



# CSAC

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**California Student Loan and Debt  
Service Review Workgroup**

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*Final Report*

## BACKGROUND

The California Student Loan and Debt Service Review Workgroup (Workgroup) was established under the Budget Act of 2020 and was charged by the legislature with researching *“implementable strategies and concepts that are focused on better ensuring that prospective, current and former student loan borrowers are able to access the most financially beneficial loan programs, most affordable repayment plans, and any available debt service forgiveness programs.”*<sup>1</sup>

Consistent with SEC. 87. Item 6980-001-0001 of Section 2.00 of the Budget Act of 2020, the California Student Loan and Debt Service Review Workgroup consists of representatives from the California Department of Finance, the California Student Aid Commission (CSAC), and the ScholarShare Investment Board, along with three members of the public who “shall have expertise in private, state and public loan programs” selected by CSAC.

Members include:

- Dr. Lande Ajose, Office of Governor Gavin Newsom
- Dr. Sandy Baum, Urban Institute (*Public Member*)
- Catalina Cifuentes, California Student Aid Commission
- Dr. Jamillah Moore, California Student Aid Commission
- Chris Ferguson, California Department of Finance
- Hal Geiogue, ScholarShare Investment Board
- Bob Shireman, The Century Foundation (*Public Member*)
- Samantha Seng, NextGen Policy (*Public Member*)

Commencing in fall 2020, the Workgroup met on 10 occasions to review the relevant research, identify strategies and policy interventions to address issues related to student loan debt and repayment. Through its regular meetings, the Workgroup consulted with policy and research experts in the field, including those familiar with the California landscape and with national models and best practices. The Workgroup also heard directly from student borrowers to understand the effects of student debt on Californians.

This report synthesizes the key findings, proposed solutions and final set of recommended policy responses advanced by the Workgroup. Consistent with the legislatively directed charge of the Workgroup, the recommendations are oriented toward supporting borrowers in accessing the best information and resources to finance their education and manage debt repayments. In its deliberations, the Workgroup prioritized understanding the disparate effects of debt on different populations. Notably, the implications for individuals from populations of color, low-income backgrounds and those that attend certain predatory for-profit institutions or take on debt but do not complete their instructional program.

<sup>1</sup> Budget Act of 2020, AB 89, Leg., (C.A. 2020), [https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill\\_id=201920200AB89](https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB89).



## UNDERSTANDING STUDENT DEBT

The growth of student loan debt is both a national and state concern. There are more than 45 million borrowers nationwide who collectively owe \$1.7 trillion in student loans.<sup>2</sup> Nationally, the average student debt for bachelor's degree earners grew by about 56 percent between 2004 and 2019, from \$18,550 to \$28,950 (adjusted for inflation).<sup>3</sup>

While these numbers and trends are startling at face value, they don't provide enough nuanced context for developing targeted, tangible and effective solutions. These can only be achieved by looking beneath the averages to understand more about who holds debt, who struggles to repay and who is most at risk of default. This more refined understanding can then guide policy recommendations that solve the problems borrowers face, and that are fair, equitable and cost effective.

Student loans are an important financing mechanism used by many students to achieve their postsecondary education goals. Borrowing can enhance access and choice for students in terms of the type and level of degrees they pursue and the institution they attend. Individuals often take out student loans as an investment in their education, expecting the investment will lead to enhanced earnings that will repay the debt. This outcome is realized for many borrowers.

This is not to say that there aren't challenges and concerns that need to be addressed when it comes to the effects of student loan debt on certain populations and borrowers facing certain circumstances. There are many borrowers that end up without a credential, or a well-paying job, or that face other obstacles that make loan repayment difficult. Sometimes these challenges are the result of poor practices by specific postsecondary institutions or student loan entities. However, in many cases the challenges result from a consistent and accumulating series of limited information and lack of support throughout an individual's postsecondary experience. In addition, a complicated system of loan servicers limits access to and understanding of programs that can make repayment more manageable. Understanding these details and nuances of student debt is necessary to guide any consideration of policy solutions.

### Who Holds Debt

College access is unequal, with disparities continuing to grow after college enrollment. Students from higher-income backgrounds are more likely to attend college, more likely to complete and more likely to earn a bachelor's degree or higher.<sup>4</sup> There are also racial and ethnic disparities in who has access to college and the level of degree they complete. Black and Latino individuals are less likely to go to college and less likely to complete bachelor's degrees or above.

