HIGHER EDUCATION COORDINATING COMMISSION

Testimony on Senate Bill 958
Senate Committee on Education
March 20, 2019

Chair Wagner, Vice-Chair Thomsen, and members of the Committee. My name is Kyle Thomas, and I am the Director of Legislative and Policy Affairs for the Higher Education Coordinating Commission (HECC). Thank you for the opportunity to testify on SB 958 and the -1 amendment.

This measure establishes the Dreamers Access Program for student loans, which would be available to certain students who attend public universities and who qualify for tuition equity. Under SB 958, loan amounts, repayment periods, and other program elements would align as much as possible with federal student loan programs.

For the Committee's reference, currently, the Federal Stafford loan program features mirrored in the legislation are:

- $5,500 cap for first year, $6,500 cap for second year, and $7,500 for third year students and beyond
- Interest subsidized – Interest does not accrue to the borrower while the borrower is enrolled
- Capped by cost of attendance based on enrollment and other financial aid received
- Grace period – Borrowers do not pay for first six months after discontinuing enrollment
- 10 year standard repayment period
- Eligibility for deferment and forbearance
    - Deferment – Temporarily halting payments without responsibility for interest for reasons of further enrollment in education or training, military service, or economic hardship (for up to three years)
    - Forbearance – Halting payments with responsibility for interest for no more than 12 months at a time for financial difficulty, medical expenses, change in employment, or other reasons at the discretion of the servicer. Forbearance is also available for other reasons on a mandatory basis, including: residency programs, teaching service, or service in AmeriCorps

There are however, some key differences:

- There are no forgiveness programs established by SB 958
- The interest rate is not set in law, and may fluctuate based on risk
- No loan origination fees

We know, through the state financial aid application, that around 300 students per year currently apply for state financial aid through the ORSAA and that they may qualify for this program. These students have family incomes that track those of the general population in Oregon. However, we also know that their financial need is greater because they are not eligible for federal student loans or grant programs. While providing these students access to in-state tuition and state financial aid has gone a long way toward ensuring that students can attend, we believe there are students that do not apply for state aid or admission to college or university because the affordability gap remains large. Thus, projecting a cost for this program relies on estimating a very important unknown; ~~and~~ the most difficult challenge for HECC in operating the proposed program is determining how ~~resource~~ resource-intensive this program might be.

To administer the proposed new program, HECC would need to contract with a third-party vendor to service the new loans and would require IT support to develop electronic interfaces between a vendor's system and HECC's systems. HECC would also need additional program staff to perform administrative tasks, including writing administrative rules, managing vendor contracts, providing customer service to students, processing applications, determining student eligibility and loan amounts, monitoring borrower activity, tracking loan fund volume, and completing a number of reporting requirements each biennium.

Implementing a new loan program would be administratively complex and would require both a large program fund for new loans to borrowers each year and additional moneys for program administration and vendor support. Operating support would be required for ~~between~~ 15-20 years after the final loan is disbursed to allow for the period of student enrollment and the subsequent repayment period of 10 years or more.

Thank you for your time today.