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SB 253: Student Loan Transparency

Background: Students attending Oregon's colleges come from diverse social and economic backgrounds, but one thing they increasingly have in common is their reliance on student loans to pay for their education. Americans collectively owe nearly $1.3 trillion in student loan debt, spread out among about 44 million borrowers. In Oregon, the graduating class of 2015 saw 63% of its students graduate with debt, with a statewide average of $27,697 per borrower.

The information students are currently provided about their loans is often complex and does not give them a good sense of how much debt they are actually accruing. If current trends continue, each new graduating class in Oregon will have more debt on average than the class before it. This financial burden not only has an immediate impact on our recent graduates, but it is also having a negative effect on Oregon's economy as a whole.

Proposal: This bill requires institutions of higher education in Oregon to provide students with more information about their education loans that is easy to understand, and will help them make more informed borrowing decisions. Each year, students must be provided the following information:

- An estimate of the total amount of federal education loans received by the student at that time;
- An estimate of the total potential payoff amount, including principal and interest, of the federal education loans received by the student at the time the information is provided;
- An estimate of the amount, including interest, that the student will have to pay each month to service the total loan amount;
- The cumulative tuition and fees the student has paid to the institution at that time; and
- The percentage of the borrowing limit the student has reached for each type of federal education loan that the student has received.

Similar initiatives have led to promising results. During the 2012-2013 academic year, Indiana University started sending annual student loan debt letters, along with other financial literacy initiatives, to all of their student borrowers. Over the next two years, Indiana University saw a roughly 16 percent reduction in student borrowing, approximately $44 million in debt savings. In response, in 2015, Indiana passed legislation to spur similar changes across their state. Since then, Nebraska, Wisconsin, and Washington have all followed suit.

Providing students with this easy to understand information each year will give them a better sense of how their education loans will impact their lives upon graduation. Equipped with this knowledge, Oregon's students will be able to make better informed borrowing decisions.

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