



## Public Service Loan Forgiveness: An Untapped Resource

In 2007, the Public Service Loan Forgiveness Program (PSLF) was established by Congress with the passage of the College Cost Reduction and Access Act [Public Law 110-84]. The program was created to encourage individuals to enter lower paying but vitally important public service jobs so that borrowers could more effectively manage their debt.<sup>1</sup> Under this program, individuals with federal student loans are eligible for loan forgiveness after 10 years of repayment if they are in jobs that contribute to the public good such as nurses, teachers, firefighters, and police; employed by the state, local, federal, and tribal government; or work for a nonprofit organizations.<sup>1</sup> All qualifying loan payments made after October 1, 2007 are eligible for forgiveness under PSLF.

### The Untapped Resource

PSLF is a program that continues to be highly underutilized but also extremely beneficial for borrowers with remaining debt. PSLF is a very important loan repayment program as it allows borrowers to have a portion of their debt forgiven, making repayment less burdensome. According to employment data from the Bureau of Labor Statistics, an estimated 24.7 percent of U.S workers were employed in public service in 2012.<sup>2</sup> While the exact scope of PSLF enrollment will not be available until the first forgiveness cohort completes 10 years of payments in October 2017, the Department of Education released data from June 2016, showing that nearly 950,000 Employment Certification Forms have been submitted, with two-thirds of those forms being approved.<sup>3</sup> Due to various reasons, eligible workers are not enrolling in the program. According to GAO, one of the primary reasons the program is seeing such low enrollment is due to the fact that borrowers are not receiving sufficient information on PSLF from the Department of Education (ED).<sup>5</sup> Despite ED’s awareness campaign efforts, there is little assurance that borrowers are aware of the program.

### PSLF and Nursing

Many nurses are eligible to receive loan forgiveness through PSLF. According to a recent survey of graduate nursing students, 22 percent of all graduate students indicated that they intend to utilize PSLF in order to repay the debt they accumulated through federal loans.<sup>4</sup> Understanding the role of different repayment models can be beneficial for nursing students, specifically those pursuing careers in public service settings.

Under PSLF, borrowers must choose from one of the [four income-based repayment models](#). Under these income-based repayment plans, borrowers begin and end their payments as a proportion of their income, differing from a standard repayment model that is a set amount from beginning to end.

**Table 1: Comparison of Repayment Models for Undergraduate Loans**

Income-Based Repayment Model		Standard Repayment Model	
Total Undergraduate Debt	\$57,500	Total Undergraduate Debt	\$57,500
Initial Adjusted Gross Income (AGI)	\$44,970	Initial Adjusted Gross Income (AGI)	\$44,970
Income Growth	4%	Income Growth	4%
Interest Rate	4.29%	Interest Rate	4.29%
Loan Forgiveness Year	10	Loan Forgiveness Year	N/A
First Monthly Payment	\$352.69	First Monthly Payment	\$590.39
Max Monthly Payment	\$526.81	Max Monthly Payment	\$590.39
Total Forgiveness	\$24,294.72	Total Forgiveness	N/A

Table 1 shows the difference between an income-based repayment model and a standard repayment model based on the average starting salary for an entry-level (e.g. BSN) nursing school graduate. The loan balance is based off the maximum federal loan amount an undergraduate can borrow, or \$57,500, according to ED.<sup>6</sup>

Table 2 depicts an income-based repayment plan under PSLF that allows an undergraduate borrower to forgive roughly \$25,000 of their debt after 10 years. This model is based off the average starting salary for a recent nursing school graduate.

**Table 2: 10 Year Income-Based Repayment Model with Forgiveness**

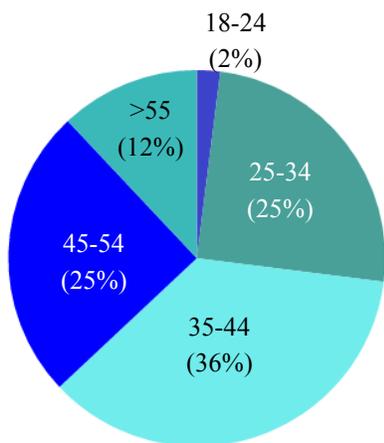
Payment Number	Adjusted Gross Income	Loan Balance	Monthly Payment	Accrued Interest	Principal Payment	New Balance	Total Paid
1	\$44,970.00	\$57,500.00	\$352.69	\$206.04	\$146.65	\$57,353.35	\$352.69
36	\$48,639.55	\$51,464.93	\$385.80	\$184.42	\$201.39	\$51,263.55	\$13,288.55
60	\$52,608.54	\$45,798.34	\$421.88	\$164.11	\$257.77	\$45,540.57	\$23,192.62
84	\$56,901.40	\$38,665.01	\$461.19	\$138.55	\$322.64	\$38,342.37	\$34,020.26
120	\$64,006.33	\$24,732.91	\$526.81	\$88.63	\$438.18	\$24,294.72	\$52,175.60
Forgiveness	\$64,006.33	\$24,294.72			\$24,294.72	\$0.00	\$52,175.60

