Public Service Loan Forgiveness and the SAVE Plan for Federal Student Loans

Loan Forgiveness Estimates for Teachers and Social Workers

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The Biden administration is implementing a new income-driven repayment (IDR) plan for federal student loans called Saving on a Valuable Education (SAVE). The plan will be fully available July 1, 2024, and will be open to all borrowers with federal student loans.[1] The SAVE plan adds to existing IDR plans and reduces borrowers' monthly payments and shortens the time certain borrowers must repay before their debts are forgiven compared with current options. Borrowers who qualify for the Public Service Loan Forgiveness (PSLF) program can also use the SAVE plan and are likely to receive some of the largest benefits from the new plan.

The PSLF program forgives debt for borrowers working in a wide range of government and nonprofit jobs. Eligible borrowers who use an IDR plan can qualify to have remaining balances forgiven after 10 years of cumulative payments. There are no limits on the amount of debt that can be forgiven, unlike other loan forgiveness programs for public service jobs. Nor are the benefits targeted to certain professions. Any job at any level of government and at nearly all nonprofit organizations qualifies. Debt from both undergraduate and graduate education qualifies for PSLF.

The SAVE plan will indirectly increase the debt borrowers have forgiven in PSLF because it reduces borrowers' monthly payments compared with current IDR plans. Borrowers will therefore repay less of their debts each month as they make progress toward the 10-year loan forgiveness point in PSLF. Under the SAVE plan, undergraduate borrowers' payments will be set to 5 percent of their income (currently 10 percent) over 225 percent of the federal poverty level (currently 150 percent). Borrowers with debt from graduate school will also make payments based on income over 225 percent of the federal poverty level, but payments will continue to be set to 10 percent of income. Borrowers with both graduate and undergraduate debt pay a rate between 5 and 10 percent of their income, weighted according to the share of each type of debt they hold.

This brief examines how much borrowers from two large professions that are typically eligible for PSLF, teaching and social work, could benefit from the SAVE plan. I find that borrowers with a bachelor's degree in education or social work with the typical loan balance of $32,000 would see their total loan payments drop to less than $7,000 under the SAVE plan and PSLF compared with $20,000 to $24,000 under current IDR options.

For borrowers with master's degrees in teaching or social work, the reduction in payments under the SAVE plan is slightly smaller but still notable. For borrowers with a master's degree in education who qualify for PSLF, total payments on the typical debt of $48,000 in combined undergraduate and graduate balances would drop from about $37,000 under current IDR to $26,000 under the SAVE plan. For borrowers with a master's degree in social work, payments on the typical combined undergraduate and graduate debt of $65,000 would drop from about $38,000 under current IDR to $28,000 under the SAVE plan.

The new SAVE plan is likely to subsidize a large share of the debt used to finance education and social work degrees in the coming years. Those new benefits could affect other policies, as well as the higher education and labor markets for those credentials. The aid might encourage policymakers to reduce other nonloan benefits that subsidize these credentials, and institutions may face less pressure to keep tuition low for these programs. But employers may also find it easier to fill teacher and social worker positions if borrowers' debts are heavily subsidized. Larger PSLF benefits may also influence students' decisions about whether to take on federal student loans and how much to borrow. Policymakers should monitor these effects to assess whether these benefits are having their desired effect and what, if any, unintended consequences result.

Public Service Loan Forgiveness and IDR

Congress created the PSLF program in 2007 as part of the law that also established the first widely available IDR plan.[2] The two programs are designed to work together; PSLF generally requires that borrowers make payments through an IDR plan to qualify but provides loan forgiveness 15 years earlier than the standard 25-year loan forgiveness term on the original IDR plan.

When PSLF was created, advocates argued that federal loan forgiveness programs were often subject to funding caps in law and might forgive only a portion of what students borrowed (Shireman et al. 2006). The PSLF program addresses both limitations. It is permanently funded as an entitlement program, and there is no cap on how much a borrower may have forgiven. Congress also defined eligible public service jobs broadly in the legislation as nearly any full-time job in government or the nonprofit sector.[3] Borrowers can make qualifying payments cumulatively. They need not be consecutive payments.

