

CA Student Loan & Debt Service Review Workgroup

August 25, 2021

10am – 1pm PST

Workgroup Attendees

Dr. Lande Ajose
Office of Governor Gavin Newsom

Hal Geiogue
ScholarShare Investment Board

Dr. Sandy Baum*
Urban Institute

Bob Shireman*
The Century Foundation

Catalina Cifuentes
California Student Aid Commission

Samantha Seng
Next Gen California

*Member of the Public

Facilitators, Presenters, and Support

Marlene Garcia
California Student Aid Commission

Martha Snyder
HCM Strategists

Patrick Perry
California Student Aid Commission

Katie Lynne Morton
HCM Strategists

Daniela Rodriguez
California Student Aid Commission

Teresita Martinez
HCM Strategists

Welcome

Patrick Perry, CSAC

- Meeting objectives
- Meeting agenda
- Housekeeping announcements

Review of Comments Received

Teresita Martinez, HCM Strategists

- Provided an overview of the feedback received from the workgroup members on the draft report.

Public Comment

Katie Lynne Morton, HCM Strategists

- Veronica Williams, Young Invincibles
- Brendan Rooks, Student Debt Crisis
- Tiffany Konyen, Bay Area Debtors' Union

Workgroup Discussion: Draft Report

Martha Snyder, HCM Strategists and Patrick Perry, CSAC

- Sandy Baum: The second one that says, "sorting the problems of student debt as servicing errors and structural issues rather than stating loans are bad in and of themselves" makes a lot of sense to me. These servicing problems and other related problems were not emphasized enough in the original draft. As a general comment, saying something like, "service work has been mishandled and undermined by the Department of Education and student loan servicers," inclined to call out the problems is good but using words like "undermined" makes me feel like we are being antagonistic. We can say that these problems have arisen around servicing, but I would be careful with language that has that tone.
- Hal Geiogque: I agree with Sandy about adjectives. There are lots of adjectives in the report that as a professional document we have to look closely at. I made comments throughout when I came to one.
- Martha Snyder: We are going to approach reviewing the comments by section. For the "understanding student debt" section Sandy and Hal have brought up their preference on orientation and tone.
- Sam Seng: I agree with the comments said. Understanding student debt is about tone and we should remain as neutral as possible. We need to make sure that we are stating the facts but also not minimize the problem and the work of the workgroup. I do like the framing on the second to last comment on the first page.

- Hal Geiogque: By accepting one of these two comments, are we throwing out what I thought was a new paragraph that added balance to the report. At our last meeting, there wasn't a lot of balance. We are trying to move towards balance. We could work from what is on the August 10 draft to give balance. There is a reason why we have this program, maybe it's not working so well and things we can improve with it, but it does help many people and is a huge program. Are we going to endorse the program and make changes? Or are we saying to get rid of it because it's awful? We need to set a tone in terms of where we are going. How will the replacement effect the whole document?
- Bob Shireman: I was the one that suggested the second from the bottom replacement paragraph. I did intend it as a replacement for the other paragraph, which I felt was leaning too much in the other direction. The other change that I suggested that is reflected on the draft report is the very first two words in understanding student debt from "burden of student debt" to "the growth of student loan debt." As a way to balance it. We are going to acknowledge in the new paragraph that it has positives and negatives. I was trying to make it a balanced factual approach and was concerned about that paragraph that had been added there.
- Patrick Perry: Is that something that the group can generally agree on? Bob's suggestion.
- Hal Geiogque: The old paragraph had a lot more meat in it, the fact that the loans would benefit people. I don't see a lot of positives in the paragraph. There is some positive on the report but we get very negative in the rest of the report. So we get plenty of negatives on the report and very little positive, which is ironic when we get to the end of the report. I would like some more meat in there about the fact that the loan program has some value and works for some people, not everyone.
- Bob Shireman: I don't think my paragraph is negative. My goal was to remain neutral. The positive is in the second paragraph. What I am trying to avoid is taking a strong position on the debt finance system. I don't want to endorse that the core of our system should be debt finance, which people will agree to disagree with.
- Hal Geiogque: The legislature is assuming that this program will continue and they want to improve it. Core value to the huge program, we'd like it to be better. A lot of people can improve what we got.
- Bob Shireman: If we change "debt" to "investment" would that sound better?
- Hal Geiogque: That sounds better to me than "debt." I'd like to see a hybrid between the two paragraphs instead of replacement.
- Patrick Perry: Spent a few paragraphs up front about the good things about the loan program. The program serves a function and a purpose. Not everything is great about it.

We can specifically address a positive side of it right at the beginning instead of weaving it into the language all the way through.

