HB 4021: Student Loan Refinance Report

The Oregon State Treasury & the Higher Education Coordinating Commission
12/1/2016

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Chapter 1: Trends in Student Loan Debt in Oregon and Nationally

Pursuant to Oregon House Bill 4021, this report studies and explores approaches for lowering interest rates on student loans for borrowers in Oregon. This report also outlines the current student loan landscape in the U.S., existing interventions aimed at student debt relief, and proposes additional policies of promise that warrant further consideration by policymakers.

Proliferation of Student Loan Debt

Rising enrollments in postsecondary institutions, in addition to proportionally more students borrowing, has significantly contributed to the $1.3 trillion in current outstanding student debt[1]. Student loans now account for the second largest source of consumer household debt in the U.S., after mortgages[2]. In Oregon the growth in college students' loan debt mirrors the national trend, although both the amount of debt and the proportion of graduates borrowing is lower than the national average.

In Oregon, 63 percent of students graduating with a bachelor's degree from a public 4-year or private nonprofit institution in 2015 left with an average of $27,697 in student loan debt[3]. Nationally, 68 percent of graduates left their respective schools with an average of $30,100 in debt[4]. Although these statistics represent significant gains in the amount of overall debt and proportion of students graduating with debt when compared to these figures a decade ago, data indicates that the net increase in earnings associated with education significantly outperforms the cost of a degree[5]. In fact, lifetime earnings for those with a degree have never been higher, having increased by 75 percent over the last 30 years, while the cost of a degree has only increased by 50 percent[6].

Although the proliferation of student loans warrant policy attention, research reveals that borrowers with the greatest student loan burdens are generally doing just fine, as borrowers' student debt amount is closely linked to their level of education[7]. Moreover, there is an inverse relationship between a borrower's level of education and their likelihood of delinquency and default[8]. Therefore, as highlighted within this report, the most vulnerable student loan borrowing populations are among those with the lowest amounts of student loan debt because lower levels of borrowing generally indicate drop-out status[9]. Defaults are deeply concentrated among those

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[1] Looney, Adam, and Constantine Yannelis. "A Crisis in Student Loans? How Changes in the Characteristics of Borrowers and in the Institutions They Attended Contributed to Rising Loan Defaults." Brookings Papers on Economic Activity, 2015. https://www.brookings.edu/wp-content/uploads/2015/09/LooneyTextFall15BPEA.pdf.

[2] "Consumer Credit." Board of Governors of the Federal Reserve System. November 7, 2016.

[3] "Project on Student Debt, State by State Data." The Institute for College Access & Success. 2016. http://ticas.org/posd/map-state-data#.

[4] Ibid

[5] Gale, William, Benjamin Harris, Bryant Renaud, and Katherine Rodihan. "Student Loans Rising, An Overview of Causes, Consequences, and Policy Options." The Brookings Institute, May 2014.

[6] Akers, Beth, and Matthew Chingos. "Student Loan Safety Nets: Estimating the Costs and Benefits of Income-Based Repayment." Brown Center on Education Policy at Brookings, April 2014, 4. https://www.brookings.edu/wp-content/uploads/2016/06/IBR_online.pdf.

[7] "Report on the Economic Well-Being of the U.S. Households in 2015." Board of Governors of the Federal Reserve System. November 18, 2015. https://www.federalreserve.gov/econresdata/2016-economic-well-being-of-us-households-in-2015-education-debt-student-loans.htm

[8] Ibid

[9] Kamenetz, Amy. "5 Ideas to Ease the Burden of Student Loans." NprEd How Learning Happens. June 26, 2015. http://www.npr.org/sections/ed/2015/06/26/412870161/5-ideas-to-ease-the-burden-of-student-loans.

borrowers who have not completed their degrees and are unable to keep up with their student loan payments because they do not have the improved employment outcomes that generally come with degree completion[10]. For example, for those entering repayment in 2011 almost 70 percent of defaults were attributed to those with less than $10,000 in student loans[11].

For additional default rates by loan size for this cohort, please refer to Appendix D.

Trends in Student Loan Debt

The sticker price for attending public and private nonprofit colleges and universities to students both in Oregon and nationally has steadily increased over the past decades. According to the Bureau of Labor Statistics,

> From January 2006 to July 2016, the Consumer Price Index for college tuition and fees increased 63 percent... Over that period, consumer prices for college textbooks increased 88 percent and housing at school (excluding board) increased 51 percent"[12].

College attendance has increased as did financial aid applications during the recession. For example, the volume of financial aid applications in Oregon nearly doubled in one year, increasing each year from the 2008-2009 academic year and peaking in 2012-2013. The volume of financial aid applications was especially high for students at community colleges. One result of an improved economy is that financial aid applications have decreased each year since the 2012-2013 academic year.

Default Rates in Oregon and Nationally

Every fiscal year, the U.S. Department of Education projects national default rates for the term of federal student loans in repayment. Known as the "Budget Lifetime Default Rate," these estimated default rates are reported as part of the President's annual budget proposed to Congress, and project the overall federal subsidy required to manage the federal student loan program. Default rates for Stafford, Direct Loans, and Federal Family Education Loan (FFEL) program are below, outlining the rates for 2007 to 2011.

	Budget Lifetime Default Rate (%)				
	Year Loan Originated				
Institutional Category	**2007**	**2008**	**2009**	**2010**	**2011**
2 Yr Non-Profit and Public	36.2	36.8	33.5	34.5	33.8
2 Yr Proprietary	52.7	49.4	46.1	50.0	49.4
4 Yr Freshman and Sophomores	29.7	29.2	27.4	26.9	25.4
4 Yr Juniors and Seniors	14.0	14.2	13.1	13.2	13.0
Graduate Students	6.7	6.9	6.4	6.5	6.4
Overall	**18.2**	**18.9**	**18.7**	**19.2**	**18.4**

[10] The Office of the President of the United States. "Investing in Higher Education: Benefits, Challenges, and the State of Student Debt." July 2016, 5.
[11] Ibid
[12] "College Tuition and Fees Increase 63 Percent Since January 2006." Bureau of Labor Statistics. August 3, 2016. http://www.bls.gov/opub/ted/2016/college-tuition-and-fees-increase-63-percent-since-january-2006.htm.

Source: U.S. Department of Education[13]

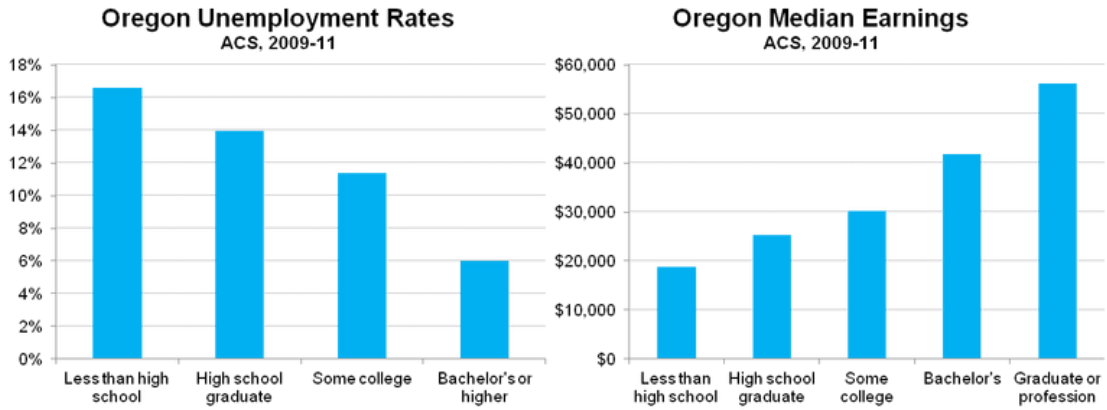
A report by Oregon's Office of Economic Analysis (OEA) analyzed the relationship between student loan default rates of borrowers at Oregon community colleges and the unemployment rate for each respective school's community in 2010[14]. The OEA's analysis indicated a positive correlation, whereby those communities with higher unemployment rates also had higher rates of defaults on community college student loans[15]. As OEA researchers note, to the extent that default rates reflect underlying, local economic conditions at the time, there is a reason to believe that student loan default rates have dropped as local economies around the state have improved.

College as an Investment

The decision to use student debt to finance one's higher education is an investment decision. In a series of college decision surveys given to prospective college students, individuals were asked what the single most important factor was in choosing a college; prospective students overwhelmingly (63 percent) cited the specific cost of college[16]. Prospective students generally weigh the benefits of pursuing a higher education against the financial costs associated with paying for it. However, the premium for a college degree still outpaces the cost of a degree. Over the course of one's career, the median full-time worker over the age of 25 with a bachelor's degree earns nearly $1 million more than a similar worker with only a high school diploma[17]. Moreover, a similar worker with an associate's degree earns about $360,000 more than one with only a high school diploma.[18] Several studies have attempted to isolate the causal effects of college attendance, by comparing individuals with similar earnings potential, but differing levels of education[19]. These studies largely confirm that attending college and obtaining a degree pays off[20].

An illustration of the return on investment for higher education is below. These graphs were produced by Oregon's Office of Economic Analysis (OEA) and examine Oregonians' median earnings and unemployment rates by level of education. Between the years 2009 to 2011, those with higher levels of education generally had lower rates of unemployment and overall higher median earnings[21]. As indicated, the Financial Crisis presented especially tough labor market outcomes for those with less education.

[13] "Budget Lifetime Default Rate." Federal Student Aid, Risk Management Portfolio Performance Management Services. November 2013. https://ifap.ed.gov/eannouncements/attachments/060614DefaultRatesforCohortYears20072011.pdf
[14] Lehner, Josh. "Education and Student Debt." Oregon Office of Economic Analysis. March 14, 2013. https://oregoneconomicanalysis.com/2013/03/14/education-and-student-debt/.
[15] Ibid
[16] Fishman, Rachel. "College Decisions Survey: Deciding to Go to College." New America. May 28, 2015.
[17] Ibid, 4.
[18] The Office of the President of the United States. "Investing in Higher Education: Benefits, Challenges, and the State of Student Debt." July 2016, 5.
[19] Ibid, 11
[20] Ibid
[21] Lehner, Josh. "Education and Student Debt." Oregon Office of Economic Analysis. March 14, 2013. https://oregoneconomicanalysis.com/2013/03/14/education-and-student-debt/.



Source: Oregon's Office of Economic Analysis

Consequences of Default

As a higher education report, released in July 2016 from the White House notes, the proliferation of student debt in the past decade has not been "a major factor in the macroeconomy"; however, growth in levels of student debt have presented significant challenges for those with lower earnings[22]. Typically, there are two groups that leave college worse off than before they started. The first of these is post-secondary drop-outs. Leaving school without a degree, but with student loan debt may present significant costs. Second, not all college degrees and post-secondary educational training programs are comparable; therefore, degrees do not necessarily translate into better job opportunities and higher future earnings potential for degrees from programs such as for-profit schools.

Nearly 90 percent of student loans are borrowed from the federal government. Before student borrowers receive federal student loans, the U.S. Department of Education (DoE) requires that borrowers complete online entrance counseling prior to receiving their first loan and exit counseling prior to entering repayment. The consequences of defaulting on one's federal student loan are significant. As such, the DoE provides extensive information regarding how to avoid default and offers a host of flexible repayment plans based on a borrower's income. As stated by the DoE, the consequences of default include the following:

- The entire unpaid balance of the loan and all interest are immediately due and payable.
- The borrower loses eligibility for loan deferment, forbearance, and repayment plans.
- The borrower loses eligibility for additional federal student aid.
- The borrower's loan account is assigned to a collection agency and the borrower's loans are reported as delinquent or in default to credit bureaus, which damages the borrower's credit rating and makes it difficult to sign up for utilities, get a cellphone plan, or rent an apartment.
- State and federal tax refunds can be withheld through a tax offset, and any tax refunds seized.
- The total loan debt will increase because of late fees, additional interest, court costs, collection fees, attorney's fees, and other costs associated with the collection process.
- The federal government can garnish a borrower's wages.
- Federal employees face the possibility of having 15% of their disposable pay offset by their employer[23].

[22] The Office of the President of the United States. "Investing in Higher Education: Benefits, Challenges, and the State of Student Debt." July 2016, 6.
[23] "Understanding Default." Federal Student Aid. 2016. https://studentaid.ed.gov/sa/repay-loans/default.

Chapter 2: Overview of Student Loan Programs

In response to Oregonians' demand for a statewide student aid program, the Oregon State Scholarship Commission, known today as the Office of Student Access and Completion (OSAC), was created in the late 1960s[24]. Through this organization, the state of Oregon has since administered a number of federal and state student loan programs to incoming students.

In 1965, the federal government began its Federal Family Education Loan (FFEL) program, which guaranteed student loans made by banks and nonprofits[25]. From 1967 to 2004, the Higher Education Coordinating Commission (HECC), Office of Student Access and Completion (OSAC), served as a guaranty agency for the FFEL program in Oregon. In its role as guarantor of federal student loans, the HECC-OSAC's activities included loan origination, loan deferments and default prevention, loan collections and default processing. At the program's height, the HECC-OSAC employed nearly 100 staff members and was directly involved in approximately 75 percent of Oregon's student loan guaranty agency activities[26].

By the mid-1990s, HECC-OSAC's role as the primary guarantor for student loans began to wane; its diminished role can be attributed to two events. First, an analysis by the George H.W. Bush Administration found that a federal direct loan program, which would eliminate the need for private lenders and guaranty agencies, would result in significant savings[27]. These findings eventually led to the creation of a federal direct lending program through the Omnibus Reconciliation Act of 1993[28]. Second, national nonprofit guarantors began to actively market in Oregon and successfully captured a segment of the market share from the state agency.

With these two factors compounded, by 2004 a working group assembled by the Office of the Governor determined that the Commission's loan program was no longer financially viable. Soon after, the Commission formally exited the FFEL program, and Oregon's student loan portfolio transferred to the Education Credit Management Corporation. The Commission subsequently reorganized and dramatically downsized. Nationally, Congress eventually eliminated the FFEL program in 2010, replacing all loan origination with the Federal Direct Loan (DL) program[29]. At this time, the Congressional Budget Office (CBO) estimated that eliminating new loans under the FFEL program would produce $68 billion in savings from 2010 through 2020; these estimated savings were eventually used to increase Pell Grants[30]. By 2012, the Federal Direct Loan (DL) program surpassed the FFEL program in both the number of recipients and outstanding student loan dollars[31].

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[24] "A Brief History of the Office of Student Access and Completion." Office of Student Access and Completion. http://www.getcollegefunds.org/osac-history.aspx.
[25] "Federal Student Loan History." New America. https://www.newamerica.org/education-policy/policy-explainers/higher-ed-workforce/federal-student-aid/federal-student-loans/federal-student-loan-history/.
[26] From the Office of Oregon's Higher Education Coordinating Commission (HECC)
[27] Fishman, Rachel. "College Decisions Survey: Deciding to Go to College." New America. May 28, 2015.
[28] Ibid
[29] "Federal Student Loan History." New America. https://www.newamerica.org/education-policy/policy-explainers/higher-ed-workforce/federal-student-aid/federal-student-loans/federal-student-loan-history/.
[30] Elmendorf, Douglas W. Congressional Budget Office, March 5, 2010. http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/113xx/doc11343/03-15-student_loan_letter.pdf.
[31] "Federal Student Loan Portfolio." Federal Student Aid: An Office of the U.S. Department of Education. https://studentaid.ed.gov/sa/about/data-center/student/portfolio.

A. Federal Student Loans

Throughout the federal government's role as both a loan guarantor and direct lender, its programs have always aimed to ensure education funding for students regardless of income, assets, credit history and field of study[32]. Additionally, federal loans come with a host of benefits such as fixed interest rates, Income-Based Repayment (IBR) and other repayment options, forbearance or deferment options during financial hardship, public forgiveness programs for qualifying public service employees, and potential federal tax deductions for interest paid. Given these benefits and the relatively attractive interest rates available through the federal student loan program, the Department of Education currently originates approximately 90 percent of student loans[33].

1. Changing State Role

As previously outlined, a generation ago many Americans received their student loans through the Federal Family Education Loan (FFEL) program. Through this program, private lenders provided loan capital to students, while the federal government guaranteed repayment of the loan against default. Additionally, the federal government pledged interest subsidies to lenders and reimbursed guaranty agencies for a percentage of costs associated with loan defaults and other write-offs[34]. State governments and private nonprofit guaranty agencies acted as government agents in this program by providing services such as loan origination, fund disbursement, financial counseling to borrowers, default prevention initiatives, and collection efforts when borrowers' defaulted[35].

The state of Oregon terminated its participation as a guaranty agency under the FFEL program in January 2005. Within five more years, the Student Aid and Fiscal Responsibility Act (SAFRA) mandated that the FFEL program no longer issue new loans after June 30, 2010. The dissolution of the FFEL program led many state loan finance authorities to close their doors, although a few guaranty agencies contract with the U.S. Department of Education to service loans in both the FFEL and DL programs. Today, the U.S. Department of Education is wholly responsible for originating all new federal student loans through the Federal Direct Loan (DL) program[36].

At the time of the President's FY 2015 budget submission, there were 30 active guaranty agencies in the U.S. However, these agencies service existing FFEL portfolios and no longer guarantee new loans. Additionally, the Bipartisan Budget Act of 2013 eliminated the guaranty agencies' share of defaulted student loans and reduced the guarantor's maximum collection amount they could charge borrowers on rehabilitated loans from 18.5 percent to 16 percent. At least one small state-based guaranty agency has announced plans to suspend operations by the end of 2016.

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[32] Delisle, Jason. "Student Loan Interest Rates: History, Subsidies, and Cost." New America. February 9, 2012. https://www.newamerica.org/education-policy/policy-papers/student-loan-interest-rates-history-subsidies-and-cost/.
[33] "Total Federal and Nonfederal Loans over Time." CollegeBoard. 2016. https://trends.collegeboard.org/student-aid/figures-tables/total-federal-and-nonfederal-loans-over-time.
[34] "Fiscal Year 2015 Budget Proposal." Student Loans Overview, 2015, 5. https://www2.ed.gov/about/overview/budget/budget15/justifications/s-loansoverview.pdf.
[35] "About Us." Ready Set Repay: On Track for Student Loan Success. 2016. http://www.readysetrepay.org/aboutUs.html.
[36] "William D. Ford Federal Direct Loan Program." U.S. Department of Education. http://www2.ed.gov/programs/wdffdl/index.html.

2. Direct Loan (DL) Program

To cut costs associated with federal student loan programs, the Higher Education Amendments of 1992 created the Direct Loan pilot program[37]. The Clinton Administration later proposed that the program expand, which it did with the passage of the Student Loan Reform Act of 1993[38]. The Direct Loan program cut out administrative costs, the middle-man or private lenders and sought to eliminate subsidies exercised under the FFEL program[39]. Operationally, the program provides students with loan capital from the federal government, while postsecondary institutions originate the loans[40]. In its first academic year, the DL program was responsible for 7 percent of overall loan volume[41].

With the passage of the Student Aid and Fiscal Responsibility Act (SAFRA) in 2010, the FFEL program ceased to originate new loans; the DL program now originates100 percent of all new federal student loans[42]. At the end of the 2015 federal fiscal year, the U.S. Department of Education reported $1.05 trillion in outstanding student loan debt[43]. Of this, $909 billion was issued under the DL program, representing roughly 87 percent of outstanding federal student debt, while FFEL-related debt declined to 13 percent ($139.8 billion) of overall outstanding federal student debt as older FFEL program loans were consolidated or paid off [44].

As in the FFEL program, there are four types of federal student loans available under the Direct Loan program: Direct Subsidized, Direct Unsubsidized, Direct PLUS, and Direct Consolidation loans. In order to receive funds from Direct Loan programs or the Federal Pell Grant, students must complete the Free Application for Federal Student Aid (FAFSA). The FAFSA collects demographic and financial information to determine a student's eligibility for federal aid and the amount of grant and loan funds they will receive[45]. The postsecondary institution or institutions the applicant lists on the FAFSA all receive the student's data and use this information to determine the student's eligibility for these and other financial aid programs. As with federal grants, proceeds from federal student loan programs can be used only for qualifying educational expenses.

To receive a Direct Subsidized Loan, a student must meet financial need criteria, based on the applicant's family income and resources as reported on the FAFSA[46]. Students of all income

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[37] Bush, George. "Statement on Signing the Higher Education Amendments of 1992." The American Presidency Project. July 23, 1992. http://www.presidency.ucsb.edu/ws/?pid=21259.
[38] Shireman, Robert. "Straight Talk on Student Loans." Research & Occasional Paper Series: Center for Studies in Higher Education, 2004. http://files.eric.ed.gov/fulltext/ED492338.pdf.
[39] "The Clinton Presidency: Eight Years of Peace, Progress and Prosperity." The Clinton Presidency: Timeline of Major Actions. https://clinton5.nara.gov/WH/Accomplishments/eightyears-02.html.
[40] "Fiscal Year 2015 Budget Proposal." Student Loans Overview, 2015, 4. https://www2.ed.gov/about/overview/budget/budget15/justifications/s-loansoverview.pdf.
[41] Ibid
[42] Ibid
[43] Ibid
[44] Ibid
[45] "Privacy & Security Information." Federal Student Aid: Office of the U.S. Department of Education. September 25, 2016. https://fafsa.ed.gov/privacynotice.htm.
[46] "Subsidized and Unsubsidized Loans." Federal Student Aid. https://studentaid.ed.gov/sa/types/loans/subsidized-unsubsidized#eligibility

levels may borrow Direct Unsubsidized, PLUS, and Consolidation loans. Graduate and professional students, in addition to parents of dependent undergraduate students, may borrow Direct PLUS loans. Direct Consolidation loans enable borrowers to combine multiple federal student loan payments after leaving school, including loans made through the FFEL, Direct Loans, Perkins Loans and certain education loans made under the Public Health Service Act[47]. Although a Consolidation loan eliminates monthly payments to multiple loan servicers, it also disqualifies borrowers from certain benefits associated with the FFEL and Federal Perkins Loan program.

Today under the Direct Loan program, borrowers must pay an origination fee. Initially, Direct Subsidized and Unsubsidized Loan borrowers were charged an origination fee equal to 1 percent of their principal; however, this fee increased to 1.072 percent under 2014 sequestration rules[48]. Similarly, PLUS borrowers were initially charged a 4 percent origination fee, although again, this fee rose to 4.288 percent.

