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Student Loan Repayment Programs

Introduction

There is no question that high student loan debt levels have affected the landscape of today's labor market. A recent Bankrate study¹ estimates at least 43 million U.S. residents have student loan debt. It should come as no surprise that over 86% of the U.S. workforce say they would commit to their employer for five years if the employer (or the state) helped them pay off their student loan debt.

Employer-sponsored loan repayment assistance programs are emerging as a top tool for recruiting and retaining talented workers. The Society for Human Resource Management (SHRM) survey found that in 2024, the number of employer-sponsored repayment programs tripled since 2015.²

Loan Forgiveness vs. Loan Repayment

There is often confusion about the concepts of loan forgiveness vs. loan repayment. Loan forgiveness only applies to federal direct loans and some state education loans. Generally, with a forgiveness program, the government eliminates the debt in return for working in a field related to public service. Loan repayment is when a public or private employer pays down a student loan for fulfilling a set of terms of the employer. This chart shows some of the considerations between loan forgiveness and loan repayment.

Types of Loan Repayment Programs

Loan repayment programs generally fall into two categories:

1. **Government and non-profit organization-funded loan repayment programs:** These programs are mostly limited to public service sectors including health, public safety, law, and teaching.
2. **Employer sponsored student loan repayment contribution programs:** Often used as recruitment and retention tools, employers offer to either match or contribute a fixed monthly or annual amount toward paying down employees' student loans. These programs can exist in any employment sector and employers are able to set their own eligibility criteria for the benefit of recipients.

¹ <https://www.bankrate.com/loans/student-loans/student-loan-debt-by-generation/>

² [2024 SHRM Employee Benefits Survey](#)

	LOAN FORGIVENESS	LOAN REPAYMENT
TYPES OF LOANS ELIGIBLE	Varies by forgiveness program	Any education loans
PROGRAM OF STUDY	Related to public service career	Dictated by employer
OCCUPATIONAL SECTORS	Government, non-profit, health, law, teaching	Any
FUNDING SOURCE(S)	Government, non-profit organizations	Employer
TAX CONSIDERATIONS (TO STUDENT)	Taxable as income*	Taxable as income* *see below for Loan Repayment Incentives for Employers

Public-interest Federally-subsidized Loan Forgiveness

Many states offer public-interest loan forgiveness programs, either partially or entirely federally subsidized. Such programs are limited to public service type occupations such as medicine, public safety, law, and teaching. One example of this in Alaska is the SHARP-II program which provides loan forgiveness and other incentives to healthcare professionals who commit to three years of service in federal designated Health Professional Shortage Areas in Alaska.

The link below provides a comprehensive list of student loan forgiveness/repayment programs by state: <https://thecollegeinvestor.com/student-loan-forgiveness-programs-by-state/>

Loan Repayment Incentives for Employers

In December 2021, a provision within the Consolidated Appropriations Act was signed into law that allows employers to contribute up to \$5,520 per employee toward loan repayment without increasing the employee’s gross taxable income. This tax treatment benefits employers by lowering the total taxable income they have to pay for their employees. This provision is set to expire on January 1, 2026.

The link below provides a list of companies currently offering student loan repayment: <https://www.sparrowfi.com/blog/top-30-companies-thatll-pay-off-your-student-debt>