



KANSAS BOARD OF REGENTS

House Education Committee

February 26, 2025 Follow-Up to Committee Questions 2025 SB 50

In the hearing for SB 50, there were several questions about service scholarships and interest rates from the Committee. Please see additional information below.

Across eight service scholarship programs, there are 434 individuals in repayment status and of those, 227 are in collections:

Students in Repayment			
Program	Number of Students	Original Scholarship Awarded	Current Payoff Amount
Teachers Service Scholarship	67	\$517,942.94	\$1,070,001.75
Nurse Educator	23	\$94,116.75	\$222,927.67
National Guard Tuition Assistance	29	\$159,172.01	\$166,361.96
Nursing Service Scholarship	100	\$194,443.96	\$498,388.24
Osteopathic Scholarship	1	\$30,000.00	\$84,345.89
Optometry	1	\$26,000.00	\$50,667.71
Promise Act	180	\$754,262.24	\$848,109.71
ROTC Service	33	\$198,331.41	\$370,289.47
Total	434	\$1,974,269.31	\$3,311,092.40

Those Students in Repayment who are in Collections			
Program	Number of Students	Original Scholarship Awarded	Current Payoff Amount
Teachers Service Scholarship	35	\$269,243.74	\$453,117.22
Nurse Educator	8	\$51,353.28	\$79,005.98
National Guard Tuition Assistance	14	\$75,418.34	\$69,133.14
Nursing Service Scholarship	64	\$156,375.00	\$335,377.56
Osteopathic Scholarship	1	\$26,000.00	\$50,667.71
Optometry	0	\$0.00	\$0.00
Promise Act	86	\$334,917.00	\$394,896.46
ROTC Service	19	\$146,520.80	\$227,479.27
Total	227	\$1,059,828.16	\$1,609,677.34

Amounts shown are as of January 31, 2025.

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Some individual examples are noted below.

A Kansas Teacher Service Scholarship recipient who was placed in repayment status as of February 2009, has interest accruing back to September 2007. The original award was \$5,000 with a current payoff \$12,770.22 due to accrued interest.

A Nursing Service Scholarship recipient was placed in repayment status as of January 2016, with interest accruing back to August 2008. The original award was \$5,000 with a current payoff of \$17,659.30 due to accrued interest.

A Promise Act Scholarship recipient was placed in repayment status as of February 2024, with interest accruing back to October 2024. The original award was \$11,896 with a current payoff of \$14,569.90.

Some broader information on federal and private loan interest rates is provided below¹:

Federal student loan interest rates do not change more than once per academic year, but private lenders may update their loans quarterly or even monthly.

- For new undergraduate loans, the current federal interest rate is **6.53%**, the highest of the last decade; the lowest was 2.75%.
- Federal loans are available to graduate and professional students with an interest rate of **8.08%**; parents can borrow PLUS* loans at 9.08%.
- **92.21%** of all student loan debt is federal; the remaining 7.79% is private loan debt.
- Private student loans, including refinance** loans, start as low as **3.47%**.

**PLUS Loans are also available to graduate and professional students at the same rate.*

***Refinancing is not the same as consolidation; refinancing student loans may reduce interest rates, but consolidating federal loans retains their protections.*

Private Loan Interest Rates

Some private student lenders offer APRs lower than the current federal rate; few borrowers qualify for these lowest rates, however.

- Private student loan interest rates generally range from 3.45% to 16.24% as of January 2025.
- The lowest advertised rates usually include any available discounts, including the most common: a 0.25% rate reduction for enrolling in automatic payments.
- The average fixed interest rate on a private loan was 9.66% in 2017; the average variable rate was 7.81%.

