

The Student Loan Debt Effect: Good Teachers are Leaving Education

Insights from the Horace Mann Educators Student Loan Debt Study — June 2020



Background

About Horace Mann

Horace Mann Educators Corporation (NYSE: HMN) is the largest financial services company focused on providing America's educators and school employees with insurance and retirement solutions. Founded by Educators for Educators® in 1945, the company is headquartered in Springfield, Illinois. For more information, visit [horacemann.com](https://www.horacemann.com), or follow us @HoraceMann on Twitter and LinkedIn, and @HoraceMannInsurance on Facebook.

About Tuition.io

Tuition.io is the nation's leading employee benefit platform empowering employers to better attract, retain and engage their next generation of talent who are saddled with stifling student debt, by helping their employees reduce and better manage their student loan burden. Tuition.io works with companies of all sizes, from Fortune 500 companies such as Live Nation, Staples and Estée Lauder Companies, to healthcare companies including Children's Hospital & Medical Center of Omaha and Mosaic Life Care, as well as public entities such as the City of Memphis. Tuition.io is on a mission to provide an impactful solution for employers and employees across the country. For more information, visit www.tuition.io or follow the company at @Tuitionio.

Methodology

This research is based on a nationally representative survey of 2,490 U.S. educators, including public school K-12 teachers, administrators and support personnel, with ages ranging from 21-64. The survey was fielded by Horace Mann in June 2020. The survey gathered both quantitative and qualitative data about educators' emotions, preferences, experiences, and needs. In addition, this paper analyzes federal and nonpartisan research firm data to provide context to educators' experiences.

Introduction

Teaching is a calling, and many educators cite the non-tangible rewards of the job as why they do it: To make a positive difference in children's lives, to prepare them for the future, to help shape tomorrow's citizens and leaders. But U.S. educators are leaving the profession in large numbers — more than a third are considering it in the next three years — due to the financial pressure the job puts on their lives. While the cost of college rises sharply, educators' salaries are falling further behind their college-educated peers' compensation. The result is a debt burden that can feel insurmountable and precludes other life goals, such as starting a family, buying a house or saving for retirement.

Congress aimed to address the growing inequity back in 2007, with the establishment of the Public Service Loan Forgiveness (PSLF) Program. The execution of the program has been widely criticized as confusing and contradictory, with less than 2% of applications approved. But the situation is more nuanced than a 98% rejection rate — and that is good news for educators. More than 80% of rejections could have been prevented with awareness and planning, and most educators are eligible to re-apply with updated information. More successful PSLF applications could have a substantial impact on educators' career choices: 88% said having their student loans forgiven would make them more likely to stay in their chosen profession.

Teachers on Teaching

“It is a profession of the heart that brings big rewards.”

— 49-year-old elementary school teacher

“The students' faces and their joy in discovering something new that will last them a lifetime is priceless.”

— 64-year-old elementary school teacher

“Teaching, while being hard work, is a rewarding profession that helps you to feel like you are making a difference in the world.”

