COMPUTER MATCHING AGREEMENT
BETWEEN
THE DEPARTMENT OF VETERANS AFFAIRS (VA)
AND
THE U. S. DEPARTMENT OF EDUCATION (ED)
Federal Student Aid (FSA)

I.  Purpose

This Computer Matching Agreement (CMA) sets forth the terms, safeguards, and procedures under which the Department of Veterans Affairs (VA) will disclose Veterans whom VA has designated as in receipt of VA disability compensation benefits with a VA disability compensation rating of 100% Permanent and Total (P&T) as described in 38 CFR § 3.4(b) and 38 CFR § 3.340 to the Department of Education (ED), Federal Student Aid (FSA). ED will use the VA disability data to contact individuals who have student loan debt and inform those individuals of ED’s total and permanent disability (TPD) discharge process for individuals who have a student loan debt.

This computer matching program will assist ED in its obligation to ensure that borrowers with disabilities who have loans under Title IV of the Higher Education Act of 1965, as amended (HEA) (20 U.S.C. 1070 et seq.), more efficiently and effectively apply for TPD discharge of their student loans. ED will proactively send notices to student loan borrowers whom VA has designated as in receipt of VA disability compensation benefits with a VA disability compensation rating of 100% P&T, informing them that they may qualify for TPD discharge of their loans. The notices also will inform these borrowers that ED will accept VA data matched information in lieu of the borrower’s submission of a VA Statement with the borrower’s TPD loan discharge application, thereby making it easier for these borrowers to submit a TPD loan discharge application to ED.

II.  Legal Authority

This CMA is executed in compliance with the Privacy Act of 1974, as amended by the Computer Matching and Privacy Protection Act of 1988 and the Computer Matching Privacy Protections Amendments of 1990 (Privacy Act) (5 U.S.C. § 552a), and the regulations and guidance promulgated thereunder.

VA’s legal authority to enter into this CMA and to disclose information under this CMA is described in the Privacy Act, 5 U.S.C § 552a(a)(8) and in accordance with 5 U.S.C. § 552a(b)(3). ED’s legal authority to enter into this CMA and to disclose information under this CMA is section 437(a) of the HEA (20 U.S.C. 1087(a)), the regulations promulgated pursuant to that section (34 CFR § 682.402(c)), and the Privacy Act (5 U.S.C. §§ 552a(a)(8) and (b)(3)).

III.  Definitions

A.  “Borrower” means a person who has had a loan disbursed and is fully responsible to pay the loan and interest back to the holder for financial assistance under applicable student loan programs administered under the authority of Title IV of the HEA (20 U.S.C. § 1070, et seq.).
B. "Contractor and/or Agent" means a third-party entity in a contractual or similar relationship with ED or VA pursuant to which the third-party entity acts on the respective agency’s behalf to administer, or assist in administering, the program described in this CMA.

C. "Title IV, HEA Loan" means a Federal Perkins Loan, William D. Ford Federal Direct Loan, Federal Family Education Loan (FFEL) Loan, and/or a Federal Insured Student Loan (FISL) Loan.

IV. Responsibilities of the Parties

A. ED’s Responsibilities:

1. ED will match the file received from VA with ED’s records on individuals who owe a balance on one or more Title IV, HEA loans or who have a loan written off due to default, as contained in ED’s system of records entitled “National Student Loan Data System (NSLDS)” (18-11-06), last published in the Federal Register in full on June 28, 2013 (78 FR 38963-38969) and last updated on April 2, 2014 (79 FR 18534-18536).

2. ED will use the information obtained from VA only for purposes set forth in this CMA, which are to contact borrowers who match NSLDS and owe a balance on a Title IV, HEA loan or have a loan written off due to default to inform those individuals of ED’s TPD process.

3. ED, as the recipient agency, will provide the appropriate Congressional committees and the Office of Information and Regulatory Affairs (OIRA) within Office of Management and Budget (OMB) with notice of this computer matching program and will publish in the Federal Register the required notice of a computer matching program.