¹ <https://educationdata.org/average-student-loan-interest-rate>

Current Federal Interest Rates

Student Borrowers	Loan Type	Interest Rate
Undergraduate	Direct Subsidized & Unsubsidized	6.53%
Graduate & Professional	Direct Unsubsidized	8.08%
Parent, Graduate & Professional	PLUS	9.08%

Federal Undergraduate Direct Subsidized & Unsubsidized Student Loan Interest Rates

FY 2025	6.53%
FY 2024	5.50%
FY 2023	4.99%
FY 2022	3.73%
FY 2021	2.75%
FY 2020	4.53%
FY 2019	5.05%
FY 2018	4.45%
FY 2017	3.76%
FY 2016	4.29%
FY 2015	4.66%

Federal Student Loans for Parents, Graduate, and Professional Borrowers

	Unsubsidized Loans for Graduate and Professional Borrowers‡	PLUS Loans for Parents, Graduate, and Professional Borrowers
FY 2025	8.08%	9.08%
FY 2024	7.05%	8.05%
FY 2023	6.54%	7.54%
FY 2022	5.28%	6.28%
FY 2021	4.30%	5.30%
FY 2020	6.08%	7.08%
FY 2019	6.60%	7.60%
FY 2018	6.00%	7.00%
FY 2017	5.31%	6.31%
FY 2016	5.84%	6.84%
FY 2015	6.21%	7.21%
FY 2014	5.41%	6.41%
FY 2013	6.80%	7.90%
FY 2012	6.80%	N/A
FY 2011	6.80%	N/A
FY 2010	6.80%	8.50%
FY 2009	6.80%	8.50%
FY 2008	6.80%	8.50%
FY 2007	6.80%	8.50%

‡Direct Unsubsidized Loans and Unsubsidized Federal Stafford Loans for Graduate or Professional Borrowers.

The premise of the proposal in SB 50 dates to Fall 2023 (as embodied in 2024 HB 2644), and was intended to:

- Make uniform (or definitively state in some cases) across all service scholarships at what point interest begins to accrue for someone who is found to be out of compliance with their service agreement; and
- Reduce the burdensome interest costs to our former postsecondary students who find themselves out of compliance with their service agreement.

In Fall 2023, the former Director of Student Financial Assistance collected information from similar state administrators of financial aid programs. A few states responded at that time:

West Virginia: They use the fixed 5% rate from the federal Perkins Loan program (now no longer active).

Maine: Their interest rates for undergraduate service scholarships are fixed at 5% (based on the Perkins Loan rate). For graduate service scholarships, rates are adjusted according to the type of program.

Vermont: All but one of the scholarship programs have a 0% interest rate, the result of much deliberation by the Legislature. The one program with an interest rate has the rate tied to the federal PLUS rate. Vermont stated that one question they received is will students use these programs with no intent to meet the requirements (i.e., work in the state). While some students may choose to use this program to finance their education because it's a 0% loan and cheaper than other federal/state loans, fully intending to not meet the forgiveness requirements, Vermont has not found that to generally be the case.

New York: New York has one scholarship that converts to a loan, and it has a 0% interest rate. Some considerations laid out in support of a 0% interest rate are:

- The goal of the program is to encourage and support students to go into certain fields of work in the state. If they do not fulfill their service, the state then recovers what they spent on the student to then award to other students – there is no need to recover more than the award amount that was given.
- At the time the programs were established, interest rates may have been ultra-low; short term rates below 1%, long-term rates more like 2.5-3.5% - unfortunately not the case now, making it difficult to predict and advertise the potential financial consequences of these programs to students and possibly resulting in dire financial situations where the owed amounts may never be fully repaid.
- Administrative burden and difficulty explaining what students will owe: calculating the annual percentage rate for loans if you do it up front can be complicated, but with 0% interest, the student owes only the scholarship amount.

Minnesota: They fund their program through the issuance of revenue bonds, so the interest rate is tied to the cost to make the bond payments. There are requirements in the bond agreements as to what the minimum interest rate needs to be on the loans pledged

to the bonds. The agency works with the financial advisor to ensure all agency costs are covered, including some minimum equity requirements. The overall goal is to provide the best interest rates while making sure there is long-term sustainability for the program, as there are no general appropriations. They also look at what other interest rates are available in the marketplace to make sure they are offering a beneficial program.

The Kansas Board of Regents is committed to improving student affordability for Kansans and this is one small piece of their advocacy on behalf of students and their families.

We thank the Committee for its consideration of 2025 Senate Bill 50.