

Does Student Loan Forgiveness Drive Disability Application?

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Key Findings and Policy Implications

Beginning in July 2013, SSDI and SSI recipients became eligible for a discharge of their student loan debt, provided that medical recovery was not expected. This paper examines the effect of the policy change on application rates to these programs. It uses data from the Survey of Income and Program Participation (SIPP) matched to SSI and SSDI application records. The paper finds that:

- SSDI and SSI application rates increased among respondents with student loans relative to rates among those without student loans. Indeed, the policy change raised the probability of applying for SSDI or SSI among student loan-holders by about 50 percent, relative to baseline rates.
- SSDI and SSI application rates also increased in counties with a greater incidence of student-loan indebtedness. Comparing a county with the mean fraction of student debt (14%) versus a county with no student debt, the estimates suggest 1.4 additional SSDI applicants (and 0.6 awards) and 1.1 additional SSI applicants (and 0.5 awards) per 1,000 county residents. Given that the geographic distributions of student loan indebtedness and historical SSDI/SSI program participation differ, there are strong implications for both the size and location of SSDI and SSI beneficiaries.

These findings highlight the importance of policy changes in programs that interact with SSDI and SSI in understanding the drivers of disability program participation.

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