AIG Retirement Services Study Finds Strong Awareness but Minimal Understanding of Public Service Loan Forgiveness Program

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AIG Retirement Services Works with Tax-Exempt and Public Sector Employers to Close Student Loan Knowledge Gap

HOUSTON--(BUSINESS WIRE)--Feb. 24, 2021-- AIG Retirement Services, a leading retirement plan provider for tax-exempt and public sector employers, today announced the results of a new study looking at how nonprofit and public service employees think about student loan debt, student loan forgiveness and the Public Service Loan Forgiveness (PSLF) program.

Millions of public sector and nonprofit workers including teachers, healthcare workers and first responders may be eligible for student loan forgiveness through PSLF, but confusion around the program appears to be undermining its efficacy. While **90%** of public service employees with college debt indicate awareness of the program, **70%** exhibit only a minimal understanding of its rules and requirements.

This gap is important because more than one in six American adults carry a federal student loan, according to the most recent figures from the New York Federal Reserve's Center for Microeconomic Data published in 2018.[1] The Federal Reserve estimates that total student debt is $1.7 trillion,[2] and $500 billion in new debt will be incurred over the next five years, according to a 2020 report from the Congressional Budget Office.[3]

"The Public Service Loan Forgiveness program is a powerful tool for Americans who have chosen to spend their careers dedicated to service and community," said Rob Scheinerman, Chief Executive Officer, AIG Retirement Services. "It is encouraging to see strong awareness of this important program but concerning to see such high levels of confusion around the rules and requirements. There is an excellent opportunity to close this knowledge gap and help public service employees take control of their student loan debt and improve their financial security."

Student Loan Debt the Top Cause of Financial Stress; PSLF a Financial Lifeline for Public Sector Employees

Student debt ranks as the top cause of financial stress for public service employees who are carrying loans from their college years. Nearly eight in ten (**78%**) characterize student loan debt as a major financial burden. Further, two out of three (**66%**) name student loans and the corresponding monthly payments as a financial worry, beating the next highest concern by an enormous 22 percentage points (credit card debt at **44%**).

With these concerns as the backdrop, public service employees see the PSLF program as a lifeline critical to their financial wellbeing. Over one out of three (**34%**) say it will be the only way they will be able to pay off their debt in a reasonable amount of time, and **64%** say it will reduce financial stress.

Furthermore, a significant number of public service employees would use the money otherwise spent on monthly student loan payments for other significant financial responsibilities—over half (**51%**) say that they would most likely use the funds to pay off other debt; **47%** would contribute to retirement savings and investments; and **43%** would add to their emergency savings fund.

Despite Support for PSLF, Program Barriers Persist

There is clear support for the PSLF program, with **68%** of respondents indicating they are likely or very likely to work toward meeting its qualifications. Three out of four (**77%**) expect to tell others about the program, and **84%** find the program appealing with half of those saying it is very appealing.

But despite this enthusiasm, there are significant hurdles to successfully participating in the program. The survey respondents indicate that the top barrier to achieving loan forgiveness through PSLF is confusion about the program (**34%**). Other challenges are maintaining qualification over time (**34%**) and the number of required payments (**31%**).

The PSLF program's own reporting shows how these expected barriers have played out as the vast majority of program applicants have had their efforts to seek loan forgiveness rejected. As of November 30, 2020, the Department of Education reports that less than 3 percent of those who have sought relief from the PSLF program have been approved.[4]

Opportunity for Public Service Employers to Improve Financial Security for Employees

Despite these clear challenges, opportunities remain. There is a substantial opportunity for public service employers to help their employees take control of their student loan debt. Only **12%** of public sector employees who are carrying student loan debt receive information from their employer about the Public Service Loan Forgiveness program.

AIG Retirement Services, in collaboration with the social impact technology firm Savi, last year launched an online tool that public sector employers can provide to their employees to simplify the forgiveness process. The end-to-end digital solution helps with determining qualification for student loan forgiveness, calculating potential savings, navigating through the enrollment process and maintaining program eligibility.

"We understand the long-term impact student loan debt can have on financial and retirement security, which is why we are proud to be working with Savi to help employers empower their workforce to take control of their student loan debt," Scheinerman continued. "The new program can chart the path for nonprofit and public service employees to loan forgiveness, helping to improve their financial future and creating enhanced flexibility around other goals, including saving for retirement."

Study Methodology

The AIG Retirement Services survey was conducted by Dynata and fielded in October and November 2020, drawing responses from 664 public sector employees, ages 21-67, having federal student loans for which they make payments themselves, and working a minimum of 30 hours a week in

government, healthcare, education and the nonprofit field.

To see more findings from the student loan forgiveness survey and related analysis, visit lifeandretirement.aig.com/employers/lp/the-public-service-loan-forgiveness.

[1] Center for Microeconomic Data, Federal Reserve Bank of New York, https://www.newyorkfed.org/microeconomics/topics/student-debt

[2] Consumer Credit G.19. Federal Reserve. https://www.federalreserve.gov/releases/g19/current/default.htm

[3] Income-Driven Repayment Plans for Student Loans: Budgetary Costs and Policy Options. Congressional Budget Office. https://www.cbo.gov/system/files/2020-02/55968-CBO-IDRP.pdf

[4] Federal Student Aid Portfolio Summary, Office of Federal Student Aid, U.S. Department of Education, https://studentaid.gov/data-center/student/portfolio

About AIG Retirement Services

For more than half a century, AIG Retirement Services has served as a leading defined contribution retirement plan provider for tax-exempt and public sector employers, including healthcare, K-12, higher education, government, religious, charitable and other nonprofit organizations. AIG Retirement Services has more than $100 billion in total assets under administration, managing thousands of plans serving approximately 1.8 million participants. It includes the VALIC family of companies: The Variable Annuity Life Insurance Company and its subsidiaries, VALIC Financial Advisors, Inc. and VALIC Retirement Services Company. Additional information can be found at www.aig.com/RetirementServices.

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Sabra Purtill (Investors): sabra.purtill@aig.com
Shelley Singh (Investors): shelley.singh@aig.com
Marc Hazelton (Media): marc.hazelton@aig.com
Matt Burkhard (Media): matt.burkhard@aig.com

Source: American International Group, Inc.