— 47-year-old high school teacher

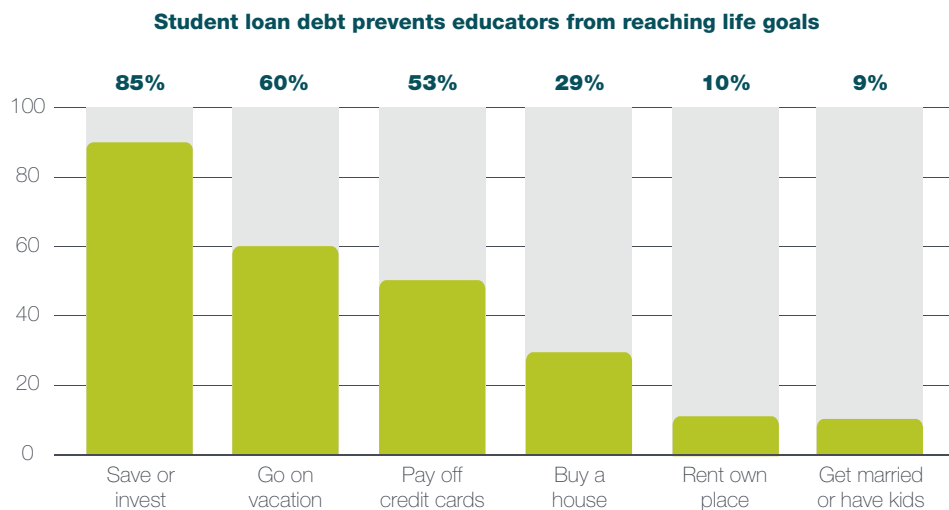
The economics of a career in education

For many teachers, teaching is an idealistic career choice. “I believe in the power of education and the power educators have to really change the future for the best,” a 37-year-old elementary school teacher wrote in their survey response. “You have to have a love for it, because it is not for the income,” a 63-year-old elementary school teacher added.

For a career that most often requires a college degree (if not more than one), educator job compensation is often not commensurate with the investment it took to get there. In 63% of the public school districts nationwide, an average teacher’s starting salary was less than \$40,000 for the 2017-2018 school year.⁽¹⁾ In comparison, the total cost of undergraduate tuition, fees, room and board for a 2017 four-year public university graduate averaged \$102,835, according to the National Center for Education Statistics.⁽²⁾

As their careers progress, teachers can expect to continually make 20% less than professions with similar educational requirements, according to the Economic Policy Institute. “The opportunity cost of choosing a career in teaching is rising as relative teacher wages and compensation falls further behind that of other professions,” wrote the authors of the report “The Teacher Weekly Wage Penalty Hit 21.4% in 2018, A Record High.”⁽³⁾

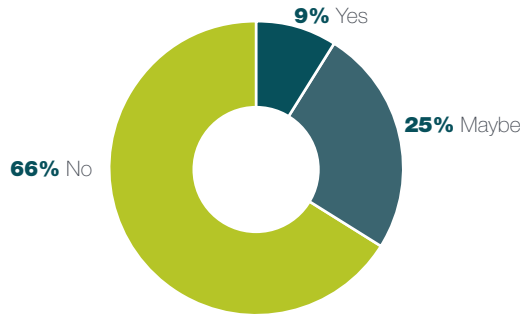
That economic pressure affects teachers’ personal lives. 85% of educators said student loan debt has prevented them from achieving life goals, such as saving, buying a house or starting a family. Others have taken on additional jobs to support their families. “I have had to work a second job for 13 out of 15 years that I have taught to be able to compensate for my teacher salary,” a 40-year-old high school teacher said.



Source: Horace Mann Educators Student Loan Debt Study

This economic stress, combined with other pressures teachers face daily, leads to a high turnover rate among the teaching force. More than a third of educators are considering leaving the profession in the next three years for more money; this tracks with the oft-cited benchmark that 44% of teachers leave the education profession within their first five years.⁽⁴⁾

Educators considering leaving the profession for a higher-paying job in the next three years



Source: Horace Mann Educators Student Loan Debt Study

“While it is rewarding ... I am looking into how to transfer into something else. I just cannot make a living and take care of my family on this.”

