The Educator's 'GI Bill'

How Administrators Can Attract and Retain Teachers Through Student Loan Forgiveness Support

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

Horace Mann®

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**, 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 — people who are saddled with stifling student debt — by helping their employees reduce and better manage their student loan burdens. Tuition.io works with companies of all sizes. Its clients include Fortune 500 companies, such as ADP, Live Nation, Freddie Mac, and Estée Lauder Companies; healthcare companies, such as Children's Hospital & Medical Center of Omaha, Trilogy Health Services and UC Health; and 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 white paper analyzes federal and nonpartisan research firm data to provide context about educators' experiences.

Introduction

Maintaining a full roster of qualified full-time educators has become increasingly difficult for school administrators over the past decade. Teacher attrition remains high, exacerbated by a shrinking pipeline of new teachers and the COVID-19 pandemic.

While teachers overwhelmingly report passion for their career choice, they also express a crisis of confidence in their personal financial futures. More than a third of educators are considering leaving the profession for a higher-paying job in the next three years, according to a June 2020 Horace Mann study of 2,490 K-12 educators in the United States. Respondents cited their student loan debt burden as a source of significant financial stress, including an inability to save or invest, get out of credit card debt or buy/rent housing.

Helping to address the student loan debt issue could have a substantial impact on teacher retention. Eighty-eight percent of educators said they would be more likely to stay in education if they could have their student loans forgiven, and 70% said they would stay in the profession longer if they could obtain a lower monthly payment on their student loans. Federal programs exist for this specific purpose, but the process is long and convoluted. Further, educators have little confidence they can achieve it alone. Helping employees succeed in their pursuit of loan forgiveness is a smart way for school administrators to leverage federal funds to attract and retain top teachers.

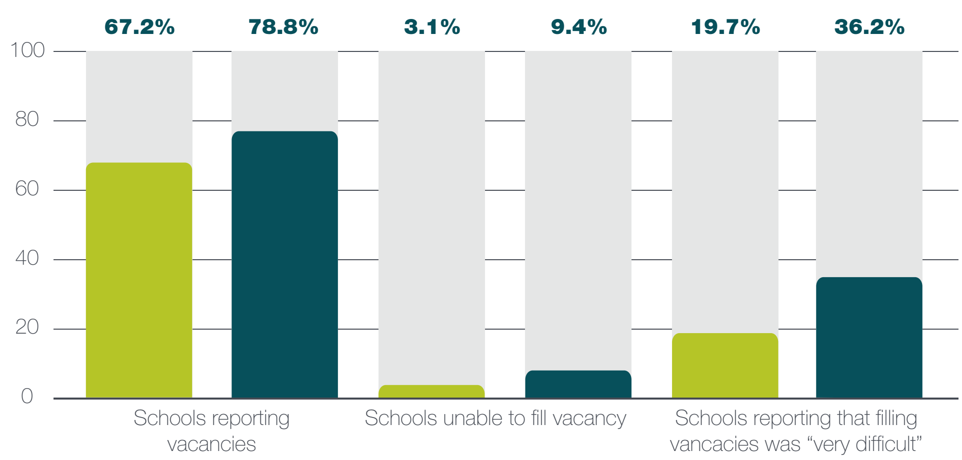
A growing teacher shortage

The number of Americans training to become teachers has declined by more than one-third since the 2008-2009 school year, according to data from the Economic Policy Institute (EPI).[1] Many educators enroll in these programs while earning a bachelor's or master's degree. In some states, such as Michigan, Oklahoma and Illinois, enrollment in teacher training programs has declined by more than 50% since 2010, according to the Department of Education.[2]

In addition, there may be pent-up demand for teachers that will further widen the gap between educator supply and demand. In 2019, EPI estimated a shortfall of 307,000 teaching jobs in the United States, because not enough teaching jobs have been created since the 2008 financial crisis to keep up with growing student enrollment.

The ramifications of these trends for school administrators are not surprising. A higher percentage of schools reported vacancies, as well as difficulties in filling those vacancies, in the 2015-2016 school year than in 2011-2012.

Filling teacher vacancies becoming more difficult



Source: Economic Policy Institute, State of Working America, 'The Perfect Storm in the Teacher Labor Market' series, 2019

Financial stress: causes and contributing factors

Public school educators' financial stress stems in part from their relatively low compensation. In 2018, educators earned a record 21.4% less than people in other professions that require a college degree.[3] That pay gap was just 6.7% less in 1996.

