Student Loan Ombuds Annual Report

July 2026

DCBS | Department of Consumer and Business Services

Department of Consumer and Business Services (report submitted under ORS 725A.530(3))

About DCBS:
The Department of Consumer and Business Services (DCBS) is Oregon's largest consumer and worker protection and business regulatory agency. For more information, visit https://oregon.gov/dcbs.

About Oregon DFR:
The Division of Financial Regulation (DFR) protects consumers and regulates insurance, depository institutions, trust companies, securities, and consumer financial products and services, and is a division of DCBS. Visit dfr.oregon.gov.

About the Student Loan Servicing Program:
Oregon's Student Loan Servicing Program provides support for Oregonians with student loans through outreach, education, and advocacy. Visit https://dfr.oregon.gov/help/student-loan-help/Pages/index.aspx. We encourage borrowers who have concerns about the servicing and repayment of their student loans to contact the student loan ombuds at dfr.bankingproducthelp@dcbs.oregon.gov or 888-877-4894 (toll-free).

Additional report information:
This report is based on data submitted to DFR through May 31, 2026.

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Introduction

This annual report to the Oregon Legislature describes the activities of the student loan ombuds with recommendations for legislative changes to improve the repayment experience for Oregon's student loan borrowers. This report includes information about the outlook, trends, and effects of federal and private student loan servicing in the following sections:

- Background on student loans and student loan servicing
- Analysis of developments in the student loan space
- Policy recommendations to the Legislature, including updates on previous recommendations

Executive summary

The main themes among student loan borrowers who contacted Oregon's student loan ombuds this year were accessing the Public Service Loan Forgiveness (PSLF) program, challenges getting income-driven repayment (IDR) applications processed timely and correctly, and the application of payments across loan groups. Between June 1, 2025, and May 31, 2026, the student loan ombuds received 379 contacts, resulting in 111 opened complaints. Since the program began in 2022, the ombuds has received a total of 1,273 contacts calls and emails from the public.

As of May 31, 2026, there are 39 entities licensed to service student loans in Oregon. Of those, eight are federally contracted. Since last year's report, four new servicers obtained licenses, one of which is federally contracted.

At this stage, the proposed closure of the U.S. Department of Education (ED) is moving forward more rhetorically than legislatively, but borrowers are feeling the effects.[1] With implementation of parts of H.R. 1, commonly known as the One Big Beautiful Bill Act, completed and others underway,[2] the federal student loan program is in a state of change. Congress has lowered loan limits and enacted less affordable repayment options.[3] Confusion and higher monthly payments have contributed to defaults on student loans reaching all-time highs.[4]

1 https://www.pbs.org/newshour/nation/major-changes-to-student-loan-borrowing-and-repayment-are-coming-heres-what-to-know

2 Federal Student Loan Program Provisions Effective Upon Enactment Under the One Big Beautiful Bill Act | Knowledge Center

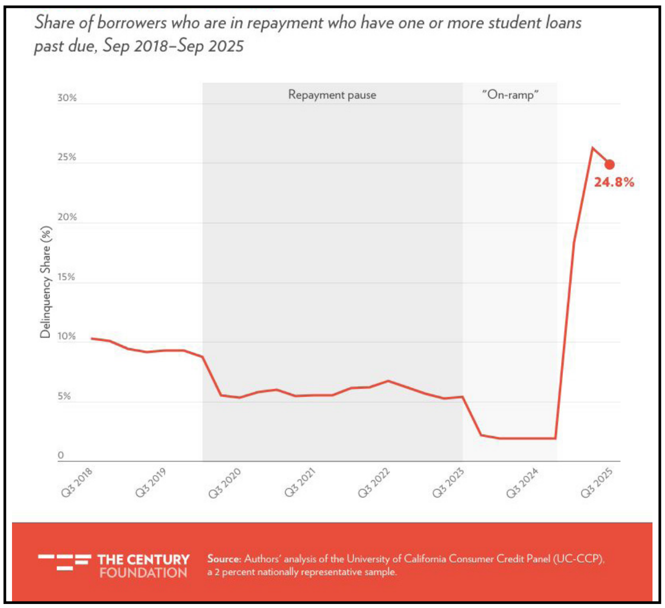
3 Loan Changes from the One Big Beautiful Bill Act: Brief for Campus Leadership

4 Trump's Student Loan Delinquency Crisis, Unmasked

Background on student loans

While the Department of Education is currently the largest holder of student loan debt, that may soon change. On March 19, 2026, the Department of Education announced it would be transferring the student loan portfolio to the U.S. Department of Treasury. Additionally, new loan caps mean the portfolio's growth is likely to slow,[5] while private lending may increase.[6] As of the most recently published data, Dec. 31, 2025, the Department of Education held loans for 42.8 million individual borrowers. The portfolio totals $1.69 trillion,[7] the highest dollar amount in the history of the student loan program. With few exceptions, the portfolio has grown annually.

