

# Senate Bill 637

Sponsored by Senator DECKERT; Senator CARTER

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Establishes Multi-Ethnic Student Loan Program to provide education loans to minority students who agree to teach in Oregon school districts. Establishes Multi-Ethnic Student Loan Fund. Continuously appropriates moneys in fund to Oregon Student Assistance Commission.

Establishes income tax credit for taxpayers who contribute moneys to Multi-Ethnic Student Loan Fund. Applies to tax years beginning on or after January 1, 2006.

## A BILL FOR AN ACT

1  
2 Relating to student loans; and appropriating money.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1. As used in sections 1 to 8 of this 2005 Act:**

5 (1) **"Borrower"** means a minority student who receives a loan under section 2 of this 2005  
6 **Act.**

7 (2) **"Eligible post-secondary institution"** means:

8 (a) **A state institution under the direction of the State Board of Higher Education; or**

9 (b) **An Oregon-based, generally accredited, not-for-profit institution of higher education.**

10 (3) **"Minority student"** means a student who is:

11 (a) **African American;**

12 (b) **American Indian;**

13 (c) **Hispanic; or**

14 (d) **Asian American.**

15 **SECTION 2. (1) The Oregon Student Assistance Commission shall establish the Multi-**  
16 **Ethnic Student Loan Program, a forgivable loan program for minority students studying to**  
17 **become teachers. A borrower under the program must:**

18 (a) **Be a minority student;**

19 (b) **Be registered as a sophomore, junior or a senior undergraduate student or hold a**  
20 **bachelor's degree and be registered in a graduate or post-baccalaureate program in an eligi-**  
21 **ble post-secondary institution;**

22 (c) **Be enrolled at least half-time in a teacher licensure program approved by the Teacher**  
23 **Standards and Practices Commission and not be licensed as a teacher at the time of re-**  
24 **questing the loan;**

25 (d) **Have at least a 2.5 cumulative grade point average based on a 4.0 scale at the time**  
26 **of receipt of the loan; and**

27 (e) **Agree to teach in an Oregon school district for the length of time necessary to com-**  
28 **plete forgiveness of the loan as described in section 5 of this 2005 Act.**

29 (2) **The commission shall award loans under subsection (1) of this section to minority**  
30 **students registered at an eligible post-secondary institution on the basis of the number of**

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 the institution's minority students who are eligible for the loans. The commission shall  
2 disburse loans awarded to borrowers directly to the eligible post-secondary institutions.

3 **SECTION 3.** (1) The Oregon Student Assistance Commission may award a borrower \$2,500  
4 a year as a forgivable loan under section 2 of this 2005 Act.

5 (2) A borrower may renew the loan twice after the initial award. In no case may the total  
6 award under the program exceed \$7,500.

7 (3) Interest may not accrue while the borrower is:

8 (a) Enrolled full-time in a course of study at an eligible post-secondary institution;

9 (b) Employed as a requirement for forgiveness of a loan awarded under section 2 of this  
10 2005 Act; or

11 (c) Within a commission-authorized period of deferment from repayment.

12 (4) For loans that are not forgiven and that must be repaid, each loan shall accrue in-  
13 terest at the rate of five percent annually on the unpaid principal balance with accrual be-  
14 ginning on the initial date of repayment. The commission shall determine the initial date of  
15 repayment. In no case may the initial date of repayment be earlier than the first day the  
16 borrower ceased being eligible for loan forgiveness under section 5 of this 2005 Act.

17 **SECTION 4.** (1) A minority student seeking a loan under section 2 of this 2005 Act shall  
18 contact the eligible post-secondary institution the student attends.

19 (2) The eligible post-secondary institution shall nominate eligible minority students to the  
20 Oregon Student Assistance Commission to receive loans.

21 (3) The commission shall decide whether the minority student qualifies for a loan based  
22 on the criteria set out in section 2 of this 2005 Act.