The erosion of teachers' weekly wages compared with those of other college graduates largely reflects state policy decisions. Public investment in education is lower than it was in 2008 in 29 states. One in six teachers works multiple jobs to make ends meet.[4] It's fairly routine for educators to spend hundreds of their own dollars for school supplies when their schools cannot provide funding.

In addition to these relatively lower salaries, educators are paying far more for the schooling they need to secure a job. Over the past 30 years, average tuition and fees for a public four-year university, adjusted for inflation, has tripled.[5] Sixty percent of educators are still servicing student loans taken out to pay for schooling.

> *"I am fortunate that I began my career 26 years ago, when salary increases were sufficient for living a comfortable life.* ***Many single, beginning teachers must have second jobs in order to survive. As professionals, this should not be their reality."***
>
> — Late-career public school teacher from Indiana

This student loan debt has significant downstream impact on retirement preparedness. While most public school educators qualify for their state's teacher retirement plan benefits, these programs are often insufficient without supplemental retirement savings. People with student loan debt have 50% less saved for retirement by age 30 than those who don't.[6] This dynamic also puts strain on public school district employers as the burden of student loan debt on their workforce can lead to low 403(b) participation rates and delayed retirements.

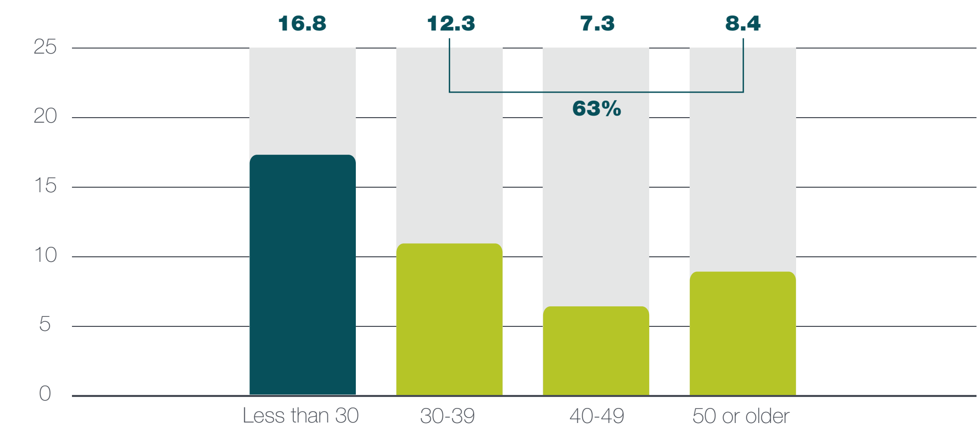
These financial concerns are top of mind for many educators. In the June 2020 Horace Mann study, 85% said student loan debt has prevented them from achieving life goals, such as saving, buying a house or starting a family. More than a third of educators surveyed are considering leaving the profession in the next three years for a higher-paying job — which is in line with other studies that found that more than 44% of new teachers in public and private schools leave teaching within five years of their career entry.[7]

It seems highly likely that COVID-19 will exacerbate the teacher shortage. Almost 30% of educators said the pandemic has made them more likely to retire early or leave the profession, according to an NEA study.[8] Educators cited concerns about the health of family members, students and themselves as reasons to stop in-person teaching, as well as concerns about the viability of adhering to social distancing guidelines in a classroom environment.

Student loan debt impacts the entire educator work force

A common misperception is that the rising student loan debt burden is a Millennial problem, but the reality is 63% of student loan debt is held by those age 30 or older, and the fastest growing groups burdened by student loan debt are older generations. On a dollar basis, the highest increase in student loan debt is among 30 to 39-year-olds, who as a group held $461 billion in student loans in 2017. On a percentage basis, the largest increase in student loan debt has come from 60 to 69-year-olds, who experienced an 71.5% increase in student loan debt between 2014 and 2018. The increase in older generations' debt is in part because educator parents are taking on additional debt to help pay for their children's college education.[9]