B. VA’s Responsibilities:

VA will disclose to ED the name (first and last), date of birth (DOB), Social Security number (SSN), and effective date of P&T entitlement, to ED for individuals who are in receipt of VA disability compensation benefits with a VA disability compensation rating of 100% P&T VA will send a file on a quarterly basis of all individuals who are in receipt of VA disability compensation benefits with a VA disability compensation rating of 100% P&T.
V. Justification and Anticipated Results

A. Justification:

The HEA requires the Secretary of Education to discharge Federal student loans for borrowers who can demonstrate that they meet the statutory definition of being TPD. Under ED’s regulations implementing this statutory provision, to establish their eligibility for a TPD loan discharge, borrowers may document that VA has designated them as in receipt of VA disability compensation benefits with a VA disability compensation rating of 100% P&T. Sharing information on the service connected disabilities from VA for Federal student loan borrowers would streamline the process for determining eligibility for this loan discharge, and for identifying and contacting borrowers who are eligible for the discharge, but have not applied to receive it. Computer matching is believed to be the most efficient and comprehensive method of exchanging and processing this information.

ED anticipates that the matching program under this CMA will reduce the time and administrative resources needed to review, and approve applications for a TPD loan discharge. In addition, ED anticipates that the matching program will support outreach efforts to borrowers who are eligible for the discharge, but have not applied to receive it. This outreach has the potential both to better fulfill the statutory intent of releasing TPD borrowers from their obligation to repay their loans and to reduce ED’s administrative costs by eliminating the need for ongoing loan servicing and collection efforts for these borrowers, who are often delinquent or in default due to their conditions. This method has been determined to be the most accurate and efficient means of accomplishing these purposes. Veterans in receipt of SSA benefits may benefit from the match as their federal benefits will not be subject to offset to repay student loans.

B. Anticipated Results:

The match with VA will streamline the discharge approval process, easing the burden on borrowers who otherwise would need to formally document their eligibility. While we do not expect this change will have a significant impact on ED’s operational costs for the TPD discharge application process, it will lessen the burden on disabled borrowers substantially. The match will allow ED to identify borrowers who are potentially eligible for a TPD discharge, but unaware of their status. This information will be used to enable more borrowers to take advantage of this statutory discharge. The specific estimate of the savings that will result from this matching program is reflected in Attachment A, the Cost Benefit Analysis.

There will be no charge between VA and ED. Each agency will be responsible for its own development, operations, and maintenance costs.
VI. **Description of Matched Records**

A. Systems of Records:

VA will use the system of records identified as “BIRLS--VA” (38VA21), first published at 49 FR 38095 (August 26, 1975), routine use 21, as added by 66 FR 30049-30050 (June 4, 2001), which is the published system notice that added routine use 21 to this system of records notice.

ED will disclose to VA information from, and maintain information obtained from VA in, its system of records entitled “National Student Loan Data System (NSLDS) (18-11-06)”, as last published in the Federal Register in full on June 28, 2013 (78 FR 38963-38969) and last updated on April 2, 2014 (79 FR 18534-18536).

VA and ED have determined that their systems of records contain appropriate routine use disclosure authority and that the use is compatible with the purpose for which the information is collected. ED will notify in writing those borrowers for whom ED receives a response from VA of the positive results of the match in accordance with Article VIII of this CMA.

B. Specified Data Elements:

VA will transmit to ED the name (last and first), DOB, and SSN for each veteran in receipt of VA disability compensation benefits with a VA disability compensation rating of 100% P&T. VA will send identifying information from the BIRLS—VA database via Secure File Transfer (SFTP) using encryption that meets the requirements of Federal Information Processing Standards (FIPS) publication 140-2, “Security Requirements for Cryptographic Modules.”

VA will send to ED a file including the individual’s SSN, name, DOB, disability determination date.

C. Number of Records and Frequency Involved:

VA projects that it will send to ED on a quarterly basis 500,000 individual identifiers for those individuals in receipt of VA disability compensation benefits with a VA disability compensation rating of 100% P&T.

VII. **Accuracy Assessments**

The disclosure of the corporate record disability data from VA’s database is 99 percent accurate. The VA compensation data is virtually 100 percent accurate at the time of creation.

NSLDS is a large repository of student grant and loan information. The data reported to NSLDS comes from multiple entities including other FSA systems, schools, guaranty agencies, and Federal
loan servicers. Before data is loaded to NSLDS, it must go through a series of edit validations to ensure the data reported meets the published reporting requirements. For all NSLDS data providers who reported for both 2012 and 2013, the combined edit pass rate was 96.11 percent and for all NSLDS data providers who reported for both 2013 and 2014, the combined edit pass rate was 95.78 percent. These rates are based on the NSLDS 2013 Annual Data Quality Report, Version 1.0, dated April 14, 2014 and NSLDS 2014 Annual Data Quality Report, Version 0.1 Draft, dated March 27, 2015, respectively, published by NSLDS.