Figure 1: Share of borrowers in delinquency from the Century Foundation report, "Trump's Student Loan Delinquency Crisis, Unmasked"



More than 1 million borrowers are 271 to 360 days late, while more than 3 million are between 30 and 270 days late. Another 8 million defaulted before 2020.[8] This reflects a large shift, as today, about 12 million people – or 1 in 4 borrowers – are delinquent or have defaulted.[9]

Department of Education data shows 14 million borrowers are in a current payment status[10] – the resulting math shows the large majority of borrowers are in forbearance, grace, or deferment. This is an unusually large number of loans on pause, and a majority are likely enrolled in the Saving on a Valuable Education (SAVE) litigation forbearance. Because the SAVE income-driven repayment (IDR) plan has been challenged in court since 2024, borrowers who applied for, or were enrolled in, that plan have been placed in forbearance. While the SAVE plan was officially deemed illegal in March 2026,[11] the process of switching borrowers to new plans is ongoing.[12]

Of Oregon's 503,000 federal student loan borrowers, 100,000 are considered defaulted and subject to forced collections. About 15,000 Oregonians have balances of more than $200,000. The age range of Oregon's borrowers continues to be broad, with the largest concentration between the ages of 25 and 49.[13]

Private student loan debt is also formidable. There is an estimated total of $145 billion in outstanding private student loan debt nationwide.[14] Federal student loan changes due to the One Big Beautiful Bill Act, including the end of the grad plus loan program, are likely to lead to an increase in private student loans over the coming years.

5 Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 2025 Baseline | Congressional Budget Office

6 Private student loan market set to expand under new federal loan caps

7 Federal Student Loan Portfolio | Federal Student Aid

8 Ibid

9 Trump's Student Loan Delinquency Crisis, Unmasked

10 ibid

11 U.S. Department of Education Announces Next Steps for Borrowers Enrolled in the Unlawful SAVE Plan | U.S. Department of Education

12 Millions of Student Loan Borrowers Urged to Act Now Before Deadline Hits - Newsweek

13 Federal Student Loan Portfolio | Federal Student Aid

14 Total U.S. Student Loan Debt: 2025 vs Previous Years (Chart)

National trends and patterns

Since last year's report, the payment and borrowing options for federal student loans have shifted, with more change due July 1, 2026. As of the writing of this report, the available IDR plans for federal loans are income-based repayment, income-contingent repayment, and pay as you earn.[15] The SAVE plan, which was intended to replace the previous IDR plans, was deemed illegal March 26, 2026.[16] The end of the drawn out litigation against SAVE left many borrowers unclear on next steps.[17] The pause in processing IDR applications in 2025 already created a backlog. As of May 19, 2026, the Department of Education reported an IDR backlog of 530,295[18] – a decrease from 2 million last year. The approximately 7 million borrowers in SAVE litigation forbearance will be required to join that queue in the coming months.

The other change that has affected borrowers relates to IDR forgiveness. For a time in 2025, the IDR application process was on hold, as was forgiveness under IDR plans based on time in repayment.[19] Generally, IDR plans come with forgiveness after the required 20 to 30 years of payment.[20] Between COVID-19-era protections, and the pauses in IDR forgiveness processing, borrowers have yet to be exposed to this tax burden. Amounts forgiven under IDR are now counted as part of a borrower's annual income, resulting in an additional tax bill. As of the date this report was published, neither the Department of Education nor Congress had proposed a fix.

Some states, including New York,[21] Minnesota,[22] and California,[23] have amended their state tax codes to no longer conform with federal tax code on this matter, alleviating the burden of the additional tax burden on the state level.

The latest rule change that could potentially affect borrowers was made to the Public Service Loan Forgiveness (PSLF) program. As mentioned on Page 10 of last year's student loan report to the Legislature: [24] "Trump signed another executive order titled *'Restoring Public Service Loan Forgiveness.'* [25] Under the current program rules, the determination of employer eligibility is based on tax status; however, this executive order recommends a more complex analysis to determine eligibility."

In the intervening year, rulemaking and public comment on the PSLF executive order was completed. Participants of the federal rulemaking committee expressed exasperation and confusion about the possibility of implementing a subjective or onerous rule.[26]

Oregon's student loan ombuds, in collaboration with other states, submitted one of the 13,988 comments published to the federal register,[27] strongly opposing the changes.[28] Despite the feedback given through those processes, on Oct. 30, 2025,[29] the department finalized a rule that looked nearly identical to the

15 Repayment Plans | Federal Student Aid

16 U.S. Department of Education Announces Next Steps for Borrowers Enrolled in the Unlawful SAVE Plan | U.S. Department of Education

17 Elimination of SAVE Plan Puts More Than 7 Million Borrowers in Financial Peril - NCLC

18 Status Report – #65 in AMERICAN FEDERATION OF TEACHERS v. U.S. DEPARTMENT OF EDUCATION (D.D.C., 1:25-cv-00802) – CourtListener.com

19 The Department of Education has paused certain student loan forgiveness. Here's what you need to know | CNN Politics

20 Income-Driven Repayment Plan Loan Forgiveness - Student Loan Borrowers Assistance

21 NY State Senate Bill 2023-S143

22 Sec. 290.0132 MN Statutes Subd.24

23 California Code, RTC 17132.11

24 2025 Student Loan Ombuds Annual Report

25 Restoring Public Service Loan Forgiveness – The White House

26 Federal Register :: Intent To Receive Public Feedback for the Development of Proposed Regulations and Establish Negotiated Rulemaking Committee

27 Regulations.gov

28 Regulations.gov, Comment ID ED-2025-OPE-0016-8978

29 U.S. Department of Education Announces Final Rule on Public Service Loan Forgiveness to Protect American Taxpayers | U.S. Department of Education

executive order.[30] On Nov. 3, 2025, the National Council of Nonprofits filed suit in the district court for the district of Massachusetts against the U.S. Department of Education for this rule, alleging it is illegal and discriminatory.[31] That is one of three current suits challenging the rule.[32] As of the printing of this report, the October 2025 rule is still set to take effect July 1, 2026.