3. Interest Rates on Federal Student Loans

Set in statute by Congress, interest rates on federal student loans have varied since the program's inception in 1965[49]. Between 1965 and 1992 interest rates were fixed, ranging from 6 percent for loans issued in the 1960s and 1970s to 10 percent for those issued between 1988 to 1992[50]. To better align fixed interest rates set by statute and charged by private lenders in the FFEL program and save money, Congress enacted variable rates in 1992[51]. Although Congress continued to make small changes over the following six years, the formula set in 1992 ensured that variable rates reset once a year based on short-term U.S. Treasury securities plus a markup of 3.1 percent[52]. This formula was initially capped at 9 percent, although Congress reduced the markup and cap over the subsequent years[53].

After much back and forth between Congress, private lenders participating in the FFEL program, and student advocates, Congress passed legislation in 2001, to be implemented in 2006, that reinstated fixed rates for federal student loans[54]. Stakeholders negotiated a flat rate of 6.8 percent, which at the time, was considered a better deal for student borrowers, especially when compared to the projected variable-formula rate[55]. However, the minor economic recession that took place in the latter half of 2001 after the terrorist attacks of September 11, 2001, led the Federal Reserve to reduce short-term interest rates significantly[56]. Therefore, what policy-makers had intended to be the lower rate for consumers ultimately became more burdensome than if the interest rate formula had not changed.

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[47] "Fiscal Year 2015 Budget Proposal." Student Loans Overview, 2015, 3. https://www2.ed.gov/about/overview/budget/budget15/justifications/s-loansoverview.pdf.
[48] Ibid, 4.
[49] Ibid, 5.
[50] Delisle, Jason. "Student Loan Interest Rates: History, Subsidies, and Cost." New America. February 9, 2012, 2. https://www.newamerica.org/education-policy/policy-papers/student-loan-interest-rates-history-subsidies-and-cost/.
[51] Ibid
[52] Ibid
[53] Ibid
[54] Ibid
[55] Ibid
[56] Delisle, Jason. "Student Loan Interest Rates: History, Subsidies, and Cost." New America. February 9, 2012, 2. https://www.newamerica.org/education-policy/policy-papers/student-loan-interest-rates-history-subsidies-and-cost/.

Fast-forward to 2013. The Bipartisan Student Loan Certainty Act of 2013, signed into law after much political wrangling[57], was an attempt to address some of the frigidity of the 2001 legislation. The act established a new market-based approach to federal student loan interest rates[58], which corresponded to the 10-year Treasury bill yield, plus a "statutorily-set basis point add-on" and a statutory cap[59]. Borrowers' rates would now be set annually each spring, before the start of the academic year in July, and remain fixed for the life of the loan[60].

For more information regarding individual federal student loan programs, please see below.

Direct Subsidized Loans

Available only to students with demonstrated financial need, Direct Subsidized Loans are relatively low-interest loans for undergraduate students that carry a fixed-rate for the life of the loan[61]. The federal government pays the interest on loans from this program while the student is still enrolled in school at least half time, during the six months after the borrower graduates (i.e., the "grace period"), and when the loans are in deferment status. The student's postsecondary institution school determines the loan amount, which cannot exceed the student's estimated "financial need"[62]. Direct Subsidized Loans disbursed for the 2015-16 academic year had an interest rate of 4.29 percent[63]. Under the current market-based index formula, the statutory cap on these loans is 8.5 percent. The Budget Control Act of 2011 eliminated graduate and professional student eligibility for these loans[64].

Direct Unsubsidized Loans

Regardless of the borrower's financial need, Direct Unsubsized Loans are relatively low-interest loans for undergraduate and graduate students that carry a fixed-rate for the life of the loan[65]. Unlike Direct Subsidized loans, interest accrues on unsubsidized loans while the borrower is in school; however, borrowers may defer payment of interest while in school and have it capitalized upon entering repayment. Undergraduates receive the same interest rate, origination fees and statutory maximum cap for both Direct Subsidized and Unsubsidized Loans. Graduate students receiving Direct Unsubsidized Loans pay an additional 1.55 percent in interest compared to undergraduates, which is capped at 9.5 percent[66]. The rate for Direct Unsubsidized Loans disbursed to graduate students during the 2015-16 academic year was 5.84 percent.

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[57] Fiscal Year 2015 Budget Proposal." Student Loans Overview, 2015, 6. https://www2.ed.gov/about/overview/budget/budget15/justifications/s-loansoverview.pdf.
[58] Ibid
[59] Ibid
[60] Ibid
[61] Ibid
[62] "The U.S. Department of Education Offers Low-interest Loans to Eligible Students to Help Cover the Cost of College or Career School." Federal Student Aid: Office of the U.S. Department of Education. https://studentaid.ed.gov/sa/types/loans/subsidized-unsubsidized.
[63] "Understand How Interest Is Calculated and What Fees Are Associated with Your Federal Student Loan." Federal Student Aid: Office of the U.S. Department of Education. https://studentaid.ed.gov/sa/types/loans/interest-rates.
[64] Fiscal Year 2015 Budget Proposal." Student Loans Overview, 2015, 6. https://www2.ed.gov/about/overview/budget/budget15/justifications/s-loansoverview.pdf.
[65] Fiscal Year 2015 Budget Proposal." Student Loans Overview, 2015, 6. https://www2.ed.gov/about/overview/budget/budget15/justifications/s-loansoverview.pdf.
[66] Ibid, Q-7.

Direct PLUS Loans
These loans are available to parents of dependent undergraduate students and to graduate and professional degree students. There are no annual or aggregate limits on the amount that can be borrowed; however, the amount must not exceed the cost of attendance minus other awarded student financial aid[67]. Additionally, borrowers may not be eligible for Direct Plus loans if they possess adverse credit histories. As with Unsubsidized Stafford loans, the federal government does not pay any interest that accrues during the lifetime on a Direct PLUS Loans. Direct PLUS loans disbursed for the 2015-16 academic year had an interest rate of 6.84 percent, while the statutory cap is 10.5 percent[68].

Direct Consolidation Loans
Direct Consolidation Loans allow borrowers with multiple existing federal student loans to combine their loans into one new loan. Although consolidating one's loans comes with caveats, depending on the borrower's financial situation and the total amount of student loan debt outstanding, loan consolidation allows borrowers to extend their repayment terms and at a single, fixed rate[69]. The current interest rate for a Direct Consolidation Loan equals the weighted average of the interest rates on each of the borrower's federal student loans being consolidated[70].

4. Annual and Aggregate Limits on Federal Student Loans

University and college financial aid officers determine students' eligibility for the federal student loan type(s) as well as the specific loan amount awarded each academic year according to U.S. Department of Education regulations. Federal statute also specifies annual limits for students' subsidized and unsubsidized loans as well as total cumulative limits for undergraduate and graduate studies. Annual limits vary according to the student's year in college and whether the student is a dependent or an independent student. Dependent students whose parents are ineligible for a Direct PLUS loans may be able to receive additional unsubsidized loan funds.

For more information on annual and aggregate federal student loan limits, please refer to the chart in Appendix B.

5. State Supplemental Student Loan Programs

Historically many states operated student loan finance programs that both originated federally guaranteed education loans and offered alternative financing options to fund any funding gaps between federal student loans, grants, scholarships and the ever-rising cost of college. With the passage of the Student Aid and Responsibility Act (SAFRA) in 2010 and the subsequent transformation of the federal student loan program, many state student loan programs closed their doors. As a result, the number of active state supplemental loan programs have dropped considerably. According to the Education Finance Council (EFC), the trade association that represents the state student loan finance authorities, the 18 remaining state-financed student loan organizations provided almost $964 million in student loans to nearly 72,000 borrowers in the

[67] Ibid, 6.
[68] Ibid, Q-7.
[69] "Consolidating Your Federal Education Loans Can Simplify Your Payments." Federal Student Aid: Office of the U.S. Department of Education. https://studentaid.ed.gov/sa/repay-loans/consolidation.
[70] Ibid

2015 fiscal year[71]. In comparison, the federal government disbursed over $82 billion in student loans over this same period[72]. The EFC also notes that these organizations collectively have an outstanding loan portfolio totaling $8.5 billion, which represents 517,000 borrowers. Comparatively, the federal government's outstanding loan portfolio tops $1.2 trillion, representing 42 million borrowers[73].

State supplemental loan programs are generally stand-alone operations that likely received seed capital initially from their state sponsor. Structurally, these entities often borrow money in the municipal capital markets through public bond sales; the proceeds are then lent to students at determined interest rates to pay for their educational costs. Typically, these bonds are sold as conduit revenue bonds for which the only repayment source is the student loan repayment stream. To achieve investment grade ratings (BBB- or better) and attractive borrowing rates, the operations of state student loan programs must be prudently managed, i.e., they must maintain stringent loan underwriting standards and significant loan-loss reserves to cover possible loan repayment delays and defaults.

Additionally, state-sponsored loan programs must cover on-going operation costs, which include marketing, loan origination, on-going loan servicing, financial reporting and loan collections. The aforementioned costs are typically not funded by state governments but are incorporated into either the initial loan origination fee and/ or added to the interest rate charged to the borrowers' interest rate.

Therefore, most state student loan programs must incorporate administrative costs, loan-loss reserves and bond borrowing costs into the interest rate and origination fees charged to student loan customers. Most states' supplemental student loan programs offer rates and fees that are roughly equal to, or slightly higher than those offered by the Federal Direct Loan program. One exception is Georgia's student loan program, which directly funds a 1-percent student loan program using appropriated state funds. Furthermore, what distinguishes most state-sponsored student loan programs is that they may offer loans with very low or no origination fees, larger maximum loan amounts than allowed under the federal program, variable-rate loans with relatively low interest rates, and loan forgiveness provisions for state residents who work in critical state industries.

Operated by the Bank of North Dakota, the Dakota Education Alternative Loan program (DEAL) is an example of a state-backed student loan program. In 2015, the DEAL offered a 5.08 percent fixed rate student loan with no origination fee to both North Dakota residents and out-of-state residents attending a college in North Dakota. The DEAL's maximum aggregate loan limit is $50,000 for undergraduate students and $50,000 for graduate students. DEAL borrowers and their co-signers must meet specific credit criteria and may not borrow more than the cost of attendance less all other federal grants and loans received for a given loan period. A more comprehensive overview of state programs is provided in Chapter 3.

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[71] "Historical Interest Rates." FinAid Loans. http://www.finaid.org/loans/historicalrates.phtml.
[72] Fiscal Year 2015 Budget Proposal." Student Loans Overview, 2015, 2. https://www2.ed.gov/about/overview/budget/budget15/justifications/s-loansoverview.pdf
[73] Ibid

Oregon does not offer a supplemental student loan program as described above. However, in addition to the FFEL program, Oregon participated in a number of small, targeted student loan programs and loan repayment programs between 1967 and 2012. The table below provides a brief overview of these programs:

Period	Program	Description
1967 to 2004	Federal Family Education Loan Program	Guaranteed student loans made by private and nonprofit lenders for Oregon, including providing loan origination, default prevention and collections services.
1977 to 1993	Medical-Dental Student Loans	Made loans for medical, dental, and veterinary students, paid out of the Common School Fund
1980s and 1990s	Forgivable Loans • Rural Medical Education Loan (1979 to 1990s) • Oregon Nursing Loan Program (1991 to 2005) • Oregon Teacher Corps (1987 to 1993) • Federal Paul Douglas Teacher Scholarship (1984 to 1995)	Students in targeted programs received grants in exchanges for agreeing to work full time in a designated shortage area for 3 to 5 years after graduation. Outstanding balances because loans if borrowers did not meet service agreements. Some programs were state funded, others were federally funded. Even after program funding was terminated, the state continued to be responsible for loan servicing and collections.
2000s	Loan Repayment Programs • Oregon Nursing Services • Oregon Rural Health Services • Oregon Nursing Faculty	Borrowers received funds to repay a portion of their outstanding federal student loans in exchange for 3 to 5 years of continued service in a designated shortage area. Some programs replaced forgivable loan programs.

Oregon has also considered other mechanisms aimed at helping students fund their college education. In 2013, for example, House Bill 3472 directed the Higher Education Coordinating Commission to create a working group to study the feasibility of a pilot program referred to as Pay Forward, Pay Back[74]. Similar to an "income share agreement," participating students would have agreed to pay a percentage of their future income for the subsequent 20 years following graduation or leaving college. Theoretically, this payment plan would eventually take the place of traditional tuition and fees for participants enrolled in college. However, the Oregon State Legislature did not provide funding for the program.

6. Private Loans

[74] "HB 3472 – Pay It Forward: Executive Summary." Higher Education Coordinating Commission. September 2014. http://library.state.or.us/repository/2014/201410231424054/.

In addition to federal and state loan programs, various private financial institutions, including commercial lenders, credit unions, and some nonprofit entities, offer private student loans. Current private loan lenders include former FFEL program lenders such as Sallie Mae, PNC, and Wells Fargo as well as new online lenders such as College Ave and SimpleTuition.

Because private loans are funded completely by the lender, they do not carry the same protections guaranteed by the federal government, nor do they offer flexible repayment terms[75]. Private loans are generally associated with higher interest rates and often require a credit check for the borrower and cosigner, if applicable; 90 percent of private student loans are originated with a cosigner[76]. Private lenders may also consider the type of institution the student attends or the student's field of study. Additionally, many private lenders offer traditional loans for undergraduate students as well as special loan products for graduate MBA, law, and health profession students.

Federal student loan programs come with a host of borrower benefits such as interest subsidies, multiple repayment plans, loan discharge options, and loan forgiveness, which are not available to private loan borrowers. Moreover, as with federal student loans, private student loans cannot be discharged in bankruptcy.

For more examples of student loan products offered by private providers, please refer to the chart in Appendix C.

Chapter 3: Current Student Loan Repayment & Refinance Options

[75] "What Are the Main Differences between Federal Student Loans and Private Student Loans?" Consumer Financial Protection Bureau. http://www.consumerfinance.gov/askcfpb/545/what-are-main-differences-between-federal-student-loans-and-private-student-loans.html.
[76] Ibid

A. Options for Borrowers with Federal Student Loans

1. Federal Student Loan Repayment Plans

The Standard Repayment Plan is the default payment plan for federal student loan borrowers entering repayment[77]. Under this plan, borrowers are required to make fixed monthly payments over a 10-year period (or a 10- to 30-year period for a consolidation loan). Those enrolled in the Standard Repayment Plan will likely pay less toward interest and subsequently pay off their student loans faster than they would if enrolled in other federal repayment plans[78]. Moreover, qualifying borrowers – i.e., those with strong credit scores who borrowed from the federal government when interest rates were higher -- may opt to refinance their student loans at a lower interest rate. Refinancing may allow borrowers to pay off their student loans at a lower cost and faster rate. Various categories of non-federal loan refinancing options currently available to students and their families, including private refinance and state-sponsored programs, are explored later in this chapter.

For those unable to afford their monthly payments under the Standard Repayment Plan, the federal government offers six alternative plans; each designed to make repayment more manageable for a range of borrowers. These plans fall into two categories: basic repayment and income-driven repayment (IDR) plans.

BASIC REPAYMENT PLANS

Basic repayment plans are not contingent on a borrower's income, and include the aforementioned standard ten-year, along with graduated and extended repayment plans. The graduated and extended plans are not typically the best payment option if a borrower finds the Standard Repayment Plan too burdensome; however, such plans do not require that borrowers reapply annually as the IDR plans do.

GRADUATED REPAYMENT

This approach works best for borrowers who are unable to afford the initial payments required under the standard plan, but that are confident that their annual income will increase steadily over time[79]. Under the graduated repayment plan, borrowers repay their student loans over a 10-year term (10- to 30-year period for consolidation loan); however, the monthly payments begin with a smaller payment amount than of that required under the standard plan. Payments steadily increase every two years, regardless of the borrower's income[80].

EXTENDED REPAYMENT

The Extended Repayment Plan works best for borrowers who cannot afford the monthly payments under the standard plan and want the predictability of fixed monthly payments. Under

[77] Simonds, Meredith. "Is the 10- Year Standard Repayment Plan Right for You?" Student Loan Hero. August 26, 2016. https://studentloanhero.com/featured/standard-repayment-plan-10-year/.

[78] "The Standard Repayment Plan Is the Basic Repayment Plan for Loans from the William D. Ford Federal Direct Loan (Direct Loan) Program and Federal Family Education Loan (FFEL) Program." Federal Student Aid: Office of the U.S. Department of Education. https://studentaid.ed.gov/sa/repay-loans/understand/plans/standard.

[79] "The Graduated Repayment Plan Starts with Lower Payments That Increase Every Two Years." Federal Student Aid: Office of the U.S. Department of Education. https://studentaid.ed.gov/sa/repay-loans/understand/plans/graduated.

[80] "The Graduated Repayment Plan Starts with Lower Payments That Increase Every Two Years." Federal Student Aid: Office of the U.S. Department of Education. https://studentaid.ed.gov/sa/repay-loans/understand/plans/graduated.

the extended repayment plan, the term of the loan is extended to 25 years, which lowers the monthly payments but substantially increases the amount of interest that will be paid on the loan over time[81]. Borrowers enrolled in this program can choose to make equal, fixed payments or graduated payments, which start out in smaller increments and increase every two years. The table below illustrates the impact of the extended repayment plan on one's monthly payments and overall interest paid on federal student loans of various sizes. In the example below, a borrower with $25,000 in student loan debt at an interest rate of 4.5 percent would be able to reduce their loan payment by $120 per month but would end up paying an additional $10,596 in interest accrued over the life of the loan.

Extended Repayment Plan Options: Fixed (or Standard) and Graduated (Gradually Increase) Payments

Student Loan Amount	**$ 10,000**	**$ 25,000**	**$ 50,000**	**$ 100,000**
	Standard Plan			
Term of Loan (yrs)	10	10	10	10
Annual Interest Rate	4.50%	4.50%	4.50%	4.50%
Monthly Loan Payment	$ 104	$ 259	$ 518	$ 1,036
Cumulative Payments	$ 12,437	$ 31,092	$ 62,183	$ 124,366
Total Interest Paid	$ 2,437	$ 6,092	$ 12,183	$ 24,366
	25 Year Repayment Plan			
Term of Loan (yrs)	25	25	25	25
Annual Interest Rate	4.50%	4.50%	4.50%	4.50%
Monthly Payment	$ 56	$ 139	$ 278	$ 556
Reduction in payment/month	$ (48)	$ (120)	$ (240)	$ (481)
Cumulative Payments	$ 16,675	$ 41,687	$ 83,375	$ 166,750
Total Interest Paid	$ 6,675	$ 16,687	$ 33,375	$ 66,750
Additional Interest Cost Over Time	**$ 4,238**	**$ 10,596**	**$ 21,192**	**$ 42,384**

INCOME-DRIVEN REPAYMENT PLANS

Income-driven repayment plans (IDRs) cap monthly student loan payments at a percentage of the borrower's monthly income while extending the loan term from the standard ten years to as many as 20 or 25 years[82]. These repayment plans are also designed to forgive any remaining loan balance at the end of their repayment period, although borrowers must pay taxes on the amount that is forgiven, [83]. IDR plans typically entail lower monthly payment than that of the standard plan; however, the borrower pays more in interest over the life of the loan.

[81] "The Extended Repayment Plan Allows You to Repay Your Loans over an Extended Period of Time." Federal Student Aid: Office of the U.S. Department of Education. https://studentaid.ed.gov/sa/repay-loans/understand/plans/extended.
[82] "If Your Federal Student Loan Payments Are High Compared to Your Income, You May Want to Repay Your Loans under an Income-driven Repayment Plan." Federal Student Aid: Office of the U.S. Department of Education. https://studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven.
[83] "If Your Federal Student Loan Payments Are High Compared to Your Income, You May Want to Repay Your Loans under an Income-driven Repayment Plan." Federal Student Aid: Office of the U.S. Department of Education. https://studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven.

Borrowers may apply for one of four IDR plans via the U.S. Department of Education's website or their loan servicer. The plan that best matches a particular borrower depends on a range of variables such as the total amount borrowed, interest rate(s), annual income and family size. To further assist borrowers in choosing a repayment plan option, the Department of Education provides borrowers with an online repayment calculator, allowing individuals to calculate monthly and aggregate repayment totals under various repayment plan options[84]. These income-driven repayment options include:

- Income-based repayment
- Pay as You Earn (PAYE)
- Revised Pay as You Earn (REPAYE)
- Income-contingent repayment

The IDR plans require that student loan borrowers reapply annually, updating information regarding one's income and family size[85]. If a borrower's financial situation changes significantly, so could their monthly payment. Moreover, if a borrower misses the annual deadline for reapplying to one of these IDR programs, any unpaid interest will be capitalized or added to the principal balance of the student loan.

Income-Based Repayment (IBR)

This payment plan works best for student loan borrowers that have a large amount of debt relative to their income because borrowers must meet certain income criteria based on their family size[86]. Under this approach, monthly loan payments are capped at 10 or 15 percent of a borrower's discretionary income, while the loan term is extended to 20 or 25 years, depending on when the borrower's first federal student loan was disbursed[87]. As with all four income-driven repayment plans, the remaining loan balance is forgiven at the end of the loan term.

Pay As You Earn (PAYE)

Similar to the Income-Based Repayment plan, under the Pay As You Earn plan borrowers must meet certain income criteria based on their family size in order to qualify[88]. This plan best fits student loan borrowers who took out their first federal loans after September 30, 2007, and again borrowed after September 30, 2011[89]. This approach best aligns with borrowers who have a great deal of debt relative to their income[90].

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[84] "Repayment Estimator." Federal Student Aid: Office of the U.S. Department of Education. https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action

[85] "If Your Federal Student Loan Payments Are High Compared to Your Income, You May Want to Repay Your Loans under an Income-driven Repayment Plan." Federal Student Aid: Office of the U.S. Department of Education. https://studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven.

[86] "Income-Driven Repayment Plans for Federal Student Loans." Federal Student Aid: Office of the U.S. Department of Education. https://studentaid.ed.gov/sa/sites/default/files/income-driven-repayment.pdf.

[87] Ibid

[88] McGurran, Brianna, and Teddy Nykiel. "Find the Best Student Loan Repayment Plan for You." NerdWallet. April 8, 2016. https://www.nerdwallet.com/blog/loans/student-loans/student-loan-repayment-plans/.

[89] McGurran, Brianna, and Teddy Nykiel. "Find the Best Student Loan Repayment Plan for You." NerdWallet. April 8, 2016. https://www.nerdwallet.com/blog/loans/student-loans/student-loan-repayment-plans/.

