FORGIVABLE LOANS VS. LOAN REPAYMENT

	FORGIVABLE LOAN (CONDITIONAL GRANT) PROGRAMS	LOAN REPAYMENT PROGRAMS
Intent	Address workforce shortage issues.	Address workforce shortage issues.
Administrative Method	Provides grants to students while enrolled in college, conditioned on the requirement that they graduate, find a job in specified profession/geographic location, and work for a specified number of years in that profession/location. Staff develop and collect Promissory Notes (meeting all Truth In Lending Act requirements) and provide counseling to ensure recipients understand employment obligations. Once Promissory Note is signed and returned, staff makes payment to college on behalf of recipient. Annual follow-up is required to ensure recipient is on track to graduate. Upon graduation (and completion of residency, if applicable), recipient must find job in eligible occupation (and location, if applicable). Annual verification is required to ensure recipient meets employment requirements. If recipient does not graduate and/or satisfy employment requirements, grant is converted to loan. Staff begins servicing loan for 10-year repayment period. Each month, statements are mailed and payments are received and applied to recipient's outstanding balance. Separate loan servicing system might be required to ensure proper interest calculations, document generation/tracking, etc. If borrower does not make required payments, borrower enters default and is sent to collections. (At times, debts are uncollectible.)	Repays a portion of outstanding student loans after applicant secures employment in specified profession/geographic location and after completion of annual employment requirement is verified by staff. Individual completes necessary program of study, secures job in specified profession/geographic location and applies for loan repayment funding. As recipient completes employment requirement, staff verifies employment annually, verifies outstanding student loan balance and makes payment to educational loan lender. Marketing of program availability is key to enticing individuals into workforce shortage areas.
Appropriation to Impact	6 or more years.	Immediate.
Recruitment	Only at specified colleges or universities.	Individuals who have completed required program of study and are licensed (if required) to practice in specified profession in State of Iowa. Can recruit out of state in some instances.
Return on Investment	Historically, about 60 percent of recipients complete obligations; slight variations exist between programs.	100 percent of recipients meet intent of program.

Administrative Cost: Forgivable loan programs are approximately 4 times more expensive per recipient to administer than loan repayment programs.