The terms of the IDR plan enacted alongside PSLF in 2007 were not favorable for undergraduate borrowers, making graduate borrowers the de facto beneficiaries initially. Undergraduates are subject to annual and aggregate borrowing limits in the federal loan program, and when combined with the relatively high monthly payments under the 2007 IDR plan (15 percent of income above 150 percent of the federal poverty level), undergraduates were likely to fully repay their debts after completing 10 years of work in a PSLF-eligible job.[4] Graduate borrowers, in contrast, are not subject to annual or aggregate loan limits and were thus implicitly the main beneficiaries of PSLF when it was first enacted. Graduate borrowers can also repay both their undergraduate and graduate debts as a combined balance in IDR, which further increases the total balance they repay in IDR. Graduate borrowers can therefore accumulate debt levels that are more likely to result in unpaid balances after 10 years of payments in IDR and thus qualify to have debt forgiven in PSLF.

Congress and the Obama administration indirectly increased benefits under PSLF when they enacted new IDR plans in the 2010s that reduced the amount borrowers must pay monthly.[5] The new IDR plans, the first of which became available in 2012, cut borrowers' payments to 10 percent of income from 15 percent of income over 150 percent of the federal poverty level but left the 10-year PSLF repayment term unchanged. The new IDR plans made it more likely undergraduate borrowers would have some of their debt forgiven under PSLF, but the changes also applied to graduate borrowers and, as a result, they were likely to continue qualifying for larger benefits than undergraduates.[6]

Data reported by the US Department of Education on loans discharged under PSLF in recent years offer some evidence of the program's skew toward graduate borrowers. The average balance as of 2023 forgiven in PSLF was $98,000, substantially exceeding the aggregate limit for undergraduate students and typical debt levels for bachelor's degrees.[7] The average balance among borrowers who had indicated they are pursuing PSLF by submitting a form documenting qualifying payments was $89,000 in 2023.[8]

Because the SAVE plan reduces monthly payments more for borrowers with undergraduate loans, they will see a larger increase than graduate borrowers in loan forgiveness benefits under PSLF. As a result, PSLF will for the first time provide large loan forgiveness benefits to undergraduate borrowers, with typical loan forgiveness exceeding $20,000.[9] Graduate borrowers who use PSLF will also see an increase in loan forgiveness benefits when using the SAVE plan because the plan's larger income exemption applies to all borrowers.

BOX 1

High Denial Rates for PSLF Applications

Borrowers applying for PSLF have experienced high rejection rates, with only about 2 percent of applicants successfully having their loans discharged under the program's standard rules.[a] Observers have blamed several factors for the high rejection rates. These include program complexity, inadequate or inaccurate payment tracking on the part of loan servicers and the US Department of Education, and insufficient outreach efforts by loan servicers.[b] Congress and the Biden administration have taken steps to address some of these issues, but the underlying law that governs program eligibility rules remains unchanged.[c] Borrowers may also ultimately have their loans forgiven even if their initial application is rejected, as they may continue to work to satisfy the eligibility rules.

The Department of Education reports several reasons for why applications are rejected, though many borrowers may dispute the reasons for rejection.[d] The department states that about 37 percent of rejected applicants have not been in repayment for 10 years, making it impossible that they could meet the payment count requirement. These borrowers may believe they are eligible, however, because they may have been in repayment for 10 years but on loans ineligible for PSLF that were issued through the defunct guaranteed loan program. No new loans have been issued under that program since 2010, meaning those denials should decline over time. Another 40 percent of rejections are because the borrower has failed to make the full 10 years of payments while employed full time in a PSLF-eligible job. The remaining 23 percent of rejections are for borrowers who otherwise meet the employment and length-of-payment requirements, but their payments were not made under an IDR plan or other eligible repayment plan.

[a] "Combined Public Service Loan Forgiveness Form Report," US Department of Education, Office of Federal Student Aid, accessed July 28, 2023, https://studentaid.gov/sites/default/files/fsawg/datacenter/library/pslf-mar-2023.xls.
[b] Government Accountability Office (GAO), *Public Service Loan Forgiveness: Education Needs to Provide Better Information for the Loan Servicer and Borrowers* (Washington, DC: GAO, 2018).
[c] Student Assistance General Provisions, Federal Perkins Loan Program, Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Program: Notice of Proposed Rulemaking, 87 Fed. Reg. 41878 (Jul. 13, 2022); and "Temporary Expanded Public Service Loan Forgiveness (TEPSLF)," US Department of Education, Office of Federal Student Aid, accessed July 28, 2023, https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service/temporary-expanded-public-service-loan-forgiveness.
[d] "Combined Public Service Loan Forgiveness Form Report," US Department of Education; and Consumer Financial Protection Bureau (CFPB), *Staying on Track While Giving Back: The Cost of Student Loan Servicing Breakdowns for People Serving Their Communities* (Washington, DC: CFPB, 2017).