[90] Ibid

Only a small subset of borrowers qualify for the PAYE program; however, eligible borrowers typically make lower monthly payments under PAYE than they would through the IBR program. PAYE caps monthly payments at 10 percent of discretionary income, extends the loan term to 20 years, and forgives any remaining balance at the end of the loan term[91].

Revised Pay As You Earn (REPAYE)

This payment plan best aligns with federal student loan borrowers who have undergraduate student loans and cannot afford the standard repayment plan or who possess graduate school student loans and do not qualify for the IBR and PAYE programs[92].

A relatively new repayment program, Revised Pay as You Earn is open to all borrowers with Direct Student loans, regardless of their income or the date of their initial student loan disbursement[93]. REPAYE is an extension of the PAYE program, caps monthly loan payments at 10 percent of one's income, and extends the loan term to 20 years for undergraduate student loans and 25 years for graduate student loans[94]. As with all income-driven repayment plans, the REPAYE program forgives the remaining loan balance at the end of the loan term and in many cases subsidizes unpaid accrued interest for the first three years of repayment[95].

REPAYE may not be the best option for married student borrowers because both partners' combined income are used to determine the monthly payment, even when taxes are filed separately. In contrast, when a borrower's tax return is filed separately from their spouse, other income-driven plans calculate monthly payments based only on the borrower's income.

Income-Contingent Repayment (ICR)

The oldest and least generous federal repayment plan, the Income-Contingent Repayment (ICR) plan works best for borrowers that are unable to afford Standard Repayment Plan payments, but that can pay more than they would on other IDR plans[96]. Additionally, the ICR plan is the only program available to Parent PLUS loan borrowers[97]. One's income does not affect their eligibility for this plan, while monthly payments are generally capped at 20 percent of a borrower's income and extended to a 25 year loan term[98]. As with other IBR plans, the federal government forgives any remaining loan balances at the end of the loan term.

Federal Loan Consolidation

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[91] Ibid

[92] McGurran, Brianna. "5 Facts about REPAYE, the New Student Loan Repayment Plan." NerdWallet. https://www.nerdwallet.com/blog/loans/student-loans/repaye-student-loan-repayment-plan/.

[93] "Income-Driven Repayment Plans for Federal Student Loans." Federal Student Aid: Office of the U.S. Department of Education. https://studentaid.ed.gov/sa/sites/default/files/income-driven-repayment.pdf.

[94] McGurran, Brianna. "5 Facts about REPAYE, the New Student Loan Repayment Plan." NerdWallet. https://www.nerdwallet.com/blog/loans/student-loans/repaye-student-loan-repayment-plan/.

[95] Ibid

[96] McGurran, Brianna, and Teddy Nykiel. "Find the Best Student Loan Repayment Plan for You." NerdWallet. April 8, 2016. https://www.nerdwallet.com/blog/loans/student-loans/student-loan-repayment-plans/.

[97] Ibid

[98] Nykiel, Teddy. "Income-Contingent Repayment: How It Works and Whom It's Best For." NerdWallet. March 30, 2016. https://www.nerdwallet.com/blog/loans/student-loans/what-is-income-contingent-repayment/.

Student loan borrowers who have multiple federal student loans may choose to combine their loans into one consolidated loan with one monthly payment[99]. Borrowers who enroll in this program are not charged an origination fee and receive a new interest rate calculated from the weighted average of all previous loans rounded up to the nearest one-eighth of 1 percent[100]. Moreover, the new interest rate is fixed for the life of the loan; the new term of the consolidated loan varies based on the balance owed at the time of consolidation, as illustrated in the following table[101].

Total Federal Loan Balance	Direct Consolidation Loan Repayment Term
Less than $7,500	10 years
$7,500 to $9,999	12 years
$10,000 to $19,999	15 years
$20,000 to $39,999	20 years
$40,000 to $59,999	25 years
$60,000 or more	30 years

This program benefits student loan borrowers with high loan balances, especially those balances that represent a significant portion of one's annual income[102]. Borrowers who have federal student loans that do not fall under the umbrella of the Direct Loan program do have the option of combining their loans into a Direct Consolidation loan in order to qualify for an income-driven repayment plan[103]. As noted previously, loan consolidation may also simplify the repayment process for borrowers whose federal student loans are split among multiple loan service providers.

It does not always make sense to consolidate all of one's federal student loans, however, if doing so eliminates the advantageous loan forgiveness features of certain older federal loan programs[104]. For example, Federal Perkins loans offer loan cancellation for many public service positions such as teachers in low-income areas, law enforcement employees and nurses[105].

Conversely, a student loan borrower who wants to refinance a multitude of student loans that include private loans would need to refinance those loans through a private or state-sponsored lender. Unlike the federal student loan program, which provides refinance options for all students regardless of one's income or credit history, both private and state-sponsored lenders rely heavily on a borrower's credit score when determining their interest rate. It is important to note that the use of a creditworthy cosigner often enables recent graduates to acquire better terms than would be available if based solely on their credit history and income.

[99] McGurran, Brianna. "NerdWallet's Guide to Federal Student Loan Consolidation." NerdWallet. October 23, 2015. https://www.nerdwallet.com/blog/loans/student-loans/consolidating-student-loans/.
[100] Ibid
[101] Ibid
[102] Ibid
[103] Ibid
[104] Ibid
[105] Ibid

Finally, when a student borrower refinances their federal student loans through a private bank or a state-sponsored program, they lose protections that are specific to their federal student loan. These protections are discussed later in this chapter and include[106]:

- Interest-free payment deferment on subsidized federal loans.
- Flexible repayment options.
- Loan forgiveness for borrowers who work in the public service or make payments on an income-driven repayment plan for the term of their loan.

PUBLIC SERVICE LOAN FORGIVENESS

Enrolling in an income-driven repayment plan can be a cost-effective approach for student loan borrowers, especially for those borrowers who are eligible to participate in the Public Service Loan Forgiveness (PSLF) program. According to the Department of Education, PSLF is a federal program available to those who have made 120 qualifying monthly payments under a qualifying repayment plan while working full-time for a qualifying employer[107]. Under this program, qualified employers are defined as varying levels of government, non-profit organizations, and the Peace Corps or AmeriCorps[108]. A borrower capitalizing on PSLF and an income-driven repayment (IDR) plan would need to make ten years of monthly payments under one of the IDR plan guidelines, at which time the federal government would forgive any remaining student loan balance[109]. For example, a borrower with $100,000 in student loan debt, incurred for a graduate-level education, who qualifies for the public service loan forgiveness program, could hypothetically reduce their monthly payments by $481 monthly through the 25-year loan extension. In this example, the borrower also saves over $72,000 in loan principal as well as any associated interest cost on the forgiven balance.

2. Awareness of Repayment Plan Options

Although delinquencies, defaults, and hardship deferments are steadily trending downward, an estimated 25 percent of federal student loan borrowers are currently delinquent or in default[110]. Despite the array of repayment options listed above, it is clear that marketing efforts surrounding income-based repayment plans could be improved upon. Moreover, according to a Government Accountability Office (GAO) study, 70 percent of student loan borrowers currently in default, would qualify for a lower monthly payment through one of the existing federal repayment plans[111]. This data suggests that millions of student loan borrowers may be failing to receive critical information regarding repayment options.

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[106] McGurran, Brianna. "NerdWallet's Guide to Federal Student Loan Consolidation." NerdWallet. October 23, 2015. https://www.nerdwallet.com/blog/loans/student-loans/consolidating-student-loans/.

[107] "If You Are Employed by a Government or Not-for-profit Organization, You May Be Able to Receive Loan Forgiveness under the Public Service Loan Forgiveness Program." Federal Student Aid: Office of the U.S. Department of Education. https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service#receiving-forgiveness.

[108] Ibid

[109] Ibid

[110] The Office of the President of the United States. "Investing in Higher Education: Benefits, Challenges, and the State of Student Debt." July 2016, 3.

[111] United States Government Accountability Office. "Federal Student Loans: Education Could Do More to Help Ensure Borrowers Are Aware of Repayment and Forgiveness Options." Report to Congressional Requesters, August 2015, 13. http://www.gao.gov/assets/680/672136.pdf.

To better disseminate information about federal student loan repayment programs to borrowers, earlier this year the Consumer Financial Protection Bureau (CFPB) partnered with the U.S. Department of Education to create the "Payback Playbook"[112]. The Payback Playbook, available to borrowers who log into their student loan account online and elsewhere, provides personalized repayment information regarding how different federal repayment plans might affect their monthly payments as well as the loan term. It also links repayment options to the Department of Education's website for more detailed information as well as repayment program applications[113].

B. Private Lenders Offering Student Loan Refinancing

Financial institutions and online lenders are increasingly offering refinance products to student loan borrowers. However, borrowers should carefully consider the tradeoffs of refinancing their federal student loans for private loans before discharging their associated benefits. Among these associated benefits, include the ability to apply for deferment, forbearance, income-based repayment programs and public service loan forgiveness programs. Typically, borrowers refinancing their student loans in the private sector must meet certain debt-to-income, annual earnings and credit score requirements.

SoFi

Web-based company SoFi, short for Social Finance, was the first private lender to offer refinance loans to both federal and private student loan borrowers. Although void of formal credit and annual income minimums, the online lender primarily services high-income earners with excellent credit[114]. According to an analysis by NerdWallet, the "typical SoFi borrower" has a credit score of 774 and earns $124,630 annually[115].

SoFi provides a host of other products, but is arguably best known for its student loan refinancing product[116]. The NerdWallet review also noted that the lender "offers lower interest rates than many competitors"[117]. Fixed-rate loans range from 3.50 to 7.74 percent APR, while variable-rate loans range from 2.15 to 5.95 percent APR[118]. In addition to competitive interest rates, SoFi provides clients with extras such as comprehensive career services, networking events, and unemployment protections, albeit less generous than some competitors and federal forbearance programs.

CommonBond

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[112] "CFPB Unveils Student Loan Payback Playbook to Provide Borrowers with Personalized Snapshot of Repayment Options: Prototype Disclosures Outline Path to Affordable Payments for Borrowers Trying to Avoid Debt Distress." Consumer Financial Protection Bureau, April 28, 2016. http://www.consumerfinance.gov/about-us/newsroom/cfpb-unveils-student-loan-payback-playbook-provide-borrowers-personalized-snapshot-repayment-options/.

[113] "Student Loan Payback Playbook." Consumer Finance. http://files.consumerfinance.gov/f/documents/201604_cfpb_student-loan-playbooks-website.pdf.

[114] McGurran, Brianna, and Teddy Nykiel. "SoFi Review: Refinancing and Borrowing Student Loans." NerdWallet, July 26, 2016. https://www.nerdwallet.com/blog/loans/student-loans/sofi-review-student-loans.

[115] Ibid

[116] Ibid

[117] Ibid

[118] McGurran, Brianna, and Teddy Nykiel. "SoFi Review: Refinancing and Borrowing Student Loans." NerdWallet, July 26, 2016. https://www.nerdwallet.com/blog/loans/student-loans/sofi-review-student-loans.

CommonBond both refinances and funds student loans[119]. Backed by venture capital, this private lender is considered one of the leaders in refinancing graduate student loans, and although less well-known, the company has expanded its portfolio to include customers' undergraduate debt[120]. As with SoFi, CommonBond also cherry-picks the nation's most creditworthy borrowers, offering its graduate refinance product to a select network of top-tier schools' graduates[121]. The standard CommonBond borrower has a credit score of 750 or higher, an annual income that exceeds six figures, and a debt-to-income ratio of 32 percent[122]. Unlike the federal government's student loan program, CommonBond utilizes a proprietary algorithm to vet potential borrowers, which has proven a highly successful strategy[123].

By the end of 2014, CommonBond had refinanced more than $1 billion in student loan debt held by more than 13,500 graduates[124]. Investors estimate that the company's target market consists of about $200 billion out of the overall $1.2 trillion in outstanding federal student loans. Given the higher interest rates charged by the federal government on graduate student loans, current rates range from 6.8 percent for Unsubsidized Stafford loans to 7.9 percent for PLUS loans; CommonBond's strategy of refinancing graduate and professional students' loans is often lucrative for students. The online lender offers competitive rates similar to SoFi's fixed and variable rates, but with loan terms of 5, 7, 10, 15 and 20 years[125]. CommonBond will refinance up to $500,000 in private and federal student loans and does not charge an application, origination or prepayment fee[126].

Other Private Lenders in the Student Loan Refinance Business

The success of SoFi and CommonBond has led to an onslaught of other web-based financial startups that provide similar student loan refinance products. As with SoFi and CommonBond, these companies often target creditworthy borrowers, offering attractive fixed and variable interest rates over a variety of loan terms. A number of traditional banks and credit unions have also begun offering refinance products with attractive interest rates. Furthermore, some online companies solely provide leads to student loan refinance companies.

C. State-Sponsored Student Loan Refinance Programs

Given the tremendous growth in both the cost of higher education and student loan debt over the past decade, there is growing interest by states to implement policies aimed at easing students' financial burden. This is particularly true in states that still operate alternative student loan programs, which in some cases, have been granted the power to refinance existing student

[119] "CommonBond Raises Over $300 Million and Acquires Student Loan Company." CommonBond. 2016. https://commonbond.co/commonbond-raises-over-300-million-and-acquires-student-loan-company.
[120] Nykiel, Teddy. "CommonBond Reviews: Refinancing and Borrowing Student Loans." NerdWallet. May 24, 2016. https://www.nerdwallet.com/blog/loans/student-loans/commonbond-review-student-loans/.
[121] "Frequently Asked Questions." CommonBond. https://commonbond.co/faqs/refinance.
[122] Nykiel, Teddy. "CommonBond Reviews: Refinancing and Borrowing Student Loans." NerdWallet. May 24, 2016. https://www.nerdwallet.com/blog/loans/student-loans/commonbond-review-student-loans/.
[123] Renton, Peter. "CommonBond Introduces an Industry First: An Adjustable Rate Loan." Lend Academy. October 24, 2014. http://www.lendacademy.com/commonbond-introduces-adjustable-rate-loan/.
[124] Pipkorn, Katherine, and Michael Henk. "Student Loan Debt Update: A Look at a Possible Future." Milliman. February 17, 2016. http://www.milliman.com/insight/2016/student-loan-debt-update-a-look-at-a-possible-future/.
[125] Nykiel, Teddy. "CommonBond Reviews: Refinancing and Borrowing Student Loans." NerdWallet. May 24, 2016. https://www.nerdwallet.com/blog/loans/student-loans/commonbond-review-student-loans/.
[126] Ibid

loans[127]. As of November 2015, seven states had begun pilots or had approved legislation aimed at refinancing students' loans at reduced interest rates[128]. These programs, briefly outlined below, have been enacted in the following states: Rhode Island, Massachusetts, Minnesota, Maine, North Dakota, California and Connecticut[129]. Moreover, these programs are largely designed to be self-sustaining and do not receive additional financial support.

1. Rhode Island

The Rhode Island Student Loan Authority (RISLA) was one of the first state-based agencies to implement a student loan refinance program in 2014. While RISLA has acknowledged that it is difficult to match the federal government's more recent interest rates for undergraduate student loans, they were initially motivated to establish a refinancing program for undergraduate students who had FFEL and Direct PLUS loans. Those who borrowed within these programs before 2012 have interest rates around 7.9 to 8.5 percent, despite the overall decline in interest rates[130].

RISLA also anticipates that Rhode Island's graduate students, who pay fairly high interest rates on their Stafford and PLUS loans, may also choose to utilize this refinancing program, as well as state residents with either private educational bank loans or old federal student loans with high-interest rates.

RISLA was well positioned to launch its refinancing program, as the authority had already utilized bond financing when providing student loans to Rhode Island students. Therefore, RISLA had the necessary administrative infrastructure already in place, which enabled a relatively straightforward and quick program rollout[131]. By the end of 2015, RISLA had refinanced nearly $13.6 million in student loans for 349 borrowers[132].

Although conceived as being available only to state residents, RISLA has broadened the program so that residents of all 50 states are eligible. The authority offers fixed rate refinance products that range from 4.24 to 5.74 percent, which can be repaid over a 5, 10, or 15 year period; the shorter the loan's term, the lower one's corresponding interest rate[133]. To be eligible, borrowers must have a minimum credit score of 680, an annual income of at least $40,000, and a preferred debt-to-income ratio not to exceed 50 percent of a borrower's annual income[134]. As NerdWallet has reported, RISLA's typical borrower possesses a credit score of 778, earns $76,000 annually, and has either a debt-to-income ratio of closer to 41 percent or a creditworthy cosigner[135]. High credit borrowers may choose to go elsewhere in the private sector, where more favorable interest rates are available. Finally, RISLA does not charge borrowers an origination fee.

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[127] "Student Loan Debt." National Conference of State Legislatures. November 9, 2015. http://www.ncsl.org/research/education/student-loan-debt.aspx.
[128] Ibid
[129] Ibid
[130] Douglas-Gabriel, Danielle. "Maryland County Wants to Ease the Burden of Student Debt for Its Residents." The Washington Post. December 13, 2015. https://www.washingtonpost.com/local/education/maryland-county-wants-to-ease-the-burden-of-student-debt-for-its-residents/2015/12/13/f8593d66-9aa1-11e5-b499-76cbec161973_story.html.
[131] Ibid
[132] Ibid
[133] "RISLA Refinance Loan." Rhode Island Student Loan Authority. 2016. https://www.risla.com/refinance.
[134] McGurran, Brianna. "RISLA Reviews: Refinancing and Borrowing Student Loans." NerdWallet. June 3, 2016. https://www.nerdwallet.com/blog/loans/student-loans/risla-review-student-loans/.
[135] Ibid

RISLA's refinance program includes an income-based repayment plan option similar to the federal government's income-based student loan repayment plan[136]. Additionally, forbearance is available to borrowers facing financial hardship for a total of 12 months over the life of the loan[137].

2. Massachusetts

Following Rhode Island's success, the Massachusetts Educational Finance Authority (MEFA) issued $76 million in conduit revenue bonds to fund fixed and variable rate loans for their student loan refinance program[138]. Although recent IRS rules have clarified that student loan authorities can issue student loan refinance bonds on a lower-cost, tax-exempt basis, these rules were not yet released when this transaction occurred; therefore, these bonds were issued on a taxable basis[139]. MEFA's bonds received an AA rating from Standard & Poor's and an A rating from Fitch[140]. These ratings were based on MEFA's pledge to repay these bonds through the loan repayment streams associated with their existing student loan portfolio. This portfolio represents over $500 million in loans made to 32,000 borrowers, as well as the repayment streams from any new refinanced student loans[141].

Created over 30 years ago as a self-financed quasi-state authority, MEFA assists students fund their higher education costs. Similar to the Rhode Island Student Loan Authority, MEFA maintained an active student loan financing operation following the dissolution of the FFEL program in 2010, which proved advantageous when developing their refinance program. The favorable pricing of the authority's recent bond sale indicates that bond investors were confident that MEFA could quickly produce a loan refinancing program, while not exposing investors to the type of risk often associated with a new state loan program. Notably, the aforementioned MEFA bond was sold on a parity basis with the other 15 series of outstanding MEFA student loan bonds[142]. At the end of the 2014 fiscal year, MEFA had $1.6 billion in outstanding student loan bonds[143].

To participate in MEFA's student loan refinance program, MEFA requires that borrowers have an established credit history or a cosigner with a strong credit rating[144]. Eligible participants may choose to refinance both federal and private education loans but must refinance a minimum of $10,000[145]. As of May 1, 2016, MEFA offered a fixed rate of 4.95 percent or a variable rate of 3.23 percent for high credit borrowers, on 15-year term refinance loans. MEFA does not receive state subsidies and funds its loan-loss reserve through the imposition of loan origination fees. At

[136] Ibid
[137] Ibid
[138] Massachusetts Educational Financing Authority. 1998-2016, 1. http://www.mefa.org/.
[139] "Internal Revenue Bulletin." IRS. November 30, 2015. https://www.irs.gov/irb/2015-48_IRB/ar08.html.
[140] Massachusetts Educational Financing Authority. 1998-2016, 1. http://www.mefa.org/.
[141] Ibid
[142] Massachusetts Educational Financing Authority. 1998-2016. http://www.mefa.org/.
[143] Ibid
[144] "Education Refinancing Loans." Massachusetts Educational Financing Authority. 1998-2016. https://www.mefa.org/products/education-refinancing-loans/.
[145] Ibid

a minimum, borrowers refinancing with a cosigner pay a 4 percent origination fee, while borrowers without a co-signer pay an origination fee of 7 percent[146].

As with RISLA, MEFA's refinance program has proven particularly attractive to Massachusetts' parents who have taken out PLUS loans for their children's undergraduate education, as MEFA's rates are well below the rates on federal PLUS loans.

3. Minnesota

The Minnesota Office of Higher Education provides a one-stop shop for Minnesotans' higher-education student aid, loan and financial literacy needs[147]. In January 2016, the office launched a student loan refinance program pilot, SELF Refi, which is now available to Minnesota residents. In order to participate in the program eligible borrowers must have graduated from a qualifying program, had the same employer for no less than 60 days, a debt-to-income ratio of 45 percent, and a minimum credit score of 720 or 650 with a creditworthy cosigner[148]. The SELF Refi program offers 5, 10 and 15 year refinance loans, with rates ranging from 4.25 to 6.75 percent for fixed rate loans and 3.2 to 4.55 percent for variable rate loans[149]. Borrowers must refinance at least $10,000, while the maximum refinance amount ranges from $25,000 for graduates with a certificate, diploma or associate degree, and $70,000 for graduates with a bachelor or graduate degree[150]. Unlike the refinance programs in both Rhode Island and Massachusetts this program is only available for students' education loans, and is not available for parent loans.

Before the implementation of its refinance program, the Minnesota Office of Higher Education already managed Minnesota's existing student loan program, the Student Education Loan Fund or SELF, as well as Minnesota's College Savings Plan. The SELF program does not receive state appropriations[151]. Instead, like other state-sponsored student loan programs, SELF is exclusively funded through the issuance of revenue bonds which are then repaid from the education loans it makes to students[152]. Having this existing infrastructure enabled the office to more easily build the state's refinance program and offer refinance products. The SELF Refi program will not be subsidized by SELF's existing student loan portfolio. Conversely, revenue bonds will be sold in order to finance the new program and the repayment pledged to bondholders will be based exclusively on the repayment revenue stream from the refinanced loans.