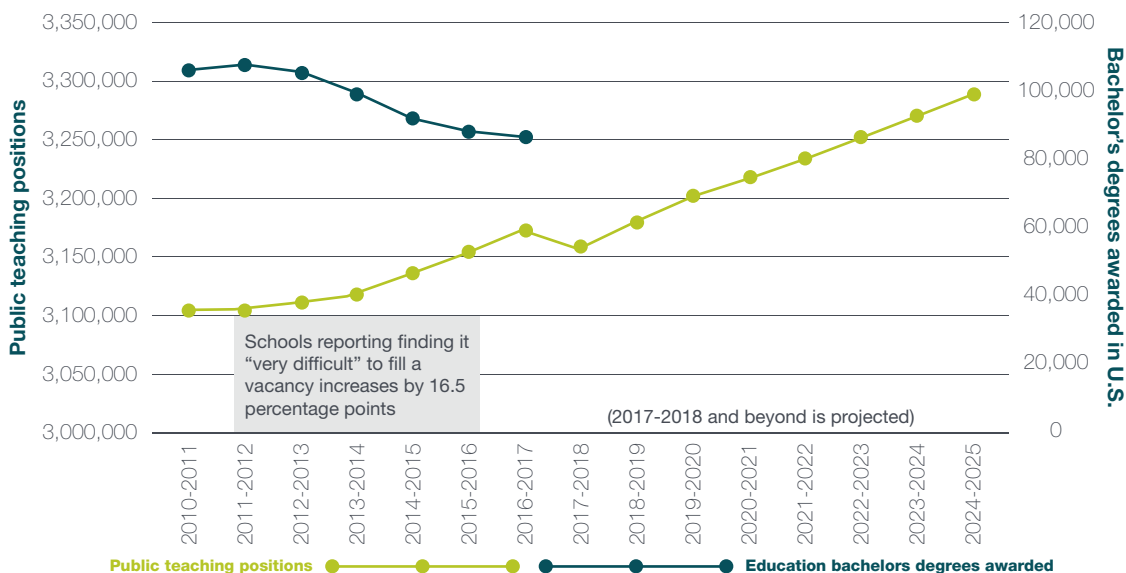
— 42-year-old elementary school teacher

The teacher gap

The need for teachers remains steady in virtually any economy. In fact, the NCES projects a 5% increase in the number of K-12 teaching positions that need to be filled from 2020 to 2028.⁽⁵⁾ But compounding the issue of high teacher attrition is a decline in the number of people considering education as a viable career option at the outset. The dynamic has created a teacher gap that will continue to grow if nothing changes.

From the 2011-12 school year to the 2015-16 school year, the number of bachelor’s degrees in education awarded nationwide declined by 13%.⁽⁶⁾ During that same period, the number of administrators finding it “very difficult” to fill a teaching vacancy increased to 36.2% from 19.7%.⁽⁷⁾

Trends in bachelors degrees in education vs. K-12 public school positions



Sources: National Center for Education Statistics, Economic Policy Institute

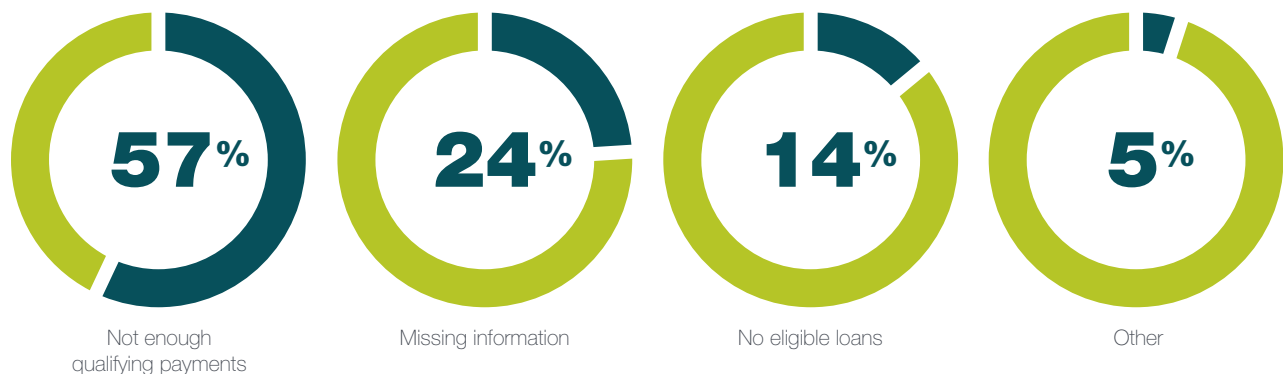
Public Service Loan Forgiveness: An investment to help those who help others

Congress attempted to address the growing inequity by establishing the Public Service Loan Forgiveness (PSLF) Program as part of the College Cost Reduction and Access Act of 2007. The PSLF Program allows for federal loans of public service workers to be forgiven after 10 years of qualifying payments. In debating the legislation, House sponsor George Miller called the program an investment in the country's future. "An investment, because we know a highly qualified teacher can dramatically change the educational outcomes and futures for children in ways that we can only dream about," he said.⁽⁸⁾