New PSLF Benefits for Teachers and Social Workers

Policy discussions about IDR rarely mention the program's interaction with PSLF, even though when policymakers reduce required monthly payments in IDR, PSLF benefits increase. Policymakers thus lack information about how PSLF benefits are likely to change with the SAVE plan. To gauge these effects, I use debt and earnings profiles for two large professions that are likely eligible for PSLF, teachers and social workers, to estimate how much borrowers with these degrees would repay on their loans under the SAVE plan when combined with PSLF. I compare the results with estimated payments under the current IDR option with the lowest monthly payments, the Pay as You Earn Plan or the Income-Based

Repayment plan for new borrowers as of 2014 ("current IDR").[10] I estimate payments for borrowers at both the bachelor's degree and master's degree levels in these fields. Even though teaching and social work are large professions, they likely account for only a small share of jobs eligible for PSLF, given the program's broad definition of qualifying employment.[11]

I use data from the 2017–18 National Postsecondary Student Aid Study to determine the median federal student loan balance among borrowers at the time of degree completion.[12] For master's degree recipients, I use borrowers' combined undergraduate and graduate loan balances among those who borrowed a federal loan for that degree. I use College Scorecard data to determine median earnings among students completing degrees in teaching and social work at each degree level.[13] I use the borrowers' earnings reported in the first year after completing the program for their initial year in repayment. I use median loan balance at completion and median initial earnings to estimate what borrowers would repay if they qualify for PSLF after using current IDR or the SAVE plan for 10 consecutive years. My estimates include several assumptions.[14] All statistics are converted to 2023 dollars, and loan forgiveness and payment amounts are converted to present dollars.

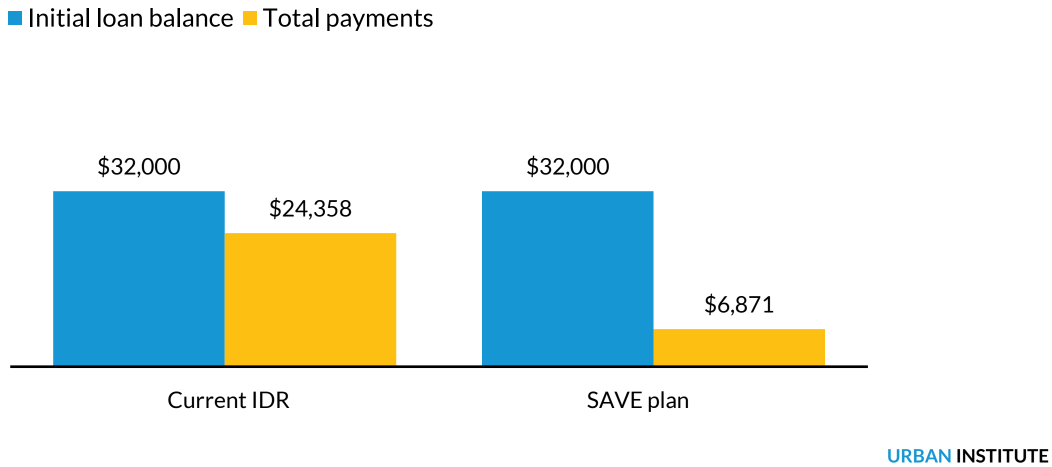
PSLF for Teachers

Elementary and secondary school teachers are often considered to be some of the main beneficiaries of PSLF, and nearly all teachers meet the employment qualification requirement under the program.[15] Teachers with a terminal bachelor's degree are likely to see a large reduction in their total loan payments under PSLF and the SAVE plan.[16] That is in contrast to current IDR and PSLF, under which they would be likely to repay most of what they borrow. Under the SAVE plan, the typical teacher with a bachelor's degree will eventually repay only about 20 percent of their original loan balance and see most of what they originally borrowed converted to de facto grants if they use PSLF.

Bachelor's degree recipients who borrow federal loans and obtain education degrees typically graduate with $32,000 in federal loans, including accrued interest.[17] Median income for this group in the first year after completing their degree is approximately $43,000. At those levels, their initial monthly payment is $176 under current IDR. With income growth over time, I estimate those payments will be enough to repay most of the loan before the borrower receives PSLF. Under the SAVE plan, these borrowers would see their initial monthly payments drop to just $42. Even with annual income growth, their total payments over 10 years will only repay about 20 percent ($6,871) of their initial $32,000 balance if they qualify for PSLF (figure 1).