4. North Dakota

North Dakota is the only state in the country with a state-owned bank. The bank has a long history of providing consumers with products such as student loans. For example, the bank was the first to make a federally-insured student loan in 1967 and, by the end of fiscal year 2014, the bank had $1.2 billion in outstanding student loans[153]. Given the Bank of North Dakota's long-

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[146] "MEFA Undergraduate Application and Solicitation Disclosure." Massachusetts Educational Financing Authority. http://www.mefa.org/wp-content/uploads/2015/07/Combined-UGrad-Disclosure-7.1.15.pdf.
[147] Minnesota Office of Higher Education. https://www.ohe.state.mn.us/.
[148] "Frequently Asked Questions." Minnesota Office of Higher Education. http://www.selfrefi.state.mn.us/faq.cfm#elig_crit.
[149] "Private Education Loan Application and Solicitation Disclosure." http://www.selfrefi.state.mn.us/refi_disclosure_fixed.pdf.
[150] Ibid
[151] "SELF Loan Administration." Minnesota Office of Higher Education. https://www.ohe.state.mn.us/mPg.cfm?pageID=353.
[152] Ibid
[153] Harkinson, Josh. "How the Nation's Only State-Owned Bank Became the Envy of Wall Street." Mother Jones. March 27, 2009. http://www.motherjones.com/mojo/2009/03/how-nation's-only-state-owned-bank-became-envy-wall-street.

term experience in the supplemental student loan business it was well positioned to launch its Dakota Educational Assistance Loan (DEAL) One and Consolidation loan programs at the beginning of 2013.

The DEAL One Loan allows North Dakota residents to refinance any federal student loans, DEAL loans and/or private or alternative student loans from other lenders into one new consolidated loan. While there are no loan limits, the credit criteria and eligibility vary based on the size of the new refinance loan[154]. The DEAL One Loan program does not charge customers an origination fee and offers 10-year loans with a fixed rate of 4.71 percent or a variable rate of 2.13 percent[155]. The variable rate loan does not increase by more than 1 percent per year and is capped at a maximum of 10 percent[156].

The DEAL Consolidation Loan differs in that the program is for non-North Dakota residents who have existing DEAL student loans as well as non-federal educational loans. Under this program, borrowers may consolidate their loans into one new refinance loan[157]. As with the DEAL One Loan program, there is no maximum loan limit, but the creditworthiness of the borrower is considered by the bank when determining the loan size. As of June 2016, DEAL Consolidation Loans are available for 10-year terms and carry a 3.75 percent origination fee and a fixed interest rate of 5.71 percent or a variable rate of 3.93 percent[158].

5. Maine

While the Finance Authority of Maine (FAME) continues to offer alternative student loan products such as the Maine Loan and Maine Medical Loan, at the date of this report it has not yet pursued a state-sponsored student loan refinance program[159]. However, FAME was authorized by the state legislature to provide insurance to local lenders refinancing state residents' student loans in 2015[160].

6. Connecticut

In the fall of 2015, the Connecticut legislature authorized the Connecticut Higher Education Student Loan Authority (CHESLA) to create a student loan refinance program for Connecticut residents. A year prior, CHESLA merged with the non-profit and former FFEL guarantor, the Connecticut Student Loan Foundation[161]. The merger allowed the quasi-public state authority to access the foundation's equity, and better equipped CHESLA with the infrastructure to construct a student loan refinance program. CHESLA now offers refinance products to borrowers with

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[154] "DEAL One Loan." Bank of North Dakota. https://bnd.nd.gov/studentloans/refinance-after-college/deal-one-loan/#1446566431240-45115a25-ece6.
[155] Ibid
[156] Ibid
[157] "Refinance after College." Bank of North Dakota. https://bnd.nd.gov/studentloans/refinance-after-college/.
[158] "DEAL Consolidation Loan." Bank of North Dakota. https://bnd.nd.gov/studentloans/refinance-after-college/deal-consolidation-loan/#1444670237867-24669885-f129.
[159] "Student Loan Consolidation and Refinance." Finance Authority of Maine. http://www.famemaine.com/education/topics/managing-student-loans/loan-consolidation/.
[160] McGurran, Brianna. "Get Lower Student Loan Rates in These States." Huffington Post. February 10, 2016. http://www.huffingtonpost.com/brianna-mcgurran/get-lower-student-loan-ra_b_9193924.html.
[161] Connecticut's Official State Website. http://portal.ct.gov/.

CHESLA-issued student loans as well as to Connecticut residents and student loan borrowers who attended, or are parents of those who attended, a postsecondary institution in the state[162].

The organization's refinance program, known as Refi CT offers fixed rates that begin at 4.75 percent for borrowers with a high-credit cosigner, or 5 percent for those without a cosigner[163]. At the time of this writing, additional information regarding this program was not yet available.

7. California

Although currently unfunded, the California State Legislature passed AB 2377 establishing the California Student Loan Refinance Program (CSLRP) in 2014[164]. The bill authorized the California Educational Facilities Authority (CEFA) to create a state-funded revolving fund[165]. By design, the revolving fund was intended to supplement partnering banks' required loan-loss reserve, for the purpose of student loan refinancing[166]. By supplementing the loan-loss reserve, lending institutions are able to offer the student loan refinance program for a wider-range of borrowers who would not otherwise qualify for refinance products, and are more adequately equipped for increases in defaults[167].

Despite the lack of funding for this particular program, similar loan portfolio insurance programs have been successfully deployed by the state of California. For example, the California Capital Access Program also referred to as CalCAP, pledges cash in order to cover small business' collateral shortfalls, therefore enabling small businesses to receive financing that they would not otherwise qualify for. With the CalCAP portfolio insurance, partnering financial institutions are enabled to lend to credit-profiles that exceed the risk thresholds typically set for business loans. Although each lender is entirely liable for its loan losses, losses can be reimbursed from each lender's loan loss reserve account. Within this program, the reserve account is built-up over time from contributions made by the borrower, the lender, and the CalCAP. In this particular program, if the lender and the borrower each pay a 2 percent premium on a loan, CalCAP will match it with a 4 percent premium; the total 8 percent contribution is added to the lender's loss reserve account[168].

All federal and state-charted banks, savings associations, certified Community Development Financial Institutions (CDFIs) and credit unions are eligible to participate in CalCAP. In early 2016, 24 participating lenders, primarily community banks and credit unions, were enrolled in CalCAP and making small business loans through this program.

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[162] "California Capital Access Program." California State Treasurer. http://www.treasurer.ca.gov/cpcfa/calcap/collateral/index.asp.
[163] Connecticut Higher Education Supplemental Loan Authority. 2011-2016. http://www.chesla.org/.
[164] Perez, John. "State, Private Lenders Would Help Refinance Student Loans Under AB 2377." California State Assembly Democratic Caucus. April 29, 2014. http://asmdc.org/news-room/press-releases-statements/speaker-john-a-perez-state-private-lenders-would-help-refinance-student-loans-under-ab-2377.
[165] Ibid
[166] Ibid
[167] "Student Debt-relief Bill All Promise, No Delivery." The Sacramento Bee. October 5, 2014. http://www.sacbee.com/opinion/editorials/article2620104.html.
[168] "CalCAP Collateral Support Program Summary." California Pollution Control Financing Authority, February 17, 2015, 4. http://www.treasurer.ca.gov/cpcfa/calcap/collateral/summary.pdf.

When AB 2377 was passed, the California State Treasurer's office estimated that an initial $10 million in state funds would allow the California Educational Facilities Authority (CEFA) to initiate an equivalent loan portfolio insurance program for refinancing student loans.

With this initial funding, it was estimated that state lenders could in turn fund up to 6,000 refinanced student loans, while ongoing program administrative costs would be charged to program participants through loan fees. Recognizing improvements in the federal loan program, the California program was designed to initially only refinance private student loans. While AB 2377 passed with bipartisan support and was signed into law with great fanfare in September 2014, the California legislature has not yet appropriated funds for the program's state revolving fund. As of the date of this report, the CSLRP program has remained dormant.

D. State Loan Forgiveness and Interest Rate Subsidy Programs

A handful of states offer varying state-backed programs aimed at alleviating the burden of student loan debt for their residents. The Alaska Student Loan Corporation offers student loans for residents at an initial fixed rate of 5.95 percent, no origination fee and at an aggregate maximum cap of $60,000 for both undergraduate and graduate school. For Alaskan residents who work in a qualifying fisheries-related field, up to 50 percent of their student loans may be forgiven.

Rhode Island's Student Loan Authority possesses an interest forgiveness program. Within this program, the Student Loan Authority offers fixed-rate loans for borrowers entering certain fields in the state of Rhode Island. These fixed-rate loans do not accrue interest for up to 48 months. The borrower's entire payment is applied to the principal during that time, thereby reducing the borrower's financial burden and incentivizing Rhode Island students to enter critical fields. The state also offers up to $2,000 in loan forgiveness to Rhode Island college students who are serving as paid or unpaid interns while in school, regardless of the internship location.

To address education-related funding gaps for undergraduate students in the state of Georgia, the Georgia Student Finance Commission offers a state-funded Student Access Loan (SAL). Unique among state programs, SAL offers a one-percent interest loan to students who attend an eligible public or private postsecondary institution in Georgia, as long as borrowers make their scheduled payments. Typically, the SAL loan term is 10 years, with an annual maximum cap of $8,000 per student. Georgia also offers SAL forgiveness options for those working in select public service sectors or in the science, technology, engineering, or math (STEM) fields.

For a complete survey of state student loan programs in FY 2015, see the Education Finance Council report[169].

[169] Wheeler, Ted, Timothy Duy, Phil Barnhart, Richard Devlin, and Michael Jordan. "Commission Report." Report of the State Debt Policy Advisory Commission, January 22, 2013, 7. https://www.oregon.gov/treasury/Divisions/DebtManagement/Documents/SDPAC/2013 SDPAC Report.pdf.

Chapter 4: State Funding Approaches

State Bond Debt

As the issuer of all state of Oregon bonds, the Oregon State Treasury (OST) is responsible for all long-term debt programs. In addition to constitutional and statutory authorities and limitations, the Oregon State Legislature approves limits on bond volume biennially. Within Oregon's long-term debt program, the state primarily utilizes four types of debt finance obligations: general obligation bonds (GOs), direct revenue bonds, appropriation credits, and conduit revenue bonds, which are outlined in further detail below[170].

General Obligation Bonds

General Obligation Bonds (GOs) are debt secured by the full faith and credit of the state of Oregon, meaning the state of Oregon pledges to fund debt service payments, specifically principal and interest owed, over the life of each GO bond with unrestricted public revenues or, where permitted, a statewide ad valorem property tax[171]. Article XI, Section 7 of Oregon's constitution provides the state with the general authority to issue GO debt, but limits that authority to debt issued pursuant to one of the 18 expressly authorized GO bond programs. Generally speaking, debt service payments draw on the General Fund or alternative taxing authorities However, some programs are entirely self-supporting and are repaid from program revenues, gifts, grants or other revenue sources[172].

Direct Revenue Bonds

Direct revenue bonds are backed by a specific and dedicated revenue stream. Unlike general obligation bonds, direct revenue bonds are not secured by the state's unlimited pledge to fund debt service with unrestricted public revenues. Instead, program revenues are customarily associated with the project(s) funded by those revenue bonds[173]. Before revenue bonds can be issued, a rating agency assigns a credit rating to any revenue source designated to fund a bond program.

Conduit Revenue Bonds

Conduit revenue bonds are securities issued by the state of Oregon in order to finance a project for a third party, as authorized in statute. The third party, not the state, maintains the obligation to make the debt service payments. Oregon currently has three authorized and active conduit or "pass-through" revenue bond programs[174].

State Debt as a Financing Source for Student Loan Refinancing

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[170] Ibid
[171] "Article XI Section 1." Oregon Legislature. https://www.oregonlegislature.gov/bills_laws/ors/anc011.html.
[172] Wheeler, Ted, Timothy Duy, Phil Barnhart, Richard Devlin, and Michael Jordan. "Commission Report." Report of the State Debt Policy Advisory Commission, January 22, 2013, 7. https://www.oregon.gov/treasury/Divisions/DebtManagement/Documents/SDPAC/2013 SDPAC Report.pdf.
[173] Ibid
[174] Wheeler, Ted, Timothy Duy, Phil Barnhart, Richard Devlin, and Michael Jordan. "Commission Report." Report of the State Debt Policy Advisory Commission, January 22, 2013, 9. https://www.oregon.gov/treasury/Divisions/DebtManagement/Documents/SDPAC/2013 SDPAC Report.pdf.

In order to utilize state debt to finance a student loan refinancing program, the state legislature would first need to determine what funds and/ or revenue streams would be committed to paying back the debt. Based in part on this commitment, a rating agency would then issue the bonds' credit rating. The credit rating, which determines the interest rate the issuing body can secure, generally reflects the level of risk associated with repayment of the debt. For example, a GO bond backed by the full faith and credit of the State of Oregon has a relatively high credit rating, due to the way the state manages its debt.[175] However, as noted above, in Oregon GO Bonds may only be used for purposes explicitly permitted in the Oregon Constitution. Therefore, in order to access the full faith and credit of the State of Oregon for a student loan refinance program, the state legislature would be required to pass and refer a constitutional amendment, which would ultimately necessitate voter approval.

Furthermore, any amount of debt ultimately issued for a student loan refinance program would assume a portion of the state's overall debt capacity. Therefore, the issuance of debt for this program would be required to compete with other state needs financed through the issuance of GO bonds.

A handful of states utilize revenue bonds in order to fund their student loan refinance program[176]. Connecticut is one such state, pledging borrowers' refinanced student loan payments toward the program's corresponding state-issued debt. The challenge with this structure is that the revenue source, the repayment of student loans, must qualify for its own credit rating. Therefore, credit rating agencies must evaluate factors such as borrowers' credit scores, default rates, and the ability of the program to go after delinquent accounts. In order for this type of program to be self-sufficient, revenue bonds must be borrowed at a lower rate than the interest rate lent to participants. Given this revenue structure, it is unlikely that a refinance program in Oregon would be able to secure an interest rate low enough to provide a benefit to participants, especially given existing public and private entities. Therefore, regardless of whether debt is issued through direct revenue bonds, with the state administering the program, or conduit revenue bonds, requiring a third party to administer the program, securing a credit rating high enough to lower student loan interest rates for Oregonians would present significant challenges[177].

Investments

The Oregon State Treasury (OST) manages a portfolio of various funds on behalf of Oregonians. Among those funds actively invested by Treasury's Investment Division are the Oregon Public Employees Retirement Fund (OPERF), the State Accident Insurance Fund (SAIF), the Oregon Short Term Fund (OSTF), the Common School Fund and several state agencies' fixed income portfolios.

The Oregon Investment Council (OIC) has fiduciary and statutory obligations associated with the investment of these funds. "In accordance with ORS 293.721, the general duty of the OIC 'is to make [investment funds] moneys as productive as possible,' subject to the standard of judgement

[175] Wheeler, Ted, Timothy Duy, Phil Barnhart, Richard Devlin, and Michael Jordan. "Commission Report." Report of the State Debt Policy Advisory Commission, January 22, 2013, 27. https://www.oregon.gov/treasury/Divisions/DebtManagement/Documents/SDPAC/2013 SDPAC Report.pdf.
[176] Ibid, 32.
[177] Assuming no State subsidy.

and care owing under its fiduciary obligations, inclusive of such statutory mandates as found in ORS 293.726."[178]. Investment policies established by the OIC and OST are "grounded in and bounded by fiduciary and statutory foundations to their authority which charges them with exercising a duty of exclusive loyalty to fund beneficiaries by ensuring that related moneys are invested as efficiently and productively as possible while adhering to applicable standards of prudent judgement and care"[179].

The Oregon State Treasury's Investment Division manages state investment funds on behalf of the OIC. In order for the Investment Division to use investment funds to purchase student loan debt, the student loan debt must first be securitized and rated by a ratings agency. Similar to revenue bonds, the ratings agency evaluates factors such as the student loan refinance program's structure, ability to collect on delinquent accounts, and eligibility and credit score requirements for participants. Current OST investment policy requires that investments meet a minimum rating requirement, therefore, the Investment Division would be precluded from using investment funds to refinance student loans if the assigned rating was too low[180]. If the rating did meet the minimum threshold, the Investment Division would still be required to assess the expected repayment rate, given the risks associated with default and early repayment, and determine if this investment met their standards as fiduciaries for the state.

Programs in Oregon to Help Make College Affordable

One approach to helping students control or reduce debt is through existing financial aid programs funded and administered by states. Such programs can aid in reducing the total cost of going to college, especially for low-income students. In Oregon, the Higher Education Coordinating Commission (HECC), Office of Student Access and Completion (OSAC), administers all major state-funded student financial aid programs. The need-based Oregon Opportunity Grant and the new Oregon Promise program serve a large numbers of students. HECC-OSAC also administers smaller programs for more targeted populations such as students with dependent children, former foster youth, and dependent children of deceased or disabled public safety officers. The primary financial aid programs are summarized below.

<u>Oregon Opportunity Grant (formerly the State Need Grant)</u>

The Oregon Opportunity Grant (OOG) is the state's largest need-based program for students looking to finance the cost of college. Established in 1971, the OOG has since provided grants to thousands of Oregon students each year. In the 2015-16 academic year, more than 39,000 Oregon students received Oregon Opportunity Grants of up to $2100 for a total of more than $64 million in grant aid for the academic year. For 2016-17, the maximum award amount is $2250 for students who are enrolled full time, for the full academic year.

The OOG serves undergraduate Oregon students who attend an eligible Oregon institution. Grants are awarded on the basis of a student's demonstrated financial need without regard to grade point average, class standing and test scores. Eliminating financial barriers enables a wider-range of individuals to pursue a college education. Students can use OOG funds at 42

[178] Oregon Investment Council. "Statement of Funds Governance." February 27, 2002, 3. http://www.oregon.gov/treasury/Divisions/Investment/Documents/Statement of Funds Governance.pdf.
[179] Oregon Investment Council. "Statement of Investment and Management Beliefs." October 30, 2013, 2. http://www.oregon.gov/treasury/Divisions/Investment/Documents/Statement of Investment and Management Beliefs.pdf.
[180] The State could use its full faith and credit to back up the student loans, but then the General Fund would bear that risk.

eligible Oregon postsecondary institutions, including all Oregon community colleges, all public universities and most Oregon-based 4-year private nonprofit colleges and universities.

OOG eligibility is based on the financial resources of each student and the student's family, as reported on the Free Application for Federal Student Aid (FAFSA). FAFSA is the required application for the OOG, as well as for most federal student aid programs, including Federal Pell Grants and Federal Direct Loans. Grants are available for the equivalent of up to 12 quarters or 8 semesters at full-time enrollment and are prorated for half-time enrollment (6 to 11 credits per term). Students must also maintain satisfactory academic progress and file a new FAFSA each year to demonstrate continued financial need.

- **OOG Redesign**: Oregon Opportunity Grants had been awarded first-come, first-served for many years. The HECC recommended restructuring the program to target high-need, high-promise students who are struggling with college costs. Recently passed legislation helped improve grant predictability by extending the application period and prioritizing awards based on students' financial need rather than application date. In 2015, the Oregon Legislative Assembly passed legislation to formalize this change in prioritizing OOG awards. It also provided for grants for a second year to first-time grant recipients in 2016-17 who filed a FAFSA for the following year and continued to meet all other OOG eligibility criteria.

<u>The Oregon Promise</u>
The Oregon Promise is a new tuition grant program approved by the 2015 Legislative Assembly. First available in the academic year of 2016-17, the grant program covers all or nearly all of a student's tuition costs at an Oregon community college. In order to be eligible, students must be Oregon residents, possess a grade point average of 2.5 or higher, and must enroll in a community college in Oregon within six months of graduating high school or earning a GED. Students who continue to meet satisfactory academic progress, GPA and other requirements are eligible to receive Oregon Promise funds for the first 90 credits attempted. Nearly $10 million in funding is available to students for the program's first year.

- **Oregon Promise Statistics**: In its first year, OSAC received and processed more than 19,000 applications. More than 5500 students are currently enrolled and have received grant funds for fall 2016. The maximum award is equal to the actual or average tuition for a full-time student enrolled for 12 or more credits per term, whichever is lower. Students whose tuition is covered by Federal Pell and OOG funds will still receive $1000. Each student's award is reduced by $50 per term, regardless of the amount awarded or the student's enrollment status. Preliminary data for 2016-17 will be available in December 2016.

<u>Other Federal and State Programs</u>
In addition to the major state-funded grants, HECC-OSAC also administers a number of smaller programs, some in partnership with other agencies. These programs include the following:

- *Chafee Education and Training Grant (Federal)* – Assists foster youth with the transition to self-sufficiency by providing funding for education, training, and services necessary to obtain employment.
- *GEAR UP Scholarship Program (Federal)* – Serves financially needy GEAR UP students with scholarship awards for any accredited 2- or 4-year public or private institution in the United States.
- *Deceased and Disabled Public Safety Officers Scholarship (State)* – Provides need-based awards to biological, adopted, and stepchildren of public safety officers in Oregon who were killed or disabled in the line of duty. Award amounts are up to full tuition and fees at community colleges and public 4-year institutions in Oregon and up to tuition and fees at the University of Oregon for students at private nonprofit 4-year institutions in Oregon. Program funds are paid out of the Oregon Opportunity Grant Fund.
- *Oregon Student Child Care Grant (State)* – Assists parents enrolled in postsecondary education with safe, dependable care that supports their children's development while allowing the student-parents to complete their academic programs.
- *JOBS Plus – Individual Education Accounts (State)* – Serves TANF clients (Temporary Assistance for Needy Families) by creating Individual Education Accounts, where employers match $1 for every hour the participant works in a subsidized job.
- *Oregon Youth Conservation Corps Program (State)* – Serves disadvantaged and at-risk youth with education, training and employment opportunities.

Private Scholarships

Oregon is the only state in the country with a state agency that administers more than 520 individual private scholarship programs to help make college more affordable for Oregon students. HECC-OSAC partners with private foundations such as the Oregon Community Foundation and the Ford Family Foundation, financial institutions, private individuals, employers and membership organizations to establish scholarships for a broad variety of students. Targeted student populations include those from diverse backgrounds such as foster youth, students with dependent children, and dislocated workers. HECC-OSAC also administers private scholarships associated with specific high schools, academic and career interests, as well as geographic regions.

ASPIRE, FAFSA PLUS +, and Outreach Programs

In response to a 2015 White House initiative, Oregon and many other states have been able to share FAFSA completion data with local high schools, school districts, and tribes. This data sharing initiative has since resulted in efforts that have increased the overall number of high school students who file FAFSAs every year and brought more federal aid to Oregon students.