More changes – resulting from the One Big Beautiful Bill Act – are also impending. In addition to the PSLF rule, several significant changes come into play on July 1, 2026. Those changes include lending caps, abolition of grad plus loans, and the introduction of a new income-driven repayment plan, called the Repayment Assistance Plan (RAP). One of the biggest shifts advocates foresee relates to the new lending caps. Before July 1, 2026, graduate students had the ability to borrow as much as needed to pay tuition and fees for their program.[33]

Starting this summer, however, new enrollees in graduate programs will be limited to $100,000 or $200,000 in loans, depending on the program they pursue. Additionally, all new borrowers will have a lifetime borrowing cap of $257,500.[34] Today, many graduate-level students borrow more than that. The gap between the cost of these programs and the lending caps is likely to be filled by private student loans, including new products such as income-share agreement (ISA) loans and "buy now, pay later" loans. In many cases, even those products will be out of reach.[35]

RAP has yet to be implemented, but based on a chart released during rulemaking, the payment breakdown as follows:

Figure 2: Repayment Assistance Plan's payment breakdown from studentloanborrowerassistance.org

Income range	% of income used to calculate monthly bill	Monthly bill range *before* subtracting $50 per dependent (*with $10 minimum payment after deductions*)
Less than $10,000	NA	$10
$10,000-$20,000	1%	$10-$16
$20,000-$30,000	2%	$33-$50
$30,000-$40,000	3%	$75-$100
$40,000-$50,000	4%	$133-$166
$50,000-$60,000	5%	$208-$250
$60,000-$70,000	6%	$300-$350
$70,000-$80,000	7%	$408-$466
$80,000-$90,000	8%	$533-$600
$90,000-$100,000	9%	$675-$750
Greater than $100,000	10%	$833+

Notably, there is no $0 monthly repayment option under the RAP plan. As a result, and for the first time since 1994,[36] new borrowers after July 1, 2026, will be required to make at least a $10 monthly payment, regardless of their income. At the time this report was published, it was unclear whether the income-contingent repayment and pay-as-you-earn plans will continue to be available for existing borrowers until 2028, as stated on studentaid.gov,[37] or if enrollments for those end July 1, 2026, as stated in the final rule published April 30.[38]

Currently, there are attempts to dismantle the U.S. Department of Education and transfer programs to other agencies. Since the March 12, 2025, executive order,[39] the Department of Education has signed many interagency agreements[40] transferring programs and pieces of programs to other parts of the federal government. Most notably for those in student loan repayment, a March 19, 2026, interagency agreement took the first steps of transferring Federal Student

30 U.S. Department of Education Announces Final Rule on Public Service Loan Forgiveness to Protect American Taxpayers | U.S. Department of Education

31 NCN-V.-MCMAHON-COMPLAINT.pdf

32 States, cities file lawsuits over Trump rule on public service loan forgiveness | AP News

33 Grad PLUS loans | Federal Student Aid

34 U.S. Department of Education Finalizes Landmark Rule to Lower College Costs and Simplify Student Loan Repayment | U.S. Department of Education

35 Access Denied: How 40% of Americans Are Locked Out of the Private Student Loan Market - Protect Borrowers

36 When Did Income-Driven Repayment Plans Start? - LegalClarity

37 One Big Beautiful Bill Act Updates | Federal Student Aid

38 U.S. Department of Education Finalizes Landmark Rule to Lower College Costs and Simplify Student Loan Repayment | U.S. Department of Education

39 Fact Sheet: President Donald J. Trump Empowers Parents, States, and Communities to Improve Education Outcomes –]

40 Returning Education to the States | U.S. Department of Education

Assistance to Treasury.[41] The first operations to transfer to Treasury are stated to be forced collections, which will be handled by the Treasury Offset Program. The interagency agreement does not contain dates other than, "This Agreement is effective as of the date of the last signature and will remain in effect until terminated by the Parties."[42] At the same time, the Department of Education is using a contractor to hire staff members to replace those laid off during the 2025 reduction in force.[43]

The other emerging pattern in student loans repayment is historically high defaults.[44] With the SAVE plan being deemed illegal, many borrowers are seeing their payments increase.[45] For a variety of reasons – COVID-19 and SAVE litigation pauses chief among them – some borrowers recently recertified their income for the first time in several years. For those whose income went up, the payment increase could be significant. Other borrowers expressed confusion and lack of clarity regarding available repayment and forgiveness options.[46] In April 2025, the Department of Education announced the resumption of forced collections.[47] On Jan. 16, 2026, it announced that such collections would be delayed.[48] Presumably, the pause on forced collection is related to Federal Student Aid's transfer to Treasury.

