

The Value of Student Debt Relief and the Role of Administrative Barriers: Evidence from the Teacher Loan Forgiveness Program

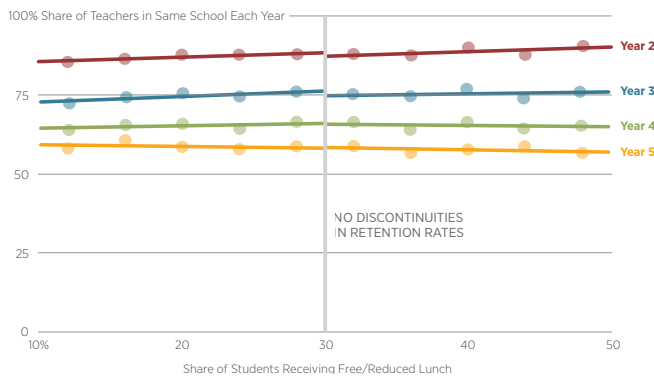
Based on BFI Working Paper No. 2023-85, “*The Value of Student Debt Relief and the Role of Administrative Barriers: Evidence from the Teacher Loan Forgiveness Program*,” by Damon Jones, University of Chicago; Brian Jacob, University of Michigan; and Benjamin J. Keys, University of Pennsylvania

Neither eligibility for nor information about the Teacher Loan Forgiveness (TLF) program affect teachers’ employment decisions. Information increases application and TLF receipt rates for teachers who have already accrued the five years required to be eligible. In general, teachers appear to value the prospect of debt relief, and TLF take-up may be constrained by program complexity and administrative barriers.

The Teacher Loan Forgiveness (TLF) program, which offsets between \$5,000 and \$17,500 in student debt for teachers who work in high-need districts for at least five consecutive years, is intended to combat the long-standing challenge of recruiting and retaining teachers in such areas. As of 2018, however, only two thirds

of teachers who had graduated with a Bachelor of Arts degree in 2008 were aware of TLF, and fewer than a fifth had participated. This paper examines the effectiveness of TLF by exploring how much borrowers value student debt relief and whether information about or eligibility for TLF affect teacher employment decisions.

Figure 1 • Annual Teacher Retention and Free/Reduced Lunch Eligibility



Note: This figure divides teachers into bins based on the share of students receiving FRPL in the year before the teachers’ first year of employment. For each bin, the y-axis shows the share of teachers returning to the same school the next year. While overall retention rates decline each year due to teacher turnover, there are no discontinuities in retention rates at the 30% threshold, which is indicated by the vertical line. (Recall that schools are typically eligible for TLF if 30 percent of students receive free or reduced lunch.) This supports the authors’ conclusion that eligibility on its own is not sufficient to alter teacher employment patterns.

I. Eligibility Cutoffs

The authors apply a range of approaches to their study of TLF, including both a quasi-experiment and a randomized trial, as well as surveys and interviews. They first examine (quasi-experimentally, using a regression discontinuity design) whether teachers behave differently upon becoming eligible for TLF. While eligibility varies by state, schools are typically eligible if more than 30% of students qualify for free or reduced-price lunch (FRPL). Using this threshold, the authors examine whether teacher turnover rates vary depending on whether or not schools offer TLF. They find the following:

- The TLF program does not attract or retain teachers to high-need school districts. There is no difference in teacher retention around the school-eligibility threshold during teachers' first five years of employment at a given school.
- Other attributes of schools and teachers smooth through the discontinuity as well. That teachers are not sorting on the eligibility threshold itself indicates that teachers either do not value or are unaware of the program.

II. Randomized Evaluation

Next, the authors examine whether informational barriers explain the lower-than-expected take-up of TLF. They implement and evaluate a large-scale randomized controlled trial in which they sent mailings aimed at increasing awareness of and facilitating enrollment in TLF to a random subset of eligible teachers. The authors tracked participants' outcomes (as well as outcomes for a randomly selected control group) using follow-up surveys and administrative data on teacher employment patterns. They found the following:

- The intervention increased teacher awareness of TLF, with treated teachers being 7 percentage points more likely to say they have a basic understanding, or are very familiar with, the rules of TLF (up from 70 percent).
- The treatment led to a five-percentage-point increase in the self-reported likelihood of having applied for TLF among teachers who have accrued the minimum number of years to file. There was no difference in teacher retention between the control group and teachers in the treatment group who had not yet reached the number of years necessary to file for TLF.

III. Valuation Surveys

Next, the authors measure how much teachers value TLF. They administer a contingent valuation exercise, similar to the survey used by [Brad Shapiro \(2023\)](#), in which they asked teachers to choose from side-by-side comparisons of hypothetical schools where attributes including TLF eligibility and salary vary experimentally. They found the following:

- Teachers appear to value TLF considerably. When a school's eligibility for TLF is explicitly noted in the survey, teachers' valuations tend to increase by over \$3,000, with somewhat larger values among teachers eligible for larger forgiveness amounts and for those who with more debt.
- Teachers value other school attributes predictably. For instance, they tend to prefer more compensation for larger class sizes or for working in schools with lower levels of math or reading proficiency.

IV. Informational Interviews

The survey results suggesting that teachers do, in theory, value debt relief stand in conflict with the modest take-up of TLF and the program's limited impact on employment decisions observed by the authors. To better understand what frictions may limit take-up, the authors conducted focus groups with teachers and interviews with student loan servicers. They found the following:

- Teachers report that their relationships with loan servicers sometimes have an adversarial dynamic. They also cited servicers' aggressive collection tactics, such as calling their place of employment when payments are late, and an unwillingness to provide flexibility in repayment schedules through deferral or forbearance. These interactions bred a lack of trust in the servicers and ultimately a skepticism of whether or not a loan forgiveness program would deliver on its intended promises.

- The teachers also pointed to broader concerns regarding the accumulation of student loan debt at the point of origination while in college, the trends in teacher salaries not keeping up with rising debt burdens, and wavering trust in an education system that relies so heavily on debt to meet the requirements of being a teacher.
- Finally, teachers noted a lack of trust in offers that sound too good to be true, in some cases doubting the promises laid out in the outreach materials the authors developed to increase awareness of TLF.
- The conversations with loan servicers suggested that it would be easy for TLF applicants to be confused about what steps would be completed individually, the required input from their employer, the required forms from the Department of Education, and ultimately what role the loan servicer plays in the process.

The upshot is that eligibility for TLF alone is unlikely to spur dramatic changes in teacher retention. From a policy perspective, these results suggest that influencing employment choices requires additional information and incentives above and beyond those provided by the current TLF program. The authors note that should any future loan forgiveness program be implemented in the United States, ease of application and eligibility determination may be key to achieving broad participation.

READ THE WORKING PAPER

NO. 2023-85 · JUNE 2023

The Value of Student Debt Relief and the Role of Administrative Barriers: Evidence from the Teacher Loan Forgiveness Program

bfi.uchicago.edu/working-paper/2023-82

ABOUT OUR SCHOLAR



Damon Jones

Associate Professor, Harris School of Public Policy

harris.uchicago.edu/directory/damon-jones



THE UNIVERSITY OF CHICAGO
**HARRIS SCHOOL
OF PUBLIC POLICY**