Oregon
Tina Kotek, Governor

Higher Education Coordinating Commission
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April 5, 2023

Co-Chair, Senator Lew Frederick
Co-Chair, Representative Susan McLain
Joint Committee on Ways and Means, Subcommittee on Education

Dear Co-Chairs Frederick and McLain,

Thank you for the opportunity to answer questions that arose during the **April 5, 2023** Higher Education Coordinating Commission presentation to the Ways and Means Subcommittee on Education.

Representative McLain asked for information about the state financial aid funding comparisons on slide 60 (presented April 4th). This information is derived from the annual State Higher Education Finance (SHEF) report published by the State Higher Education Executive Officers Association (SHEEO), and this slide includes soon-to-be published data for Fiscal Year 2022. This metric takes all financial aid dollars awarded to undergraduate students at public institutions and divides that by the number of full-time equivalent undergraduate students, and is a good metric of total state financial aid support controlling for student population differences. As most students do not receive financial aid awards, the average amount Oregon actually awards per student recipient is significantly higher, but this measure is not valid for interstate comparisons given substantial differences in program design by state.

On slide 111, Representative Nguyen asked whether the cost data being presented by HECC includes out-of-state (nonresident) students. Our slides throughout the presentation focus on in-state (resident) student costs and grants. However, for 2022-23, nonresident tuition and fees at Oregon community colleges averaged $10,574 across the colleges. At the public universities, nonresident undergraduate tuition and fees averaged $32,095 across the universities. Non-resident students are generally not eligible for state financial aid programs. Further information about nonresident students can be provided on request.

On slide 114, Senator Weber asked whether loan repayment timelines are affected by loan originators or servicers, and whether interest rates can be variable or increase after graduation. HECC does not manage any student loan programs and does not have information on private loans; however, we can provide information on public loans. Federal direct loans are governed by the same set of rules, regardless of loan servicer, and theoretically, the servicer managing the loan has no affect on repayment. However, some loan servicers have received criticism for customer service practices that have resulted in students being placed in payment plans that may not be optimal for their individual financial situations.

Regarding interest rates, interest rates for direct loans are fixed, however, this fixed rate can vary depending on the year a loan was originated. In addition, payments on federal direct loans are not required while a student is enrolled in school, and for limited periods of time after enrollment. This deferment period is per individual loan, and it is possible for a student to have some loans in deferment while they are paying other loans, dependent on a student's individual situation. Appendix A provides detailed information on federal loan types, interest rates, and payment plans.

On slide 116, Representative McIntire asked how many low-income students attend school without applying for financial aid. HECC only has income data about students who file a federal or state financial aid application, so we cannot directly answer the question. That said, there are many reasons students may not apply for financial aid even if they would qualify on the basis of income. Students may miss financial aid deadlines, not attend a financial aid eligible institution, have no remaining eligibility, not qualify for state residency, or be in graduate school. Additionally, the Free Application for Federal Student Aid (FAFSA) is difficult to complete. Students frequently cite a lack of parental support, unavailability of tax information, and confusing questions as reasons for non-completion. The US Department of Education is currently reforming the FAFSA in hopes of resolving some of these issues.

On slide 125, Representative McLain asked for program options that can help low-income students on various credential tracks. The Commission's view is that the Oregon Opportunity Grant is the best vehicle to increase investment in low- and middle income students, whether they are pursuing certificates or degrees at financial aid eligible institutions in Oregon. This program is historically underfunded, has simple qualification criteria, directs financial aid resources where they are needed most, and allows students to determine how to use those funds to best support their higher education experience. The Commission's highest priority recommendations to the Legislature each budget cycle always include increasing support for the Oregon Opportunity Grant. In addition to the financial support provided by this program, low-income students benefit from the benefits navigators' positions established by the legislature this biennium. To highlight a couple of opportunities for alternative investments that would support students on various tracks:

- While the Opportunity Grant supports all learners, there may be opportunities to differentiate support for returning adults that is focused on short-term, immediate-career track credentials that do not qualify for current financial aid programs.
- The State Child Care Grant is a specific area-of need grant targeting student-parents facing expenses more than what state and federal grant aid anticipate students face, and expansion of this grant could provide significant additional assistance to an underserved student population.