The differences in access to college and levels of attainment have implications for who holds student debt. The majority of student loan debt is held by individuals in higher income brackets and by those with at least a bachelor's degree.<sup>5</sup> In fact, in 2019, 56 percent of student loan debt was held by households with a master's or professional degree.<sup>6</sup> Consequently, a higher share of student loan debt is held by higher-income households.

2 "Disparate Debts: How Student Loans Drive Racial Inequality Across American Cities," Student Borrower Protection Center (SBPC), June 2020, <https://protectborrowers.org/wp-content/uploads/2020/06/SBPC-Disparate-Debts.pdf>.

3 As presented by Debbie Cochrane, The Institute for College Access and Success (TICAS) to the California Student Loan and Debt Service Review Workgroup, December 10, 2020.

4 As presented by Sandy Baum & Adam Looney to the California Student Loan and Debt Service Review Workgroup, December 10, 2020.

5 As presented by Sandy Baum & Adam Looney to the California Student Loan and Debt Service Review Workgroup, December 10, 2020.

6 As presented by Sandy Baum & Adam Looney to the California Student Loan and Debt Service Review Workgroup, December 10, 2020.

In California, nearly 4 million borrowers—including those who earn degrees beyond a bachelor's—collectively owe a total of \$147 billion in student loans with an average debt of \$38,530.<sup>7</sup> Similar to national data, however, a significant share of this debt is held by individuals with bachelor's degrees and higher. In fact, for undergraduate education, California is considered a low-debt state. Fewer than half of bachelor's degree graduates from California colleges graduate with debt, with average debt levels of about \$22,000.<sup>8</sup> Later in the report, data also demonstrates that even borrowers with relatively low debt amounts may struggle and fall into default, especially if they did not complete their programs.

However, as the next section lays out, the student loan system has disparate impacts on borrowers. For example, in ZIP codes with predominantly Black and Latino residents, there are higher rates of delinquency and default than in ZIP codes with predominantly white residents even when these ZIP codes have comparable median income levels.<sup>9</sup> California has prioritized addressing the inequitable access to higher education, including through the historic expansion of the Cal Grant system in the 2021-22 budget and the California Dream Loan Program to help AB 540 students attain a higher education. Similarly, the state should address the problems with student debt. Understanding the outcomes of student debt, including what happens to borrowers during repayment and the financial impact of the debt they carry, is critical when formulating solutions to support student borrowers.

## Disparities in Student Borrowing

Although most debt is held by individuals with higher degree levels (and often higher salary returns), there are disparate impacts across varying demographic groups and indicators. As the nation and the state look toward recovery from the COVID-19 pandemic, California has an opportunity now to correct these historical inequities that have disproportionately impacted students of color, low-income students and female students.

### *Debt Accumulation by Black Students*

Black students are particularly affected by difficulties with student debt; they use loans at higher rates to finance their education and take on significantly higher debt levels than students from other racial and ethnic backgrounds.

- Black borrowers with bachelor's degrees have nearly 50 percent more student loan debt than their white peers four years after graduation: \$52,726 on average, compared to \$28,006.<sup>10</sup> Only 14 percent of Black bachelor's degree earners graduate in 2015-16 with no debt, compared to 30 percent of white, 33 percent of Latino, and 41 percent of Asian bachelor's degree earners.<sup>11</sup> In 2015-16, 21 percent of Black bachelor's degree graduates accumulated over \$50,000 in debt on the path to their degree, compared to 10 percent of white, 7 percent of Latino and 6 percent of Asian bachelor's degree holders.<sup>12</sup>
- Disparities for Black borrowers holds true even when controlling for income levels. Only 24 percent of Black bachelor's degrees recipients from families with incomes in the top quarter graduate without debt, compared to 44 percent overall for students in

7 "Why Borrowers Matter, State by State," The Student Borrower Protection Center, March 23, 2020, <https://protectborrowers.org/why-borrowers-matter-state-by-state/>.

8 As presented by Debbie Cochrane, The Institute for College Access and Success (TICAS) to the California Student Loan and Debt Service Review Workgroup, December 10, 2020.

9 SBPC, "Disparate Debts."

10 Judith Scott-Clayton & Jing Li, "Black-White Disparity in Student Loan Debt More Than Triples After Graduation," Brookings, October 20, 2016, <https://www.brookings.edu/research/black-white-disparity-in-student-loan-debt-more-than-triples-after-graduation/>.

11 As presented by Sandy Baum & Adam Looney to the California Student Loan and Debt Service Review Workgroup, December 10, 2020.