FIGURE 1

Typical Debt and Estimated Repayment under Public Service Loan Forgiveness, by IDR Plan, for a Bachelor's Degree in Education



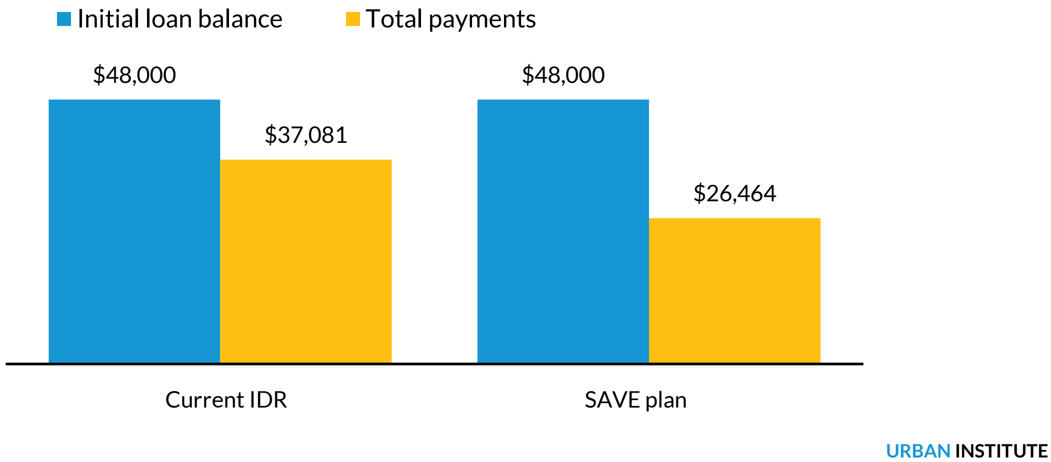
Source: Author's calculations using data from the College Scorecard and the 2017–18 National Postsecondary Student Aid Study.
Notes: IDR = income-driven repayment; SAVE = Saving on a Valuable Education. All figures are in 2023 dollars. Total payments is the sum of lifetime payments over 10 years discounted to present values. Current IDR is the Pay as You Earn Plan. See endnote 14 for estimate details.

Teachers whose highest credential is a master's degree are also likely to see a large reduction in their total loan payments under PSLF and the SAVE plan compared with current IDR, but the reduction is not as large as it is for those with only a bachelor's degree, and they will repay a larger share of their debt than those with only a bachelor's degree.[18] That is because their incomes are higher than they are for their peers with only a bachelor's degree, which increases their payments. Graduate borrowers' payments are also higher because they are still calculated at 10 percent of income under the SAVE plan instead of the lower 5 percent rate on undergraduate debt.[19]

Borrowers with master's degrees in education typically graduate with $48,000 in federal loans, including accrued interest and debt from their undergraduate education.[20] Median incomes for this group in the first year after completing their degree is approximately $55,000.[21] Their initial monthly payment under current IDR is $276, and with income growth, I estimate they will repay $37,081 of the loan if using PSLF. Under the SAVE plan, initial monthly payments drop to $185 for these borrowers. Over the 10-year repayment term, I estimate they will repay $26,464 under PSLF (figure 2).

FIGURE 2

Typical Debt and Estimated Repayment under Public Service Loan Forgiveness for a Master's Degree in Education



Source: Author's calculations using data from the College Scorecard and the 2017–18 National Postsecondary Student Aid Study.
Notes: IDR = income-driven repayment; SAVE = Saving on a Valuable Education. All figures are in 2023 dollars. Total payments is the sum of lifetime payments over 10 years discounted to present values. Current IDR is the Pay as You Earn Plan. See endnote 14 for estimate details.

