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## Oregon political leaders ask Congress to add flexibility in 529 plans to help families of college-bound children

*Treasurer Westlund, Oregon House Speaker Hunt, Rep. Gelser working with U.S. Sen. Wyden to temporarily allow student loans to be paid from 529 college investment accounts*

SALEM – Oregon leaders have an idea that could help soften the financial blow to thousands of families who saw the value of their college savings portfolios decline in the past year.

Now, they're asking Oregon's Congressional delegation to help make it a reality – and soon.

State Treasurer Ben Westlund, Oregon House Speaker Dave Hunt, D-Gladstone, and Rep. Sara Gelser, D-Corvallis, are asking Oregon's Congressional delegation, led by U.S. Sen. Ron Wyden, D-Ore., to temporarily change tax laws to allow 529 funds to be used to repay student loans.

Families in Oregon and across the nation saw their 529 college savings drop in value along with the unprecedented 2008 nosedive on Wall Street. And to make matters worse, thousands of those families have children on the cusp of college – which means they'll be forced to tap those funds soon and won't have time to allow the market to recover.

The Oregon proposal: Allow families to borrow money via student loans now, and then repay those loans with their 529 savings – after markets conditions hopefully improve and their 529 account values have been able to recover.

Federal tax laws currently do not allow 529 savings to be used to repay loans.

Gelser, the chairwoman of the House Education Committee, is sponsoring a memorial to Congress in support of the envisioned law change, which would amend Section 529 of the Internal Revenue Code.

“This situation has left Oregon families in the lurch. We have been looking for a way to make sure that students in Oregon are able to go to college even though their college savings plan has been hurt by the economic decline,” said Gelser. “This is a solution that can buy parents time for their portfolios to recover.”

“We need to look for innovative answers in these extraordinary times,” State Treasurer Westlund said. “By providing more flexibility, we can help families who are doing the right thing by saving for college. We are not asking for a bailout; we are asking for more time.”

“In the midst of unprecedented economic challenges facing our families, the last thing we can afford is to deny access to college to anyone. These college savings plans have helped many families afford school. But there clearly needs to be some additional aid given to families who have lost money in the current market crunch,” said Speaker Hunt.

Sen. Wyden sits on the Senate Finance Committee, which oversees tax laws and would be the first stop in the Senate for proposed changes to Section 529 of the Internal Revenue Code, which allows tax-advantaged savings for higher education costs.

“This is a situation that cries out for a common sense solution to help Oregon families whose conservative college planning is now in jeopardy through no fault of their own,” said Wyden. “Oregon Treasurer Westlund and the Legislature have a good idea here, and I intend to use my seat on the Senate Finance Committee to try and put some flexibility in this program so that Oregonians don’t have to put their college educations on hold.”

Today, investments in 529 college savings plans can be used for qualified higher education expenses including tuition, room, board and textbooks.

The Oregon 529 College Savings Board last week voted to terminate the Core Bond Fund and the Limited Term Government Bond Fund. The Oregon Attorney general is investigating whether any improprieties in the handling of the Core Bond Fund, which lost 38 percent of its value in 2008, hurt Oregon investors. Westlund is the chairman of the Oregon 529 College Savings Board.

Gelser recently held hearings in the House Education Committee which drew families worried about their children’s educational future. Future hearings are planned in the House Revenue Committee.

The Oregon 529 College Savings Network allows families to invest for college and receive Oregon tax deduction of as much as \$4,000 a year. The dollars and any investment gains can then be used tax-free for higher education expenses. Since first accepting investments in 2001, the 529 program has grown to roughly 100,000 accounts, which today represent about \$770 million in combined assets.

State Treasurer Westlund notes that investments can lose money, and families should weigh all options and risks before investing.

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