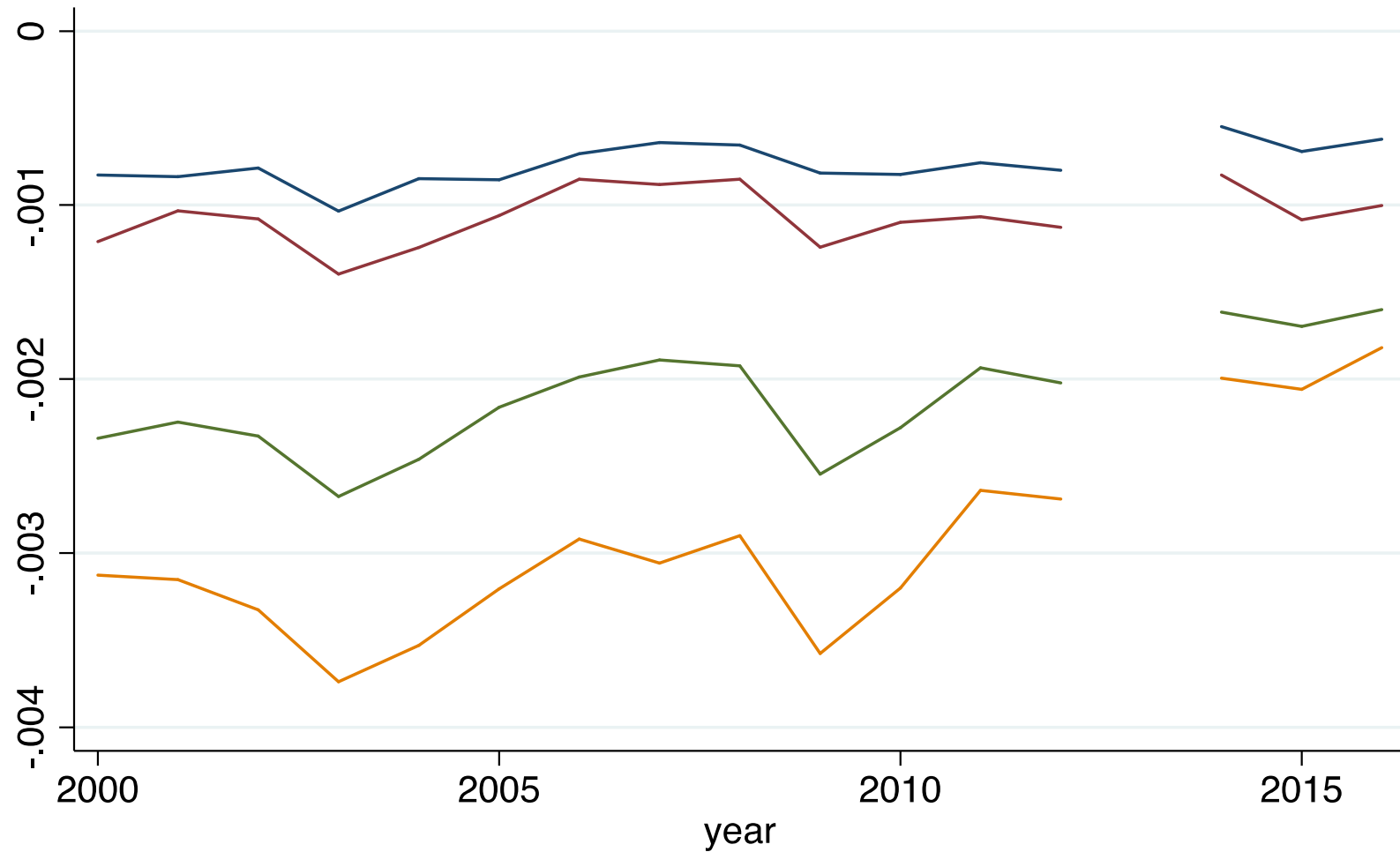
Recent Decline in SSDI Applications

Raw SSDI
Application Rate
of Counties in
Lowest Quintile
of Student Debt
Prevalence



Counties with Higher Student Debt See Increase in SSDI Applications after 2013

Raw SSDI
Application Rate
Relative to
Lowest Quintile
of Student Debt
Prevalence
Counties



Increase is Statistically Significant and Robust

SSDI Rate of:

| | Application | Award | Denial |
|---------------------|------------------------|--------------------------|--------------------------|
| | (1) | (2) | (3) |
| Post X Student Debt | 0.0101*** (0.00121) | 0.00423*** (0.000574) | 0.00584*** (0.000867) |
| Controls | Yes | Yes | Yes |
| Fixed Effects | Year, State | Year, State | Year, State |
| Observations | 47,334 | 47,317 | 47,310 |
| R-squared | 0.704 | 0.479 | 0.702 |

Two-way standard errors (county by year); rate is per person 18-65

*** p<0.01, ** p<0.05, * p<0.1

Interpreting the Size of the Estimate

- For a county with the mean fraction with student debt (14%) vs. a county with no student debt, after July 2013:
 - 1.4 additional SSDI applicants (and 0.6 awards) per 1,000 residents, about a 14% increase in application rates
- Robust to alternative specification of student debt
 - Quintiles vs. continuous variable: Effect driven by top two quintiles
 - Specifications using fraction with “any college” attainment

Study Design, Part 2: Individuals

- 2014 Survey of Income and Program Participation, matched to SSA Form 831 Records
- SSDI Applications from 2010 to 2016
 - Treatment: Indicator for any student loans (2014 SIPP)
 - Outcome: Applied for SSDI for 1st time in current quarter
- Discrete-Hazard Approach: follow working age adults at-risk of SSDI application, drop from sample after observing application (~3,000 apps observed)
- Rich array of sociodemographic controls and time fixed effects

Overall Treatment Odds Ratio: 1.46***

| | Logit | Odds Ratio |
|------------------|----------|------------|
| <hr/> | | |
| 2010 X Student | | |
| Debt | 0.363 | 1.44 |
| SE | (0.227) | |
| <hr/> | | |
| 2011 X Student | | |
| Debt | 0.146 | 1.16 |
| SE | (0.243) | |
| <hr/> | | |
| 2014 X Student | | |
| Debt | 0.500** | 1.65 |
| SE | (0.236) | |
| <hr/> | | |
| 2015 X Student | | |
| Debt | 0.641*** | 1.90 |
| SE | (0.238) | |
| <hr/> | | |
| 2016 X Student | | |
| Debt | 0.397 | 1.49 |
| SE | (0.252) | |
| <hr/> | | |
| Controls | Yes, FEs | |
| N | 239,214 | |
| Pre-2013 Average | 0.013 | |

Variation in Treatment Effect

- Similar effects for logit and OLS/WLS
- Falsification test: no effect by credit card/other debt
- By education: those with College+
- By age: 30-39, 50+ have strongest effect
- No significant differences by race/ethnicity/gender
- Constructing a comparable estimate: an area with 14% of population with student loans would have 0.9 more SSDI applicants/1,000 people
- Smaller than county-level analysis, but not statistically significantly different

Conclusions

- Student debt loads are large; extending discharge to include SSDI/SSI eligibility lead to increased applications to these programs *despite existing medical eligibility standard*
- About as likely as average applicant to be accepted; driven by individuals in 30s *or* 50s
- Going forward: examine how strength of labor market interacts with student debt loads to drive SSDI/SSI applications before and after policy change
- What are the longer term outcomes?