Free my Future

STUDENT LOAN DEBT SUMMIT

Panel 3: The Growing Shadow Debt - How States Can Act Now to Address Institutional Debt

1:00 pm - 2:00 pm

#FMF2024

SDCC Student Debt Crisis Center

SBPC STUDENT BORROWER PROTECTION CENTER

CR Consumer Reports

YOUNG INVINCIBLES

nextgen policy

What is Institutional Debt?

Defining another piece of the total cost of attending college.

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Institutional Debt Basics

1) Colleges as creditors
   - Institutional debts are created when students fail to pay a fee/bill or when a grant (e.g., Pell Grant) turns into a bill because a student drops out or gets an F.
   - An institutional debt covers anything a student owes directly to their higher education institution.
2) Data is sparse
   - No one is keeping systemic track of levels of institutional debts and tactics used to collect.
3) Dramatic effect on students
   - Students are denied re-enrollment, diplomas, and (illegally) transcripts. Schools can use debt collectors, file lawsuits, or withhold tax refunds.

Institutional Student Debt Estimates for California's Public Higher Education Systems

	Fall 2020 Undergrad Enrollment	Students incurring institutional debts from July 2020 through June 2021	Total origination of institutional debts annually from July 2020 to June 2021	Total students placed in collections if all schools resumed collections in 2022-2023
CCC	1,336,153	321,018	$107 million	136,287
CSU	438,231	34,288	$58 million	7,530
UC	226,449	17,717	$30 million	3,891
Total	**2,000,833**	**373,025**	**$195 million**	**147,709**
Note: Undergraduate enrollment data for estimates from IPEDS 2020 Fall Enrollment Data.				

For full report see: https://protectborrowers.org/creditorcolleges

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State Policymakers Must Act

1) **California has led the nation in protecting students from transcript withholding**
    - AB 1313 (L. Rivas, Chaptered in 2019) prohibited the use of transcript withholding as a means to collect on institutional debt.
    - Since then, 10+ states have passed bills to ban/address the practice and the Biden Administration set a rule to limit the use of transcript withholding for semesters where students utilized Title IV aid.

2) **AB 1160 (Pacheco, 2024)**
    - The most comprehensive legislative proposal to address the growing institutional debt crisis and rein in the most harmful debt collections practices.
    - The legislative was held in the California Senate fiscal committee - the work continues.

3) **Protections needed more than ever as schools begin to return to these harmful practices post COVID**
    - Many schools stopped collections over the pandemic. But are beginning to utilize once again…

What AB 1160 Aimed To Do

1) **Allow students to re-enroll and get back on track**
    - Provide a one-time grace period for students to re-enroll in their coursework while they get back on track with their institutional debt.
    - During this time, students would be required to pay their institutional debt or enter into a payment plan.

2) **Protect students from the most harmful collections tactics**
    - Require universities to wait 180 days before referring students to a private debt collector (in alignment with protections established for Californians facing medical debt collection.)
    - Establish a 2 year protection from tax offset for students.

3) **Increased transparency**
    - Would have provided much-needed transparency on the growth and impact of institutional debt by requiring consistent data collection and reporting.

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Thank you for joining us at Free My Future Student Loan Debt Summit 2024!

For a recording of the Summit check out our YouTube Channel at NextGen Policy

For free student debt resources check out our website at www.nextgenpolicy.org/FreeMyFuture

Follow us on Twitter @NextGen_Policy and Facebook @NextGenPolicyCA

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Connect with us!

Connect with FMF 2024 co-hosts to join the movement to end the student debt crisis:

Student Debt Crisis Center - www.studentdebtcrisis.org

Student Borrower Protection Center - www.protectborrowers.org

Young Invincibles - www.younginvincibles.org

Consumer Reports - www.advocacy.consumerreports.org

The Campaign for California Borrowers' Rights Coalition - www.californiaborrowers.org

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