- Hal Geiogue: I thought that that was what we were trying to do in the August 10 draft. The paragraph that was removed was setting up the stage by stating that by the way not everything is bad, there are values to this program that enhances access and choice of students in types of degrees they pursue. However it can be improved and here are our improvements. We have a big program that is working for millions of people, recognize why we do this if it's a bad deal?
- Martha Snyder: We will merge the two paragraphs. We are moving to who holds student debt. We would default to the CSAC language on Latino, Hispanic, or Latinx and ensure that it is consistent throughout. The other is a comment on balancing out the statement. The first full paragraph. No objections to this balance.
- Sandy Baum: It's important to emphasize racial disparities, but it is not okay to say that students of color struggle and white students don't struggle because that's obviously not the case. We have to be careful about the fact that Black students borrow more and struggle more than others on student debt. This is Black student problem, not all students from other racial groups have other characteristics that lead to problems.
- Sam Seng: Reading through the report, if you jump from there as is and then jump to the next section, it minimizes what comes after, the disparities in student borrowing. The flow of the document seemed a bit strange.
- Martha Snyder: Can you elaborate on your comment on the flow? We can restructure or address these comments.
- Sam Seng: Agree on stating the facts in the beginning in a neutral way, but we do want to get at the heart of the workgroup to solve the problem. It is disproportionately impacting Black borrowers and Latinx borrowers. These specific borrowers. I want to make sure that the flow reads naturally into that. To remain neutral, we minimize the disparities, but then we state that the workgroup is going to focus on these populations of borrowers.
- Lande Ajose: It does a good job of isolating the variables that contribute to debt, what is difficult in reading through it is getting the interaction effect. In fact, Black students who attend for-profit institutions are vastly worse off. There was something about the linearity of how everything was presented that didn't get to some of the interactions for particular student populations. What I was looking for in this section was a table. We can present data on a table that lays out the numbers to help us understand that for particular student populations who are attending particular types of colleges, this is what debt looks like or this is how they are impacted.
- Sandy Baum: I think that's a really important suggestion. In the last draft, I brought up my concern about Black and Latinx in one breadth because the situation is really

different. Labor market issues affect both groups, but we need to be careful not to lump together people from different groups.

- Martha Snyder: We will integrate and improve the flow and elevate the interactions. There is no opposition to a table so we will incorporate it as well.
- Hal Geiogue: The last paragraph on this section raises a stat, there is a gap between \$38,530 and \$22,000 that we never try to tie together. Effectively connecting and pointing out the much of the debt that is held.
- Martha Snyder: The difference is held by folks that pursue degrees beyond bachelors. We will make it more explicit.
- Patrick Perry: Apples and oranges in terms of numbers being presented but we should be more explicit.
- Martha Snyder: Moving on to disparities on student borrowing. This section will be restructured to ensure the integration of and interactions more explicit. There is a suggested added paragraph related to labor market disparities and the racial wealth gap.
- Sandy Baum: Obviously the racial wealth gap and labor market disparities are incredibly important because it contributes to the problem that Black students face, both having to borrow and repaying student loans, what the salience of those problems indicates that this is not a student debt problem--this is a much bigger social problem and even if whatever we do in student debt we aren't going to fix that problem. You can write something about it, but understanding its relevance for our discussion is more complicated because it can be interpreted as that's not about student debt. We should think about how it sounds and to be more explicit about its relationship to solutions to mitigating problems to student debt.
- Sam Seng: That section seemed like a glaring omission, doesn't have to be a whole paragraph, it can be woven in there. Part of the problem students have is issues to repay because of servicing errors and other reasons in this section are well placed but something on that. We heard enough that it is a servicing error that is a structural problem to recommend some solutions to.
- Martha Snyder: Any objections to the added paragraph, maybe with some edits, adding in that specific recognition that much of this relates to loan servicers. No.
- Sandy Baum: The statement on the issue being a family structure and not gender was about the data cited didn't support the assertion made. This is just about gender, then single parents have problems, more women are single parents than others. We have to be very careful not to be sloppy in our analysis. Be sure that we are not reaching a conclusion that is not consistent with the cited material.
- Martha Snyder: We will be clear on the analysis in terms of the data points that we are citing. Moving onto Federal & State roles.