12 As presented by Sandy Baum & Adam Looney to the California Student Loan and Debt Service Review Workgroup, December 10, 2020.

this income bracket.<sup>13</sup> In California, three-quarters of Black graduates from California State University and two-thirds of Black graduates from University of California graduated with debt, compared to half of all graduates in each of these sectors.<sup>14</sup>

#### *Debt Accumulation by Women*

There are also differences across sex, with women borrowing more at higher rates than men.

- Women hold nearly two-thirds of the national student debt but account for 57 percent of total higher education enrollment in the United States.<sup>15 16</sup>
- Single mothers who earn an undergraduate education have an average of \$4,800 more student debt than women without dependents.<sup>17</sup>
- Among all borrowers, Black women accrue more student loan debt in their undergraduate education than any other group, with an average debt of \$37,558.<sup>18</sup>

#### *Debt Accumulation by Students Attending For-Profit Institutions*

Individuals who attend for-profit institutions are much more likely than others to accumulate debt. The for-profit student loan debt levels are especially concerning because for-profit institutions enroll a disproportionate number of Black and Latino students, single mothers and military-connected students. Nationally, for-profits enroll only 10 percent of undergraduate students but 24 percent of Black undergraduates.<sup>19</sup>

- In 2016, 83 percent of graduates from four-year for-profit institutions had student loan debt, with an average debt of \$39,900, or 41 percent more debt, on average per borrower than graduates from other types of four-year institutions.<sup>20</sup>
- Seventy-four percent of first-time, full-time students take out student loans at for-profit institutions, compared to 21 percent at community colleges and 47 percent at four-year public institutions. Among these students who do borrow, for-profit students accrue more debt per year than student borrowers in the public sectors: an average of roughly \$8,000 per year at for-profits, compared to \$4,700 in community colleges and \$7,000 in four-year public institutions.<sup>21</sup>
- Nearly a third of students that complete bachelor's degrees at for-profit institutions have over \$50,000 in debt, compared to 11 percent of all bachelor's degree graduates.<sup>22</sup>

13 Sandy Baum, "Realities vs. Rhetoric: The Student Debt Crisis," UC Center for Studies in Higher Education, video, November 17, 2020.

14 As presented by Debbie Cochrane, The Institute for College Access and Success (TICAS) to the California Student Loan and Debt Service Review Workgroup, December 10, 2020.

15 "Deeper in Debt: Women and Student Loans," American Association of University Women (AAUW), <https://www.aauw.org/app/uploads/2020/03/DeeperinDebt-nsa.pdf>.

16 "Higher Education Enrollment Trends by Gender, 1970 to 2025," Educational Policy Institute, March 20, 2019, <https://educationalpolicy.org/hello-world/>.

17 "Single Mothers in College: Growing Enrollment, Financial Challenges, and the Benefits of Attainment," Institute for Women's Policy Research, September 2017, [https://iwpr.org/wp-content/uploads/2020/08/C460\\_Single-Mothers-Briefing-Paper-8.2117-final.pdf](https://iwpr.org/wp-content/uploads/2020/08/C460_Single-Mothers-Briefing-Paper-8.2117-final.pdf).

18 AAUW, "Deeper in Debt."

19 Stephen Hayes and Andrea Lowe, "Combating Exploitative Education: Holding For-Profit Schools Accountable for Civil Rights Violations," Student Borrower Protection Center, December 2020, [https://protectborrowers.org/wp-content/uploads/2020/12/Combating-Exploitative-Education\\_2020.pdf](https://protectborrowers.org/wp-content/uploads/2020/12/Combating-Exploitative-Education_2020.pdf).

20 "Student Debt and the Class of 2019," The Institute for College Access & Success (TICAS), October 2020, <https://ticas.org/affordability-2/student-aid/student-debt-student-aid/student-debt-and-the-class-of-2019/>.

21 Stephanie Riegg Cellini, "The alarming rise in for-profit college enrollment," November, 2, 2020, <https://www.brookings.edu/blog/brown-center-chalkboard/2020/11/02/the-alarming-rise-in-for-profit-college-enrollment/>.

22 As presented by Sandy Baum & Adam Looney to the California Student Loan and Debt Service Review Workgroup, December 10, 2020.