VIII. **Procedures for Individualized Notice**

ED will publish in the *Federal Register* a notice describing the computer matching program, as required by the Privacy Act. ED will also submit notice of the matching program to the OIRA within OMB and to appropriate Congressional committees, as required by the Privacy Act and implementing OMB guidance. ED will ensure that, each applicant for, or recipient of, applicable Title IV, HEA program assistance will be provided with an individual notice that information provided on his or her application is subject to verification through computer matching programs. ED will send all borrowers whom VA identifies to ED as having been designated by the VA as in receipt of VA disability compensation benefits with a VA disability compensation rating of 100% P&T and matched ED’s NSLDS as owing a Title IV, HEA loan or having a loan written off due to default an acknowledgement or letter informing them that their information matched.

Not all applicants/beneficiaries for Title IV, HEA Loans apply for, or are in receipt of VA program benefits. VA will notify all individuals who apply for, or are in receipt of VA program benefits that VA will conduct computer matching. VA will provide subsequent direct notice of computer matching to VA program beneficiaries via annual cost of living notices.

IX. **Verification Procedure and Opportunity to Contest**

Once VA informs ED of the borrowers whom VA has designated as in receipt of VA disability compensation benefits with a VA disability compensation rating of 100% P&T, ED will contact individuals who have student loan debt and inform those individuals of ED’s TPD discharge process for individuals who have a student loan debt.

ED will accept VA’s P&T disability compensation designation in lieu of a VA Statement, simplifying the process for the borrowers, as then they only must submit the signed TPD loan discharge application.

ED cannot discharge a loan, which may have tax consequences for the borrower, until/unless the borrower officially requests the discharge by completing a TPD loan discharge application.

If VA does not identify a borrower as in receipt of VA disability compensation benefits with a VA disability compensation rating of 100% P&T, the borrower still will have the option to submit a TPD loan discharge application and provide the required physician’s certification in order to determine his or her eligibility for a TPD loan discharge.
X. **Procedures for Retention and Timely Destruction of Identifiable Records**

A. ED will retain records received from VA data file(s) that matched ED’s NSLDS because the borrower has an open Title IV HEA Loan or has had a loan written off due to default with identifiable information for 15 years after final repayment or discharge, or audit of student financial obligation, in accordance with the requirements of ED’s Comprehensive Records Retention and Disposition Schedule, 072 FSA Application, Origination, and Disbursement Records. At the conclusion of the mandatory retention period, ED will destroy these records by electronic purging. This procedure is consistent with legal retention requirements established by ED in conjunction with the National Archives and Records Administration.

B. Records from VA that do not match ED’s NSLDS will not be retained and will immediately be electronically purged according to ED’s policies and procedures.

XI. **Records Usage, Duplication, and Redisclosure Restrictions**

A. ED agrees to the following limitations on the access to, the disclosure of, and use of identifying information provided by VA:

1. The information provided by VA will be used within ED only to the extent necessary to achieve the purpose of notifying borrowers of potential disability discharge as stated herein and will not be used to extract information concerning individuals therein for any purpose not specified in this CMA.

2. ED acknowledges that its positive verification of an SSN, name, and DOB only establishes that the submitted information matches the information contained in ED’s records. The verification does not, however, authenticate the identity of the individual or conclusively prove that the individual submitting the information is who he or she claims to be.

3. ED will not use the VA files to extract information about non-matched individuals for any purpose.

4. ED will, in its contractual relationship with each contractor and/or agent, obtain the contractor’s and/or agent’s written agreement that it will abide by all of the use and disclosure restrictions and security requirements in this CMA.

5. ED will identify and provide to VA, upon request, a current list of contractors’ and agents’ employees who will have access to the information ED obtains through this CMA. This list will contain the following items: name of contracting firm, list of the contractors’ and/or agents’ employees who will have access to the information, location of where the work with the information is performed, description of the work that is performed with the information, and contract period (including renewals and extensions). ED will certify, via a written communication on ED letterhead, to VA that these contractors and/or agents are acting on behalf of ED to administer or assist in administering the FSA programs. ED agrees that its contractors and/or agents will upon request, provide a list of employees who no longer have access to the information under this CMA.
6. ED employees and contractors and/or agents under contract with ED who access, disclose, or use the information obtained pursuant to this CMA in a manner or for a purpose not authorized by this CMA may be subject to civil and criminal sanctions contained in applicable Federal statutes.