Under the program's rules, the first group of public servants — which includes public school teachers and administrators, as well as support personnel like administrative assistants, classroom aides and cafeteria staff — could apply for loan forgiveness in October 2017. In the first six months of the program, only 55 borrowers out of 19,321 applications had loans forgiven, according to an April 2018 U.S. Government Accountability Office report.⁽⁹⁾ Public and political pressure grew to address the program's shortcomings. The Department of Education agreed to make changes to the program, and later that year, Congress funded the Temporary Expanded Student Loan Forgiveness Program (TEPSLF) to provide student loan forgiveness options to some borrowers who had been denied under the original program.

Still, high denial rates persist. As of May 2020, 2,429 borrowers had been approved out of 155,642 applicants — a roughly 1.6% approval rate. The good news for educators is that over 80% of rejections could have been prevented with awareness and planning, and most educators are eligible to re-apply with updated information. The 57% without enough qualifying payments might have a period of work that did not count as public service or could have applied before making all payments in an attempt to gain clarity on their progress. Another 24% were rejected for missing information. Only 14% were rejected for being wholly ineligible for student loan forgiveness.⁽¹⁰⁾ This underscores the contention that a lack of coherent communication between the Department of Education, loan servicers and borrowers is a major contributor to the lack of approved applications.

Ineligible PSLF applications, May 2020

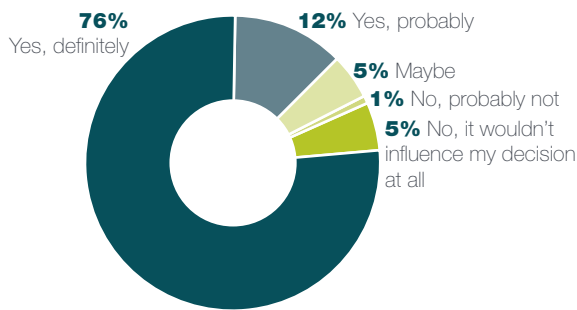


Widespread misinformation about the program — as well as confusion over the requirements vs. other programs like Teacher Loan Forgiveness — has contributed to few people even starting the process. Compare the 155,642 applicants from all professions for PSLF since 2017 to the 6.4 million K-12 educators in the U.S., all of whom are eligible to seek loan forgiveness — but often give up before even giving it a chance. “The number of people that actually have loans forgiven is so minimal that I have not been inspired to start,” a 51-year-old educator wrote.

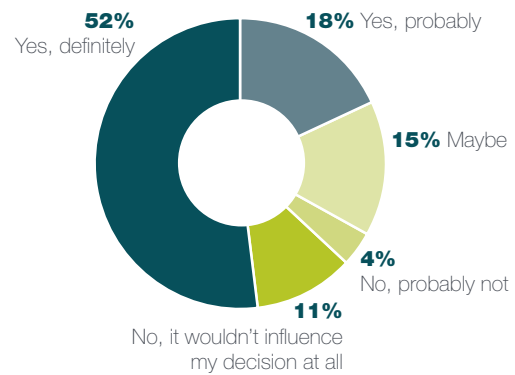
The impact of loan forgiveness success on education

Horace Mann’s research shows that a successful PSLF process could have a substantial impact on teacher retention. 88% of educators surveyed said having their student loans forgiven would make them more likely to stay in their chosen profession. In addition, 70% of educators said getting lower monthly student loan payments would make them more likely to stay in education.

Educators more likely to stay in education if student loans were forgiven



Educators more likely to stay in education if student loan monthly payment was lower



Source: Horace Mann Educators Student Loan Debt Study

Demystifying the process

The overarching problem with the PSLF Program is that it is confusing and convoluted for individual borrowers to navigate. In 2016, Horace Mann launched its complimentary Student Loan Solutions program to aid educators in applying for student loan forgiveness, evaluating loan repayment options and helping to identify savings to put toward life goals. Working with a partner with expertise in the unique requirements and common pitfalls of the PSLF Program helped many educators successfully reduce the burden of student loan debt.