- Patrick Perry: The systems of private loans is also in this section
- Martha Snyder: Is the call to add it in the section? Acknowledging sooner that we are addressing the full set of loans, the full loan industry via federal or private loans, and give a nod to some of the specifics related to private loans since students that take out private loans are not eligible for federal loan relief or other protections.
- Sam Seng: We want to be clear about what set we are talking about. If folks aren't familiar, IDR doesn't apply to private loans. We need to be sure to use the terminology correctly.
- Hal Geiogue: All we are doing is removing the word postsecondary.
- Martha Snyder: Is there any objection on the comment on CSU and UC to make extra efforts?
- Lande Ajose: Be consistent on the number and amount of debt throughout the document since people will cite it.
- Martha Snyder: Explicit recommendation on where to implement it, Hal mentioned DFPI, but we haven't talked about this as a workgroup.
- Hal Geiogue: We have been studying this issue for 9 months, they want to hear what is our best thought. Where do we think the hub should be? Change the tone to be more direct. Something that combines Sam's approach to my approach would be, "The working group believes that the legislature and governor should give serious consideration to make DFPI the hub given their..." and then go through all the nice things that Sam says there about what they have done. Clearly other than a couple of pieces, and private being with the bureau and Cal SOAP and Cash for college being with CSAC. There can be a joint advisory, most of the things that we are talking about in terms of the legislation moving around. There will be a debate in the legislature but we owe them some guidance with the resources that we have used up.
- Martha Snyder: Does anyone object to providing a more direct recommendation? No.
- Catalina Cifuentes: Some legislation would have an effect, graph of the current condition in California would be powerful. We are going to see some impact all students are doing their FAFSA. Thousands of students took out loans because they didn't do their application. I'd love to see things that are more specific even if they are byproducts of the current budget policy that was passed. Truly track the major investments made and continue forward with the recommendations. How are we going to know if it works? If students take out loans it is because of the living cost. Go more specific and the data components on our current conditions in California.
- Martha Snyder: We will move forward with specific recommendations using the words "believe" "recommends" to be placed at DFPI. And the current state efforts could be expanded on that Catalina just raised. There is a law on books that universities send loan letters to students. We will push for those universities to implement the law.

- Sam Seng: I don't know how that program is being implemented and the status of it is.
- Martha Snyder: We have the current state section that has some of these policies in place, one general recommendation is that there is a strong audit of the current policies and accountability for agencies implementing them. Is this a direct recommendation rather than it being filtered out throughout other recommendations?
- Hal Geiogque: If we can find a connection we should relate it back to the main recommendation? If there is no connection like the data collection, where should it be hosted? We need an integrated set of recommendations that make sense together.
- Martha Snyder: The comments on recommendation 4 are pretty straightforward and don't substantially change the section. There is one question about supporting AB 434.
- Hal Geiogque: The content of the bill is something we support for the most part, we haven't analyzed the bill, but we can give a verbiage on it. We don't need to recommend the bill but we can give some idea on what it's carrying. It's just a thought, nothing to die for.
- Martha Snyder: We have discussed recommendation 5 in our last meeting, filling gaps in federal loan access and relief for undocumented students, this gets to the private loan issue. This recommendation is specific to the Dream Loan program. We didn't receive any objections to including this, but want to make sure that there is time for deliberation.
- Hal Geiogque: This is a state program, not a federal program, I hope we feel that it is being administered better than the federal programs. I'm not sure if we had a serious presentation on this and funding pot on forbearance is probably not getting bigger. If we recommend filling the Dream Loan Reserve, by how much? This gets into the irony I talked about earlier, that we have all these problems that we are citing for 22 pages and we are recommending our own loan program. But, I am okay with it.
- Bob Shireman: I agree with Hal on the federal issues with administration and don't want to repeat those on the state level. Given the implementation problems with IDR, the CSU and UC system should take extra steps to access the IDR options. Raise it as a suggestion to address the problem that Hal raised.
- Martha Snyder: What is the appropriate framing for the conclusion? And then we'll talk about next steps. For the conclusion, do we want to hit big points and call it a day? Do we want a specific charge?
- Bob Shireman: Should we just end with the recommendations?
- Lande Ajose: That is fine.
- Martha Snyder: Our goal is to get these comments incorporated and send that back around by the early part of the workgroup at the latest. We might need a quick 30 minute call for a final approval and then move into the final copy edits. Our goal is to submit it by September 8th through 15th.

- Hal Geiogque: We have the public notice act so we should host the meeting legally.
- Lande Ajose: I am hoping that we can have that meeting by next Wednesday because I won't be able to sign my name on the report.
- Patrick Perry: We will find a date that falls along that deadline.
- Marlene Garcia: We'd like to have the report presented in our September 9th commission meeting. This would give us the opportunity to socialize this within the legislative arena and perhaps have a webinar. There can be a statement that can address the depth and breadth of the workgroup. We would like to see it move forward and ample time to flesh out, people will take the recommendation and flesh it out.
- Martha Snyder: We will get the report out within the next few to couple days.