Chapter 5: Potential Approaches to Lowering Student Loan Burden in Oregon

Enhancing Existing Student Financial Aid Counseling Programs

As indicated in the Financial Industry Regulatory Authority's (FINRA) 2016 report on Financial Capability in the United States, financial literacy efforts require considerable work in Oregon and nationwide. According to the study, more than a quarter of respondents had student loans, while 53 percent of these student loan borrowers reported that they would "make a change if they could go through the process of taking out student loans again"[181].

Although the U.S. Department of Education requires that all borrowers complete entrance counseling prior to receiving federal student aid, and complete exit counseling once graduating, leaving school, or falling below half-time enrollment, state efforts to improve borrowers financial literacy could certainly enhance the existing programs for Oregonian borrowers[182]. Existing consumer tools such as the Consumer Financial Protection Bureau's (CFPB) Student Loan Payback Playbook could also be leveraged and marketed locally.

Implementation of an Oregon Student Loan Refinancing Program

Nationally, nearly 90 percent of outstanding student loans were made by the federal government[183]. Since 2009, the federal government has offered Income Based Repayment (IBR) plans, capping former students' federal loan payments to a percentage of their discretionary income and pledging to forgive any remaining loan balance at the end of the repayment term[184]. These policy changes were made in order to help federal student loan borrowers better manage their monthly payments. A state-sponsored student loan refinancing program would only be of added benefit to a limited segment of student loan borrowers, while finding it hard to compete with the many benefits associated with federal student loans. Creditworthy borrowers with high-income earning potential, such as graduates of professional schools in medicine, law, engineering and business, have an ever-expanding network of competitive private sector refinance options.

As outlined within this report, several states that have established refinance programs for student borrowers had existing student loan finance authorities with long-standing experience in the student loan business. In contrast, the state of Oregon does not possess the same existing infrastructure and would require considerably more resources and time in order to establish a student loan bond-issuing entity. This entity would also require market access to the aforementioned state bonding authorities. Oregon would also need to recruit and hire qualified staff for the following functions:

- Provide oversight of the loan program parameters and day-to-day operations

[181] Lusardi, Annamaria. "So Much Student Debt, So Much Ignorance." The Wall Street Journal, July 12, 2016. http://blogs.wsj.com/experts/2016/07/12/so-much-student-debt-so-much-ignorance/?mod=e2tw.
[182] "Complete Counseling." Federal Student Aid: Office of the U.S. Department of Education. https://studentloans.gov/myDirectLoan/counselingInstructions.action.
[183] The Office of the President of the United States. "Investing in Higher Education: Benefits, Challenges, and the State of Student Debt." July 2016.
[184] Slack, Megan. "Income Based Repayment: Everything You Need to Know." The White House. June 7, 2012. https://www.whitehouse.gov/blog/2012/06/07/income-based-repayment-everything-you-need-know.

- Market the loan program to Oregonians
- Oversee the processing and credit review of loan refinance applications
- Coordinate the periodic sale of tax-exempt bonds in order to fund loans
- Provide day-to-day debt management administration of bond proceeds
- Oversee the loan origination and loan servicing operations (i.e., funding of loans, monthly billing, accounting, processing early prepayments, delinquency collections, etc.)

To successfully launch such a program would require a substantial amount of upfront cash as well as an ongoing subsidy from the state's General Fund. It is projected that the program would require at least 10 to 12 percent of the student loan refinance program funding from the state. For example, if the initial student loan refinancing program refinanced $100 million worth of loans, the upfront state contribution would range from 10 to 12 million dollars. The new financing authority would not possess the track record or adequate loan-loss reserve needed to achieve an investment-grade credit rating and a reasonable interest rate on an initial public offering of revenue bonds. Additionally, without receiving a voter-approved change to Article IX of the state's constitution, the state is unable to provide an underlying general obligation guarantee on the repayment of this new authority's bond issues, which would significantly increase the program's borrowing costs[185].

In contrast, states such as Massachusetts and Rhode Island were able to establish student loan refinancing programs with relative ease. Their experiences can be attributed to their bonding authorities having both long-held performance records in the municipal capital markets, as well as the adequate loan-loss reserves required to meet credit rating agency and bond investor requirements[186].

State-Funded Credit Enhancement Program

The state of Oregon does have experience managing a loan program similar to the structure proposed by the state of California for its student loan refinance program. In this approach, state dollars are matched with private financial institution dollars and are then allocated to a loan loss reserve. The matching state dollars incentivize banks to lend to a wider array of borrowers than would otherwise qualify for funding, while avoiding the need for the state to establish loan origination and servicing infrastructure. Successfully managed by the Oregon Business Development Department (OBDD) for over 25 years, the Oregon Capital Access Program (CAP) is a small business loan program designed and structured similar to California's proposed refinance program.

[185] This Article places strict limits on the use of the State's general obligation pledge.
[186] Chapter 285B - Economic Development II." ORS 285B.109 – ORS 285B.119. 2015. https://www.oregonlegislature.gov/bills_laws/ors/ors285B.html.

Established by law in the early 1990s, CAP enables small businesses and non-profit organizations lacking collateral or the required credit profile to gain access to lines of credit for startup or expansion operations[187]. Lenders use the enrollment fee to build up the loan-loss reserve each time a small business loan is made through the program. Additionally, the state contributes a dollar-for-dollar match to the lender's loan-loss reserve account. The increased size of this loan loss reserve allows lenders in the program to fund loans to a wide array of Oregon for-profit and non-profit businesses that might not otherwise meet the lending institution's minimum credit criteria.

Loan parameters for the State's CAP program include the following:

- Enrollment fees are between 3% and 7% of the initial loan size, as determined by the financial institution.
- The state matches the enrollment fee up to $35,000 per borrower.
- The loan rate and terms for repayment are determined by the lender.

To date, the state has invested approximately $5.3 million in the CAP program, which has resulted in over 2,700 small business loans in Oregon. Based on the average CAP loan size, roughly $50,000 to $60,000, the state's investment represents a leveraging of approximately 33:1 in terms of state dollars. Oregon banks currently participating in the CAP program include:

- Albina Community Bank
- Bank of the Cascades
- Bank of the Pacific
- Clatsop Community Bank
- Columbia Bank
- High Desert Bank
- Northwest Bank
- Pacific Continental Bank
- People's Bank of Commerce
- Summit Bank
- Willamette Valley Bank

<u>Applying the Lessons of the Oregon CAP to an Oregon Student Loan Refinance Program</u>

In recent months, Oregon State Treasury (OST) staff has reached out to both the state of California to learn more about their loan program, and to various major private lenders in the student loan industry, in order to gauge interest in working with the state to develop a student loan refinance program. The flow chart below outlines how the CAP program structure might lend itself to a student loan refinance program in Oregon.

Within OST's discussions with lenders, a key issue that has emerged is in determining the appropriate minimum credit standard that will be required for participation in this program. Credit eligibility requirements will drive the size of both the loan loss reserve and the state match required on a given loan. From the lenders' perspective, the lower the credit score threshold in the program, the higher the risk of payment delay and/or default by borrowers, which will warrant larger loan loss reserves.

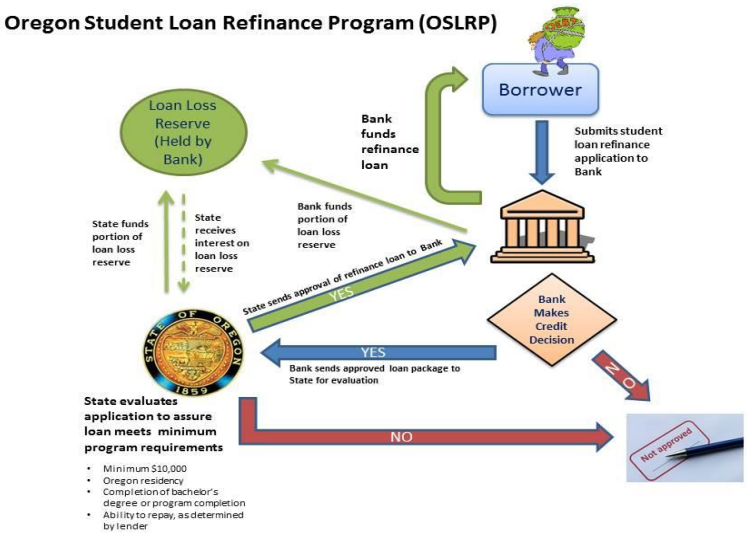
[187] "Oregon Capital Access Program." Business Oregon. http://www.oregon4biz.com/How-We-Can-Help/Finance-Programs/CAP/.

Looking to the Oregon CAP program as an example, the industry average loan-loss reserve for small business loans is 6 percent of the initial loan's size. Financial institutions participating in the CAP program contribute 3 percent of the total loan amount to the loan-loss reserve, while the state matches this amount as new loans are made[188]. The entire loan-loss reserve is held by the financial institution that makes the loan. However, the state retains control over the state-contributed funds and must approve use of said funds before a financial institution may offset any loan losses.

Research conducted by the state of California indicates that in such a program, private lenders would likely require borrowers with a FICO credit score of 700 to 740 to pay 0.5 percent of their initial loan amount to the loan-loss reserve for each year that a loan is outstanding. Accordingly, a lender would require a loan loss reserve equal to 7.5 percent for a refinanced student loan with a 15 year amortization period, but only a 5 percent reserve for a student loan with a 10 year amortization. Assuming that each party contributes one-half of the loan loss reserve, the state's matching contribution for a student loan program with these eligibility requirements would vary from 2.5 to 3.75 percent per refinanced student loan.

Recent conversations with private lenders indicate that institutions may be willing to consider minimum credit scores ranging from 660 to 680; however, refinanced loans for this credit profile would likely require a greater annual loan loss reserve and perhaps a more significant contribution from the state. Additionally, participating banks may also require a higher interest rate on loans made to borrowers with lower credit scores. Further analysis of associated costs and applicable segments of the student loan borrowing population is warranted if the state moves forward with this program.

Another concern in developing this new student loan refinance program lie in the operational costs: how will the lender's and state's upfront and on-going administrative costs be covered. Operationally, any interest earned on Oregon CAP's loan-loss reserve is split equally between the state and the lending institution, which helps cover the program's administrative costs. Allowing the lender to retain all of the interest earned on the loan-loss reserve might allow lenders to lower the origination fees charged to borrowers.



Furthermore, for this program to be successful over time, the legislature will be required to appropriate a steady stream of funds each biennium. These funds are needed in order to cover the cost of the state loan-loss reserve match and fund on-going program administration

[188] "Oregon Capital Access Program." Business Oregon. http://www.oregon4biz.com/How-We-Can-Help/Finance-Programs/CAP/.

and oversight costs. The estimated state cost will depend upon the targeted amount of loans to be refinanced, the minimum credit threshold and the maximum amortization period allowed under the program. As previously outlined, banks have indicated that a longer amortization period will require a higher amount of initial state match.

It is projected that program administration costs would entail at least one full-time employee (FTE). This employee would oversee the day-to-day operations of the program, develop the program's minimum requirements, marketing the program to financial institutions and student loan borrowers, review and approve individual loan applications for program compliance, manage the fund agreements and disbursement of state matching funds to participating banks, and track and monitor loan repayment data and loan-loss reserve levels.

Tax Policy Options for Reducing Student Loan Debt

In addition to policies regarding student loan repayment, refinance, and forgiveness plans, policymakers also have the ability to establish policies that encourage private sector involvement through the use of tax incentives. Tax policies could be utilized in order to encourage employers to offer student loan repayment plans to their employees as part of their benefit packages. In effect, this program would mirror retirement savings policies that encourage workers to save for retirement. This type of benefit is in increasing demand; therefore, the creation of a relevant tax incentive would likely increase the utilization of this benefit by employers. The current landscape regarding how tax policy might be leveraged to help address the student loan burden is outlined below.

Core Issue (Taxable Income)

Current federal tax law contains a variety of tax incentives relating to employer-provided benefits. Of these, the two most common benefits are medical insurance and retirement contributions. Employer contributions to either of these benefit programs are excluded from the employee's income taxes as well as from both the employer's and employee's payroll taxes. As the broader workforce transitions from Generation X to Millennials, employers are discovering an increasing demand for an employer-provided benefit that addresses employees' student loans. Currently, the tax code does not address such benefits. However, there are current federal and state level efforts to modify tax law so that student loan-related benefits receive tax incentives. This document provides a brief summary of efforts to change federal and state tax laws. Notably, any federal tax law changes outlined below would immediately flow through to states, such as Oregon, that have directly tied their tax system to the federal system. Potential changes to Oregon tax law are also outlined and drawn from states that have explored their own interventions while waiting for Congressional action.

Federal Tax Policy

Members of Congress are considering two primary policy approaches aimed at encouraging employers to provide student loan related benefits. The first is an expansion of an existing federal income tax exclusion. Under current law, some employer-provided educational benefits are not considered taxable income for the recipient. These payments must be part of an educational assistance program and are capped at $5,250 per year (not indexed to inflation). However, the use of said funds toward student loan repayment does not qualify for this exemption. If implemented, one policy option would expand this existing policy to include

student loan repayment. Employers could then provide up to a $5,250 annual benefit to employees for the specific use of paying off their student loans. Moreover, employer payments could be used toward regular loan payments or directed toward principal only. Of course, the latter option would more significantly reduce a borrower's total outstanding debt, while also expediting repayment of the loan.

The second policy option replicates existing tax policy for medical insurance and retirement contributions. Similar to these existing policies, contributions to some sort of "Student Loan Reduction Account" would be exempt from payroll taxes and employees' income tax. This intervention could also parallel 401(k) plans in so far as the employer may choose to provide a matching percentage contribution up to some limit. For example, if an employee contributes 3 percent of their salary to a 'Student Loan Reduction Account', employers could choose to match that contribution.

Oregon Tax Policy

At the time of this study, roughly ten states have had policy discussions regarding the creation of such a tax incentive. At the state level, policy options include either a state-level deduction or tax credit. From there, lawmakers can craft their tax incentive policy to the particular needs of their state. Key policy parameters to be considered include definitions for: eligible loans, qualifying degrees/ certifications and schools, annual or lifetime dollar limits, and qualified employers/ employees. This following section briefly describes the available choices.

- *Deduction versus Credit*

A state-level deduction is similar to the proposed federal policy, which excludes eligible payments from taxation. Structurally, state-level deductions could mirror federal policy, if it were to be enacted. Moreover, in anticipation of federal action, states could preemptively act, and more seamlessly transition between state and federal policy as a result.

Tax credits provide additional options for policymakers. Implementation of a tax credit would likely materialize as a percentage of the employer's contribution amount. If federal legislation were passed or the tax credit could be structured to prevent any kind of "double dipping", this benefit could have a compounding effect. Additionally, a tax credit affords the opportunity for a carryforward or refundable benefit. Generally speaking, tax credits may only be used to reduce a taxpayer's liability to zero. A tax credit carryforward allows any unused portion of a tax credit to be claimed by the taxpayer in subsequent years, typically for up to three or five years. Refundable tax credits result in any unused portion of a tax credit being refunded to the taxpayer when they file their tax return.

- *Loan type*

One important consideration is the definition of a qualifying loan. Fundamentally, would the tax incentive pertain to all student loans, only federal student loans, or only private sector loans? The potential impact on federal loan benefits, such as unemployment deferments and income-driven repayment plans would require careful consideration.

- *Degree and School*

Additionally, the incentive could directly adhere to debt associated with certain degrees, such as associate, bachelor, or graduate degrees. Policymakers might also include technical or vocational school certifications. In order to ease implementation as administrative and logistical issues are discovered and resolved, such an intervention could be phased-in over time. Another possible consideration is whether or not a qualifying school must be in Oregon. As one would expect, the broader the definition of a qualifying degree, certification, and school, the more likely the benefit program will be utilized by a broader range of employers.

- *Dollar Limits*

For budgetary reasons, the tax incentive would likely require cost controls. Conceivable limits on the incentive might involve annual deduction or credit caps as well as recipient lifetime limits. Discussions at the federal level outlined an annual deduction limit of roughly $5,000 per year for individuals and a lifetime limit of $50,000. For a similarly budgeted program in Oregon, tax credit limitations would translate to roughly nine percent of a deduction limitation. For example, an Oregon deduction of $5,000 is roughly equivalent to a tax credit of $450.

- *Employer/Employee qualifications*

Eligibility could be leveraged in order to focus on a segment of the population, as well as control costs. Employers could theoretically limit the benefit to employees in certain sectors, wage levels, durations of employment, or level of employment. An example of this includes employees whose wages are less than $50,000 per year, who work at least 32 hours per week, and who have been employed by the company for at least one year. Another requirement that employers might consider is timely payments on qualifying debt by employees or meeting graduation timelines.

<u>Leveraging Existing Products: Gradifi</u>

It is important to point out that prepayment, or making additional payments towards a loan's principal reduces the amount of total interest a borrower pays[189]. Therefore, a student loan relief policy might leverage tax policy in order to incentivize private sector employers to provide student loan benefit packages to employees.

Gradifi, a technical startup based in Boston, Massachusetts has created the Paydown Rewards program, a pioneering program that enables employers to directly pay down their employees' student loan principal as part of their overall benefits package[190]. Through this program's Student Loan Paydown Plan (SLP Plan) platform, companies pay Gradifi a lump-sum payment, while Gradifi uses proprietary software to make direct payments to employees' verified student loan servicers. According to Gradifi employees, there is a significant cross-industry demand for this product, and although there is private sector interest for such a product, tax incentives would make this product more attractive to employers.

Gradifi has also partnered with Citizen Bank to provide a refinance product. Student loan borrowers utilizing this product must have a minimum credit score of 680. Additionally,

[189] Lobosco, Katie. "How to Pay off Your Student Loans Faster: Start before Graduation." CNN Money. October 12, 2016. http://money.cnn.com/2016/10/12/pf/college/pay-student-loans-faster/.

[190] Sportelli, Natalie. "Startup Gradifi Has a Solution for the $1.3 Trillion Student Loan Debt Crisis." October 29, 2015. http://www.forbes.com/sites/nataliesportelli/2015/10/29/startup-gradifi-has-a-solution-for-the-1-3-trillion-student-loan-debt-crisis/#4792bf20369b.

borrowers who successfully refinance their student debt will receive an extra $50 monthly benefit paid toward their student loans from Gradifi for six months.

Ultimately, an incentive of this kind could be included in a broader "financial wellness benefits" package, especially as retirement packages move away from defined benefit plans and toward defined contribution plans. There is a public benefit to improving the financial literacy of the U.S. labor force. The policies described here align with the notion that a good first step in improving one's financial health is through the repayment of educational debt. A brief summary of the possible externalities associated with creating the aforementioned tax incentives are below:

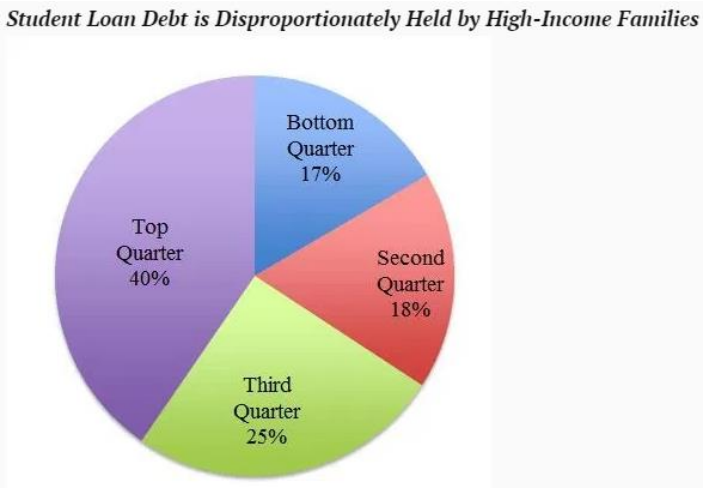
- Advantages
  - The intervention could be seamlessly structured so as to adhere with likely federal legislation. A tax credit might even adopt anticipated federal qualification requirements; the more parallel the federal and state tax law are, the lower the administrative costs.
  - A tax incentive of this kind would provide an additional recruitment tool for employers, while also addressing increasingly high levels of student debt.
- Disadvantages
  - The distributional impact of the intervention could be concentrated among employees with certain backgrounds.
  - An incentive whose use is primarily driven by market forces could result in cost overruns, so appropriate steps should be taken to provide safeguards.
  - Creating a tax incentive without regard to other policies could result in programs that serve cross purposes.
  - Creating a tax incentive without regard to other policies could result in programs that serve cross purposes.

Source: Brookings Institution's *Refinancing Outstanding Student Loans: Not as Progressive as it Seems*, 2016

Chapter 6: Impacts of Lowering Interest Rates

Refinancing a borrower's student loans at a lower interest rate is a seemingly good and well-intentioned policy. However, student loan refinance policy does not target those most in need[191]. Although a state-backed student loan refinance program theoretically provides an across-the-board benefit to all borrowers, the greatest benefit goes to those with the largest loan balances[192]. Student loan borrowers' total debt is closely linked to their level of education, while there is an

[191] Kurtzleben, Danielle. "Why Lowering Student Loan Interest Rates Isn't A Game Changer." NPR. August 11, 2015. http://www.npr.org/sections/itsallpolitics/2015/08/11/431348635/why-lowering-student-loan-interest-rates-isnt-a-game-changer
[192] Chingos, Matthew M. "Refinancing Outstanding Student Loans: Not as Progressive as It Seems." Brookings. March 19, 2014. https://www.brookings.edu/research/refinancing-outstanding-student-loans-not-as-progressive-as-it-seems/.



inverse relationship between a borrower's level of education and their likelihood of delinquency and default[193]. In fact, the wealthiest 25 percent of student loan borrowers possess 40 percent of all student loans, while the poorest 25 percent of student loan borrowers possess less than 20 percent of outstanding student loan debt[194]. Higher levels of student debt are associated with higher earnings, as the higher tiers of student loan debt often translate into advanced degrees in fields such as medicine and law[195]. Consequently, a state-backed program that refinances student loans with a lower interest rate would disproportionately benefit higher-income households [196].

Default: Disproportionately Non- Traditional Borrowers

Refinance policy is a poorly targeted intervention that does not adequately address the most at-risk of default population. According to a comprehensive study conducted by the Brookings Institution, which examined trends in student loan delinquency and defaults following the financial crisis, nontraditional borrowers leaving school had particularly divergent outcomes when compared with traditional borrowers[197]. As the researchers explain, nontraditional borrowers tend to have the following characteristics:

> They tend to be older when they first enroll, to be from lower-income families, and to live in poorer neighborhoods. They are more likely to be first-generation borrowers. They attend programs they are less likely to complete, and post enrollment, are more likely to live in or near poverty and to experience weak labor market outcomes, outcomes that worsened disproportionately during the recession. And their loan burdens, though smaller on average, both in absolute terms and relative to their earnings, have tended to increase faster over time."