B. VA agrees that the information produced by the match may be used by ED for necessary follow-up actions essential to the TPD program, as well as when required by law, including to support criminal investigations or prosecutions based on applications which may arise in this connection. All disclosures will be made consistent with the Privacy Act and applicable Privacy Act guidelines.

XII. Security Procedures

VA and ED will comply with the requirements of the Federal Information Security Management Act of 2002, 44 U.S.C. 3541-3549, as amended by the Federal Information Security Modernization Act of 2014 (Pub. L. 113-283) (FISMA), related OMB circulars and memoranda, such as Circular A-130, “Management of Federal Information Resources” (Nov. 28, 2000), and Memorandum M-06-16, “Protection of Sensitive Agency Information” (June 23, 2006); OMB Memorandum 08-05 and all subsequent related memoranda; the Privacy Act; National Institute of Standards and Technology (NIST) directives; and the Federal Acquisition Regulations (FAR), including any applicable amendments published after the effective date of this CMA. These laws, directives, and regulations include requirements for safeguarding Federal information systems and personally identifiable information (PII) used in Federal agency business processes, as well as related reporting requirements. Both agencies recognize and will implement the laws, regulations, NIST standards, and OMB directives including those published subsequent to the effective date of this CMA.

FISMA requirements apply to all Federal contractors, organizations, or entities that possess or use Federal information, or that operate, use, or have access to Federal information systems on behalf of an agency. Both agencies are responsible for oversight and compliance of their contractors and agents.

Specific security requirements include, but are not limited to, the following:

Data must be protected at the Moderate system certification criticality level according to Federal Information Processing Standards (FIPS) Publication 199, Standards for Security Categorization of Federal Information and Information Systems.

All VA and FSA systems involved in this data exchange have completed the security authorization process within the last three years, using the required NIST guidance, and have an Authorization to Operate (ATO) with the appropriate signatures.

Electronic files are encrypted using the FIPS 140-2 standard and are interoperable with ED’s personal identity verification logical access control card (PIV LAC) for Government
Employees and support contractors authorized to have an HSPD-12 card (HSPD-12 = Homeland Security Presidential Directive #12).

VA and ED information systems reside behind a Trusted Internet Connection (TIC).

A. Incident Reporting:

Upon detection of a security incident or PII breach related to this CMA, the agency experiencing the incident will promptly notify the other agency’s System Security Contact(s) named in this CMA. VA will promptly notify the following FSA contacts in the order listed, until a successful notification has been made: National Student Loan Data System Owner’s Primary Representative or National Student Loan Data System Information System Security Officer (ISSO).

If the agency experiencing the incident is unable to speak with the other agency’s System Security Contact within one hour or if for some reason contacting the System Security Contact is not practicable (e.g., outside of normal business hours), then the following contact information shall be used:

VA:
• VA Network Security Operations Center (VA NSOC) at 1-855-673-4357 or email VANSOC@va.gov

ED/FSA:
• EDCIRC: EDCIRC@ed.gov: 202-245-6550

If ED experience a loss of PII under the terms of this CMA, ED will also comply with the PII breach reporting and security requirements as required by OMB M-06-19, “Reporting Incidents Involving Personally Identifiable Information and Incorporating the Cost for Security into IT Investments,” as amended by OMB M-15-01, Fiscal Year 2014-2015 “Guidance on Improving Federal Information Security and Privacy Management Practices” (October 3, 2014). ED also will notify the VA security contact(s) named in this CMA as soon as possible, but no later than one hour after the discovery of a breach involving PII. The agency that experienced the incident will be responsible for following its established procedures, including notifying the proper organizations (e.g., United State Computer Emergency Readiness Team (US-CERT), the ISSOs and other contacts listed in this document), conducting a breach and risk analysis, and making a determination of the need for notice and/or remediation to individuals affected by the loss. If the agency’s analysis indicates that an individual notice and/or remediation is appropriate, the agency that experienced the incident will be responsible for providing such notice and/or remediation without cost to the other agency.

B. Administrative Safeguards:

ED will restrict access to the data matched and to any data created by the match to only those authorized employees and officials who need it to perform their official duties in connection
with the uses of the data authorized in this CMA. Further, ED will advise all personnel who have access to the data matched and to any data created by the match of the confidential nature of the data, the safeguards required to protect the data, and the civil and criminal sanctions for noncompliance contained in the applicable Federal laws.