23 (4) If the minority student qualifies for a loan under section 2 of this 2005 Act, the  
24 commission shall send the borrower an agreement form. The agreement form shall set forth  
25 the terms of the loan, the terms of forgiveness, the terms of repayment and the borrower's  
26 rights and responsibilities. The borrower shall sign the form, provide the commission with  
27 any additional requested information and return the form and requested information to the  
28 commission.

29 (5) Upon receiving the signed borrower form and any additional requested information,  
30 the commission shall send the awarded loan funds to the eligible post-secondary institution  
31 the borrower attends, to be disbursed in equal amounts for each term in an academic year.

32 (6) After leaving school, the borrower shall maintain contact with the commission until  
33 the loan is either forgiven or repaid. The borrower shall forward all changes in name, ad-  
34 dress and telephone number to the commission.

35 **SECTION 5.** (1) The Oregon Student Assistance Commission shall forgive a loan awarded  
36 under section 2 of this 2005 Act in the following manner:

37 (a) One-fourth of the principal amount loaned and one-fourth of accrued interest for each  
38 academic year of full-time employment as a teacher in an eligible school district; or

39 (b) One-third of the principal amount loaned and one-third of accrued interest for each  
40 academic year of full-time employment as a guidance counselor or as a mathematics, science  
41 or second language teacher in an eligible school district.

42 (2) The commission shall prorate the amounts of principal and interest forgiven if a  
43 borrower is employed in an Oregon school district on a part-time basis.

44 (3) The borrower shall complete the employment requirement for forgiveness of the loan  
45 in not more than six years. The commission may allow a borrower additional time, not to

1 exceed three years, to complete the employment requirement for loan forgiveness. The total  
 2 loan repayment period, including any deferment period, may not exceed nine years. The  
 3 commission may grant a borrower additional time to complete the employment period as  
 4 follows:

5 (a) For the period of enrollment, if a borrower returns to school on a full-time basis in  
 6 any course of study at an eligible post-secondary institution;

7 (b) Three additional years if the borrower enters active service with the Armed Forces  
 8 of the United States;

9 (c) Three additional years if the borrower enters the Peace Corps, Volunteers in Service  
 10 to America or a similar private agency with federal tax-exempt status; and

11 (d) The commission may grant additional deferment periods at the commission's dis-  
 12 cretion.

13 (4) The borrower shall repay loan principal that is not forgiven with interest accruing  
 14 from the date the borrower ceases to be eligible for loan forgiveness.

15 (5) A borrower must hold a bachelor's degree and be licensed to teach by the Teacher  
 16 Standards and Practices Commission to be eligible for loan forgiveness.

17 (6) Interest may not accrue during the forgiveness period.

18 **SECTION 6.** (1) A borrower shall repay a loan awarded under section 2 of this 2005 Act  
 19 if the borrower:

20 (a) Does not attend an eligible post-secondary institution;

21 (b) Withdraws from an approved teacher licensure program;

22 (c) Is not employed as a teacher or guidance counselor in an Oregon school district for  
 23 the length of time necessary to complete forgiveness of the loan as described in section 5  
 24 of this 2005 Act; or

25 (d) Has had the borrower's teaching license revoked by the Teacher Standards and  
 26 Practices Commission.

27 (2) A borrower shall repay a loan that is not forgiven as follows:

28 (a) The Oregon Student Assistance Commission shall determine the monthly repayment  
 29 schedule, but in no case may the monthly payment be less than \$50, including principal and  
 30 accrued interest. The commission shall apply payments first to accrued monthly interest and  
 31 then to principal.

32 (b) The repayment period may not be longer than 10 years after the first day the loan  
 33 enters repayment. If the commission grants a deferment period to a borrower, the commis-  
 34 sion may not include the deferment period as a part of the maximum repayment period.

35 (c) A borrower may prepay any part of the loan without penalty.

36 (d) The commission shall cancel a loan and not require a borrower to make further pay-  
 37 ments toward principal and interest if the borrower becomes totally and permanently disa-  
 38 bled.