In response to the announcement regarding the office's transfer to Treasury, Kyra Taylor, a staff attorney at the National Consumer Law Center said:

"The last thing student loan borrowers need is more chaos from the federal government. Over the past year, the Department of Education has issued a dizzying series of rule changes that make it harder for borrowers to figure out what their options are on their federal student loans. Today there are nearly 9 million student loan borrowers in default, and those numbers are certain to rise if borrowers are unable to navigate the system."[49]

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41 ed-treasury-interagency-partnership-113468.pdf

42 Ibid page 8

43 Raventek Solution Partners LLC - Federal Student Aid Regulatory Case Analyst accessed May 15, 2026

44 Student loan defaults are up, as borrowers fail to make payments : NPR

45 2.6 million student loan borrowers defaulted in Q1 2026: New York Fed

46 Trump's Student Loan Delinquency Crisis, Unmasked

47 U.S. Department of Education to Begin Federal Student Loan Collections, Other Actions to Help Borrowers Get Back into Repayment | U.S. Department of Education

48 U.S. Department of Education Delays Involuntary Collections Amid Ongoing Student Loan Repayment Improvements | U.S. Department of Education

49 Department of Education Adds Confusion to Repayment Process, Shifts Student Loan Servicing and Collections to Treasury - NCLC

Oregon developments

This marks the fourth year of Oregon's student loan ombuds program, and the fourth year when repayment and forgiveness options were different from the previous year. An overarching theme for the four years has been borrower confusion and lack of trust. Rapidly and continuously changing rules at the federal level have left borrowers behind. Public servants, and those they serve, have been some of the hardest hit as PSLF rules and eligible payment plans shift and application backlogs grow.[50]

Between June 1, 2025, and May 31, 2026, the student loan ombuds received 379 contacts by phone and email. This is a slight decrease from the 454 contacts reported in the 2024-25 program year. One possible explanation for the decrease is fewer questions about repayment and forgiveness options. Because of the executive orders about PSLF and other Department of Education programs, many borrowers believe affordable repayment or forgiveness programs are no longer available. When borrowers believe they are not eligible for a program, they are less likely to reach out with questions.

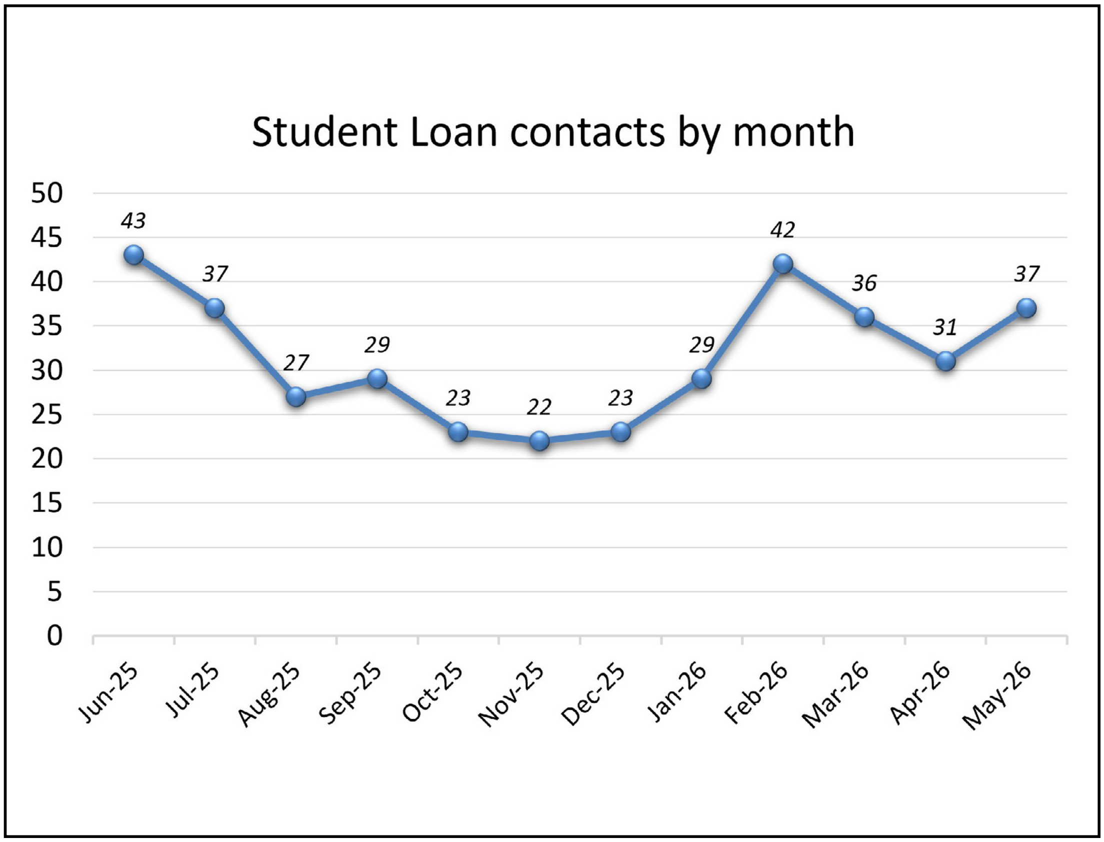
The main themes of the contacts were questions about available repayment plans and PSLF.