Representative McIntire also asked what other grants students can qualify for if they are eligible for the Oregon Opportunity Grant. The US Department of Education and the HECC administer multiple other grants that OOG-eligible students may qualify for. These include the Federal Supplemental Educational Opportunity Grant (FSEOG), the federal Pell Grant, the federal

Chafee Education and Training Grant, Oregon Promise Grant, Oregon Tribal Student Grant, Oregon National Guard State Tuition Assistance, Oregon Teacher Scholars Scholarship, Oregon Student Childcare Grant, Deceased or Disabled Public Safety Officer (DDPSO) Grant and, if funded, the Early Learning Educator Grant. In addition, students may qualify for federal work study, federal military tuition assistance, and federal GI Bill.

Additional aid can include institutional assistance (scholarships), tuition discounts, athletic scholarships, private scholarships (merit and need based).

In response to Senator Dembrow's question on the same slide, adopting the Governor's recommended $100 M increase to the Oregon Opportunity Grant would significantly improve Oregon's national ranking for state investment in financial aid per student. Assuming other states did not increase their own investments and Oregon's enrollment levels remained about the same, adopting the GRB for OOG would increase Oregon's per-FTE investment in financial aid from $699 (2022) to around $1,062, surpassing the current national average of $990 and ranking Oregon around 20th on this measure nationally. Adopting the Governor's recommendations for funding the Oregon Tribal Student Grant and the Early Educator Grant would further improve Oregon's national standing on this measure, likely to around $1,220 per student FTE.

If you have further questions, please do not hesitate to contact Kyle Thomas, Director of Legislative and Policy Affairs, at kyle.thomas@state.or.us or at 503-480-9596.

Sincerely,

Ben Cannon

Ben Cannon
Executive Director

Appendix A: Federal Direct Student Loans

The Federal Student Direct Loan Program is managed by the U.S. Department of Education (ED) and can appear to be complex for most student borrowers. Federal student loans make up the vast majority of student loans in the U.S. They are made by the federal government with the ED acting as the lender, and they typically have better benefits and terms than private student loans. However, these benefits and terms can vary greatly by loan type, so it's important for the borrower to become familiar with the types of loans before a decision is made to obtain a loan. Most schools who are Title IV eligible are required to provide some type of loan counseling to undergraduate students prior to completing the process as well as mandatory loan guidance provided online by the ED. Once the school notifies the ED that a student is to be granted a loan, the ED assigns a loan servicer to the student loan. The servicer will handle the billing and other services such as repayment plans on the borrower's federal student loan on the ED's behalf, at no cost to the borrower. The list of current federal student loan servicer's can be found at https://studentaid.gov/manage-loans/repayment/servicers.

Types of federal student loans

The U.S. Department of Education's federal student loan program is the William D. Ford Federal Direct Loan (Direct Loan) Program. Under this program, the U.S. Department of Education is the lender. There are four types of Direct Loans available:

- Direct Subsidized Loans are loans made to eligible undergraduate students who demonstrate financial need to help cover the costs of higher education at a college or career school. This loan has slightly better terms that other federal loans because the federal government will cover the interest during certain periods, including while the borrower is enrolled in school at least half time, during the six-month grace period after the borrower leaves school and during periods of deferment.
- Direct Unsubsidized Loans are loans made to eligible undergraduate, graduate, and professional students, but eligibility is not based on financial need. Direct unsubsidized loans are similar to subsidized loans with some key differences. Most significantly, the unsubsidized loan borrower is responsible for the interest that accrues during all periods, even when the loan is not in active repayment.
- Direct PLUS Loans are loans made to graduate or professional students and parents of dependent undergraduate students to help pay for education expenses not covered by other financial aid. Eligibility is not based on financial need, but a credit check is required. Borrowers who have an adverse credit history must meet additional requirements to qualify.
- Direct Consolidation Loans allow you to combine all of your eligible federal student loans into a single loan with a single loan servicer.