The Brookings Institute study found that nontraditional borrowers who attend less-selective schools, such as for-profit post-secondary and 2-year institutions (i.e. community college) disproportionately contribute to delinquency and default rates[198]. The default rates for nontraditional borrowers, traditional undergraduate borrowers, and graduate borrowers best

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[193] "Report on Economic Well-Being of U.S. Households in 2015." Board of Governors of the Federal Reserve System. https://www.federalreserve.gov/econresdata/2016-economic-well-being-of-us-households-in-2015-education-debt-student-loans.htm.

[194] Chingos, Matthew M. "Refinancing Outstanding Student Loans: Not as Progressive as It Seems." Brookings. March 19, 2014. https://www.brookings.edu/research/refinancing-outstanding-student-loans-not-as-progressive-as-it-seems/.

[195] Ibid

[196] "Report on Economic Well-Being of U.S. Households in 2015." Board of Governors of the Federal Reserve System. https://www.federalreserve.gov/econresdata/2016-economic-well-being-of-us-households-in-2015-education-debt-student-loans.htm.

[197] Chingos, Matthew M. "Refinancing Outstanding Student Loans: Not as Progressive as It Seems." Brookings. March 19, 2014, 2. https://www.brookings.edu/research/refinancing-outstanding-student-loans-not-as-progressive-as-it-seems/.

[198] Ibid, 2.

illustrate the disparity. For those entering repayment in 2011, 21 percent of nontraditional borrowers and 8 percent of traditional undergraduate borrowers had defaulted within 2 years of repayment[199]. In contrast, 2 percent of graduate borrowers in the same repayment cohort had defaulted[200]. Additionally, on average those with the smallest student loan balances are the most at-risk of default population, as small balances generally indicate drop-out status[201].

Possible Budget Implications

Since 2013, the federal government has set interest rates for student loans annually, based on the U.S. Treasury's 10-year note rate plus a fixed rate, which varies depending on the Direct Loan program type[202]. Interest rates for the Direct Loan program are then fixed for the life of the loan[203]. For the current academic year the rate for the federal government's subsidized and unsubsidized Direct Loans for undergraduate students is 3.76 percent[204].

Although current interest rates for federal student loans are relatively low, the program's interest rates have fluctuated throughout the program's history; historically ranging from 6 to 10 percent[205]. That being said, a state-run refinance program that allows student loan borrowers to refinance their student loans at below-market rates would involve significant costs[206]. As outlined in chapter four, it is unlikely that a refinance program in Oregon would be able to secure an interest rate low enough to provide a benefit to participants. Therefore, to provide a competitive interest rate to students, such a program would require an ongoing state-subsidy.

Moreover, unlike the federal government, the state of Oregon does not currently possess a mechanism for garnishing wages. Without this tool or collateral, the state would be hard-pressed to collect on refinanced loans that are delinquent or in default. In addition, , when the Department of Education's various undergraduate loan programs' profits and losses are calculated, the federal government loses about $3 billion net over the course of 11 years, even with their ability to garnish wages and tax returns[207]. As outlined in the following chapter, to further and more comprehensively estimate the cost of a state-run refinance student loan program, it is recommended that an outside vendor conduct a feasibility study.

Influencing Behavior & Reducing Student Loan Payments

Policymakers should also carefully consider the intent of a student loan refinance policy, as cutting interest rates for federal student loans has not been shown to influence behavior[208].

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[199] Ibid, 3.
[200] Ibid, 3.
[201] Mitchell, Josh. "Student Debt Helps, Not Harms, the U.S. Economy, White House Says." The Wall Street Journal. July 19, 2016. http://blogs.wsj.com/economics/2016/07/19/student-debt-helps-not-harms-the-u-s-economy-white-house-says/.
[202] "New 2016-2017 Federal Student Loan Interest Rates Announced." Access Group: Center for Research & Policy Analysis. May 12, 2016. https://www.accessgroup.org/research/news/new-2016–2017-federal-student-loan-interest-rates-announced.
[203] Ibid
[204] "The U.S. Department of Education Offers Low-interest Loans to Eligible Students to Help Cover the Cost of College or Career School." Federal Student Aid: Office of the U.S. Department of Education. https://studentaid.ed.gov/sa/types/loans/subsidized-unsubsidized.
[205] "Fiscal Year 2015 Budget Proposal" 5. Department of Education. https://www2.ed.gov/about/overview/budget/budget15/justifications/s-loansoverview.pdf.
[206] "Student Loan Profits: The Government Makes Money off Grad Students." Brookings. https://www.brookings.edu/research/what-does-cutting-rates-on-student-loans do/http:/www.slate.com/articles/business/moneybox/2014/04/student_loan_profits_the_government.html
[207] Ibid
[208] Ibid

Specifically, the interest rates associated with prospective students' loans do not affect individuals' decision to attend college[209]. Instead, topic-experts suggest that individuals are more likely to attend college if tuition costs are decreased and additional grants are offered to potential students[210]. If the intent of a refinance program is to encourage individuals to attend college, researchers recommend that targeting prospective students through additional grants or scholarship funding is a much more effective intervention[211].

As importantly, experts in this field suggest that for "seriously distressed borrowers," student loan refinance does not cut a borrower's loan payments significantly enough to make them more manageable[212]. Therefore, the extent to which such a program could reduce delinquency and default rates in the state of Oregon is unclear. The following example illustrates this point:

> In the standard, mortgage-style payment system, a lower interest rate reduces the monthly payments required to cover principal and interest. In this payment model, a lower interest rate could make loan payments more manageable for some borrowers and thereby reduce defaults. The effect is quite small, however, since loan payments are largely determined by principal, rather than interest. The ten-year payment on a $20,000 loan is $204 when the interest rate is 4.29%, and drops just twenty dollars to $184 if the interest rate is cut to 2%"[213].

While a $20 reduction in one's monthly student loan payment would undoubtedly relieve some burden of debt for borrowers, this program's cost to Oregonians and the inability of this intervention to target the most vulnerable populations presents significant deterrents.

Chapter 7: Research Plan and Final Considerations

1. Establishing a state-based program to refinance student loans.

Oregon is no longer involved in either federal or private student loan programs and has no existing program staff or infrastructure that could be expanded to support a student loan refinance agency. To establish a state-based program would, therefore, require a more extensive study of the costs associated with establishing a completely new loan refinance entity that could be housed within the Higher Education Coordinating Commission (HECC), Department of Revenue, Oregon State Treasury, or another existing state entity that has some connection with either student financial aid programs or loan program administration.

From October 1, 1967, to January 31, 2005, the HECC's Office of Student Access and Completion functioned as a guaranty agency in the Federal Family Education Loan Program.

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[209] Ibid
[210] "Student Loan Profits: The Government Makes Money off Grad Students." Brookings. https://www.brookings.edu/research/what-does-cutting-rates-on-student-loans do/http:/www.slate.com/articles/business/moneybox/2014/04/student_loan_profits_the_government.html
[211] Ibid
[212] "Student Loan Profits: The Government Makes Money off Grad Students." Brookings. https://www.brookings.edu/research/what-does-cutting-rates-on-student-loans do/http:/www.slate.com/articles/business/moneybox/2014/04/student_loan_profits_the_government.html
[213] Ibid

This activity was in addition to OSAC's administration of state grants, private scholarships, and a student-mentoring program. OSAC's role was to guarantee loans against potential default for students attending Oregon-based community colleges, public universities, private nonprofit 4-year institutions, and proprietary schools that were eligible to participate in federal Title IV programs. Before exiting the FFEL program in January 2005, the OSAC's guaranty agency division had guaranteed close to $2 billion in federal student loans – a relatively small portfolio, compared to national guaranty agencies and those in larger states.

Scaling up to administer a fully functioning student loan refinance program would be entail significant costs. According to OSAC's Agency Request Budget for 2001-03, OSAC had nearly 100 employees, representing 97 full-time employees (FTE). Of those, 64 staff members were directly involved in student loan guaranty agency operations, along with support from information technology, finance, and general agency administration. Guaranty operations included four main groups. Guarantee Services processed loan applications, guaranteed eligible loans made by private and nonprofit lenders, and monitored loan accounts in good standing, and provided outreach, training and technical assistance to participating schools and lenders. Default Prevention assisted student loan borrowers in resolving delinquencies and avoiding default. Claims reviewed documentation supporting lenders' claims for reimbursement of a student loan account to ensure lender compliance with federal regulations and requirements and authorized purchase of defaulted loans. Collections recovered the defaulted loan balances from the US Department of Education and worked with borrowers to negotiate voluntary repayment or loan rehabilitation and implemented all legal means necessary to collect the debt, such as wage garnishment and state and federal tax refund offsets.

In addition to whatever mechanism the state uses to build a corpus large enough to purchase large outstanding loan balances of creditworthy borrowers, the state also would need to make major investments in loan operations. Establishing new loan operations could include employing experienced, trained staff to make, service, and collect loans; purchasing software and equipment for loan processing; and hiring outreach and marketing staff or contracting with a marketing firm to solicit eligible borrowers. Such support functions would have to exist for the life of the loans made, which can be 10 years or more. In addition, although it may not be easy to estimate what comparable costs would be in 2016, costs would almost certainly exceed estimated direct costs of services from 1999-2001, as outlined in OSAC's 2001-03 budget request:

- Cost per $100 to guarantee and service loans = $1.04
- Cost per $100 of claims averted from going into default = $0.42
- Cost per $100 of claims purchased = $6.60
- Cost per $100 of collection recoveries = $13.56

2. Other options for reducing college costs and helping borrowers in repayment.

The cost of establishing a new student loan refinance program may be more than the state of Oregon is currently able to afford. For that reason, the state may wish to consider other options that either reduce the cost of college for current students or help student loan borrowers reduce their debt or some combination of the two.

Reducing Students' Cost of College

Many students are surprised to realize that tuition and fees at a public 2- or 4-year postsecondary institution in Oregon represent less than half of the total cost of going to college. Beyond tuition and fees, college costs include non-tuition expenses such as books and supplies, room and board, transportation, and miscellaneous personal expenses. For the 2016-17 academic year, non-tuition costs averaged more than $14,000, including nearly $1300 for books and supplies, more than $10,000 for room and board, and more than $1300 for transportation. Even if students receive federal and state grants that cover some or all of their tuition and fees, many are still faced with some combination of work and borrowing to cover non-tuition costs[214].

One or more of the programs outlined below could be expanded or leveraged by the state to help reduce students' college costs, thereby reducing the overall debt burden:

a. Grants – Grants are a form of financial aid that does not have to be repaid. Most grants for college are federal or state programs, such as the Federal Pell Grant and the Oregon Opportunity Grant. Although eligibility for many federal and state grants is based solely on the financial need of the student or student's family, some grants, such as the Oregon Promise grant, have a merit component (e.g., grades) and may be available only to targeted populations or for a limited number of years. The state could increase funding for existing grant programs to allow higher awards and serve more students.

b. Scholarships – Scholarships are a competitive form of financial aid provided primarily by private donors, nonprofit organizations, campus foundations and academic departments. These programs usually have more specific and rigorous eligibility criteria and may require applicants to have special talents (e.g., performance arts, athletics) or to submit additional information such as grade transcripts, essays, and personal references. Although they may be generous, most private scholarships are very limited in number, and many are available only for a student's first year of college. Supporting and expanding tax credits for employer-sponsored scholarships is one way the state can leverage private funds for students.

c. Work Study – Federal- and state-funded work-study programs make part-time jobs available to undergraduate and graduate students with demonstrated financial need. Students indicate interest in Federal Work-Study (FWS) by checking a box on the FAFSA. FWS is included as a financial aid award, but students are responsible for seeking out and applying for available FWS jobs on their own. Generally, a student's FWS hours are limited to 10 to 15 hours per week and cannot exceed the student's total FWS hours awarded. Off-campus FWS jobs must often be relevant to the student's course of study.

   A number of states, including Washington, Colorado, Texas, Minnesota, and Pennsylvania, offer state-funded work-study programs that help students develop job-ready skills and help provide employers with access to educated part-time employees

[214] Kamenetz, Anya. "5 Ideas To Ease The Burden Of Student Loans." NPR. June 26, 2015. http://www.npr.org/sections/ed/2015/06/26/412870161/5-ideas-to-ease-the-burden-of-student-loans.

eager to apply their classroom learning to real-world jobs. The state of Oregon does not have a work-study program, but some public and private postsecondary institutions do provide campus-funded programs for their students. Establishing and funding a state work-study program or partnering with schools that have institutional programs could benefit both students and in-state employers.

d. Tuition Waivers – The state of Oregon provides a number of programs to help cover tuition costs for eligible Oregon residents who are former foster youth, veterans, or dependents of deceased or disabled veterans. These programs require institutions to forego some or all tuition charges for eligible students. Some programs are last-dollar programs, under which only that portion of a student's tuition that remains after subtracting federal and state need-based grants is waived. Others may require an institution to waive all tuition charges for an eligible student or to charge in-state tuition for qualifying out-of-state students at the institution. In all cases, tuition waivers represent a direct cost to the institution, not the state. Although tuition waivers may benefit students, they also directly affect an institution's revenue stream.

e. Tuition Reductions – Many campuses in Oregon offer reduced tuition to certain students, such as graduate teaching fellows and athletes, who provide some kind of service to the institution or as an enrollment incentive. Graduate teaching fellows, for example, often receive a small salary and pay reduced tuition in recognition of the work they do teaching introductory courses or providing research assistance to senior faculty. Like tuition waivers, these programs benefit students but represent additional direct costs to institutions.

Helping Borrowers in Repayment

Under the Federal Direct Loan programs, postsecondary institutions are required to provide both entrance and exit loan counseling and financial awareness counseling to all students. These counseling sessions, which generally run 20 to 30 minutes and must be completed in one session, help students understand their rights and responsibilities as borrowers. Postsecondary institutions are prohibited from delivering federal student loan funds to first-time, first-year borrowers until they have completed entrance loan counseling. Likewise, institutions must provide exit loan counseling to all students who have received a federal student loan each time they graduate, drop below half-time enrollment, or leave school prior to graduation. The US Department of Education makes these mandatory counseling sessions available online.

In addition to loan counseling, states, private organizations, and the US Department of Education offer a variety of programs to assist student loan borrowers during repayment.

a. Financial Literacy programs (e.g., SALT) – In recent years, a number of former federal student loan lenders and guarantors have created nonprofit programs that are designed to help students, parents, and alumni plan and pay for college, develop solid loan repayment strategies, and manage their personal finances. These programs offer general information about college costs, financial aid, and money management through online courses and

one-on-one counseling. The state of Oregon and many postsecondary institutions in Oregon work with Salt®, which is sponsored by American Student Assistance, but other similar programs are available.

b. Loan Repayment Programs – Under loan repayment programs, a former student receives funds to help repay education loans accumulated while in college. Generally these programs provide funds – either a fixed amount or a fixed percentage of the borrower's outstanding balance each year for three to five years – that borrowers use to repay a portion of their existing student loan balance. Primary among these is the federal Public Service Loan Forgiveness Program, which forgives the remaining balance of a student's Direct Loans after a borrower who works full time for a qualifying government or nonprofit organization and makes 120 qualifying monthly payments. Since the standard repayment plan for Federal Direct Loans is 10 years, only those borrowers in long-term repayment programs benefit. In the past, the state of Oregon has administered several small, targeted loan repayment programs for rural health care providers, nurses, and nursing faculty members, but no funding is currently available for such programs. Loan repayment programs tend to be less expensive to administer than loan forgiveness programs and require less monitoring and servicing.

   In loan forgiveness programs (or "forgivable loan programs), by contrast, students receive grants to study in certain high-need fields in exchange for staying in the state after graduation and working in the same field for a specific number of years. For those who do not meet graduation or post-graduation service obligations, the grant becomes a loan much like other student loans. These programs require extended years of loan servicing, which increases the state's administrative burden for years after the student leaves college, and may not serve future employment needs in the state if labor markets change. These types of programs are no longer available in Oregon. The TEACH program, the only federal such program, is no longer active.

c. Loan Counseling – Numerous lenders and nonprofits offer student loan counseling and debt management services, often for a fee. Although these services provide financial education and workshops, their primary focus tends to be on helping borrowers in financial trouble control their finances, repay their student loans, and avoid default.

d. Tax Credits and Deductions – Borrowers with children in college or who have their own student loans may be able to take advantage of federal and state tax credits and deductions. Higher education tax credits help students and parents offset the cost of college tuition, fees, and course materials paid during the year by reducing the amount of income tax paid. Likewise, taxpayers may be able to reduce the amount of income subject to federal tax by up to $4000 for tuition and fees paid and by up to $2500 for student loan interest payments.

   The two main federal tax-credit programs are the American Opportunity Tax Credit (AOTC) and the Lifetime Learning Credit (LLC). The AOTC provides an annual federal tax credit of up to $2500 for four years to offset college tuition, fees and course materials paid during the previous year. Up to 40 percent of the credit ($1,000) is refundable for

those whose tax credit is higher than the federal tax owed. The Lifetime Learning Credit allows a taxpayer to claim up to $2000 for qualified educational expenses each year, with no limit on the number of years that can be claimed per student. Taxpayers can claim both types of credits in the same year, but not for the same eligible student, and both tax credits may be limited by the amount of the taxpayer's income and tax.

In addition to federal programs, some kind of deduction or tax credit is available to taxpayers in every state that levies a personal income tax, according to the Institute on Taxation and Economic Policy's (ITEP) website. Many states allow taxpayers to deduct a percentage of student loan interest and tuition and fees paid from their taxable income, and allow the federal deductions in determining taxable incomes for state taxes. Many also allow deductions for higher education savings plans (also known as college savings plans or 529 plans). Oregon allows deductions for college savings plans and higher education costs and accepts federal income deductions for student loan interest, tuition and fees. Because they are structured primarily as deductions and nonrefundable credits, such tax breaks benefit primarily middle- and higher-income families. They are less likely to benefit lower- and moderate-income families who may pay lower or no taxes but still face the same college costs.

Tax credits for employers may be another way to help borrowers reduce their existing debt. By allowing Oregon employers and businesses to claim a tax credit for helping employees repay portions of their student loans each year, both the state and employers benefit. In addition, tax credits could be structured so that employers receive slightly higher tax credits for helping Oregon residents who graduate from Oregon postsecondary institutions versus new hires from other states.

Options for New Programs

1. Reduce the overall college costs for low- and moderate-income students by providing more funding for existing need-based financial aid programs. According to a 2014-15 survey of state financial aid programs – the most recent for which data is available – at $355.41 per undergraduate FTE, Oregon ranks 34th in student grant dollars awarded and 22nd in need-based grant aid. For the same school year, the all-states average of Student Grant Dollars Awarded per Undergraduate FTE was $752, and for Need-Based Grant Dollars Awarded per Undergraduate FTE was $573. Increasing the state's grant award to an amount closer to the national average would likely ensure that more students remain enrolled and complete their programs[215].

2. Help borrowers who left college without earning a certificate or degree to complete their program with help from a special degree-completion grant program. The program would benefit working adults who have been out of college for at least 5 years and have less than an academic year of coursework remaining. Students would also be required to have their outstanding federal student loan balances in good standing to qualify.

[215] 46th Annual Survey Report on State-Sponsored Student Financial Aid, National Association of State Student Grant and Aid Programs.

3. Continue to improve alignment for course and degree requirements between Oregon's public institutions. According to the National Student Clearinghouse Research Center, more than two-thirds of students who earn bachelor's degrees from four-year institutions have changed colleges at least once. However, students who transfer schools often have to retake courses multiple times because of new course requirements or because transferred credits were not accepted by the new institution. As noted in an article published by The Hechinger Report, " … universities and colleges still haven't worked out a way of accepting each other's credits, a problem the National College Transfer Center estimates wastes $6 billion a year in tuition and is a little-noticed but major reason students go deep into debt or never graduate"[216].

4. Establish a general loan repayment program for recent college graduates in any field who work full-time in Oregon for at least 5 years after graduation. This would encourage more students to remain in the state, so Oregon businesses and employers can benefit from a trained workforce. Past loan repayment programs in the state have been narrowly focused on specific programs of study or disciplines.

5. Explore the possibility of establishing a program for higher-risk borrowers in Oregon who have less outstanding debt but are a much higher risk of going into default. In setting interest rates, the state could consider average default rates for Oregon and national rates, as well as average rates by type of institution.

[216] Marcus, Jon. "A Huge and Stubborn Reason, Still Unsolved, That Students Go into so Much Debt." HechingerReport.org. November 22, 2016. http://hechingerreport.org/a-huge-and-stubborn-reason-still-unsolved-that-students-go-into-so-much-debt.

Appendix A

Historical Interest Rates on Federal Student Loans disbursed from July 1, 2006 to June 30, 2016

The following table provides interest rates for Direct Loans and Federal Family Education Loan (FFEL) Program loans** first disbursed on or after July 1, 2006, and before July 1, 2016. Perkins Loans (regardless of the first disbursement date) have a fixed interest rate of 5%.

Interest Rates for Direct Loans First Disbursed on or After July 1, 2016		
Direct Subsidized Loans	Undergraduate	3.76%
Direct Unsubsidized Loans	Undergraduate	3.76%
Direct Unsubsidized Loans	Graduate or Professional	5.31%
Direct PLUS Loans	Parents and Graduate or Professional Students	6.31%

Loan Type	Borrower Type	First Disbursement Date	Fixed Interest Rate
Direct Subsidized Loans*	Undergraduate	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%
	Graduate or Professional	7/1/06–6/30/12	6.8%
Subsidized Federal Stafford Loans**	Undergraduate	7/1/09–6/30/10	5.6%
		7/1/08–6/30/09	6.0%
		7/1/06–6/30/08	6.8%
	Graduate or Professional	7/1/06–6/30/10	6.8%
Direct Unsubsidized Loans	Undergraduate	7/1/15–6/30/16	4.29%
		7/1/14–6/30/15	4.66%

		7/1/13–6/30/14	3.86%
	Graduate or Professional	7/1/15–6/30/16	5.84%
		7/1/14–6/30/15	6.21%
		7/1/13–6/30/14	5.41%
	Undergraduate and Graduate or Professional	7/1/06–6/30/13	6.8%
Unsubsidized Federal Stafford Loans**	Undergraduate and Graduate or Professional	7/1/06–6/30/10	6.8%
Direct PLUS Loans	Parents and Graduate or Professional	7/1/15–6/30/16	6.84%
		7/1/14–6/30/15	7.21%
		7/1/13–6/30/14	6.41%
		7/1/06–6/30/13	7.9%

Federal PLUS Loans**	Parents and Graduate or Professional	7/1/06–6/30/10	8.5%

*As of July 1, 2012, graduate or professional students are no longer eligible to receive subsidized loans. Source: U.S. Department of Education

**No new *FFEL Program* loans have been made since July 1, 2010.

Appendix B

2015-2016 Alternative Student Loan Programs, Education Finance Council
First-time borrowers on or after July 1, 2013, are subject to a limit on the maximum period of time they can receive Direct Subsidized Loans. The limit does not apply to Direct Unsubsidized or Direct PLUS loans. Borrowers subject to this limit may not receive Direct Subsidized Loans for more than 150 percent of the published length of their program – i.e., the maximum eligibility period. Students who exceed their maximum eligibility period or who change to a program that has a different length may lose their interest subsidy on their Direct Subsidized Loans, that is, they become responsible for paying accrued interest on these loans while in school, not the federal government.