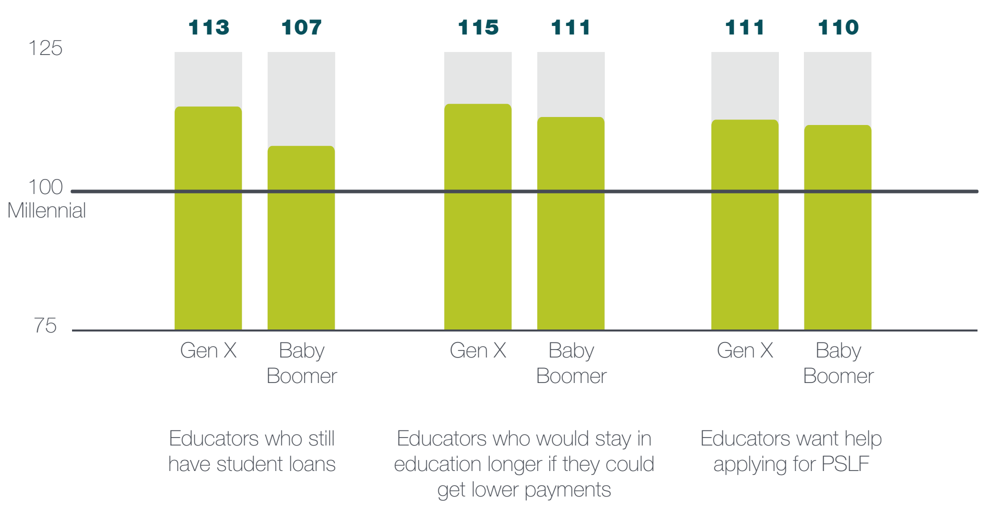
Millions of student loan borrowers by age



Source: Federal Reserve Bank of New York: Student Loan Data and Demographics

Amongst educators, the impact of student loan debt on mid-career and pre-retiree employees is even more pronounced. Relative to their Millennial educator colleagues (born 1981 to 1996), a larger percentage of Generation X (born 1965 to 1980) and Baby Boomers (born 1946 to 1964) currently carry student loan debt, 13% and 7% more respectively. Managing both their children's and their own student loan debt adds more financial strain to make monthly payments and complexity to the process, contributing to more mid and late career educators wanting expert assistance.[10]

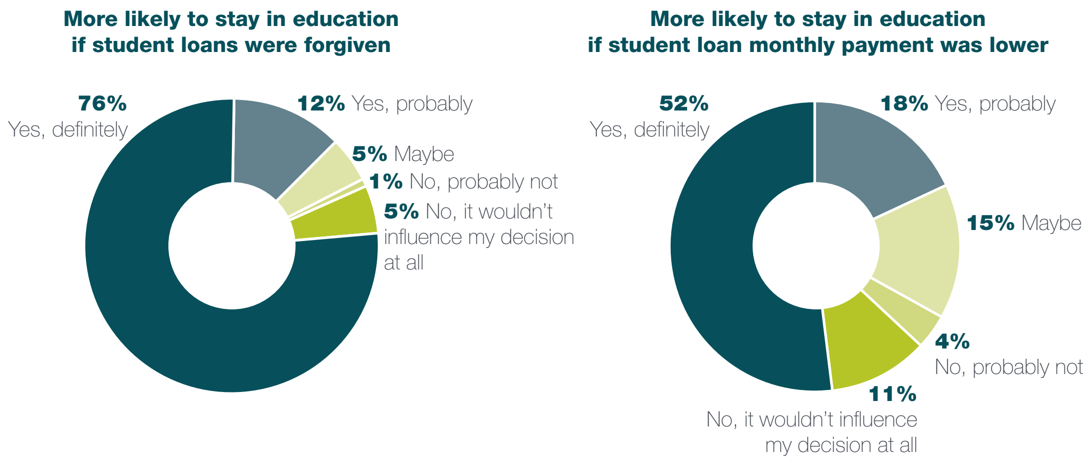
Impact of student loan debt by generation (indexed to Millennials)



Source: Horace Mann Educators Student Loan Debt Study

Student loan debt relief could improve teacher retention

Helping to address the student loan debt issue could have a substantial impact on teacher retention. 88% of educators surveyed by Horace Mann said having their student loans forgiven would make them more likely to stay in their chosen profession. In addition, 70% of educators said obtaining lower monthly student loan payments would make them more likely to stay in education.