C. Physical Safeguards:

ED will store the data matched and any data created by the match in an area that is physically and technologically secure from access by unauthorized persons at all times. Only authorized personnel will transport the data matched and any data created by the match. ED will establish appropriate safeguards for such data, as determined by a risk-based assessment of the circumstances involved.

D. Technical Safeguards:

ED will process the data matched and any data created by the match under the immediate supervision and control of authorized personnel in a manner that will protect the confidentiality of the data, so that unauthorized persons cannot retrieve any data by computer, remote terminal, or other means. Systems personnel must enter personal identification numbers when accessing data on the agencies’ systems. ED will strictly limit authorization to those electronic data areas where the matched data is stored to what is necessary for the authorized analyst to perform his or her official duties.

E. Onsite Inspection:

In lieu of onsite inspection, FSA will allow VBA to review the relevant FSA Authority to Operate (ATO) package at a secure FSA facility.

XIII. Comptroller General Access

The Government Accountability Office (Comptroller General) may have access to all ED and VA records, as necessary, in order to verify compliance with this CMA.

XIV. Reimbursement

Each agency will be responsible for its own development, operations, and maintenance costs. There will be no reimbursement between agencies.

XV. Duration and Modification of the Agreement

A. Effective Date:

The effective date of this CMA and the date when the match may begin shall be whichever date is the latest of the following three dates: (1) the date of the last signatory to this CMA as set forth in Article XVII, below; (2) at the expiration of the 30-day public comment period following ED’s publication of notice of this matching program in the Federal Register; or (3) at
the expiration of the 40 day period following ED’s transmittal of a report concerning the matching program to OMB and to the appropriate Congressional Committees, along with a copy of this agreement, unless OMB waives 10 or fewer days of this 40-day review period for compelling reasons, in which case, 30 days plus whatever number of the 10 days that OMB did not waive from the date of the transmittal of the report to OMB and Congress.

B. Duration:

This CMA will be in effect for an initial period of 18 months unless it is renewed for an additional 12 months, as set forth in paragraph C, below.

C. Renewal:

The Data Integrity Boards (DIBs) of ED and VA may, within three months prior to the expiration of this CMA, renew this Agreement for a period not to exceed 12 months if:

1. The matching program will continue to be conducted without change; and

2. FSA and VA certify to their respective DIBs that they have conducted the matching program in compliance with this Agreement.

If either party does not want to renew this Agreement, then it should provide written notification the other party of its intention not to renew the Agreement at least 90 days before the expiration of the CMA.

D. Modification:

The parties may modify this CMA at any time by a written modification, agreed to by both parties and approved by the DIB of each agency.

E. Termination:

The parties may terminate this CMA at any time with the written consent of both parties. Either party may unilaterally terminate this CMA upon written notice to the other party, in which case the termination will be effective 90 days after the date of the notice, or later if so specified in the notice. In no event, however, may the termination of the CMA allow the CMA to extend beyond the time periods listed in paragraphs B and C, above.

If this Agreement is cancelled by either party, no reimbursement of costs incurred prior to cancellation will be owed to or reimbursed by either party. VA or ED may make an immediate, unilateral suspension of the data flow of this Agreement if either party:

1. Determines that there has been an unauthorized use or disclosure of information;

2. Determines that there has been a violation of or failure to follow the terms of this CMA; or
3. If VA has reason to believe that ED has breached the terms of this CMA for security of data. If so, VA agrees that they will immediately notify ED as to the basis of the belief and the intent to unilaterally suspend this CMA. The notice provided will ensure that the two agencies discuss the suspected violation, thereby preventing an unintended denial of Federal benefits to applicants based solely upon a belief of a violation or failure to abide by the terms of the CMA. If VA suspends the Agreement in accordance with this section, there will be an indefinite suspension of the CMA until a definite determination has been made regarding whether there has been a breach.
XVI. **Persons to Contact**

A. **VA Contacts:**

**Matching Agreement Issues**

Eric Robinson  
Lead Program Analyst  
Compensation Service  
810 Vermont Ave N.W.  
Washington, DC 20420  
Email: Eric.Robinson3@va.gov  
Telephone: (202) 443-6016