B-1: The following chart shows the annual and aggregate federal student loan limits for both dependent and independent students:

Year [in College]	**Dependent Students (except students whose parents are unable to obtain PLUS Loans)**	**Independent Students (and dependent undergraduate students whose parents are unable to obtain PLUS Loans)**
First-Year Undergraduate Annual Loan Limit	$5,500—No more than $3,500 of this amount may be in subsidized loans.	$9,500—No more than $3,500 of this amount may be in subsidized loans.
Second-Year Undergraduate Annual Loan Limit	$6,500—No more than $4,500 of this amount may be in subsidized loans.	$10,500—No more than $4,500 of this amount may be in subsidized loans.
Third-Year and Beyond Undergraduate Annual Loan Limit	$7,500—No more than $5,500 of this amount may be in subsidized loans.	$12,500—No more than $5,500 of this amount may be in subsidized loans.

Graduate or Professional Students Annual Loan Limit	Not Applicable (all graduate and professional students are considered independent)	$20,500 (unsubsidized only)
Subsidized and Unsubsidized Aggregate Loan Limit	$31,000—No more than $23,000 of this amount may be in subsidized loans.	$57,500 for undergraduates—No more than $23,000 of this amount may be in subsidized loans. $138,500 for graduate or professional students—No more than $65,500 of this amount may be in subsidized loans. The graduate aggregate limit includes all federal loans received for undergraduate study.

Graduate and professional students enrolled in certain health profession programs may receive additional direct unsubsidized loan amounts each academic year and in aggregate beyond those shown above.

B-2: Annual and Aggregate Information for Private Loan Borrowers

	Lender 1 (Discover)	Lender 2 (College Ave)	Lender 3 (Sallie Mae)	Federal Direct Stafford
Annual Loan Limit	Up to 100% of cost of attendance minus other financial aid	Up to 100% of school-certified cost of attendance, less other financial aid ($2000 minimum)	Up to 100% of official cost of attendance. Special loan option available for career training courses.	Year / Dependent / Independent 1st $5,500 $9,500 2nd $6,500 $10,500 3rd $7,500 $12,500 4th $7,500 $12,500 Note: Dependent student whose parent is denied a PLUS loan may borrow up to the independent limit.
Interest Rate (private rates assume Auto Debit)	6.24% to 11.49% fixed or 3.49% to 8.99% variable	4.99% to 11.24% fixed or 2.20% to 9.29% variable (for undergrads)	5.74% to 11.85% fixed or 2.5% to 9.59% variable (for undergrads)	3.76% fixed
Origination Fees	$0	$0	$0	1.068%
Auto Debit	0.25%	0.25%	0.25%	0.25%

Reward				
Repayment Begins	Can defer for 6 months after graduating, can make $25/mo in-school payments	Deferred payments until graduation. Several in-school repayment options offered.	Can defer for 6 months after graduation. Several in-school repayment options offered.	6 months after graduating
Eligible Academic Programs (must be enrolled at least half time)	BA or AA	BA or AA	BA or AA, or similar career training program	Degree, certificate, study-aboard, certain distance education programs.
Repayment Plans	15 years standard	Flexible terms – 8 to 15 years	Flexible terms – 5 to 15 years	10 years standard; may extend up to 25 years. Other options available IBR, PAYE, REPAYE.
Application	Lender online	Lender online	Lender online	FAFSA
Credit Check Required	Yes	Yes	Yes	No
Cosigner	Depends on credit. Recommends applying with creditworthy cosigner.	Depends on credit. Most need creditworthy cosigner.	Depends on credit. "Having a reliable cosigner increases chances."	No

Appendix C

Lender	Loan	Limits	Rates (Min/Avg/Max)	Fees	Term
Acumen Student Loans 1% interest rate reduction once borrower has paid 10% of the principal balance.	Acumen Private Student Loan(School Certified)	COA-Aid or $30,000/year $120,000 cumulative for undergraduate	3M LIBOR + 2.99% to 3M LIBOR + 8.99%	No fees	Up to 15 years

Borrowers must choose one of two monthly in-school repayment options: interest only payments or a $25 proactive payment. Co-signer release available after 24 months of consecutive on-time principal and interest payments. 30 day no-fee loan cancellation policy. Loans originated by Cedar Education Lending / cuStudentLoans.		and $160,000 for graduate debt			
Citizens Bank .25% interest rate reduction for existing customers. .25% interest rate reduction for automating payments from any bank account. Co-signer release after making 36 consecutive on-time payments of principal and interest. The loan is forgiven in the unfortunate event of the student borrower's death or permanent and total disability. No origination, application or disbursement fees. Students have the choice to defer payments while in school. Rates are effective June 3, 2015 and offer subject to change. All accounts, loans and services subject to individual approval.	Citizens Bank Student Loan™(School Certified)	Cost of attendance minus any financial aid. $120,000 cumulative (includes federal and private) for undergraduate students, $175,000 for business and law school students, $150,000 for graduate students and $225,000 for medical school students.	Variable: 1-month LIBOR + 2.50% 1-month LIBOR + 9.25% Fixed: 5.75% to 11.75%	No Fees	5, 10 or 15 years
	Citizens Bank Student Loan™ for Parents (School Certified)	Cost of attendance minus any financial aid. $120,000 cumulative (includes federal and private) for undergraduate students, $175,000 for business and law school students, $150,000 for graduate students and $225,000 for medical school students.	Fixed: 6.45% to 6.55%	No Fees	5 or 10 Years
Citizens One .25% interest rate reduction with our Loyalty Discount customers .25% interest rate reduction for automating payments from any bank account. Co-signer release after making 36 consecutive on-time payments of principal and interest. The loan is forgiven in the unfortunate event of the student borrower's death or permanent and total disability. No origination, application or disbursement fees. Students have the choice to defer payments while in school. Rates are effective July 19. 2016 and offer subject to change. All accounts, loans and services subject to individual	Citizens One Student Loan™(School Certified)	Cost of attendance minus any financial aid. $120,000 cumulative (includes federal and private) for undergraduate students, $150,000 for graduate students, $175,000 for business and law school students, and	Variable: 1-month LIBOR + 2.50% 1-month LIBOR + 9.25% Fixed: 5.75% to 11.75%	No Fees	5, 10 or 15 years

approval.		$225,000 for medical school students.			
	Citizens One Student Loan™ for Parents (School Certified)	Cost of attendance minus any financial aid. $120,000 cumulative (includes federal and private) for undergraduate students, $175,000 for business and law school students, $150,000 for graduate students and $225,000 for medical school students.	Fixed: 6.45% to 6.55%	No Fees	5 or 10 Years
College Ave Student Loans Funded by Firstrust Bank Borrowers can defer payments while in school, or choose from 3 different in-school repayment options: flat pay, interest only, or full principal and interest payments. 0.25% interest rate reduction when payments are made by automatic debit.	College Ave Student Loan - Undergraduates	Cover up to 100% of school-certified expenses ($2,000 minimum)	Variable rates from 1M LIBOR + 1.93% to 1M LIBOR + 9.64% Fixed rates from 5.18% to 12.39%	Free to apply. No Origination fees. No fees for disbursement. No early repayment penalty.	Borrowers select an 8, 10, 12, or 15 year term
	College Ave Student Loan - Graduates	Cover up to 100% of school-certified expenses ($2,000 minimum)	Variable rates from 1M libor + 2.93% - 1M libor + 6.75% Fixed rates from 5.93% to 8.25%	Free to apply. No Origination fees. No fees for disbursement. No early repayment penalty.	Borrowers select an 8, 10, 12, or 15 year term
	College Ave Student Loan - Parents	Cover up to 100% of school-certified expenses for your student ($2,000 minimum). Flexible repayment options.	Variable rates from 1M LIBOR + 3.74% - 1M LIBOR + 5.74% One fixed rate of 6.75% Fixed rates from 5.93% to 8.25%	Free to apply. No Origination fees. No fees for disbursement. No early repayment penalty.	Borrows select a term ranging from 5-12 years
Commerce Bank Funded by Commerce Bank Lender ID 513979 Features/Benefits: Pay just $25 each month[2] or pay the interest while you're in school. You can also defer your payments until after you graduate.[1] The loan can be used to cover up to 100% of your school-certified cost of attendance.[3] Save money with a 0.25 percentage point interest rate reduction while enrolled to make scheduled monthly	Your Future Education Loan For Undergraduate Students attending degree-granting institutions only. (School Certified) Available to students enrolled full time, part time, and less than half time. Pay just $25 each month[2] or pay the interest while you're in school. You can also defer your payments until after you graduate.[1]	COA-Aid ($1,000 minimum)	Variable Rates: 1-month LIBOR + 2.0% (2.25% APR) to 1-month LIBOR + 8.875% (9.37% APR) Fixed Rates: 5.75% (5.74% APR) to 11.875% (11.85% APR)	No origination fees.	Ranges from 5-15 years.[2]
	Your Future Education Loan For Graduate Students attending degree-granting institutions only. (School	COA-Aid ($1,000 minimum)	Variable Rates: 1-month LIBOR + 2.0% (2.25% APR) to 1-month LIBOR	No origination fees.	Ranges from 5-15 years.[2]

payments by automatic debit.[4] Cosigner Release Option is available.[5] Loan forgiveness in the event of a student's death or permanent and total disability.	Certified) Available to students enrolled full time, part time, and less than half time. Pay just $25 each month[2] or pay the interest while you're in school. You can also defer your payments until after you graduate.[1]		+ 6.75% (7.27% APR) Fixed Rates: 5.75% (5.74% APR) to 8.375% (856% APR)		
Connecticut Higher Education Supplemental Loan Authority (CHESLA) (School Certified) The student must either be a Connecticut resident or attend an eligible Connecticut college or university. The student must be enrolled on at least a half-time basis in an accredited public or non-profit college or university. Most students will need a creditworthy cosigner to qualify. The in-school and 6-month grace periods are limited to no more than 5 years in total.	CHESLA Loan	COA-Aid $125,000 cumulative	4.95% fixed annual rate (non-tiered, simple interest) with APR ranging from 5.33% to 5.45% over the life of the loan. Payments of interest are required for undergraduate students during the in-school and grace periods. Graduate and professional students may defer payments of interest during the in-school and grace periods by capitalizing the interest. (The interest is capitalized annually.)	3.0% reserve fee, deducted from the loan proceeds. No application fees.	140 months, quicker repayment available
Credible Credible offers borrowers a "kayak-style" experience while shopping for student loans. Similar to the common application, users (and co-signers) fill out a single, streamlined form and qualified borrowers will receive personalized offers from multiple lenders on their Credible dashboard. This dashboard enables users to sort and compare offers and select the loan that best meets their personal financial needs. The offers ranking, therefore, is determined by the user, not advertising.	Choose between fixed and variable rate loans, as well as deferred and interest-only repayment options for your school loans.	COA-Aid (annual limit) Borrow up to $170,000 through Credible's marketplace	Fixed rates as low as 3.99% APR and variable rates as low as 2.20% APR with auto pay. Access special discounts from some lenders.	No fees	5, 8, 10, 12, 15 and 20 year terms available
Credit Union Student Choice Borrowers may choose full deferment while in school, elect to make interest only payments while in school, or choose full principal and interest payments. A graduated repayment option is available when the loans enter repayment. No cosigner is required for	Student Choice Education Loan Line of Credit School Certified A line of credit (LOC) allows the student apply once and make draws as needed.	COA-Aid (annual limit) $75,000 maximum line of credit	Variable interest: 1M LIBOR + 3.5% to 1M LIBOR + 8.0% Floor ranges: 3.5% to 8.0% Prime - 1.0% to Prime + 8.0% Floor ranges 3.75% to 10%	0.0% origination fee	20 years for balances < $40,000 25 years for balances > $40,000

creditworthy students. 0.25% interest rate reduction for auto-debit. Participating credit unions may elect to provide a co-borrower release option. Visit the CU Student Choice Website to find a credit union lender and learn more.			Interest rates are set by each participating credit union.		
StudentLoans.org 1% interest rate reduction once borrower has paid 10% of the principal balance. Co-signer release after 24 consecutive on-time principal and interest payments. No co-signer required for creditworthy students. Student academic attributes supplement traditional credit underwriting criteria.	Scholar Private Student Loan School Certified	COA-Aid $120,000 cumulative ($30,000/year)	3M LIBOR + 2.99% 3M LIBOR + 8.99%	0.0% origination fee	15 years
Dakota Education Alternative Loan (DEAL) Borrower must either be a legal resident of or enroll in a college in North Dakota, South Dakota, Minnesota, Montana, Wyoming or Wisconsin.	School Certified - Fixed Rate	COA-Aid	FHLB 10-Year Advanced Rate + 2% (ND) or + FHLB 10-Year Advanced Rate + 3% (otherwise)	0% if ND, 2% otherwise	10 years; longer terms available if loan balance > $30,000
0.25% interest rate reduction with auto-debt.	School Certified - Variable Rate	COA-Aid	3-month LIBOR + 1.5% (ND) or 3-month LIBOR + 2.5% (otherwise)	0% if ND, 2% otherwise	10 years; longer terms available if loan balance > $30,000
Discover Student Loans No payments required while in school at least half-time. Choice of deferred or in-school repayment options 0.25% Auto Debit Reward (when enrolled for auto-debit payments during repayment). Eligibility for US citizens, permanent residents or international students with a US citizen or permanent resident cosigner. Students who get at least a 3.0 GPA (or equivalent) get a one-time cash reward of 1% of the loan amount of each new Discover student loan. Reward redemption period is limited. Please see specific terms and conditions at DiscoverStudentLoans.com/Reward. Fixed and variable rates effective as of May 20, 2016. The Annual Percentage Rate (APR) for a variable rate loan may increase during the life of the loan if the LIBOR Index increases. This may result in	Discover Undergraduate Loan School Certified For students enrolled at least half-time in a Bachelor's or Associate's degree program at an eligible school.	COA-Aid $1,000 minimum on each loan Aggregate loan limits apply	Fixed Rates: 6.24% to 11.49% APR Variable Rates: 3-Month LIBOR + 2.74% to 3-Month LIBOR + 8.24% (starting rates currently range from 3.62% APR to 9.12% APR)	No fees	15 years
	Discover Graduate Loan School Certified For masters and doctoral degree candidates enrolled at least half-time in a graduate program at an eligible degree-granting school.	COA-Aid $1,000 minimum on each loan Aggregate loan limits apply	Fixed Rates: 6.24% to 11.49% APR Variable Rates: 3-Month LIBOR + 2.74% to 3-Month LIBOR + 8.74% (starting rates currently range from 3.62% APR to 9.62% APR)	No fees	20 years
	Discover Health Professions Loan School Certified For students enrolled at least half-time in one of the following health professions	COA-Aid $1,000 minimum on each loan	Fixed Rates: 6.24% to 9.99% APR Variable	No fees	20 years

higher monthly payments, an increase in the number of scheduled payments or both.	graduate programs at a degree-granting school: Allopathy, Dentistry, Nursing, Occupational Therapy, Optometry, Osteopathy, Pharmacy, Physical Therapy, Physician Assistant, Podiatry and Veterinary Medicine.	Aggregate loan limits apply	Rates: 3-Month LIBOR + 2.74% to 3-Month LIBOR + 7.24% (starting rates currently range from 3.62% APR to 8.12% APR)		
	Discover Law Loan School Certified For students enrolled at least half-time in a graduate program at an eligible degree-granting law school.	COA-Aid $1,000 minimum on each loan Aggregate loan limits apply	Fixed Rates: 6.24% to 11.99% APR Variable Rates: Variable interest rates from 3-Month LIBOR + 2.74% to 3-Month LIBOR + 8.24% (starting rates currently range from 3.62% APR to 9.12% APR)	No fees	20 years
	Discover MBA Loan School Certified For students enrolled, at least half-time, in a graduate program at an eligible degree-granting business school.	COA-Aid $1,000 minimum on each loan Aggregate loan limits apply	Fixed Rates: 6.24% to 11.99% APR Variable Rates: 3-Month LIBOR + 2.74% to 3-Month LIBOR + 9.74% (starting rates currently range from 3.62% APR to 10.62% APR)	No fees	20 years
	Discover Residency Loan For students who graduated within the past 12 months, or enrolled at least half-time in their final year in one of the following graduate health professions programs: Allopathy, Dentistry, Nursing, Occupational Therapy, Optometry, Osteopathy, Pharmacy, Physical Therapy, Physician Assistant, Podiatry or Veterinary Medicine.	Up to $18,000 for Allopathy, Dentistry, Optometry, Osteopathy, Pharmacy, Podiatry and Veterinary Medicine Up to $5,000 for Nursing, Occupational Therapy, Physical Therapy and Physician Assistant $1,000 minimum on each loan Aggregate loan limits apply	Fixed Rates: 6.49% to 11.24% APR Variable Rates: 3-Month LIBOR + 3.74% to 3-Month LIBOR + 8.49% (starting rates currently range from 4.62% APR to 9.37% APR)	No fees	20 years
	Discover Bar Exam Loan For students who graduated within the past six months, or enrolled at least half-time in their final year of study in a graduate law degree program.	Up to $16,000 $1,000 minimum on each loan Aggregate loan limits apply	Fixed Rates: 6.49% to 9.99% APR Variable Rates: 3-Month LIBOR	No fees	20 years

			+ 3.24% to 3-Month LIBOR + 7.24% (starting rates currently range from 4.12% APR to 8.12% APR)		
Graduate Leverage 0.25% interest rate reduction for auto-debit (ACH) for all loan programs.	School-certified Private Loans (Undergraduate Students)	COA-Aid $25,000/year	1-month LIBOR + 1.75% 1-month LIBOR + 10.0%	0% to 6%	Up to 20 years, depending on loan balance
	School-certified Private Loans (Graduate Students)	COA-Aid $25,000/year	1-month LIBOR + 1.75% 1-month LIBOR + 10.0%	0% to 6%	Up to 20 years, depending on loan balance
	Medical Residency & Relocation Loan Program	$20,000	1-month LIBOR + 5.0% 1-month LIBOR + 8.0% 1% interest rate reduction upon entering repayment	0% to 6%	Up to 15 years, depending on loan balance
	Dental Residency & Relocation Loan Program	$20,000	1-month LIBOR + 5.0% 1-month LIBOR + 9.0% 1% interest rate reduction upon entering repayment	0% to 6%	Up to 15 years, depending on loan balance
	Veterinary Internship & Relocation Loan Program	$20,000	1-month LIBOR + 5.0% 1-month LIBOR + 9.0% 1% interest rate reduction upon entering repayment	0% to 6%	Up to 15 years, depending on loan balance
	Bar Study Loan	$17,500	1-month LIBOR + 3.0% 1-month LIBOR + 12.0% 1% interest rate reduction upon entering repayment	0% to 6%	Up to 15 years, depending on loan balance
Higher Education Servicing Corp. (Texas) 0.25% interest rate reduction for ACH payments. Co-signer release available after 36 months of consecutive on-time principal and interest payments. SAP not required. Available for Past Due Balances. In-school deferment and grace period	Texas Extra Credit Education Loan(School Certified) Application calculates APRs and estimated repayment amounts in real time, making it possible to compare loan scenarios.	COA-Aid $1,000 annual minimum, $65,000 annual maximum, $150,000 aggregate limit inclusive of all student loan debt	Variable: 3M LIBOR + 2.99% to 3M LIBOR + 8.99%	No fees.	10 or 15 years, depending on amount borrowed. (The 15 year repayment term is available for loan amounts of $5,000 or more.)

options available. Four Repayment Options: Full Deferment, Interest Only, Partial Interest or Immediate Repayment. Must be degree-seeking and enrolled at least half-time at an approved school. The student borrower and cosigner (if applicable) must be permanent residents of Texas.					
Independent Community Bankers of America (ICBA) Funded by Independent Community Banks, no membership is required. Originated and Serviced by Student Loan Finance Corporation (SLFC). Borrowers receiving the highest interest rate (3M LIBOR + 7.5%) may qualify for a 0.30% interest rate reduction after 24 months of on-time payments and satisfying other criteria. Cosigners are not required but may increase chances of approval and may yield a better interest rate. Cosigner release option after initial 24 consecutive on-time payments and satisfying credit criteria, if requested by borrower. International students are eligible with an eligible US citizen or permanent resident cosigner. International students should contact SLFC at 800-645-7404 to obtain an account number prior to starting an online application. Rates effective 9/01/2014.	iHELP Student Loan $25,000 minimum. $100,000 (undergraduate). $200,000 (graduate). The maximum loan amount applies to the consolidation loan maximum amount rather than the aggregate amount of the borrower's student loan debt.	COA-Aid $100,000 cumulative (undergraduate), $150,000 cumulative (graduate)	3M LIBOR + 2.5% 3M LIBOR + 7.5%	No origination fees.	Up to 20 years, depending on amount borrowed
Maine Educational Loan Authority (MELA) Rates effective July 2014. *Must be a Maine resident or attending a Maine college to apply for this loan.*	The Maine Loan	COA-Aid	Immediate Repayment - 5.50% fixed, Interest Only - 6.50% fixed, Full Deferment - 7.50% fixed.	4% fee added to loan balance at disbursement.	Range of repayment terms up to fifteen (15) years, depending on the repayment option selected.
	The Maine Medical Loan	COA-Aid	Immediate Repayment - 5.50% fixed, Interest Only - 6.50% fixed, Full Deferment - 7.50% fixed. Option to defer principal and interest during the in-school period and for up to four years of	4% fee added to loan balance at disbursement.	Range of repayment terms up to fifteen (15) years, depending on the repayment option selected.