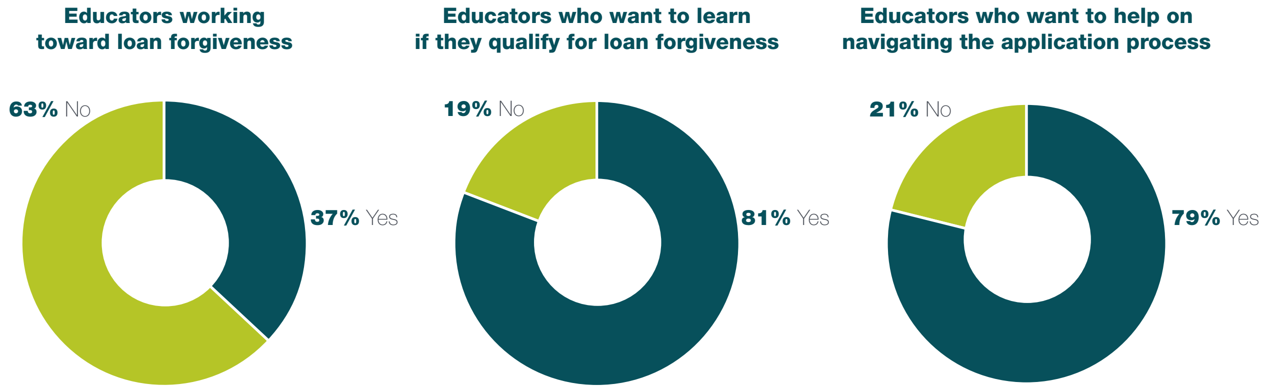
Source: Horace Mann Educators Student Loan Debt Study

Federal programs are already in place to help educators with their student debt, but these programs are not widely understood or successfully navigated. Many blame the complexity of requirements and the application process, as well as confusing or inconsistent communications between the Department of Education, loan servicers and borrowers about loan relief requirements and other important topics.

The proof is in the numbers. For example, the Public Service Loan Forgiveness (PSLF) program was established as part of the College Cost Reduction and Access Act of 2007. This program allows the remaining federal loan balances of public service workers to be forgiven after 10 years of qualifying payments and employment. PSLF is designed to reward public service, similar to the 1944 GI Bill, which was created to help veterans of World War II afford college and trade school tuition.

Where it differs from the GI Bill is both in the timing of the funding as well as the promotional effort. The GI Bill today is awarded to service members either during or directly following their service while PSLF is awarded to public-school educators after 10 years of service and steady loan payments. Additionally, a vast majority of educators — 77% — haven't heard about loan forgiveness opportunities from their loan servicer. 80% haven't heard about it from their school district. In comparison, the most recent extension of the GI Bill, the Post-9/11 GI Bill, was implemented in August 2009 and has provided 800,000 veterans and their families educational benefits totaling more than $12 billion.[11]

While serving in the military and teaching future generations are inherently dissimilar, at their core they are rooted in the core ideology of public service. Both programs, when used correctly, are a great pipeline for high school and college students that do not want to take on the burden of student debt. School districts can add tremendous value for their employees by providing resources and assistance to successfully complete the student loan forgiveness process.



Source: Horace Mann Educators Student Loan Debt Study

While all full-time public school employees are eligible for PSLF, fewer than 2% have applied for debt relief under this program to date.(12) Some educators mistakenly believe they are not eligible for PSLF, or think they have already applied and were rejected. PSLF is often is confused with the earlier Teacher Loan Forgiveness (TLF) program, which is primarily available for teachers in lower-income schools.

Although a whopping 98% of PSLF applications have been denied to date, more than 80% of these PSLF loan relief denials could have been prevented with awareness and planning.(12) These problems including missing information, the wrong type of loan or not enough qualifying public service payments. Fortunately, most educators are eligible to re-apply with updated information.

A strategy to attract and retain quality, full-time certified teachers

It's reasonable to conclude from these results that expert assistance is often needed to successfully navigate the forgiveness process. In addition to helping their educators make progress toward their financial goals, administrators can also increase employee retention and morale — a particularly worthwhile goal in the current educational landscape.

A well-designed assistance program should help employees understand the differences between PSLF and TLF, how to choose which program is best for their individual situations, and how to qualify for a given loan forgiveness program. If employees have private loans or otherwise do not quality for these programs, they could benefit from additional assistance to understand and navigate refinancing and other options for debt relief.

Two programs have been proven to help:

Horace Mann launched its Student Loan Solutions program in 2016 to assist educator customers to apply for student loan forgiveness, evaluate loan repayment options and identify savings opportunities to put toward life goals, such as retirement savings. Horace Mann's first-generation Student Loan Solutions program helped educators identify more than $250 million in loan forgiveness opportunities.

