THIRD WAY

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What Relief? How Student Loan Assistance Fails Teachers

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The federal government has created a variety of programs to assist teachers with their student loan debt. The goal has been to recruit the best and brightest young people into the teaching profession and keep them there. It hasn't worked. At present, these programs are confusing, underutilized, conflicting, and sometimes even detrimental to the long-term finances of teachers who apply for them. To truly recruit and retain the best teachers, we should revamp and consolidate this morass of programs into a single offer: if you teach, we will pay your student loan payments, up front, every single month, until you leave the classroom.

The Problem

Teachers rarely benefit from the loan forgiveness programs that exist today.

Loan assistance for teachers is nowhere near sufficient enough to cover their needs.

One of the few financial incentives to become a teacher in the United States today is the ability to qualify for federally-sponsored student loan assistance. Today, the federal government offers a litany of programs to help teachers with their loans—including some unique to the profession, like Federal Stafford and TEACH grants, as well as the broader Public Service Loan Forgiveness (PSLF) program, which is designed to benefit all public service employees (see appendix for details).* The spectrum of benefits available under these programs is wide, ranging anywhere from a $4,000 grant to full loan cancellation. However, despite the variety of options offered by the federal government, few teachers actually take advantage of these programs. In fact, a recent report by the National Center for Education Statistics found that only 31.7%

of incoming and current teachers were even aware of the loan assistance programs available specifically for teachers. [1]

The Federal Perkins Loan Program also offers loan cancellation for certain kinds of teachers in low-income schools and/or high-needs subject areas, but its funding has been zeroed out by Congress in recent years. Its future is currently in jeopardy as the program is set to expire this year.

The most recent data from the Department of Education shows that approximately 1.5 million public school teachers (44%) are under the age of 40, yet only 65,000 teachers utilized federal loan assistance programs in 2013. [2] And these expenditures add up to approximately $350 million, a paltry 12% of the $2.9 billion discretionary funding that Congress appropriates each year for federal programs specifically designed to improve teacher recruitment, training, and retention (benefits from PSLF will not begin until 2017). [3] With over 3.3 million public school teachers in the United States, including approximately 150,000 new teachers that begin each year, this small fraction Congress dedicates to loan assistance is trifling.

It’s inarguable that teachers are in severe need of financial assistance. [4] Data from the National Center for Education Statistics and New America Foundation estimates that more than two-thirds of all teachers borrow money to pay for their higher education—resulting in an average debt of $20k for those with a bachelor’s degree and a whopping $50k for those with a master’s degree ($8k more than the average for an MBA). [5] Add to that the reality that the average teacher has a starting salary of approximately $40k. [6] With student debt as high as ever and teacher salaries insufficient to attract top talent, Congress could be doing much more to close that gap.

TEACH Grants: A Drop in the Bucket

In 2007, Congress authorized the creation of the Teacher Education Assistance for College and Higher Education (TEACH) grant program as a way to incentivize high-achieving college students to enter

the teaching profession after graduation. To qualify for a TEACH grant of up to $4,000 per year, recipients must have a GPA of 3.25 or higher and must agree to teach a high-needs subject area in a low-income school for a minimum of four years. The TEACH grant is unique in that it is the only federal loan assistance program for teachers that provides teachers-in-training with a financial benefit up front. Although the intention behind this effort to create a marquee financial assistance program for teachers was good, it's clear from participation rates that its reach is extremely limited—with the median state seeing a measly 1% of its teachers benefit from the program.

