

Loan defaults sting Tennessee nurses

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By:

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Dozens of Tennessee nurses have had their licenses suspended for ignoring their student loans under new enforcement of a decade-old statute, state officials said.

In October, 42 nurses' licenses were suspended for failure to repay their federal student loans, including three in Chattanooga, according to the Tennessee Department of Health's monthly disciplinary action report.

But state officials say the suspensions don't represent a problem in the nursing field.

The suspensions were the culmination of 18 months' worth of efforts to notify and to work on repayment plans with hundreds of professionals licensed under the Tennessee Department of Health and Department of Commerce and Insurance, said Peter Abernathy, staff attorney for the Tennessee Student Assistance Corp., which provides financial assistance for post-secondary education for Tennessee residents. Some of them had been in default on their loans for years, he said.

The action stems from a newly enforced state regulation allowing professional licensing boards to penalize those in default of their student loans, he said, and that regulation -- rather than the economy -- is the cause of the October backlog of suspensions.

"Going forward, when (the state boards) are taking action on these on a month-to-month basis, the number will drop dramatically ... down to a small handful," Abernathy said.

Twenty of the Registered Nurse and Licensed Practical Nurse licenses have since been reinstated after the nurses joined a repayment plan, according to the Tennessee Department of Health.

Libby Lund, executive director for the Tennessee Board of Nursing, said in an e-mail that the "vast majority" of Tennessee nurses repay their loans in a timely manner.

"With more than 100,000 licensed RNs and LPNs in the state, it would stand to reason some might default on student loans and be faced with license suspension, but this is more the exception than the rule in Tennessee," she said.

Student loan default rates in Tennessee hovered around 7 percent for years, before the economic recession set in, Abernathy said.

The national student loan default rate in fiscal year 2007 was 6.7 percent, according to the U.S. Department of Education. The default rate rose to 7 percent the following year, the most recent year available, according to the department.

Since the recession began in 2007, loan default rates have gone up to about 9 percent in Tennessee, which is not "dramatic," he said.

"Some of it is going to be there whether there's a recession or not," he said.

jobs not the problem

During the recession, local hospitals reported fewer RN position vacancies as older RNs delayed retirement and new RNs entered a field considered "recession-proof." But nursing school leaders said a nationwide nursing shortage, particularly in rural areas, is still a very real problem.

The U.S. nursing shortage could reach 260,000 registered nurses by 2025, particularly as the nursing workforce ages toward retirement, according to projections in a 2009 article published in the Health Affairs journal.

Bob Perry, director of financial aid at Tennessee Wesleyan College, said loan default rates have stayed stable across the college, which has a nursing school, even in the midst of a recession.

"I would think the nurses especially would have no problem paying back their loans," he said. "We've had 100 percent (job) placement in our nursing program for the last eight years."

The Tennessee Board of Nursing is one of several groups taking action on the law, aiming to get more former students paying back their loans.

A 1999 statute allowing licensure penalties for nonrepayment affects the more than 30 professional boards that fall under the domain of the Tennessee Department of Health, as well as most boards under the Department of Commerce and Insurance, Abernathy said.

Tennessee Student Assistance Corp. only began sending names of delinquent debtors to the agencies in the summer of 2009, after a state comptroller's office audit directed them to do so, Abernathy said.

Before that, TSAC used other methods to try to collect on debts, including turning them over to a collection agency and garnishing wages, he said.

"We've used other tools to try to get them to pay their loans back, and this was just kind of pushed to the back burner," Abernathy said.

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