New topics were the tax implications of loan cancellation, and questions about options when payments are unaffordable. The tax questions were mostly due to a change where amounts canceled under some federal programs became taxable as income as of Jan. 1, 2026.

Currently, borrowers do not have an easy way to check the effective date of their IDR cancellation and, therefore, are unable to make informed decisions about opting out. IDR eligible month counts, published briefly in early 2025, have yet to be restored to borrowers' profiles.[51] Because this is the first time borrowers will face tax consequences, there are understandably many questions about the state and federal effects.

State student loan ombuds have historically worked directly with the Federal Student Aid ombudsman team to resolve questions and complaints. Since that collaboration has ended, more contacts are referred to the Federal Student Aid call center and escalation processes.

Figure 3: Student loan contacts by month, June 2025 through May 2026



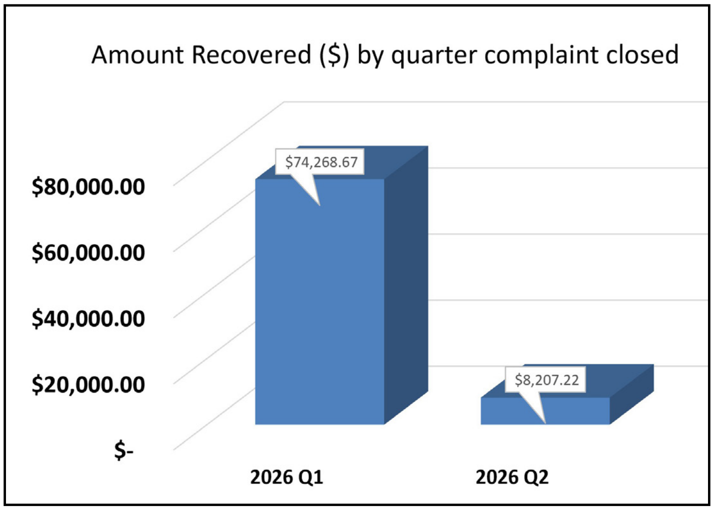
50 [Punishing Public Service: How the New PSLF Rule Endangers Legal Aid and Other Safety-Net Services | Law Journals]

51 [IDR Plan Court Actions: Impact on Borrowers | Federal Student Aid] viewed May 22, 2026 – When will ED begin to display IDR payment counters on studentaid.gov?

Summary of student loan complaints and patterns

While the overall number of contacts decreased, the number of contacts that resulted in complaints increased slightly, with 111 new complaints opened (compared with 95 in the 2024-25 program year). Meanwhile, 134 complaints were closed in the same timeframe. Since the beginning of the student loan ombuds program, 323 total complaints have been opened and 231 closed.

Figure 4: Amount the student loan ombuds program recovered for borrowers by quarter



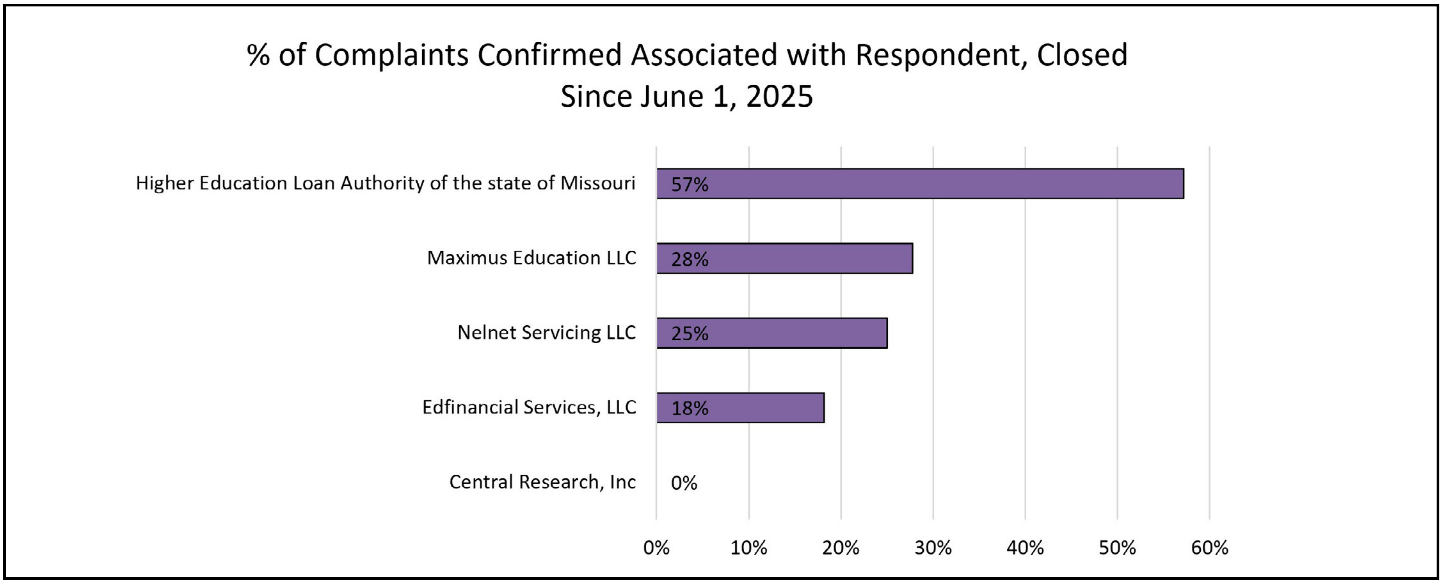
In 2026, the Division of Financial Regulation began tracking monetary recoveries. Since Jan. 1, 2026, $82,476 has been recovered for borrowers. This includes refunds for overpayment, restoration of PSLF-eligible months, and reductions in interest or fees.