TEACH Grant Recipients by Select States, 2012-2013 [7]

State	Number of K-12 Teachers	Number of TEACH Grant Recipients	% of Teaching Force Benefiting *
Arizona (highest % of all 50 states)	50,800	3,063	6.03%
Michigan	86,997	1,003	1.15%
California	268,689	2,563	0.95%
North Carolina	97,308	391	0.40%
Florida	175,006	630	0.36%
Maryland	57,589	210	0.36%
New Jersey	109,719	393	0.36%
Pennsylvania	124,646	266	0.21%
Vermont (lowest % of all 50 states)	8,364	0	0.00%
Median 50 States	**43,805**	**394**	**0.98%**

TEACH grants are provided to students through their teacher preparation program. This table makes the assumption that TEACH grant recipients remain in the state where they received their training—a fair assumption given that unlike other professions, states often make it difficult to obtain

> *a teaching license in a different state than where a prospective teacher studied.*

The current patchwork of eligibility requirements and application processes are too complicated and require lengthy commitments.

Why is the take-up rate for all federal loan assistance programs so low? In order to qualify, teachers must meet an unwieldy set of criteria, including in most cases agreeing to teach for a minimum of four to ten consecutive years in a high-needs subject area and/or in a low-income school district. Unfortunately, the narrow scope of these limitations is becoming more and more out of touch with the current demographic of teachers, as nearly half of all teachers who enter the profession today leave by their fifth year. [8] Such retention issues become even more acute in high-needs schools (one of the chief targets of teacher loan assistance under current law), where the annual attrition rate can be as high as 20%. [9] As a result, the available loan forgiveness options are rendered essentially moot for almost half of today's highly-mobile Millennial workforce—and perhaps for many others who do not feel they can make a four, five, or ten year commitment to a job mere months after graduation. The current patchwork of eligibility requirements and application processes are too complicated and require lengthy commitments.

In addition, even if a teacher is able to meet all of the eligibility criteria required to qualify for federal loan assistance, many are discouraged by the complicated and retroactive application process demanded by most of these programs today. For each, with the exception of TEACH grants, teachers are responsible for proactively seeking out all necessary paperwork at the end of their five to ten years of service in order to receive a "back" payment that can be used to pay off some remaining portion of their existing loans. In almost all cases, teachers are expected to initiate and navigate this process on their own, as school districts provide

teachers with little guidance about available loan assistance options. In fact, last year, the Consumer Financial Protection Bureau (CFPB) was so concerned about this lack of communication that they designed a toolkit asking public service employers, such as school districts, to make a pledge that they would proactively share loan forgiveness information with their employees in a systematic way. [10] This lack of communication and patchwork of bureaucracy, compounded by narrow eligibility requirements and delayed payment system of forgiveness, all contribute to the limited reach and effectiveness of the federal loan assistance programs that exist for teachers today.

Some loan forgiveness programs may actually end up costing teachers more money in the long run.

TEACH grants can hurt as much as they help.

The TEACH grant program is the one federal assistance option that does not require teachers to retroactively apply for debt relief after serving in a classroom for five to ten years. Instead, TEACH grants are designed to attract and recruit high-achieving college students on the front-end by providing $4k to 16k in grant money to any college student with a GPA of 3.25 or higher who agrees to teach in a low-income school for a minimum of four years after graduation. While this program is noble in its effort to enlist top-tier college students into the teaching profession (and to the neediest schools in particular), the fine print of these grants and timing of providing money to students prior to them earning a teaching degree can often leave well-intentioned college students and beginning teachers with a serious financial burden if they fail to complete all outlined service requirements.

Specifically, a TEACH grant will automatically convert into a Federal Direct Unsubsidized Loan with an interest rate (currently 4.66% for undergraduate loans and 6.21% for graduate loans) for any recipient who fails to enter or remain in a high-needs classroom for the full four years of service. [11]

And the program fails to acknowledge the fact that various obstacles—such as the indecisiveness of an undergraduate when choosing a career, the meager support many beginning teachers receive in low-income schools, or even the fact that most of these teachers would be the first let go in times of forced layoffs—can make completing the required TEACH grant requirements difficult or even impossible for many recipients. As a result, the Department of Education estimated in their 2013 fiscal year budget request that as many as 75% of all TEACH grants would have to be converted into Federal Direct Unsubsidized Loans—meaning for three out of four TEACH grant recipients, it actually becomes a bait and switch. [12] Suddenly, these young people are left with no grant and stuck with an unsubsidized loan—potentially even leaving them in worse shape than if they had turned away a TEACH grant, especially if they had been eligible for more subsidized loans than they took out during their college years. [13]

The morass of programs doesn't mesh: participation in teacher-specific loan programs undercuts the ability to use Public Service Loan Forgiveness.