**Computer Systems Issues**

Scott Fagan  
Senior Business Applications Analyst  
Compensation Service  
810 Vermont Ave. N.W.  
Washington, DC 20420  
Email: Scott.Fagan@va.gov  
Telephone: (402) 420-4233

**Systems Security Issues**

Jessica Cariieveu  
Certified Information Security Systems Professional  
Southern Area Network ISO  
9500 Bay Pines Blvd  
St. Petersburg, FL 33708  
Email: Jessica.Cariieveu@va.gov  
Telephone: (727) 319-5954

B. **ED Contacts:**

**Matching Agreement Issues**

John Kane  
U.S. Department of Education  
Federal Student Aid  
830 First Street, NE.  
Washington, DC 20202-5454
Telephone: (202) 377-4607
Email: John.Kane@ed.gov

**Computer Security Issues**

Linda Wilbanks, FSA Chief Information Security Officer
U.S. Department of Education
Federal Student Aid
Technology Office
830 First Street, NE.
Washington, DC 20202-5454
Telephone: (202) 377-3396/Fax: (202) 275-0492
Email: Linda.Wilbanks@ed.gov

**Systems Security Issues**

Dev Nayak, System Owner's Primary Representative
Business Technical Lead, NSLDS
U.S. Department of Education
Federal Student Aid, Business Operations
830 First Street, NE
UCP-41D2
Washington, DC 20202
Telephone: (202) 377-4036
Email: Dev.Nayak@ed.gov

Barbara Cobbs, ISSO
NSLDS
U.S. Department of Education
Federal Student Aid, Business Operations
830 First Street, NE
UCP-43B5
Washington, DC 20202
Telephone: (202) 377-3555
Email: Barbara.Cobbs@ed.gov

**Program Contact**

Lisa Oldre, Management and Program Analyst
Operations Services Division
U.S. Department of Education
Federal Student Aid
830 First Street, NE.
Washington, DC 20202-5454
Telephone: (202) 377-3249
Email: Lisa.Oldre@ed.gov
XVII. **Authorized Signatures**

The signatories below warrant and represent that they have the competent authority on behalf of their respective agencies to enter into the obligations set forth in this CMA.

**THE DEPARTMENT OF VETERANS AFFAIRS**

For

**Daniel C. Devine**

October 20, 2016

Beth Murphy
Director, Compensation Service
Department of Veterans Affairs

VA’s DIB has reviewed and approves this CMA. In accordance with OMB’s Final Guidance Interpreting the Provisions of Public Law 100-503, the Computer Matching and Privacy Protection Act of 1988,” 54 FR 25818 (June 19, 1989), the Board also has determined that it is appropriate to compress the due process steps of verification and notice and wait into a single step.

**LaShaunne G. David**

October 20, 2016

Laverne H. Council
Chair, Data Integrity Board
Department of Veterans Affairs
The signatories below warrant and represent that they have the competent authority on behalf of their respective agencies to enter into the obligations set forth in this CMA.

U. S. DEPARTMENT OF EDUCATION

_____________________________  ____________________
James W. Ruicie  Date
Chief Operating Officer
Federal Student Aid
U.S. Department of Education

ED’s DIB has reviewed and approves this CMA. In accordance with OMB’s Final Guidance Interpreting the Provisions of Public Law 100-503, the Computer Matching and Privacy Protection Act of 1988," 54 FR 25818 (June 19, 1989), the Board also has determined that it is appropriate to compress the due process steps of verification and notice and wait into a single step.

_____________________________  ____________________
Andrew Jackson  Date
Assistant Secretary for Management
Chair, Data Integrity Board
U.S. Department of Education
Attachment A: Cost Benefit Analysis

COST BENEFIT ANALYSIS – COMPUTER MATCHING PROGRAM

This Cost Benefit Analysis measures costs and benefits associated with matching the Department of Veterans Affairs (VA) and the U.S. Department of Education (ED) records. More specifically, VA will submit to ED the names, dates of birth, Social Security numbers, and effective date of P&T entitlement for those Veterans who are in receipt of VA disability compensation benefits with a VA disability compensation rating of 100% Permanent and Total (P&T). ED will then match with its records on Federal student loan borrowers under Title IV of the Higher Education Act of 1965, as amended (HEA). ED will use the disability data to identify and reach out to borrowers who could be eligible for a total and permanent disability (TPD) loan discharge, as well as to expedite the processing of TPD loan discharge applications.