The maximum amount of money a student or parent can borrow are as follows:

- If the borrower is an undergraduate student, the maximum amount the borrower can borrow each year in Direct Subsidized Loans and Direct Unsubsidized Loans ranges from **$5,500 to $12,500** per year, depending on what year they are in school and the borrower's dependency status.
- If the borrower is a graduate or professional student, the borrower can borrow up to **$20,500** each year in Direct Unsubsidized Loans. Direct PLUS Loans can also be used for the remainder of their college costs, as determined by the school, not covered by other financial aid.
- If the borrower is a parent of a dependent undergraduate student, the parent can receive a Direct PLUS Loan for the remainder of the child's college costs, as determined by his or her school, not covered by other financial aid.

Interest rates for federal student loans

Current Interest Rates for loans first disbursed on or after July 1, 2022, and before July 1, 2023.

Loan Type	Borrower Type	Fixed Interest Rate
Direct Subsidized Loans and Direct Unsubsidized Loans	Undergraduate	**4.99%**
Direct Unsubsidized Loans	Graduate or Professional	**6.54%**
Direct PLUS Loans	Parents and Graduate or Professional Students	**7.54%**

Regarding how interest is calculated, the following simple daily interest formula provides how interest is accrued:

Interest Amount = (Outstanding Principal Balance x Interest Rate Factor) x number of days since last payment.

Historic interest rates

First Disbursement Date	Fixed Interest Rate
7/1/21–6/30/22	3.73%
7/1/20–6/30/21	2.75%
7/1/19–6/30/20	4.53%
7/1/18–6/30/19	5.05%
7/1/17–6/30/18	4.45%
7/1/16–6/30/17	3.76%
7/1/15–6/30/16	4.29%
7/1/14–6/30/15	4.66%
7/1/13–6/30/14	3.86%
7/1/11–6/30/13	3.4%
7/1/10–6/30/11	4.5%
7/1/09–6/30/10	5.6%

7/1/08–6/30/09	6.0%
7/1/06–6/30/08	6.8%

https://studentaid.gov/understand-aid/types/loans/interest-rates

Federal Student Loan Repayment Plans

There are several types of federal student loan repayment plans that a student can choose from.

Standard Repayment Plan

- Eligible Borrowers - All borrowers are eligible for this plan.
- Monthly Payment and Time Frame - Payments are a fixed amount that ensures the loans are paid off within 10 years (within 10 to 30 years for Consolidation Loans).
- Eligible Loans - Direct Subsidized and Unsubsidized Loans
  - Subsidized and Unsubsidized Federal Stafford Loans
  - all PLUS loans
  - all Consolidation Loans (Direct or FFEL)

Graduated Repayment Plan

- Eligible Borrowers - All borrowers are eligible for this plan.
- Monthly Payment and Time Frame - Payments are lower at first and then increase, usually every two years, and are for an amount that will ensure the loans are paid off within 10 years (within 10 to 30 years for Consolidation Loans).
  - Eligible Loans
  - Direct Subsidized and Unsubsidized Loans
  - Subsidized and Unsubsidized Federal Stafford Loans
  - all PLUS loans
  - all Consolidation Loans (Direct or FFEL)

Extended Repayment Plan

- Eligible Borrowers - If the borrower is a Direct Loan borrower, the borrower must have more than $30,000 in outstanding Direct Loans.
- Monthly Payment and Time Frame - Payments may be fixed or graduated, and will ensure that the loans are paid off within 25 years.
- Eligible Loans
- Direct Subsidized and Unsubsidized Loans
- Subsidized and Unsubsidized Federal Stafford Loans
- all PLUS loans
- all Consolidation Loans (Direct or FFEL)

Revised Pay As You Earn Repayment Plan (REPAYE)

- Eligible Borrowers - Any Direct Loan borrower with an eligible loan type may choose this plan.