The other metric tracked for the first time in the 2025-26 program year was whether the noncompliance alleged by the borrower was found to have merit (confirmed) or if the servicer appears to be in compliance (not confirmed).

The Higher Education Loan Authority of the State of Missouri (MOHELA) had by far the highest number – and highest percentage – of confirmed complaints among federal or private servicers. MOHELA services private[52] and federal loans, and is the third-largest federal servicer.[53] The most commonly confirmed complaints included refunds, application of forbearances, and interest adjustments. The following chart reflects the confirmed percentages for each federal student loan servicer.

In terms of complaint themes, concerns about getting the wrong information from servicers continues to be the most common. Undertrained and understaffed call centers, continuous changes, and limited scripts mean borrowers are not confident in the information they are getting when calling or emailing their servicer. This complaint pattern aligns with examination

Figure 5: Percentage of confirmed complaints by federal student loan servicer since June 1, 2025



52 MOHELA Servicing | Loan Servicing - Private
53 Federal Student Loan Portfolio | Federal Student Aid – servicer portfolio by loan status

findings around customer service contacts.[54] This ongoing pattern is concerning, as it reflects an overall inability for servicers to provide the services required under their contracts. Many complaints are resolved when borrowers are given information, which they requested before contacting the student loan ombuds.

Figure 6: Student loan complaints by keyword (theme)

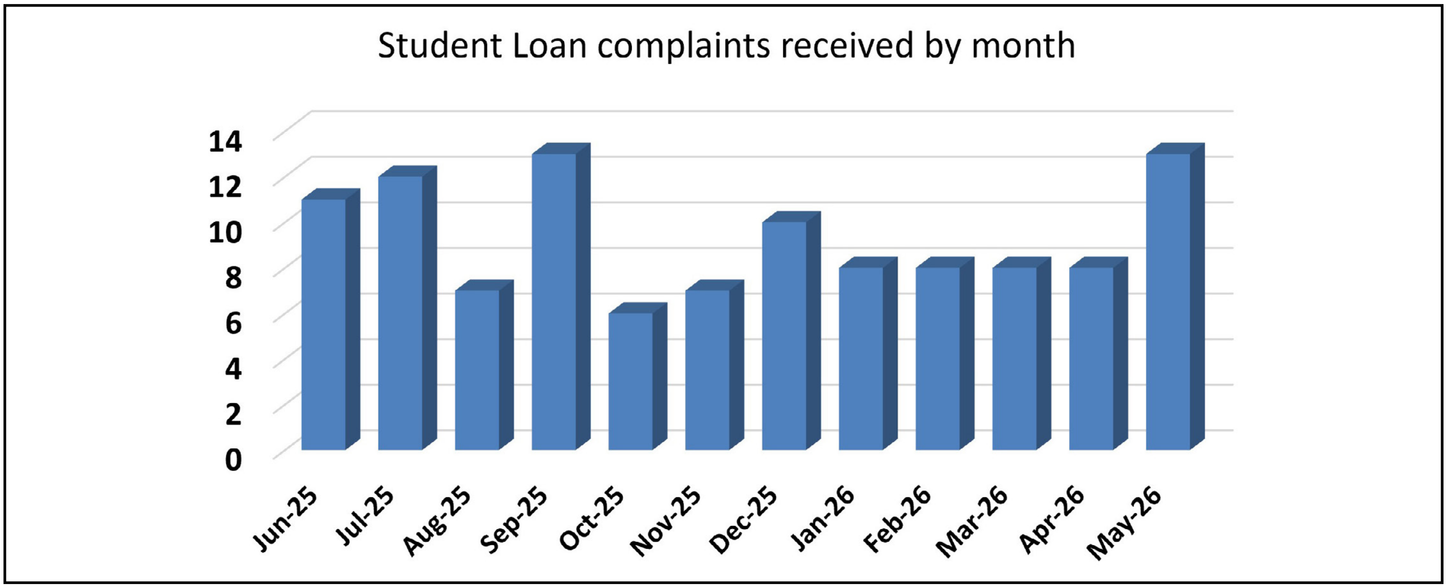
Complaint keyword (theme)	Percentage of complaints
Servicer provided wrong information	38%
PSLF	24%
Servicing transfer issue	19%
Forbearance steering	18%
Referral from DOJ	13%
IDR application/recertification	12%
Payments misapplied	10%
Refunds	8%
Credit reporting issue	7%
Interest capitalization	7%
Borrower defense	7%
IDR cancellation	6%
Collections mistake/bad collections practice	6%
Closed school	5%
Return to repayment	5%
Other	16%

The second-most common keyword (theme) for complaints was PSLF. While the Department of Education claims to have brought the PSLF program "in house" in 2024, servicers still play a crucial role in its administration. Servicers are required to apply payments and track them in the National Student Loan Data System monthly. If payments, or more often forbearances, are incorrectly recorded, the month will not show up as PSLF eligible. The functions the Department of Education presents as "in house" were contracted to other (and sometimes the same) federal contractors. Those responsibilities include processing PSLF employer certifications, reconsiderations, buybacks, and discharges, as well as answering technical questions.

