

# DISABILITY DISCHARGE FOR VETERANS

For Perkins Loan borrowers, total and permanent disability discharge requests based on VA documentation received on or after July 1, 2008 must be processed using the new procedures. Applications that were submitted on or after these dates and that are currently being processed under the "regular" TPD procedures may now be processed under the procedures outlined in this Dear Colleague Letter, if the borrower provides the appropriate documentation from the VA.

## **Department of Veterans Affairs Determinations That Qualify a Borrower for a Disability Discharge Under the New Statutory Standard**

There are two types of VA determinations that qualify a veteran for a discharge of his or her Title IV student loans:

- 1) A determination that the veteran has a service-connected disability, or service connected disabilities, that are 100% disabling; or
- 2) A determination that the veteran is totally disabled based on an individual unemployability determination.

The VA grants individual unemployability only for service-connected conditions. Therefore, any determination of individual unemployability qualifies a veteran for discharge.

In the case of a determination that a veteran is 100% disabled, the determination must specify that the disabilities are service-connected.

### **NOTE:**

**ECSI LINGO: LDA (Loan Discharge Application)**

**DOE LINGO: TPD Application (Total Permanent Disability Application)**

## **Processing Loan Discharge Applications for Veterans Who Have Been Determined to be Unemployable Due to a Service-Connected Condition or Disability**

### **APPLICATION AND DOCUMENTATION**

- 1) The borrower must apply to the loan holder (i.e., the current owner of the loan) for a total and permanent disability discharge. For Perkins Loans, the loan holder is the Perkins school lender.
  
- 2) **The borrower is not required to have a physician complete Section 4 of the TPD application.**
  
- 3) The borrower submits with the application with documentation from the VA showing that the borrower
  
- 4) The borrower has received a determination of individual unemployability
  - a. The borrower has been determined to be 100% disabled due to one or more service-connected disabilities.
  
  - b. The borrower may provide a copy of the VA Rating Decision or a letter from the VA confirming that the borrower has received one of the qualifying ratings. As explained above, a rating of 100% disabled must specify that the borrower's condition is service-connected.

## **PRELIMINARY DETERMINATION OF ELIGIBILITY BY SCHOOL**

After receiving the TPD application:

- 1) The Perkins School must suspend collection activity on the loan.
- 2) The Perkins school must ensure that the TPD application was completed and the appropriate VA documentation was provided by the borrower
- 3) The Perkins school must carefully review the VA documentation provided by the borrower when making preliminary determinations of eligibility.

## **NON QUALIFYING PRELIMINARY DETERMINATION**

If the documentation clearly demonstrates that the borrower does not qualify for a discharge

- 1) The Perkins school must reject the TPD request
  - For example, if the VA documentation states that the borrower is 100% disabled, but also states that the borrower's disabilities are not service-connected, the TPD claim must be rejected.

- 2) The Perkins school must notify the borrower that the discharge request has been denied, and that the borrower must resume repayment on the loan
- 3) The loan is deemed to have been in forbearance from the date collection activity was suspended.
- 4) The Perkins school must notify the borrower of the regular disability process if the borrower is disabled due to NON service related conditions

## **QUALIFYING PRELIMINARY DETERMINATION**

If the borrower appears to be eligible for a total and permanent disability discharge based on the VA documentation

- 1) The Perkins school must submit a **copy** of the TPD application and VA documentation to the Department
- 2) The Perkins school must notify the borrower that his or her disability discharge request has been submitted to the Department for further review
- 3) The Perkins school **does not** need to assign the loan to the Department

## **DEPARTMENT REVIEW OF TPD APPLICATION**

After receiving the TPD application and supporting documentation from the guaranty agency or Perkins school, the Department will review the VA documentation.

The Department may also contact the VA for more complete information regarding the borrower's VA disability rating.

## **QUALIFYING DETERMINATION BY DEPARTMENT**

If the Department determines that the borrower meets the eligibility criteria for discharge under the standard for veterans with service-connected disabilities or conditions:

1. The Department will instruct the Perkins school to discharge the loan.

2. The Borrowers who are granted a TPD discharge through this process are not placed in a three-year conditional discharge period and are not required to provide any additional medical or income information to qualify for the discharge.
3. The Perkins school discharges the outstanding balance on the loan is discharged immediately upon notification by the Department.
4. The Perkins school refunds any payments that were made on or after the effective date of the grant of disability by the VA.
  - a. A Rating Decision from the VA will generally state the effective date of the grant of disability in the section of the Rating Decision titled "Decision."
  - b. The effective date of the grant of disability is NOT the Date of the Rating Decision or the Effective Date of Payment.
  - c. A letter from a VA Regional Office may simply confirm the borrower's VA disability status, without providing an effective date.
  - d. If the documentation provided by the borrower does not include an effective date, the Department will obtain the effective date from the VA, and provide that information to the Perkins school.
  - e. Receipt of a Title IV loan after the effective date does not disqualify a borrower for a TPD discharge; therefore the Department will not review the borrower's National Student Loan Data System (NSLDS) records for this purpose.

## **NON-QUALIFYING DETERMINATION BY DEPARTMENT**

If a borrower's application for a TPD loan discharge based on VA documentation is denied by the Department,

- 1) The Perkins school must notify the borrower that the discharge request has been denied, and that the borrower must resume repayment on the loan
  
- 2) The loan is deemed to have been in forbearance from the date collection activity was suspended
  
- 3) The Perkins school must notify the borrower of the regular disability process if the borrower is disabled due to NON service related conditions

**To re-apply for a total and permanent disability discharge under the standard process:**

1. the borrower must have a physician complete the Physician's Certification Section of the TPD application and resubmit the TPD application to the loan holder. The borrower may include the VA documentation, as well as any other supporting documentation, along with the completed TPD application.
  
2. The Department will take the VA documentation into consideration when conducting its medical review under the standard process for total and permanent disability discharges.