\* This model is based on the average salary of an entry-level undergraduate nursing student.<sup>7</sup> To calculate your own payment plan, visit <http://www.finaid.org/calculators/ibr.phtml>

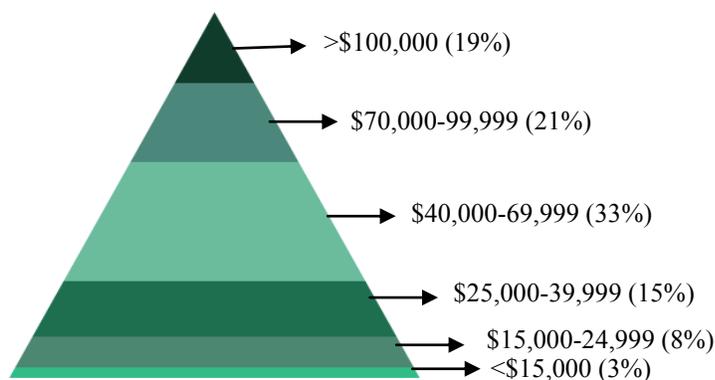
**Utilizing PSLF in Nursing**

There are many factors that influence a borrowers participation in PSLF. According to the Graduate Nursing Student Loan Survey, a borrower’s age and debt amount were two key factors in their interest to PSLF. Figure 1 demonstrates the distribution of nursing students, by age, who anticipate enrolling in PSLF as their federal loan repayment option. This chart indicates that borrowers that are 35-44 years old were most likely to be interested in PSLF, while borrowers 18-24 were the least likely. In context to the survey, many graduate students happen to fall within the 35-44 range. Figure 2 shows the different levels of debt and the percentage of students at those levels who will be utilizing PSLF to have some of their debt forgiven. The \$40,000-69,999 range was the highest range for borrowers interested in PSLF, but it was also the most common debt range for graduate students. Based on the previous models, this happens to be the average range that many nurses will fall into, and their participation in PSLF opens up the potential for loan forgiveness.

**Figure 1: Nursing Students Interested in PSLF by Age<sup>4</sup>**



**Figure 2: Nursing Students Interested in PSLF by Debt Amount<sup>4</sup>**



For more information on PSLF eligibility, visit <https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service> or contact your loan service provider.

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<sup>1</sup>U.S Department of Education. (2016). *Public Service Loan Forgiveness*. Federal Student Aid. Retrieved on April 27, 2016 from <https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service>  
<sup>2</sup>U.S Department of Labor. (2012). *Current Employment Statistics Survey*. Bureau of Labor Statistics, Established Data.  
<sup>3</sup>U.S Department of Education. (2016). *Public Service Loan Forgiveness Employment Certification Forms Report*. Federal Student Aid. Retrieved on August 23, 2016 from <https://studentaid.ed.gov/sa/about/data-center/student/portfolio>  
<sup>4</sup>American Association of Colleges of Nursing. (2016). *Graduate Nursing Student Loan Survey Analysis*.  
<sup>5</sup>Government Accountability Office. (2015). *Federal Student Loans: Education could do more to help ensure borrowers are aware of repayment and forgiveness options*. Retrieved on April 27, 2016 from <http://www.gao.gov/products/GAO-15-663>  
<sup>6</sup>U.S Department of Education. (2016). *Subsidized and Unsubsidized Loans*. Federal Student Aid. Retrieved on April 27, 2016 from <https://studentaid.ed.gov/sa/types/loans/subsidized-unsubsidized>  
<sup>7</sup>Bureau of Labor Statistics. (2016). *Occupational Employment and Wages*. Retrieved from: <http://www.bls.gov/oes/2011/may/oes291111.html>