



Written by [Brian Koenig](#) on August 21, 2012

Student Loan Debt Trims Social Security Payments for Retirees

Much of the focus on the student-loan debt crisis has been placed on new graduates, but according to a new report, the federal government has been honing in on another demographic of debtors: retirees. The Debt Collection Improvement Act of 1996 granted the federal government authority to withhold a fraction of their Social Security payments if retirees owe defaulted debt to the government — including student loans.



The Department of Education, which issues federal student loans, says it tries to work with debtors before garnishing their Social Security payments. Justin Hamilton, a spokesman for the federal agency, [affirmed](#) that accounts do not go to collections until about two years of non-payment. Then if there's still no payment after months of attempted collection, the loan heads over to the Treasury Department, which administers the Social Security withholdings. "It's when people aren't making any attempt whatsoever that they start heading down that road," said Hamilton.

From January through August, the government [slashed](#) a portion of more than 110,000 retirees' Social Security checks, nearly double the amount in 2011, according to the Treasury Department. Since 2001, the gap has widened even [further](#), as the number of retirees who've seen portions of their Social Security benefits withheld [spiked](#) from about 20,000 to now over 100,000. The amount of withholdings varies, but under the law a minimum of \$750 a month must go untouched.

"It's quite extraordinary because normally Social Security benefits can't be touched by creditors," asserted Deanne Loonin, an attorney at the National Consumer Law Center. "When you think about it, \$750 a month is less than the poverty line. It's not a lot of money for people to have."

The New York Federal Reserve recently issued a [report](#) showing that more than 17 percent of student-loan borrowers are over the age of 50. And while bankruptcy can wipe credit and other forms of debt from the slate, student loans are not on that list. In an [interview](#) on National Public Radio's *Morning Edition*, AnnaMaria Andriotis, a writer at SmartMoney, said much of the debt is acquired by parents and grandparents who are trying to help young students.

"This is really the only consumer loan out there that people cannot get rid of.... In pretty much all of these cases, these are federal student loans that these retirees signed up for, by themselves. There is no co-signer involved," Andriotis affirms. "In other cases, you have retirees who are still dealing with their own student loan debt — the student loans they incurred to go to college, decades ago. ... But in most cases, these loans aren't even their own loans. And that's what makes this whole situation really sad."

After issuing a request to the Treasury Department, SmartMoney released a [report](#) on the debt bomb, echoing that most of the Social Security withholdings stem from younger people graduating with loads of debt:

Many of these retirees aren't even in hock for their own educations. Consumer advocates say that in the majority of the cases they've seen, the borrowers went into debt later in life to help defray



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education costs for their children or other dependents. Harold Grodberg, an elder law attorney in Bayonne, N.J., says he's worked with at least six clients in the past two years whose problems started with loans they signed up for to help pay for their grandchildren's tuition. Other attorneys say they're working with older borrowers who had signed up for the federal PLUS loan — a loan for parents of undergraduates — to cover tuition costs. Other retirees took out federal loans when they returned to college in midlife, and a few are carrying debt from their own undergraduate or graduate-school years.

About 2.2 million student-loan debtors were at least 60 years old during the first quarter of this year, and almost 10 percent were 90 days or more past due on their loans — up four percent from 2005. "It's really a unique problem we haven't had to face before, and it's only going to grow," notes Robert Applebaum, founder of the advocacy group Student Debt Crisis.

The looming threat of Social Security cuts only adds to the financial gloom of the baby boomer generation. According to the Employee Benefit Research Institute, nearly 45 percent of Americans aged 48 to 64 won't save enough money to afford basic needs and uninsured medical costs in retirement.

While the economic downturn has surely contributed to the crisis, the progressive rise in tuition costs is another component. This generation, along with younger students, is being hit with skyrocketing tuition costs, as [fees have nearly tripled](#) in the last two decades, a far cry more than wage growth. And of the more than one trillion dollars in outstanding student-loan debt, a sizable 85 percent consist of federal loans.

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