			residency and internship.		
Massachusetts Educational Financing Authority (MEFA) *Benefits Massachusetts residents attending college in-state or out-of-state, and for students from across the U.S. attending a Massachusetts college or university.* *Subject to full terms available on the MEFA web site.*	MEFA Loan for Undergraduate Education Immediate Repayment / 10 Years	COA-Aid	5.99% fixed during the anticipated in-school period, 7.24% thereafter (APR 7.26% - 7.83%)	4.0% with a co-borrower; 7.0% without a co-borrower	10 years
	MEFA Loan for Undergraduate Education Immediate Repayment / 15 Years	COA-Aid	6.29% fixed during anticipated in-school period, 7.29% thereafter (APR 7.40% - 7.76%)	4.0% with a co-borrower; 7.0% without a co-borrower	15 years
	MEFA Loan for Undergraduate Education Deferred Repayment / 15 Years	COA-Aid	7.59% fixed (APR 7.52% - 8.18%)	4.0% with a co-borrower; 7.0% without a co-borrower	15 years
	MEFA Loan for Undergraduate Education Interest-Only Repayment / 15 Years	COA-Aid	7.09% fixed during anticipated in-school period, 8.09% thereafter (APR 8.15% - 8.55%)	4.0% with a co-borrower; 7.0% without a co-borrower	15 years
	MEFA Loan for Undergraduate Education Student Deferred Loan / 15 Years Co-borrower required. The co-borrower may request release after 48 consecutive on-time payments if meeting then current credit underwriting standards.	COA-Aid	8.09% fixed (APR 7.95% - 8.68%)	4.0% with a co-borrower	15 years
	MEFA Loan for Graduate Education Interest-Only Repayment	COA-Aid	7.09% fixed during anticipated in-school period, 8.09% fixed thereafter (APR 8.27% - 8.55%)	4.0% with a co-borrower; 7.0% without a co-borrower	15 years
	MEFA Loan for Graduate Education Deferred Repayment	COA-Aid	7.59% fixed (APR 7.89% - 8.18%)	4.0% with a co-borrower; 7.0% without a co-borrower	15 years
Minnesota Office of Higher Education The student must either be a Minnesota resident or attend an eligible Minnesota college or university. The in-school period is limited to no more than 9 years. Borrowers may make monthly interest-only payments for 1-2 years after repayment begins before making regular payments of principal and interest.	SELF Loan (cosigner required)	$7,500/year and $37,500 aggregate (students at 2-year colleges) $20,000/year and $100,000 aggregate (students in Bachelor's degree programs at 4-year colleges) $140,000 aggregate for undergraduate and graduate debt (graduate students)	Fixed: 7.25% Variable: 3M LIBOR + 3.0%, rounded to nearest 10th of a percent, adjusted quarterly, 3% cap on interest rate changes in any 12 month period Payments of interest are required during the in-school and grace periods.	None	Up to 10-20 years after in-school period, depending on loan balance. Up to 10 years for loan balances less than $20,000, up to 15 years for loan balances of $20,000 to $40,000 and up to 20 years

					for loan balances of $40,000 or more.
New York State Higher Education Services Corporation (HESC) Student borrower, non-student borrower and cosigner (required for student borrowers) must be New York residents. Student must be matriculated in an eligible program at least half time at a participating New York college. 0.25% interest rate reduction for auto-debit. Cosigner release option available for borrowers who satisfy credit criteria (at time of release) after 48 consecutive on-time payments after graduation. Only borrowers who pay at least the interest during the in-school period are eligible for cosigner release.	NYHELPs Principal & Interest Payments During In-School/Grace Period (required for non-student borrowers)	$10,000 annual (freshmen) $15,000 annual (sophomores) $20,000 annual (juniors, seniors and graduate students)	7.55% fixed	4% to 6% (with cosigner) 4% or 8% (non-student borrower without cosigner)	10 to 20 years, depending on amount borrowed
	NYHELPs Interest-Only Payments During In-School/Grace Period (student borrowers only)	$20,000 cumulative (2-year undergraduate) $50,000 cumulative (4-year undergraduate) $70,000 cumulative (undergraduate and graduate combined)	8.25% fixed	5% to 7% (with cosigner)	
	NYHELPs Full Deferment of Principal and Interest During In-School/Grace Period (student borrowers only)		8.75% fixed	7% (with cosigner)	
PNC Education Lending 0.50% interest rate reduction for auto-debit. Co-signer release option after 48 consecutive on-time payments. Rates effective 10/1/2016. Additional information and disclosures are available on the PNC Education Lending web site.	PNC Solution Loan for Undergraduate Students	$40,000	Variable Rate: 3.80% to 10.75% (APRs 3.70% to 10.75%) Based on LIBOR + 3.3% to LIBOR + 10.25% Fixed Rate: 6.49% to 12.99% (APRs 6.19% to 12.99%)	No application or repayment fees	15 years
	PNC Solution Loan for Graduate Students	$65,000/year $225,000 cumulative		No application or repayment fees	15 years
	PNC Solution Loan for Health Professions	$65,000/year $225,000 cumulative		No application or repayment fees	15 years
	PNC Solution Loan for Health Professions Residency	Up to $15,000		No application or repayment fees	15 years
	PNC Solution Loan for Bar Study	Up to $15,000		No application or repayment fees	15 years
Regions Bank Funded by Sallie Mae Bank. Lender ID 900902. Earn a 0.25 percentage point interest rate reduction for auto-debit. The interest rates may be up to 0.50% better for borrowers who apply with a creditworthy cosigner. Get a 2% Smart Reward rebate on on-time scheduled monthly interest payments or fixed $25 payments during the in-school period. (Not available with deferred repayment option. Rebates are deposited in the borrower's Upromise rebate account.) There are three repayment options for students attending degree-granting institutions: Interest Repayment, Fixed Repayment and Deferred Repayment.	Smart Option Student Loan — Interest Repayment Option Borrower agrees to make payments of at least the new interest that accrues during the in-school and six-month grace periods. Payments of full principal and interest begin after the end of the six-month grace period. For Undergraduate, Graduate and Professional School Students attending degree-granting institutions only. (School Certified)	COA-Aid ($1,000 minimum)	Variable Rates: 1-month LIBOR + 2.0% (2.25% APR) to 1-month LIBOR + 8.875% (9.11% APR) Fixed Rates: 5.75% (5.74% APR) to 11.875% (11.85% APR)	No disbursement or repayment fees.	5-15 years based on loan balance and year in school.
	Smart Option Student Loan — Fixed Repayment Option The borrower agrees to make payments of $25 per month per loan during the in-school and six-month grace periods. Unpaid interest will be capitalized. Payments of full principal and interest begin after the end of the six-month	COA-Aid ($1,000 minimum)	Variable Rates: 1-month LIBOR + 2.5% (2.75% APR) to 1-month LIBOR + 9.375% (9.09% APR) Fixed Rates: 6.25% (6.08%	No disbursement or repayment fees.	5-15 years based on loan balance and year in school.

Borrowers may mix and match the options if they wish, choosing a different option with each new loan. Interest rates are lower for the Interest Repayment and Fixed Repayment options. The lower balance at graduation for the Interest Repayment and Fixed Repayment options will yield a shorter repayment term for about the same monthly payment, letting the borrower repay their loans quicker and saving the borrower thousands of dollars in interest. Borrowers may apply for cosigner release after they graduate and make 12 consecutive on-time principal and interest payments. Cosigner release is subject to credit review and approval. Borrower must be a US citizen or permanent resident to qualify for cosigner release. Additional terms, conditions and limitations apply. Regions Bank and Sallie Mae reserve the right to modify or discontinue products, services and benefits at any time without notice. The Regions web site provides additional details concerning the Smart Option Terms and APR information. You may also view the Loan Application Solicitation and Disclosure.	grace period. For Undergraduate, Graduate and Professional School Students attending degree-granting institutions only. (School Certified)		APR) to 12.375% (11.43% APR)		
	Smart Option Student Loan — Deferred Repayment Option Principal and interest payments are deferred while the borrower is in school and for six months after graduation. The interest is capitalized (added to the loan balance). Payments of full principal and interest begin after the end of the six-month grace period. For Undergraduate, Graduate and Professional School Students attending degree-granting institutions only. (School Certified)	COA-Aid ($1,000 minimum)	Variable Rates: 1-month LIBOR + 3.0% (3.17% APR) to 1-month LIBOR + 9.875% (9.37% APR) Fixed Rates: 6.75% (6.41% APR) to 12.875% (11.69% APR)	No disbursement or repayment fees.	6-15 years based on loan balance and year in school.
Rhode Island Student Loan Authority (RISLA) Loans are available for Rhode Island residents attending schools in and out-of-state and non-Rhode Island residents enrolled at an eligible Rhode Island college or university.	Rhode Island Family Education Loan (RIFEL)	COA-Aid or $35,000/year $175,000 cumulative	6.39% fixed (immediate repayment) with a 10-year repayment term 7.49% fixed (defer repayments until up to 6 months after graduation; 54 months deferment limit unless borrower enrolled fulltime in a 5 year program or graduate school) with a 15-year repayment term	0%	10-15 years
Sallie Mae Funded by Sallie Mae Bank. Lender ID 900905. **Special Features/Benefits:** • Auto Debit Savings — 0.25 percentage point interest rate reduction for automatic debit enrollment. • Free financial literacy tools and resources, including access to quarterly FICO® Credit Scores for both borrowers and cosigners.	Smart Option Student Loan® For Undergraduate Studentsattending degree-granting institutions only. (School Certified) Pay now or later – choose an in-school repayment option that fits your needs or defer your payments until after school. • Make interest payments each month • Pay $25 per month	COA-Aid ($1,000 minimum)	Variable Rates: 1-month LIBOR + 2.00% (2.62% APR) to 1-month LIBOR + 9.88% (9.69% APR) Fixed Rates: 5.75% (5.74% APR) to 12.88% (11.85% APR)	No origination fee and no prepayment penalty.	5-15 years based on loan balance and year in school.

• Graduated Repayment Period—Budget flexibility for graduating students. • Death and disability loan forgiveness. **Loan Limit** - Borrow up to 100% of the school-certified cost of attendance (minimum $1,000). **Cosigner Requirement** - Applying with a creditworthy cosigner may help you qualify. You may apply to release your cosigner from the loan after you graduate, make 12 on-time principal and interest payments and meet certain credit requirements. Releasing the cosigner will not adversely impact the rate on your loan. **Eligibility** - Available to students enrolled full time, half time, and less than half time. **Application Process** - Student or cosigner can initiate the application process at SallieMae.com. It only takes about 15 minutes to apply online and get a credit result. Sallie Mae reserves the right to modify or discontinue products, services, and benefits at any time without notice. Terms, conditions, and limitations apply.	• Defer payments Visit SallieMae.com/Terms/SOSLfor important information. Terms, conditions, and limitations apply.				
	Smart Option Student Loan For Graduate and Professional School Students attending degree-granting institutions only. (School Certified) Pay now or later – choose an in-school repayment option that fits your needs or defer your payments until after school. • Make interest payments each month • Pay $25 per month • Defer payments Visit SallieMae.com/GradTerms/SOSLfor important information. Terms, conditions, and limitations apply.	COA-Aid ($1,000 minimum)	Variable Rates: 1-month LIBOR + 2.0% (2.62% APR) to 1-month LIBOR + 7.25% (7.62% APR) Fixed Rates: 5.75% (5.74% APR) to 8.88% (8.56% APR)	No origination fee and no prepayment penalty.	5-15 years based on loan balance and year in school.
	Career Training Smart Option Student Loan For students attending Career and Vocational Training Schools (School Certified) Choose affordable fixed payments of $25 a month or make full interest payments to save even more. Visit SallieMae.com/Terms/CT for important information. Terms, conditions, and limitations apply.	COA-Aid ($1,000 minimum)	Variable Interest Rates: 1-month LIBOR + 4.25% (4.87% APR) to 1-month LIBOR + 11.50% (12.01% APR)	No origination fee and no prepayment penalty.	5-15 years based on loan balance and year in school.
	Sallie Mae Parent Loan Any creditworthy individual can take out a Sallie Mae Parent Loan, including grandparents, aunts, uncles, spouses, and guardians. The Loan, which is available to pay for education expenses of both undergraduate and graduate students. Choose a repayment option that fits your needs: • Interest Repayment: Borrowers make monthly interest payments while the student is enrolled in school for up to 48 months, followed by principal and interest payments • Principal and Interest Repayment: Borrowers make monthly principal and interest payments while the student is enrolled in school and through the life of the loan	COA-AID ($1,000 minimum)	Variable Rates: 1-month LIBOR + 3.50% (4.12% APR) to 1-month LIBOR + 9.88% (10.49% APR) Fixed Rates: 5.75% (5.74% APR) to 12.88% (12.87 APR)	No origination fee and no prepayment penalty.	10 years of principal and interest payments

	Visit SallieMae.com/Terms/Parentfor important information. Terms, conditions and limitations apply.				
	Sallie Mae Bar Study Loan The Bar Study Loan helps you prepare for the bar exam financially so you can concentrate on your studies. You can finance your bar exam costs that are not covered by federal student loan programs such as bar review course fees, bar exam deposits and fees, as well as living expenses. No in-school payments — Repayment begins nine months after the borrower graduates, drops below half-time enrollment, or leaves school. Flexible repayment options available of interest-only payments for the first two or four years, followed by payments of principal and interest for the remainder of the term; or standard repayment for up to 15 years. Visit https://www.salliemae.com/student-loans/bar-study-loan/terms/ for important information. Terms, conditions, and limitations apply.	$1,000 (min) $15,000 (max)	Variable Rates: 1-month LIBOR + 3.0% (3.62% APR) to 1-month LIBOR + 9.75% (10.33% APR)	No origination fee and no prepayment penalty.	Up to 15 years.
	Sallie Mae Residency and Relocation Loan With the Residency and Relocation Loan from Sallie Mae®, you can finance the costs associated with finding a medical, dental or veterinary Residency. Pay now or later — The Residency and Relocation Loan gives you the flexibility to defer payments while you are in school at least half the time and for three years after graduation. Visit SallieMae.com/Terms/R&RLoan for important information. Terms, conditions, and limitations apply.	$1,000 (min) $20,000 (max)	Variable Rates: 1-month LIBOR + 3.0% (3.58% APR) to 1-month LIBOR + 9.75% (9.97% APR)	No origination fee and no prepayment penalty.	Up to 20 years.
SoFi, Inc. Available at 79 colleges and universities. Funded by alumni investors. 0.25% interest rate reduction for auto-debit. Offers economic hardship forbearances and a repayment plan similar to income-based repayment.	SoFi Fixed Rate Student Loan	COA-Aid $6,000 minimum $200,000 cumulative	6.24% (fixed)	0%	5, 10 or 15 years
South Carolina Student Loan Corporation	Palmetto Assistance Loan	COA-Aid $100,000 cumulative	7.15% to 9.15% (fixed)	1% to 3% based on credit	10-15 years
Student Loan Network 0.25% interest rate reduction for auto-debit. 0.25% interest rate reduction for first 36 consecutive on-time payments (48 months for international).	Act Education Loan for Undergraduate Students	COA-Aid $40,000/year $130,000 cumulative	LIBOR + 3.5% LIBOR + 7.75%	3% to 10.5%	20 years
	Act Education Loan for Graduate Students	COA-Aid $40,000/year $130,000 cumulative	LIBOR + 3.5% LIBOR + 7.75%	4.5% to 10.5%	20 years

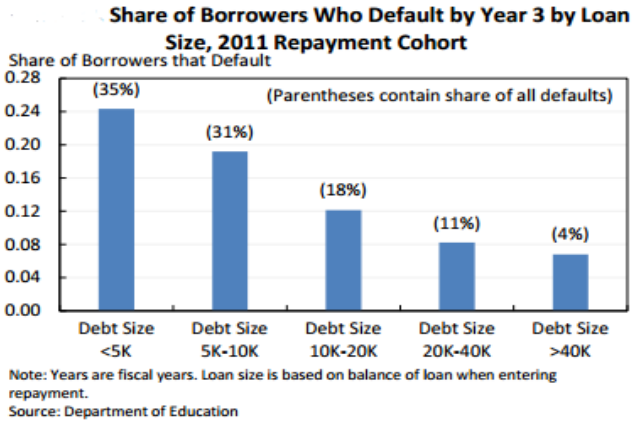
	Act Education Loan for Continuing Education Students	COA-Aid $15,000/year $30,000 cumulative	LIBOR + 3.75% LIBOR + 8%	4.5% to 10.5%	20 years
	GradLoans.com Graduate Student Loan	COA-Aid $50,000/year $120,000 cumulative	LIBOR + 4.95% LIBOR + 7.75% Rates may differ according to repayment option. Rates during repayment may be higher than rates during the in-school period.	0% to 8%	15 years
	GradLoans.com Medical School Loan	COA-Aid $70,000/year $225,000 cumulative			20 years
	GradLoans.com Dental School Loan	COA-Aid $70,000/year $225,000 cumulative			20 years
	GradLoans.com Law School Loan	COA-Aid $70,000/year $130,000 cumulative			15 years
	GradLoans.com MBA Student Loan	COA-Aid $70,000/year $120,000 cumulative			15 years
	GradLoans.com Bar Exam Loan	$1,500 - $15,000 (one time loan)			15 years
	GradLoans.com Medical Boards Exam Loan	$1,500 - $15,000 (one time loan)			15 years
	GradLoans.com Medical Residency/Relocation Loan	$1,500 - $15,000 (one time loan)			15 years
	GradLoans.com Dental Boards Exam Loan	$1,500 - $15,000 (one time loan)			15 years
	GradLoans.com Dental Residency/Relocation Loan	$1,500 - $15,000 (one time loan)			15 years
	InternationalStudentLoan.com - Undergradute Internationals in the U.S. (TERI schools. Requires US citizen or permanent resident cosigner.)	COA-Aid $40,000/year $130,000 cumulative	LIBOR + 3.5% LIBOR + 7.75%	3% to 10.5%	20 years
	InternationalStudentLoan.com - Gradute Internationals in the U.S. (TERI schools. Requires US citizen or permanent resident cosigner.)	COA-Aid $40,000/year $130,000 cumulative	LIBOR + 3.5% LIBOR + 7.75%	4.5% to 10.5%	20 years
	StudyAbroadLoans.com - Undergraduate Students Studying Abroad	COA-Aid $50,000/year $120,000 cumulative	LIBOR + 4.95% LIBOR + 7.75% Rates may differ according to repayment option. Rates during repayment may be higher than rates during the in-school period.	0% to 8%	15 years
	StudyAbroadLoans.com Graduate Students Studying Abroad	COA-Aid $70,000/year $120,000 cumulative ($130,000 for law or osteopathic, $225,000 for medical or dental)			15-20 years
SunTrust Education Loans 0.25% interest rate reduction for auto-debit and an additional 0.25% interest rate reduction for auto-debit from a SunTrust Bank deposit account. 1% principal reduction after graduation. Cosigner release option after 48 months.	Custom Choice Loan	COA-Aid or $65,000 (whichever is less) $150,000 cumulative (includes federal and private student loan debt of borrower	Fixed: 3.75% to 12.25% Variable: 1-month LIBOR + 2.25% 1-month LIBOR + 12.25%	0%	5 to 20 years, depending on loan amount

Rates effective 5/1/2012. Certain restrictions and limitations may apply. SunTrust Bank reserves the right to change or discontinue these programs without notice. Please visit the Custom Choice Loan web site for detailed information regarding loan terms, conditions, and current APRs.		and cosigner, each)			
Union Federal 0.25% interest rate reduction for auto-debit. 0.25% interest rate reduction making the first 36 consecutive payments on-time (within 10 days of the due date).	Union Federal Private Student Loan	COA-Aid $150,000 aggregate	3M LIBOR + 2.60% 3M LIBOR + 8.99%	None	Borrower choice of a 5, 10 or 15-year repayment term plus a 6-month grace period
Wells Fargo Private Student Loans 0.25% interest rate reduction for auto-debit from a personal checking or savings account. 0.25% interest rate reduction upon validation of graduation. Up to 1.00% interest rate reduction with existing qualifying Wells Fargo account (0.50% after 9/30/2012). Benefits listed may vary and are subject to change. Variable rate has a floor rate of 3.25%. Interest rates are subject to change daily.	Wells Fargo Collegiate Loan	COA-Aid $120,000 cumulative	Variable Rates: PRIME + 0.25% to PRIME + 6.74% (Current APR 3.402% to 9.242%) Fixed Rates: 6.99% to 13.74% (APR 6.62% to 12.36%)	0%	15 years
	MedCAP Alternative Loan	COA-Aid $120,000 to $250,000 cumulative, depending on program	Variable Rates: PRIME + 1.50% to PRIME + 4.0% Fixed Rates: 7.79% to 9.99%	0%	15-20 years
	MedCAP XTRA	$12,500 for medical boards and clinical exams, $15,000 for residency interview and relocation, $5,000 for internships. Subject to same aggregate limits as MedCAP Alternative Loan.	Variable Rate: PRIME + 4.5% Fixed Rates: 7.79% to 9.99%	0%	15-20 years
	Wells Fargo Graduate Loan	COA-Aid $120,000 to $180,000 cumulative, depending on program	Variable Rates: PRIME + 1.50% to PRIME + 5.00% (APR 4.680% to 8.036%) Fixed Rates: 7.79% to 9.99% (APR 7.6% to 9.675%)	0%	15 years

	Wells Fargo Bar Exam Loan	$12,000 $180,000 aggregate	Variable Rate: PRIME + 4.5% Fixed Rates: 7.79% to 9.99%	0%	15 years
	Wells Fargo Private Student Loan for Career and Community Colleges	COA-Aid $15,000/year 2-Year School $30,000 cumulative $20,000/year 4-Year School $100,000 aggregate	Variable Rates: PRIME + 2.25% to PRIME + 8.74% Fixed Rates: 8.99% to 15.74%	No fees	15 years
	Wells Fargo Private Student Loan for Parents	$25,000/year $100,000 cumulative	Variable Rates: PRIME + 0.25% to PRIME + 6.49% Fixed Rates: 7.48% to 13.99%	No fees.	15 ye

Source: http://www.finaid.org/loans/privatestudentloans.phtml

Appendix D



Source: Investing in Higher Education: Benefits, Challenges, and the State of Student Debt. White House July 2016, 42.