A conflict of interest exists between two of the largest loan forgiveness programs available to teachers. Right now, teachers must choose between participating in the teacher-specific federal Stafford Student Loan Forgiveness program that promises up to $17,500 (for science, math, and special ed teachers in low-income schools) or $5,000 (for all other teachers in those schools) in forgiveness after five years of service in the classroom, or the more general Public Service Loan Forgiveness (PSLF) program that discharges any remaining debt after ten years of service in any combination of public interest professions. If a teacher opts for participating in Stafford loan forgiveness, those five years of teaching service are no longer eligible to count towards PSLF, ultimately requiring teachers to start back at square one if they want to pursue the benefits of PSLF. As a result, teachers are faced with an unnecessary choice about their loan relief

options, since it is often unclear which program will be more favorable (a clear defined benefit upfront or a potentially greater amount of loan forgiveness down the line) until it is too late. [14]

The Solution

Consolidate teacher loan repayment into one streamlined program that begins on day one in the classroom.

The federal government should consolidate all of the various teacher-specific loan assistance options into one streamlined program that would begin making monthly loan payments for all teachers on day one. Such a program would be a much more potent incentive to lure today's high-achieving Millennials into the teaching profession, particularly since the average loan payment for someone with a master's degree in education is $429 a month (again, on a $40k average salary). [15] And until state budgets free up money to pay teachers higher salaries on the front end, offering teachers a supplemental monthly loan payment from the outset would serve as an immediate way for districts to boost teacher compensation.

This program could be designed to mimic the same system that Congress currently uses to increase its own employees' compensation. In 2011, the average Hill staffer getting a benefit received annual loan payments totaling $6,000 (or $500/month). [16] Congress justifies providing student loan forgiveness to their staff as a way to "help attract talented people [into] public service since they generally can find higher salaries in the private sector." [17] This motivation should apply all the more when it comes to the teachers educating our nation's children. Offering teachers a supplemental monthly stipend in the form of loan repayment would be a much more powerful recruitment tool for school districts looking to attract top-tier candidates than the current menu of loan forgiveness programs that require teachers to wait years before accruing their varied and

conditional benefits. And instead of relying on a poorly advertised, convoluted patchwork, the message would be clear—enter the classroom, and we'll make your loan payment.

Allow loan payments to count towards Public Service Loan Forgiveness.

Additional steps would need to be taken to address the conflict of interest that currently exists between Public Service Loan Forgiveness and other loan forgiveness programs. Since PSLF is available to all public service employees, it should continue to operate in its current form separate from a newly-consolidated teacher loan forgiveness program. As such, teachers would continue to fall under the jurisdiction of both programs, but they should be allowed to fully participate in the benefits offered by both. Rather than making teachers gamble on their debt relief by forcing them to choose one program over the other, Congress should eliminate the current provision that keeps the benefits between PSLF and other loan forgiveness programs as mutually exclusive and clarify that these new subsidized loan payments to teachers should count towards their payments under PSLF.

By removing this barrier, the new system could actually provide a much more streamlined loan forgiveness experience for teachers and limit the amount of time the federal government would be "on the clock" for providing such assistance. Within this system, a public school teacher who begins teaching would immediately receive loan repayments for each month that he or she is in the profession; if they manage to stay in the classroom for ten years, the remainder of their debt would be discharged under PSLF just like any other public service employee. For those who leave, they would simply stop receiving the monthly payments but be no worse off under PSLF if they moved into another job in public service. Thus, the federal government would at maximum, only ever have to make student loan

payments for teachers for ten years. And while we know that more than half of teachers currently leave the classroom by their fifth year, this system could play a larger role in convincing our best teachers to stay.