Because of the complex relationship between the servicers and other contractors, borrowers do not always know which pieces their servicers are responsible for. Much of the student loan ombuds work over the past year has been explaining who has what abilities and responsibilities within the PSLF program.

The themes that represent the 16 percent of "other" keywords in Figure 6 include identity theft, total and permanent disability discharge, one-time IDR account adjustment, servicer rude/unprofessional, bankruptcy, ISAs/new products, unlicensed servicing, state or federal tax offset, fresh start, institutional debt, and benefits offset.

Figure 7: Number of student loan complaints received by month from June 2025 to May 2026



54 This report, pages 12-13

Outreach and education

This was a quieter year for the student loan ombuds on the education and outreach front. A main reason for this is the move toward training the trainers. In 2025, for the first time, the student loan ombuds held a webinar called "Student Loans for Financial Professionals." The webinar was well attended and, hopefully, it will lead to additional collaboration with specialists already working with Oregon's student loan borrowers. One other outreach highlight was that the student loan ombuds contributed to "Navigating the Future of Student Loans,"[55] a live webinar with student loan ombuds and advocates from eight other states. At final count, 1,026 people registered for the live webinar, and 745 people attended. Of those, 23 self-identified as living in Oregon.

In total, the ombuds participated in four outreach events since June 1, 2025, and continues to help lead the states' student loan ombuds group and serves as an adviser on the Financial Empowerment Advisory Team.[56] Since June 2022, the ombuds has attended roughly 41 outreach events.

Figure 8: Screenshot from the "Navigating the Future of Student Loans: Insights From State Ombudsmen and Advocates" webinar

55 Navigating the Future of Student Loans: Insights From State Ombudsmen and Advocates webinar

56 2026 Financial Wellness Scorecard

Summary of licensing and examinations

As of May 31, 2026, there were 39 entities licensed to service student loans in Oregon. Of those, 31 have a general (private) license, and eight are federally contracted. One application is currently under review. Since June 1, 2025, three new general licenses and one federally contracted license were granted.

Since last year's report, 10 exams have been completed on student loan servicers, with three more currently underway.

Some examples of major findings from exams this year have included:

Licensing:

- Failure to ensure vendors are properly licensed
- Failure to obtain required branch license

Compliance and borrower care:

- Incorrectly capitalizing interest at the end of forbearances
- Errors in credit reporting and billing statements
- Failure to ensure borrower's information was accurate in the servicing system
- Failure to timely reduce the interest rate for Automated Clearing House network participation to electronically transfer funds
- Failure to fully verify a caller's identity before discussing the account
- Failure of agents to accurately document phone conversations with borrowers
- Failure to provide accurate information to borrowers
- Failure to retain copies of billing statements and notices sent to borrowers
- Failure to meet Oregon's record retention time period
- Failure to register trade name with the Oregon Secretary of State
- Failure to display its Nationwide Multistate Licensing System identification number on its website

As of the publication of this report, no examination findings have risen to the level of enforcement action.

Summary of enforcement actions

The referral to enforcement mentioned in last year's report continues through the administrative process. Any potential outcomes from that or other ongoing investigations, once made public, will be made available on the [Division of Financial Regulation's notices and orders webpage].

Looking forward

Updates to the Oregon Administrative Rules relating to student loan servicing should be finalized this year. As a result of that rulemaking, DFR is looking toward collecting new data in 2027. Legislators, fintechs (financial technology companies), and nonprofits have ideas about how to address lower lending caps and more expensive repayment plans. DFR is concerned that the year ahead will continue to be challenging for student loan borrowers. Defaults and payments are going up, and available dollars are going down. Overall, these trends may result in lower rates of college attendance, more expensive loans, and more creative ways of financing.

Recommendation No. 1: Legislative study regarding the effect of taxing student loan cancellation as income

Under current regulations, student loan borrowers who make a certain number of qualifying payments on an IDR plan should have the balance of their loans forgiven. This forgiveness is part of the program design – to give even the most low-income borrowers a term end date. Because IDR payments are based solely on income and family size, only borrowers with lower adjusted gross incomes, large families, or both end up seeing balances forgiven; other borrowers are able to pay off balances in that time. Due to negative amortization, the forgiven amounts are often interest accrued on interest, with borrowers having long paid back the original amount borrowed. These borrowers also tend to be older, as a function of the long repayment term.

Before technical changes were made in 2020-22, no loans had been discharged due to time in repayment. Complex, intersecting program rules, differing levels of federal oversight, and poor recordkeeping combined to prevent the full implementation of the IDR forgiveness rules. Because no loans had been forgiven under this program before 2021, the tax implications of such forgiveness had been theoretical up until that date.