- Monthly Payment and Time Frame - The monthly payments will be 10 percent of discretionary income.
- Payments are recalculated each year and are based on the borrower's updated income and family size.
- The borrower must update their income and family size each year, even if the amounts haven't changed.
- If the borrower is married, both the borrower's and the borrower's spouse's income or loan debt will be considered, whether taxes are filed jointly or separately (with limited exceptions).
- Any outstanding balance on the loan will be forgiven if the borrower hasn't repaid the loan in full after 20 years (if all loans were taken out for undergraduate study) or 25 years (if any loans were taken out for graduate or professional study).
- Eligible Loans
  - Direct Subsidized and Unsubsidized Loans
  - Direct PLUS Loans made to students
  - Direct Consolidation Loans that do not include PLUS loans (Direct or FFEL) made to parents

Pay As You Earn Repayment Plan (PAYE)

- Eligible Borrowers – the borrower must be a new borrower on or after Oct. 1, 2007, and must have received a disbursement of a Direct Loan on or after Oct. 1, 2011.
- Monthly Payment and Time Frame - The monthly payments will be 10 percent of discretionary income, but never more than the borrower would have paid under the 10-year Standard Repayment Plan. Payments are recalculated each year and are based on the borrower's updated income and family size.
- The borrower must update their income and family size each year, even if the amounts haven't changed.
- Eligible Loans
  - Direct Subsidized and Unsubsidized Loans
  - Direct PLUS Loans made to students
  - Direct Consolidation Loans that do not include PLUS loans (Direct or FFEL) made to parents

Income-Based Repayment Plan (IBR)

- Eligible Borrowers – The borrower must have a high debt relative to their income.
- Monthly Payment and Time Frame - The monthly payments will be either 10 or 15 percent of discretionary income (depending on when the borrower received their first loans), but never more than the borrower would have paid under the 10-year Standard Repayment Plan.
- Payments are recalculated each year and are based on updated income and family size.

- The borrower must update their income and family size each year, even if the amounts haven’t changed.
- If the borrower is married, the borrower’s spouse's income or loan debt will be considered only if they file a joint tax return.
- Any outstanding balance on the loan will be forgiven if borrower hasn’t repaid the loan in full after 20 years or 25 years, depending on when the borrower received their first loans.
- The borrower may have to pay income tax on any amount that is forgiven.
- Eligible Loans
  - Direct Subsidized and Unsubsidized Loans
  - Subsidized and Unsubsidized Federal Stafford Loans
  - all PLUS loans made to students
  - Consolidation Loans (Direct or FFEL) that do not include PLUS loans (Direct or FFEL) made to parents

Income-Contingent Repayment Plan (ICR)

- Eligible Borrowers - Any Direct Loan borrower with an eligible loan type may choose this plan.
- Monthly Payment and Time Frame - The monthly payment will be the lesser of
  - 20 percent of discretionary income, or
  - the amount the borrower would pay on a repayment plan with a fixed payment over 12 years, adjusted according to the borrower’s income.
- Payments are recalculated each year and are based on the borrower’s updated income, family size, and the total amount of the borrower’s Direct Loans.
- The borrower must update their income and family size each year, even if the amounts haven’t changed.
- If the borrower is married, the borrower’s spouse's income or loan debt will be considered only if they file a joint tax return or they choose to repay the Direct Loans jointly with the borrower’s spouse.
- Any outstanding balance will be forgiven if the borrower hasn’t repaid the loan in full after 25 years.
- Eligible Loans
  - Direct Subsidized and Unsubsidized Loans
  - Direct PLUS Loans made to students
  - Direct Consolidation Loans

Income-Sensitive Repayment Plan

- Eligible Borrowers - Available only for FFEL Program loans, which are not eligible for PSLF.

- Monthly Payment and Time Frame - The monthly payment is based on annual income, but the borrower's loan will be paid in full within 15 years.
- Eligible Loans
  - Subsidized and Unsubsidized Federal Stafford Loans
  - FFEL PLUS Loans
  - FFEL Consolidation Loans

https://studentaid.gov/manage-loans/repayment/plans