Tuition.io's industry-leading student loan debt management portal provides a single platform for employees to aggregate, track and manage their federal, private, Parent Plus and graduate student loans. This includes a "strategy finder" that offers repayment plan and student loan forgiveness program recommendations based on an individual's financial picture. Tuition.io has traditionally been offered in the private sector, where employer programs have reduced employee turnover by as much as 62%.

Representative Employer	Non-Participant Turnover	Participant Turnover	% Lower Turnover
Healthcare - Senior Care	66%	19%	71%
Education	32%	13%	57%
Employer Services	36%	16%	57%
Technology Hardware	32%	16%	48%
Energy/Utility	16%	10%	40%
Municipal Government	20%	13%	38%
Healthcare - Hospital	32%	24%	25%
Financial Services	34%	26%	24%
Industrial Manufacturer	27%	22%	20%

Source: Tuition.io. Turnover metrics are cumulative from each employer's student loan repayment benefit program launch through August 21, 2020. Periods of performance range from 1.6 to 3.6 years.

To help more educators, Horace Mann expanded its program in July 2020 to sponsor Student Loan Solutions accounts powered by Tuition.io. This suite of resources is now available to public K-12 employees through a partnership with Horace Mann and participating schools and district employers. For more information, visit **horacemann.com**/student-loan-debt-help/schools.

(1) Economic Policy Institute, “Back to school jobs report shows a continued shortfall in public education jobs,” 2019

(2) Office of Postsecondary Education, “Title II Higher Education Act: Enrollment in Teacher Preparation Programs,” 2015

(3) Economic Policy Institute, “The teacher weekly wage penalty hit 21.4 percent in 2018, a record high,” 2019

(4) Pew Research Center, “About one-in-six U.S. teachers work second jobs — and not just in the summer,” 2019

(5) The College Board, “Trends in College Pricing,” 2019

(6) Center for Retirement Research, “Do Young Adults with Student Debt Save Less for Retirement?,” 2018

(7) Ingersoll, Richard M.; Merrill, Elizabeth; Stuckey, Daniel; and Collins, Gregory, “Seven Trends: The Transformation of the Teaching Force — Updated October 2018,” 2018

(8) National Education Association, “Safety Concerns Over COVID-19 Driving Some Educators Out of the Profession,” 2020

(9) Forbes “Student Loan Debt Statistics in 2019: A $1.5 Trillion Crisis” (Feb, 2019)

(10) Horace Mann Educators Student Loan Debt Study (June 2020)

(11) U.S. Department of Defense, “75 Years of the GI Bill: How Transformative It’s Been,” 2019

(12) U.S. Department of Education Office of Federal Student Aid, “Public Service Loan Forgiveness Data,” 2020

Appendix: Horace Mann Educators Student Loan Debt Study

Key findings from a nationally representative survey of 2,490 U.S. educators ages 21-64 fielded in June 2020. Respondents included public school K-12 teachers, administrators and support personnel.

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

	Frequency	Percent
Yes	233	9.4
Maybe	618	24.9
No	1,633	65.7
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	

Are you currently working toward loan forgiveness?

	Responses	Percent
Yes	548	36.8
No	537	36.1
Not yet, but I would like to learn more	403	27.1
Total	1,488	100.0
Did not answer	1,002	
Total	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

Would you like help to know if you qualify for loan forgiveness for teachers?

	Frequency	Percent
Yes	540	81.6
No	122	18.4
Total	662	100.0
Did not answer	1,828	
	2,490	

Has your school district employer provided you with information on federal loan forgiveness programs?

	Frequency	Percent
Yes	291	19.5
No	1,204	80.5
Total	1,495	100.0
Did not answer	995	
	2,490	

Has your student loan servicer contacted you to provide information on federal loan forgiveness programs?

	Frequency	Percent
Yes	340	22.7
No	1,155	77.3
Total	1,495	100.0
Did not answer	995	
	2,490	

Do you have student loans that you're still paying off?

	Millennial	Gen X	Baby Boomer
Yes	82.1%	93.0%	87.7%
No	17.9%	7.0%	12.3%

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

	Millennial	Gen X	Baby Boomer
Yes, definitely	47.2%	54.3%	52.2%
Yes, probably	19.1%	17.8%	12.3%
Maybe	16.9%	15.9%	18.1%
No, probably not	5.6%	4.3%	3.6%
No, it wouldn't influence my decision at all	11.2%	7.7%	13.8%

Would you like help on how to apply for loan forgiveness programs for teachers?

	Millennial	Gen X	Baby Boomer
Yes	85.3%	95.0%	93.8%
No	14.7%	5.0%	6.3%