PSLF for Social Workers

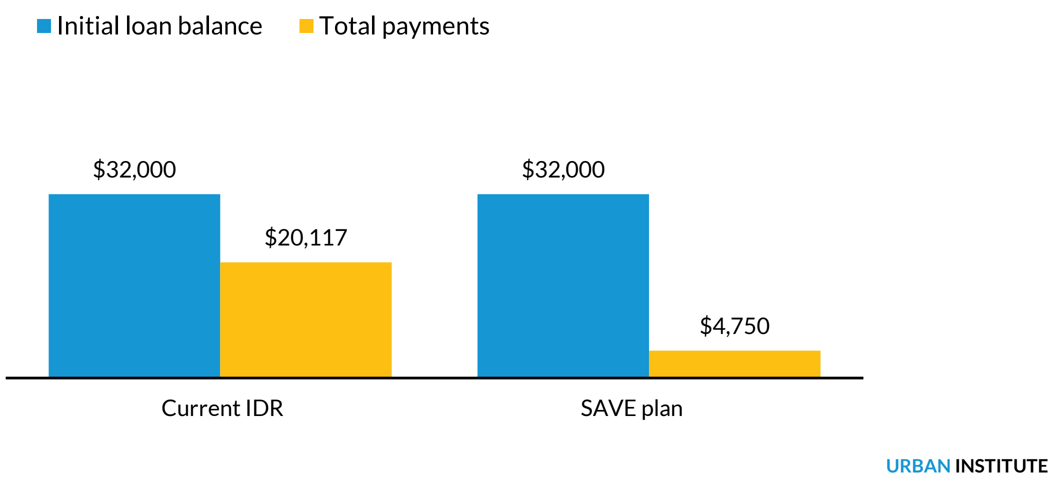
Most social workers are likely to meet the employment requirements for PSLF because they are typically employed by governmental or nonprofit entities (Salsberg et al. 2017). I estimate that social workers whose highest degree is a bachelor's degree will see a large reduction in their loan payments ($15,000) under the SAVE plan compared with current IDR, and they will now qualify to have most of their undergraduate debt forgiven under PSLF.

About half of those who are employed as social workers hold a bachelor's degree as their highest degree, though most of these individuals hold degrees in fields other than social work; only one in five holds a bachelor of social work degree (Salsberg et al. 2017). The debt and earnings data I use can therefore provide only an estimate for what these specific social workers who hold this degree would repay under IDR and PSLF. Despite this limitation, it is worth noting that many students obtain bachelor's degrees in social work each year (though they may go on to obtain a master's degree). The College Scorecard shows that the number is comparable with the number of students earning master's degrees in education each year.

Borrowers with bachelor of social work degrees typically borrow $32,000 in federal loans.[22] Median incomes for this group in the first year after completing their degree is approximately $39,000.[23] At those levels, their initial monthly payment is $143 under current IDR. With income growth over time, I estimate those payments will be enough to repay about two-thirds of the loan ($20,177) before the borrower receives PSLF. Under the SAVE plan, these borrowers would see their initial monthly payments drop to just $26. Even with annual income growth, their total payments over 10 years will repay only about 15 percent ($4,750) of their initial balance if they qualify for PSLF (figure 3).

FIGURE 3

Typical Debt and Estimated Repayment under Public Service Loan Forgiveness for a Bachelor's Degree in Social Work

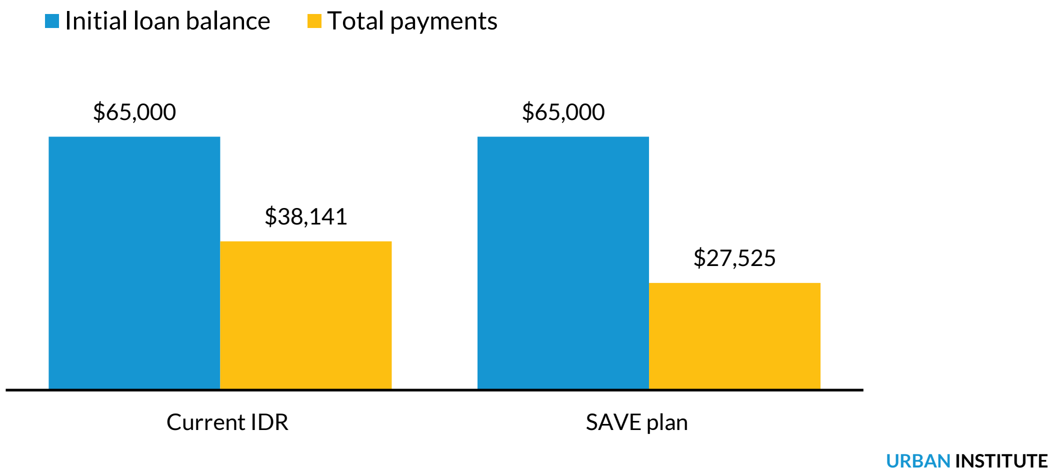


Source: Author's calculations using data from the College Scorecard.
Notes: IDR = income-driven repayment; SAVE = Saving on a Valuable Education. All figures are in 2023 dollars. Total payments is the sum of lifetime payments over 10 years discounted to present values. Current IDR is the Pay as You Earn Plan. See endnote 14 for estimate details.