In total, the Student Loan Solutions program has helped educators identify \$250 million in loan forgiveness opportunities. One example is a 34-year-old elementary school teacher and single parent. She had just over \$100,000 in federal student loans, but an adjusted gross annual income of only \$43,000. On her existing extended repayment plan, the total payment — with 30 years of interest — would have been \$220,000.

With Horace Mann's help, the teacher switched to an income-driven repayment plan, which decreased her monthly payment from \$614 to \$157. By continuing to teach and making those monthly payments for 10 years, she can have the remaining loan balance forgiven — at a value of \$136,541 to her.

In Horace Mann's view, addressing the economic realities of the teaching force is not just a national workforce concern — it is a moral one. Educators are taking care of our children's futures, and we owe it to them to look after theirs.

To help even more educators, Horace Mann is expanding its Student Loan Solutions platform to sponsor Student Loan Solutions accounts *powered by Tuition.io* to public K-12 educators directly and through participating school district employers. The suite of resources are typically only offered through major employers. The accounts include assistance with student loan forgiveness, direct links to loan servicers for real-time updates, and loan coaching by phone, chat or email. Educators can sign up at horacemann.com/student-loan-debt-help/accounts.

- (1) National Education Association, “Average Teacher Salary Down 4.5 percent, NEA Report Finds,” 2019
- (2) National Center for Education Statistics, “Tuition Costs of Colleges and Universities,” 2019
- (3) Economic Policy Institute, “The teacher weekly wage penalty hit 21.4 percent in 2018, a record high,” 2019
- (4) Ingersoll, Richard M.; Merrill, Elizabeth; Stuckey, Daniel; and Collins, Gregory, Seven Trends: The Transformation of the Teaching Force – Updated October 2018. CPRE Research Reports, 2018
- (5) National Center for Education Statistics, “Number of teachers in elementary and secondary schools, and faculty in degree-granting postsecondary institutions, by control of institution: Selected years, fall 1970 through fall 2028,” 2018
- (6) National Center for Education Statistics, “Bachelor’s degrees conferred by postsecondary institutions, by field of study,” 2018
- (7) Economic Policy Institute, “U.S. schools struggle to hire and retain teachers,” 2019
- (8) C-SPAN, “Bills in the 110th Congress: H.R. 2669,” 2007-2008
- (9) United States Government Accountability Office, “Public Service Loan Forgiveness: Education Needs to Provide Better Information for the Loan Servicer and Borrowers,” 2018
- (10) U.S. Department of Education Office of Federal Student Aid, “Public Service Loan Forgiveness Data,” 2020

Appendix: Horace Mann Educators Student Loan Debt Study

In the next 3 years, do you think you'll leave teaching to earn more money?

	Frequency	Percent
Yes	233	9.4
No	1,633	65.7
Maybe	618	24.9
Total	2,484	100.0
Did not answer	6	
	2,490	

If you could get all your student loans forgiven, would you be more likely to stay employed in education?

	Frequency	Percent
Yes, definitely	1,148	75.5
Yes, probably	182	12.0
Maybe	80	5.3
No, probably not	14	0.9
No, it wouldn't influence my decision at all	97	6.4
Total	1,521	100.0
Did not answer	969	
	2,490	

If you could get a lower monthly payment on your student loans for being an educator, would you stay employed in education longer?

	Frequency	Percent
Yes, definitely	783	51.5
Yes, probably	272	17.9
Maybe	223	14.7
No, probably not	62	4.1
No, it wouldn't influence my decision at all	180	11.8
Total	1,520	100.0
Did not answer	970	
	2,490	

Has student loan debt affected your ability to do the following? Check all that apply.

	Responses	Percent of cases
Rent own place	123	10.4
Get out of credit card debt	629	53.4
Save or invest	1,001	85.0
Vacation	701	59.5
Buy a house	346	29.4
Get married or have kids	109	9.3
Other (please specify)	180	15.3
Total	3,089	n/a