The American Rescue Plan Act of 2021 included a provision excluding forgiven student loan debt from the definition of taxable income at the federal level. That provision expired Dec. 31, 2025. Oregon generally follows the federal tax code, meaning changes in federal law are reflected in Oregon's state tax system. As a result of this series of events, no revenue has been generated at the state or federal level as of today.

For 2026 and going forward, forgiven debt is once again considered taxable income, and tax implications have become real for the first time. Some of the impacted borrowers earn less than $50,000 annually and have minimal savings, making the financial effect significant.

Other states that generally conform with the federal tax code have carved out an exception to this taxable income issue in state law. These include California,[57] Minnesota,[58] and New York.[59] As this is a revenue source the state has yet to benefit from, and a tax Oregonians have yet to pay, it would be worthwhile to delve deeper into the implications of this change. Some possible areas of research include potential revenue from this source, populations impacted, and qualitative survey work.

Recommendation No. 2: Legislative study to collect data and review existing tuition repayment and loan programs within institutions of higher education

Tuition repayment, "buy now, pay later" loans, and other in-house lending exist at many higher education institutions. While the Higher Education Coordinating Committee oversees private colleges and career schools in Oregon, its responsibility is mostly in licensing and complaint resolution. An area of the educational experience that remains murky is the intersection between paying tuition and financing education.

There are federal-level protections for these loans. These protections include:

Title IV/Institutional and Lender Requirements (34 CFR Part 601)
Title IV rules impose codes of conduct, lender relationship disclosures, reporting, and protections that also touch private/institutional loans when a Title IV participating school markets them alongside federal aid.

Consumer Financial Protection Bureau (CFPB) supervision and guidance (2023)
The CFPB's market study found that many tuition payment plans function like loans and pose various consumer risks, including inconsistent disclosures, forced enrollment, steep late/returned payment fees, transcript withholding, and waivers of rights/

57 California Code, RTC 17132.11
58 Sec. 290.0132 MN Statutes Subd.24
59 NY State Senate Bill 2023-S143

arbitration. This frames how federal and state regulators look at institutional plans and collections.

As the One Big Beautiful Bill Act caps student loan borrowing, schools are one of the entities that are likely to ramp up lending to fill the gap for education costs. As of today, no colleges, boot camps, career schools, or other institutions of higher education in Oregon have applied for a student loan servicing license. Based on the types of tuition repayment plans available, and the ways schools incentivize repayment, it is likely that some of these institutions would meet the definition of a student loan servicer. To find out the extent, depth, and implications of this unlicensed market, further research is required. Some of the important questions that remain outstanding are:

- When does late tuition become a loan?
- Do payment plans cost students more than paying in full?
- Is all collection of payments conducted by licensed, third-party vendors?
- Under what circumstances do students start to accrue interest/fees on payment plans, or other accounts receivable?
- Considering the ban on transcript withholding, what other ways are collections being incentivized?

As of today, private colleges and career schools are a potentially large source of unregulated lending and servicing. To support Oregon consumers in their academic pursuits, there is a need to dive deeper into how and where this market functions and what state-level protections could be put in place.

Updates on previous recommendations

Set minimum customer service standards

Many of the contacts and complaints received by the student loan ombuds relate to long call wait times, dropped calls, and an overall inability to speak with student loan servicers. Often, when borrowers are able to reach their servicers, they feel the information they receive is incorrect or incomplete. While the federal student loan servicing contract contains performance metrics for servicers, that oversight does not appear to have yet affected customer service. In 2026, DFR is holding rulemaking for student loan servicing. Some changes will include new reporting metrics for servicers (hold times, number of consumer contacts, average time to resolve complaints) and changing bond requirements.[60] Once each servicer has reported its data to DFR, the division will have the necessary data for setting metrics regarding customer service delivery.

Explore requiring all PSLF-eligible employers to notify their employees – no update

Oregon Revised Statute (ORS) 329.756 requires educational employers to tell employees about PSLF. There continues to be no enforcement or tracking mechanism tied to this requirement. It would be valuable if the statute were made more robust and rules were implemented to clarify roles and responsibilities. The student loan ombuds produced an example of what this could look like by including a message in the State of Oregon's timekeeping software, Workday. DFR can be a resource for employers looking to support staff in this way, or for lawmakers seeking to make the notification requirements more robust.

Explore increasing subsidies and state support for higher education tuition and fees – no update

Ultimately, as long as debt is the No. 1 way middle- and low-income Americans finance their higher education, many of the issues mentioned in this report will persist. College enrollment continues to decline, with many citing the cost of college as the main factor. If the United States hopes to produce workers who can compete on the world stage, we need to follow the models used in other developed countries and shift the responsibility of tuition from the individual to state and federal governments. This model would be similar to how kindergarten through 12th grade is largely covered by funding from public bodies. The Oregon Opportunity Grant, Oregon Promise, and Oregon Tribal Student grants are good examples of ways the state can support higher education financing in the current system. Funding state universities directly could ultimately provide better value for taxpayers.

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Conclusion

Each year, it becomes increasingly apparent that the $1.7 trillion student loan portfolio is causing a strain on borrowers, taxpayers, and taxpaying borrowers.

For the two most recent federal administrations, opposite attempts to ease that strain have left borrowers behind. As the economy gets worse, default rates go up, and the government collects fewer dollars.