Social workers with master's degrees are already likely to receive large benefits through IDR and PSLF, and those benefits will increase under the SAVE plan. Social workers with master's degrees have the most debt out of the credentials profiled in this brief. They typically complete their degrees with $65,000 (among those who borrow federal loans for their master's degree) in combined debt from undergraduate and graduate studies. Their annual earnings in the first year after completing their degrees are typically $56,000. Under current IDR and PSLF, they would repay only $38,141 by the time they reach the 10-year loan forgiveness point. Under SAVE, their total payments drop to $27,525. That means nearly $40,000 of the loan balance that a master of social work borrower enters repayment with is effectively converted to a grant through PSLF and SAVE.

FIGURE 4

Typical Debt and Estimated Repayment under Public Service Loan Forgiveness for a Master's Degree in Social Work



Source: Author's calculations using data from the College Scorecard and the 2017–18 National Postsecondary Student Aid Study.
Notes: IDR = income-driven repayment; SAVE = Saving on a Valuable Education. All figures are in 2023 dollars. Total payments is the sum of lifetime payments over 10 years discounted to present values. Current IDR is the Pay as You Earn Plan. See endnote 14 for estimate details.

Policy Implications of Larger PSLF Benefits

The PSLF program was designed to work with IDR, and when policymakers reduce what borrowers must pay in IDR, they indirectly increase how much borrowers will have forgiven in the PSLF program. As I have shown, borrowers in two large professions that are eligible for PSLF will see their total payments drop by $10,000 to $17,000 under the SAVE plan. Most significantly, I find that the SAVE plan will, for the first time, lead to large loan forgiveness benefits (over $20,000) for undergraduates who use PSLF. Teachers and social workers whose highest degree is a bachelor's degree are likely to repay no more than $7,000, on average, on a $32,000 loan balance.

These benefits suggest that students pursuing public service careers—especially those whose highest degree is a bachelor's degree—have new incentives to take on federal student loans and increase the amount they might otherwise borrow (though federal undergraduate loans are subject to annual and lifetime limits set in statute).[24] Students who do not borrow but plan to pursue public service jobs would forgo significant benefits by using their own funds to finance their education instead of taking out federal loans.

Data on borrowing rates suggest there is scope for additional borrowing among the degree programs profiled in this brief. About three-quarters of students pursuing a bachelor's degree in education either borrow less than the federal student loan maximum or do not borrow a federal loan at all each year.[25] About half of students who complete a master's degree in education do not have federal student loans from that degree, and nearly 40 percent of those who complete a master's degree in social work do not have federal student loans from that degree.[26] Federal student loans are available to all undergraduate and graduate students, regardless of the borrower's financial situation; students from all income backgrounds may borrow.

The lower loan payments that SAVE provides under PSLF, especially for those with only a bachelor's degree, could also encourage or allow more borrowers to pursue credentials and jobs in teaching or social work, which is often a stated goal of PSLF. Other federal loan forgiveness programs targeted at teachers provide much smaller benefits (typically $5,000) and apply only to certain schools, which could be why they have had little effect on recruitment (Jacob, Jones, and Keys 2023). The new benefits under SAVE and PSLF, in contrast, would provide much larger benefits than other programs and with virtually no restrictions on the type of school where an applicant must be employed.

The large loan forgiveness benefits that PSLF would provide under the SAVE plan to both undergraduate and graduate borrowers could also be a reason for policymakers to sunset other loan forgiveness programs for teachers. Those programs, the TEACH grant and Teacher Loan Forgiveness, have different, often narrower, eligibility rules than PSLF.[27] They can also interact with PSLF in confusing ways that can preclude teachers from potentially qualifying for benefits under PSLF.[28] Those programs can, however, provide larger benefits to teachers in certain cases. But with the SAVE plan set to increase PSLF benefits, other programs for teachers are less likely to be the optimal benefit, possibly paving the way for policymakers to adopt PSLF as the sole federal loan forgiveness program for teachers.

At the master's degree level, the SAVE program will increase the federal subsidies that PSLF already provides to those pursuing public service jobs. In some fields, such as social work, the federal loan program could end up subsidizing the majority of the cost of obtaining these degrees when students borrow to finance them. That suggests policymakers may want to scrutinize the cost to provide and obtain these degrees, given its growing role in financing them. Similarly, the larger loan forgiveness benefits that SAVE will allow PSLF-eligible borrowers to receive could encourage institutions to keep prices and costs for these degrees higher than is optimal because they know that their students are likely to pay only a fraction of those costs.[29]

Policymakers may therefore want to examine whether the current policy that allows graduate students to borrow for the full cost of their degree is optimal and whether new quality assurance rules are needed to guard against programs overcharging for graduate degrees leading to public service careers.

