

3/06/15

RE: HB 2662 Pay It Forward pilot

**POSITION: Support**

Dear Honorable Committee Chair Representative Read and Higher Education Committee Members:

My name is Austin Fohnagy, I am a Trustee of the Klamath Community College Board of Education. As one of the youngest Community College Trustee elected in the State of Oregon, I can speak for younger community leaders within rural areas who are in support of HB 2662. I will write about my support of Pay It Forward (PIF), and the benefits that it would have for my generation and future generation of students. Additionally, I will state the benefits for community colleges in Oregon, especially in rural communities. Overall, we must resolve the issue of student loan debt, for the end result will be an economic and workforce burden for our state. I ask for your support of HB 2662 Pay It Forward.

I encourage you to Support HB 2662 for the following reasons:

Pay It Forward would reduce student reliance on the student loan model of paying for education. That would benefit rural community colleges, which face high student loan default rates among graduates. Student loan defaults have soared at many Oregon community colleges. Lane, Klamath, and Umpqua community colleges both exceeded 30 percent at some time between 2010-2013. If a college can't reduce the rate to less than 30 percent within the following years, they too will face possible expulsion from eligibility for federal student loan programs. I am happy to report we have been reducing our default rate over the last two years, but an expulsion would have caused an economic detriment to the regions. This is an economic liability to the regions community colleges serve. Rural community colleges are critical to the development of vocational workforces for our state's rural economies.

These high default rates are not because students are gaming the system, it's because the loan system is failing them. Student loans are risky propositions for rural graduates who may not be able to find a high enough paying job right after college to manage high monthly payments and fees. They may not be aware of the options available to them, and fall behind on payments. Once students fall behind, it is very easy to fall into default, and once in default, very difficult to get out. Borrowers in default have very few options to manage their loans. Once in default, students cannot enroll in income-based repayment or deferment. Few recent graduates in rural communities have enough cash to make the high back-payments necessary to get out of default.

The same borrowers defaulting on their loans after graduating from a community college would do a lot better under the Pay It Forward model because they'd be paying a percentage of their income based on the number of credits they took at community college (around 2% of their adjusted gross income). Grads who aren't making income under PIF aren't obligated to make payments or back-payments, eliminating the default rate system.

As a board member, I deal with budgets, and creating balance between operations cost and quality education. Many might be concerned with how a system like Pay It Forward would affect the college's budget. Pay It Forward would cover students' tuition, so the school's revenue wouldn't change, but students' economic prospects look a lot better when debt is taken out of the equation. This would also allow for a skilled and educated workforce within communities making them more attractive for businesses to move there.

Pay It Forward would benefit a rural area like Klamath County. Rural communities have less access to higher education, and the question of how to finance higher education is a major concern. Pay It Forward would allow graduates to obtain an associates or bachelor's degree without debt. This opens up a pathway for students who move on to a nursing or medical degree to graduate with a much lower debt burden, making it possible to practice in smaller communities and rural clinics. Many legislators and community leaders have voiced the lack of physicians in rural Oregon as a growing concern. Pay It Forward would have an impact in promoting accessibility of higher education and removing barriers for students entering college. We need to consider the bigger economic picture. Rural economies can't afford for students not to have affordable access to higher education and vocational programs.

Student debt places an unsustainable burden on my generation, delaying our ability to become full participants in our local economies. I have seen student loan debt delay purchasing a home, starting a family, and even discourage young people for running for public office. How can a young person run for a city council position or a board position when they have \$26,000 in student loan debt? Student debt is limiting the scope of the American Dream for my generation, and I ask you support for HB 2662 to give opportunities for future Oregonians.

Thank you,  
Sincerely

Austin Fohnagy