39 (3) The Oregon Student Assistance Commission shall deposit all repayments of the prin-  
 40 cipal and interest on the loans into the Multi-Ethnic Student Loan Fund established by sec-  
 41 tion 8 of this 2005 Act.

42 **SECTION 7.** (1) The Oregon Student Assistance Commission shall grant deferment peri-  
 43 ods for a loan awarded under section 2 of this 2005 Act in the following manner:

44 (a) For the period of enrollment, if a borrower returns to school on a full-time basis in  
 45 any course of study at an eligible post-secondary institution;

1 (b) Three years, if the borrower enters active service with the Armed Forces of the  
 2 United States;

3 (c) Three years, if the borrower enters the Peace Corps, Volunteers in Service to Amer-  
 4 ica or a similar private agency with federal tax-exempt status;

5 (d) For a period of not more than six months if a borrower becomes unemployed and  
 6 provides proof, satisfactory to the commission, that the borrower is actively seeking em-  
 7 ployment; and

8 (e) The commission may grant additional deferment periods at the commission's dis-  
 9 cretion.

10 (2) The commission may grant forbearance from repayment of a loan for the benefit of  
 11 the borrower for not more than six months for situations that affect a borrower's ability to  
 12 make scheduled payments on the loan that include, but are not limited to:

13 (a) Unemployment;

14 (b) Health or other personal problems; or

15 (c) Educational study that is ineligible for deferment.

16 **SECTION 8.** There is established within the State Treasury, separate and distinct from  
 17 the General Fund, the Multi-Ethnic Student Loan Fund. Moneys in the fund are continuously  
 18 appropriated to the Oregon Student Assistance Commission for the purpose of making edu-  
 19 cation loans to minority students studying to become teachers or school guidance counse-  
 20 lers.

21 **SECTION 9.** Section 10 of this 2005 Act is added to and made a part of ORS chapter 315.

22 **SECTION 10.** (1) There shall be allowed a credit against the taxes that are otherwise due  
 23 under ORS chapter 316 or, if the taxpayer is a corporation, under ORS chapter 317 or 318,  
 24 for amounts contributed to the Multi-Ethnic Student Loan Fund established under section 8  
 25 of this 2005 Act.

26 (2) The amount of the credit shall equal \_\_\_\_\_ percent of the amount actually con-  
 27 tributed to the fund by the taxpayer during the tax year.

28 (3) The tax credit allowed under this section may not exceed the tax liability of the tax-  
 29 payer for the tax year.

30 (4) Any tax credit otherwise allowable under this section that is not used by the taxpayer  
 31 in a particular tax year may be carried forward and offset against the taxpayer's tax liability  
 32 for the next succeeding tax year. Any credit remaining unused in the next succeeding tax  
 33 year may be carried forward and used in the second succeeding tax year. Any credit re-  
 34 maining unused in the second succeeding tax year may be carried forward and used in the  
 35 third succeeding tax year. Any credit remaining unused in the third succeeding tax year may  
 36 be carried forward and used in the fourth succeeding tax year. Any credit remaining unused  
 37 in the fourth succeeding tax year may be carried forward and used in the fifth succeeding  
 38 tax year, but may not be used in any tax year thereafter.

39 (5) In the case of a credit allowed under this section for purposes of ORS chapter 316:

40 (a) A nonresident shall be allowed the credit in the same manner and subject to the same  
 41 limitations as a resident. However, the credit shall be prorated using the proportion provided  
 42 in ORS 316.117.

43 (b) If a change in the taxable year of a taxpayer occurs as described in ORS 314.085 or  
 44 if the Department of Revenue terminates the taxpayer's taxable year under ORS 314.440, the  
 45 credit allowed by this section shall be prorated or computed in a manner consistent with ORS

1 **314.085.**

2 (c) **If a change in the status of a taxpayer from resident to nonresident or from nonres-**  
3 **ident to resident occurs, the credit allowed by this section shall be determined in a manner**  
4 **consistent with ORS 316.117.**

5 **SECTION 11. Section 10 of this 2005 Act applies to tax years beginning on or after Jan-**  
6 **uary 1, 2006.**

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