Finally, as PSLF is set to provide larger benefits to a broader set of borrowers because of the SAVE plan, policymakers must ensure that the program is administered in an efficient and fair manner. The program has been plagued with confusing rules, insufficient information for borrowers, and a lack of administrative capacity. Although reforms are under way to address these issues, the larger role PSLF is set to play in financing public service jobs has increased the importance of those efforts.

Notes

[1] Improving Income Driven Repayment for the William D. Ford Federal Direct Loan Program and the Federal Family Education Loan (FFEL) Program: Final Regulations, 88 Fed. Reg. 43820 (Jul. 10, 2023).

[2] College Cost Reduction and Access Act, Pub. L. No. 110-84, 121 Stat. 784 (2007).

[3] The legislation states a public service job is a full-time job in emergency management, government, military service, public safety, law enforcement, public health, public education (including early childhood education), social work in a public child or family service agency, public interest law services (including prosecution or public defense or legal advocacy in low-income communities at a nonprofit organization), public child care, public service for individuals with disabilities, public service for the elderly, public library sciences, school-based library sciences and other school-based services, or at an organization that is described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such code; or teaching as a full-time faculty member at a Tribal College or University as defined in section 316(b) and other faculty teaching in high-need areas, as determined by the secretary. See College Cost Reduction and Access Act, Pub. L. No. 110-84, 121 Stat. 784 (2007).

[4] For example, a borrower with $32,000 of debt, the maximum for a dependent undergraduate, and an initial income of $43,000 would repay about $32,000 on the loan under the 2007 IDR plan and PSLF. That debt and income profile is the same one I use to estimate payments for teachers whose terminal degree is a bachelor's degree.

[5] Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029 (2010); and White House, "We Can't Wait: Obama Administration to Lower Student Loan Payments for Millions of Borrowers," press release, October 25, 2011, https://obamawhitehouse.archives.gov/the-press-office/2011/10/25/we-cant-wait-obama-administration-lower-student-loan-payments-millions-b.

[6] For example a borrower with $32,000 of debt, the maximum for a dependent undergraduate, and an initial income of $43,000 would repay about $24,000 of the loan under the IDR plans that became available in the 2010s under the Obama administration. That is about an $8,000 reduction in total payments compared with the IDR plan enacted in 2007. A graduate borrower with $48,000 of debt and an initial income of $55,000 would repay about $51,000 under PSLF and the IDR plan enacted in 2007. Under the plans that became available in the 2010s, the borrower would repay $37,000 instead. Their total payments are reduced by $14,000, more than the reduction the undergraduate borrower received. The debt and income profiles in these examples are for teachers whose highest degree is a bachelor's degree or master's degree, respectively.

[7] "Subsidized and Unsubsidized Loans," US Department of Education, Office of Federal Student Aid, accessed July 28, 2023, https://studentaid.gov/understand-aid/types/loans/subsidized-unsubsidized.

[8] "Public Service Loan Forgiveness Data," US Department of Education, Office of Federal Student Aid, accessed July 28, 2023, https://studentaid.gov/data-center/student/loan-forgiveness/pslf-data.

[9] The $20,000 figure is based on debt and earnings for teachers and social workers whose highest degree is a bachelor's degree.

[10] "Income-Driven Repayment Plans," US Department of Education, Office of Federal Student Aid, accessed July 28, 2023, https://studentaid.gov/manage-loans/repayment/plans/income-driven.

[11] The definition of an eligible job encompasses roughly a quarter of the 25-to-34-year-old workforce with some postsecondary education. See Erica Blom, "Who Does the Public Service Loan Forgiveness Program Really Benefit?" *Urban Wire* (blog), Urban Institute, October 27, 2017, https://www.urban.org/urban-wire/who-does-public-service-loan-forgiveness-program-really-benefit.

[12] Author's calculations using the 2017–18 National Postsecondary Student Aid Study. See Seigel, Ramirez, and Johnson (2021). The National Postsecondary Student Aid Study data do not include debt information for undergraduates with social work degrees, so I use median federal debt reported in the College Scorecard for this statistic and inflate the amount to 2023 dollars. See "Data Home: Download the Data," US Department of Education College Scorecard, accessed July 27, 2023, https://collegescorecard.ed.gov/data.