Analytical Data and Assumptions

The costs of this computer matching program consist of processing costs at VA and ED to produce the match, and management, documentation, tracking activities, and certain fixed costs (supplies, phone, postage, etc.). It is assumed that one (1) analyst—listed as the Operational Subject Matter Expert (SME) in the table below—will spend approximately ten (10) percent of his/her time on work related to this computer matching program. This evaluation is based on other, similar matches performed during fiscal year (FY) 2015.

ADMINISTRATIVE COSTS

I. FY 2015 VA PROCESSING COSTS (Computer systems processing costs for 12 month processing cycle - $26.94/month x 12 months) $323
II. FY 2015 ED PROCESSING COSTS: $1,750

TOTAL PROCESSING COSTS: $2,073

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III. TOTAL ADMINISTRATIVE COSTS OF VA and ED COMBINED: $19,776

B. BENEFITS

Under the student loan programs authorized under Title IV of the HEA, borrowers are eligible to have their loans discharged if they are determined to be totally and permanently disabled. Under the current process, ED approved 9,492 VA TPD discharges based on a borrower’s VA disability status in year 2015. The proposed match with VA will streamline ED’s discharge approval process, easing the burden on borrowers who otherwise need to formally document their eligibility through the provision of VA disability determinations or doctor’s certifications. While we do not expect this change will have a significant impact on ED’s operational costs for the TPD loan discharge application process, it will lessen the burden on disabled borrowers substantially, as the process for obtaining documentation materials to certify their eligibility from VA regional offices can be difficult and time-consuming.

In addition, the match will allow ED to identify borrowers who are potentially eligible for a TPD discharge, but unaware of their status. This information will be used to inform outreach efforts that will increase awareness of ED’s TPD loan discharge program and enable more borrowers to take advantage of this statutory discharge. In the absence of the VA data, we do not have a basis for estimating the size of the potentially eligible borrower population; if we assume a 15 percent increase over ED’s most recent annual TPD discharge data, the match would result in an additional 1,424 borrowers receiving a TPD discharge based on their VA disability status in 2017. The average discharge during 2015 was $33,619. Multiplying this figure by the estimated increase in the number of TPD discharges results in anticipated additional discharge costs of $47,873,456. Because borrowers qualifying for a TPD discharge are highly unlikely to have sufficient income to successfully repay their loans, in virtually all cases the additional loans discharged as a result of a match would otherwise either default or be forgiven under an income-driven repayment (IDR) plan. As a result, the additional amounts discharged via TPD do not represent new costs, but rather a shift of anticipated costs from one category to another.

In addition, a TPD loan discharge is preferable for the government to either a default or IDR-related forgiveness as it will eliminate years of servicing and/or collection costs on loans for which payments are not being made and cannot reasonably be expected to be made. Under ED contracts as of September 2015, loan servicers receive $2.85 a month for a borrower in repayment and current, even if that borrower is making a $0 payment under an IDR plan. Under the contract in place in September 2015, the vendor operating the Debt Management and Collection System receives $1.06 a month for each defaulted borrower maintained in the System, regardless of whether payments are being made. If we assume the additional 1,424 borrowers estimated to receive TPD discharges are split evenly between the servicing and
collection systems, and would remain active an average of 10 years, the standard budget scoring window, before being forgiven or written off as uncollectable, discharging these loans in 2015 would reduce future servicing costs by $243,504 ($2.85 times 120 months times 712 borrowers) and reduce debt collection costs by $90,566 ($1.06 times 120 months times 712 borrowers). The total avoided servicing and/or collection cost of $334,070 over ten years must be divided by 10 to obtain the annual avoided servicing and/or collection costs, which are $33,407. This outweighs the administrative costs of the matching agreement. (This amount would change if the match is more or less successful than assumed in increasing the number of TPD discharges, or if the future terms of the servicing and collection contracts differ from those reflected in this analysis.)

COST/BENEFIT RATIO

For the purposes of the cost/benefit ratio, the benefit calculation is limited to the estimated servicing and collection costs avoided as a result of the match ($334,070 divided by 10 years).

\[
\begin{align*}
\text{TOTAL ANNUAL COSTS} &= 19,776 \\
\text{AVERAGE ANNUAL BENEFITS} &= 33,407 \\
\text{Cost to Benefit Ratio for ED} &= .59
\end{align*}
\]

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E. Pearson
Acting Chief Financial Officer
Department of Veterans Affairs