

STUDENT LOAN REPAYMENT



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STUDENT LOAN REPAYMENT (ˈst(y)üd-ənt lōn rē-ˈpā-mənt) noun

Payment of funds lent at interest to cover an individual's educational expenses.

FURTHER READING

Government Accountability Office, "Federal Student Loan Repayment Program: OPM Could Build on Its Efforts to Help Agencies Administer the Program and Measure Results," GAO-05-762 (July 2005).

Office of Personnel Management Report to Congress, "Federal Student Loan Repayment Program Fiscal Year 2004," April 2005.

Barr, Steven. "Agencies' Feedback Sought on Fixing Balky Student Loan Repayment Program," *The Washington Post*, August 2, 2005.

Partnership for Public Service, "From Paper Chase to Money Chase: Law School Debt Diverts Road to Public Service," November 2002.

While spring is the time when graduates celebrate the completion of their studies, fall brings another important milestone: the first student loan payment.

According to the American Council on Education, about two-thirds of college students graduate with education loans, with the average debt having increased 67 percent since 1993 to more than \$15,000. For graduates of masters programs it has tripled to \$27,000; for Ph.D. students it has quadrupled to \$45,000; and for those with professional degrees it has more than doubled to \$65,000.

In the quest to bring highly-trained personnel into government, education debt is an increasingly formidable obstacle. In a 2002 Partnership for Public Service survey of graduating law students, two-thirds stated that their debt – which required average payments of \$1,000 per month – prevented them from even considering a public interest or government job. Perhaps not surprisingly, a 2001 Partnership survey found that eight out of 10 students describe loan repayment programs as an effective recruitment tool.

RECRUITMENT AND RETENTION

Participants in the federal government's loan repayment program can receive up to \$10,000 per year for a total of \$60,000 in exchange for at least three years of government service. While only one agency offered loan repayments in 2001, by 2004 participation had spread to 28 agencies, which distributed \$16 million to almost 3,000 employees. However, just five agencies were responsible for more than 80 percent of these reimbursements.

The initial evidence suggests the program is having a positive impact. A 2004 Government Accountability Office (GAO) survey of partici-

pants in its own program found that more than half said it had some influence in their decision to stay. Similarly, a 2005 Office of Personnel Management (OPM) study found that more than three-quarters of agencies using the program reported it had a positive impact. Finally, in a 2005 GAO study, agency officials reported that it had helped them recruit attractive candidates but was most beneficial in retaining high quality employees.

ROOM FOR IMPROVEMENT

According to the 2005 GAO study, many agency leaders report that tracking participants and dealing with the large number of lending institutions is time-consuming and can require specialized expertise. While OPM has offered information and guidance, the report concludes that a greater sharing of services across agencies may be needed to help ease these burdens.

At the same time, the 2005 OPM report identified the taxation of benefits as one of the biggest drawbacks to participation. The Generating Opportunity by Forgiving Educational Debt for Service Act (GOFEDS, S.1255 and H.R. 1765) aims to address this problem by providing the same tax exempt status as similar payments made by educational and nonprofit organizations to encourage public service.

THE BOTTOM LINE

The increasing size of graduates' education debt is a threat to the federal government's ability to recruit and retain top talent. Improving the federal student loan repayment program is one important way Congress and the Administration can help ensure that public service remains a viable career option for America's most talented employees.



To learn more about Student Loan Repayment, please visit www.ourpublicservice.org or email research@ourpublicservice.org