[13] See "Data Home: Download the Data," US Department of Education College Scorecard.

[14] Throughout this analysis, I assume borrowers' earnings increase 5 percent annually. I also assume a 3 percent annual inflation of the 2023 federal poverty level used for the exemption in IDR, a 5 percent interest rate on loans for those with bachelor's degrees and 6 percent for those with master's degrees and that borrowers make all payments on time with no early payments. Using these assumptions, I calculate how much a borrower in a single-person household will pay over the life of their loan for a given loan size and starting income, reported in present dollars using a 3 percent discount rate (which matches the assumed inflation rate, for consistency). I assume the borrower remains in IDR for their entire repayment period, makes 120 consecutive monthly payments, and does not make any early or additional prepayments. For borrowers with master's degrees, I calculate payments under the SAVE plan as if the borrower's debt is 100 percent from the master's degree program, even though I include debt from the borrower's undergraduate studies in their loan balance. It is difficult to determine the precise share of a borrower's debts from each degree level because of small sample sizes in the data. My estimate therefore assumes the borrower makes a higher payment than is likely to be the case and thus results in a conservative estimate.

[15] US Department of Education, "U.S. Department of Education Announces $42 Billion in Approved Public Service Loan Forgiveness for More Than 615,000 Borrowers Since October 2021," press release, May 8, 2023, https://www.ed.gov/news/press-releases/us-department-education-announces-42-billion-approved-public-service-loan-forgiveness-more-615000-borrowers-october-2021.

[16] According to a survey by the National Center for Education Statistics, 39 percent of teachers hold a bachelor's degree as their highest credential. See "National Teacher and Principal Survey: Percentage Distribution of Public School Teachers, by Highest Degree Earned and State, 2017–18," US Department of Education, Institute of Education Sciences, National Center for Education Statistics, accessed July 28, 2023, https://nces.ed.gov/surveys/ntps/tables/ntps1718_fltable04_t1s.asp.

[17] This statistic is converted to 2023 dollars. See National Center for Education Statistics PowerStats table dmvfkk.

[18] According to a survey by the National Center for Education Statistics, 49 percent of teachers hold a master's degree as their highest degree. See "National Teacher and Principal Survey," US Department of Education.

[19] For borrowers with master's degrees, I calculate payments under the SAVE plan as if the borrower's debt is 100 percent from the master's degree program, even though I include debt from the borrower's undergraduate studies in their loan balance. It is difficult to determine the precise share of a borrower's debts from each degree level because of small sample sizes in the data. My estimate therefore assumes the borrower makes a higher payment than is likely to be the case and thus results in a conservative estimate.

[20] This figure reflects median undergraduate and graduate debt among those who borrow a federal loan for their master's degree in the 2017–18 academic year inflated to 2023 dollars. See National Center for Education Statistics PowerStats table xqymqd.

[21] See "Data Home: Download the Data," US Department of Education College Scorecard. Statistic is converted to 2023 dollars.

[22] See "Data Home: Download the Data," US Department of Education College Scorecard. Statistic is converted to 2023 dollars.

[23] See "Data Home: Download the Data," US Department of Education College Scorecard. Statistic is converted to 2023 dollars.

[24] "Subsidized and Unsubsidized Loans," US Department of Education.

[25] Author's calculations using the 2017–18 National Postsecondary Student Aid Study. See National Center for Education Statistics PowerStats table mdgqun. About 34 percent of students who completed a bachelor of education degree in recent years graduated with no federal student loan debt. See National Center for Education Statistics PowerStats table yectfm.

[26] Author's calculations using the 2017–18 National Postsecondary Student Aid Study. See National Center for Education Statistics PowerStats table dslrfc.

[27] "4 Loan Forgiveness Programs for Teachers," US Department of Education, Office of Federal Student Aid, accessed July 28, 2023, https://studentaid.gov/articles/teacher-loan-forgiveness-options/.

[28] Jason D. Delisle and Alexander Holt, "The Tangled World of Teacher Debt," *Education Next*, last updated June 13, 2017, https://www.educationnext.org/tangled-world-of-teacher-debt-rules-uncertain-benefits-federal-student-loan-subsidies/.

[29] There is some evidence that allowing graduate and professional students to borrow for the full cost of attendance has contributed to tuition inflation for those degrees (Black, Turner, and Denning 2023).

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