Critiques & Responses

Changing the current programs would reduce teacher retention.

Teacher retention is poor right now. While it is true that the impetus behind the requirement for teachers to wait four to ten years before receiving loan relief is in an effort to increase teacher retention, it is not working. In fact, the annual attrition rate for first year teachers has risen 40% in the last two decades, despite the establishment of the original iteration of the Direct Loan Forgiveness programs for teachers in 1998 and the addition of the TEACH grant program in 2007.[18] However, evidence does exist to show that student loan repayment may serve as a much stronger recruitment rather than retention tool. In our recent poll of high-achieving undergraduate students, 82% of respondents said that “offering student loan repayment” would make them more likely to teach, ranking only behind “paying teachers more” and “encouraging more effective school leadership.”[19] Federal money would be better spent using loan forgiveness as a way to get new, energized people in the door, with the hopes that continuously receiving a monthly loan payment could be at least as strong if not stronger retention strategy than the promise of receiving a lump sum of loan forgiveness years down the line.

This new program would act as a disincentive for teachers to go to high-needs schools.

The existing programs are not working to keep good teachers (or any teachers, for that matter) in low-income schools. Because other policies which are widespread within the teaching profession allow longer-tenured teachers to opt out of those schools entirely, they consistently have the newest

teachers and the highest rate of attrition. No loan payment policy can counter those systemic problems. Instead, offering monthly loan payments can help attract the best and brightest young people into the teaching profession, so that those newer and younger teachers can spend more focus on being the best possible educators they can be.

The government cannot afford to provide every new teacher with loan forgiveness.

In 2013, Congress appropriated $2.9 billion on programs specifically designed to attract, retain, and train PreK-12 teachers, including the $350 million spent specifically on student loan assistance. [20] We could pay for this newly-consolidated student loan forgiveness plan by repurposing this $350 million, as well as the $1 billion of federal money spent each year on ineffective teacher professional development. [21] By using just that $1.35 billion and no new funds, we could pay the average $429 monthly loan payment for 260,000 teachers annually, nearly four times the amount of teachers receiving federal assistance today, and do so in a way that is exponentially more likely to attract the best and brightest we need in the classroom, rather than punishing them for choosing the teaching profession by making them ineligible for other loan forgiveness programs.

Appendix

Forgiveness Program	Qualifications	Amount Forgiven
Perkins Student Loan Forgiveness (Scheduled to expire in 2014)	Full- time elementary, secondary, or special education teacher in a school serving low-income students and/or teaching high-needs subjects. According to the New America Foundation: "Congress has currently cancelled appropriation for Perkins loan reimbursements. IHEs must continue to cancel loans held by eligible teachers using revolving funds, but reimbursements will only be provided if and when a future appropriation is made." [22]	Up to 100% may be cancelled in the following increments: 15% for year 1 and 2 20% for year 3 and 4 30% for year 5
Stafford Student Loan Forgiveness	Highly qualified secondary school teacher of science or math and elementary or secondary special education teacher in a school serving low-income children. Highly qualified elementary or secondary school teacher in a school serving low-income children.	Up to $17,500 after 5 years of qualifying service Up to $5,000 after 5 years of qualifying service
TEACH Grants	Students who intend to teach in a high-need field in a public or private elementary or secondary school that serves students from	Up to $4,000 per year of college for up to

	low-income families. Must teach for at least four academic years within eight calendar years of completing the program of study for which you received a TEACH Grant; You must also meet certain academic requirements, such as scoring above 75 th percentile on college admissions test or 3.25 GPA.	$16,000 total Bonus TEACH grants of $500 per year or $2,000 total for BA or MA programs for those retiring from careers in high-needs fields also eligible for TEACH grants.
Public Service Loan Forgiveness	Full-time public service employee for 10 years. The borrower must have made 120 payments as part of the Direct Loan program in order to obtain this benefit.	This program discharges any remaining debt after 10 years

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