The table below summarizes disparities in student borrowing nationally among bachelor's degree completers in 2015-2016.<sup>23</sup>

**Percentage of bachelor's Degree Completers who Borrowed and Cumulative Debt, 2015-2016**

Completers	Percent who Borrowed*	Average Cumulative Debt Upon Completion
All bachelor's degree completers	68.9%	\$29,910
<i>Sex</i>		
Female	71.4%	\$30,610
Male	65.7%	\$28,920
<i>Race/Ethnicity</i>		
Black	84.9%	\$34,000
Latino	66.6%	\$26,820
White	69.4%	\$30,090
<i>Institution Type</i>		
Public	66.4%	\$26,930
Private Non-Profit	69.2%	\$31,890
Private For-Profit	86.5%	\$41,320

\*Includes Federal and Nonfederal loans but not Parent PLUS loans.

Source: National Center for Education Statistics: Percentage of undergraduate degree/certificate completers who ever received loans and average cumulative amount borrowed, by degree level, selected student characteristics and institution control: Selected years, 1999-2000 through 2015-16

**Repayment Challenges and Who Struggles to Repay**

Small debts can have disparate impacts on individuals based on the backgrounds they come from and the correlated levels of education they achieve. People with the most debt are often not the ones who struggle most to repay: nearly two-thirds of defaults come from individuals with less than \$10,000 in debt.<sup>24</sup> These challenges to repay are linked to postsecondary completion status, the type of degree completed and the type of school attended.

Just as there are disparities in borrowing levels across demographic groups, there are differences related to who struggles to pay their student loans:

- *Borrowers who are non-completers.*  
One of the leading factors associated with challenges to make payments and high rates of default is the lack of a credential. Students that go to college, borrow to finance their education and don't complete a credential are more likely to struggle to make payments and have higher default rates than those that complete their

23 "Percentage of undergraduate degree/certificate completers who ever received loans and average cumulative amount borrowed, by degree level, selected student characteristics, and institution control: Selected years, 1999-2000 through 2015-16," National Center for Education Statistics, [https://nces.ed.gov/programs/digest/d19/tables/dt19\\_332.50.asp](https://nces.ed.gov/programs/digest/d19/tables/dt19_332.50.asp).

24 "Investing in Higher Education: Benefits, Challenges, and the State of Student Debt," Executive Office of the President of the United States, July 2016, [https://obamawhitehouse.archives.gov/sites/default/files/page/files/20160718\\_cea\\_student\\_debt.pdf](https://obamawhitehouse.archives.gov/sites/default/files/page/files/20160718_cea_student_debt.pdf)

degree. Over a 10-year period from 2002 to 2012, the average default rate for students that completed degrees was 6.6 percent compared to an average default rate of 22 percent for non-completers.<sup>25</sup>

- *Black and Latino borrowers.*  
Thirty-two percent of Black borrowers and 20 percent of Latino borrowers who entered college in 2011 and entered repayment in 2017 defaulted on their student loans, compared with 13 percent of white borrowers.<sup>26</sup>

In California, neighborhoods of color are particularly impacted by student loan default and delinquency. In the Bay Area, neighborhoods with the highest percent of Black and Latino residents have default rates more than three times higher than neighborhoods with the lowest percent of Black and Latino residents.<sup>27</sup> Bay Area communities with the largest percentages of Black and Latino residents had 19.9 percent of borrowers in delinquency and 15.3 percent of borrowers in default.<sup>28</sup> In Los Angeles, default rates of borrowers living in ZIP codes with high populations of color are double those of borrowers living in predominantly white ZIP codes.<sup>29</sup> Additionally, in Los Angeles, default rates of borrowers living in ZIP codes with high populations of color are double those living in predominantly white ZIP codes.<sup>30</sup>

- *Women borrowers.*  
Women take about two years longer than men to repay student loans and are more likely to struggle economically.<sup>31</sup> This can be linked to other factors, such as lower incomes for women, especially Black women and Latinas, and fields of study.
- *Borrowers from low-income backgrounds.*  
Thirty-one percent of Pell Grant recipient borrowers who graduated with a bachelor's degree in 2016 faced difficulties making payments (defined as missing payments or securing temporary loan relief through deferments or forbearances), compared to 14 percent of borrowers who were not Pell Grant recipients.<sup>32</sup>
- *Borrowers who attend for-profit institutions.*  
For-profits enroll only 10 percent of students but account for half of all borrowers with loan defaults.<sup>33</sup> Additionally, 15.6 percent of student borrowers who attended a private, for-profit institution default within the first year of repayment, and 48 percent of borrowers who attended a for-profit institution default within 12 years.<sup>34</sup>

In California, student borrowers that default or face difficulties with repayment disproportionately attended for-profit institutions. Fifty percent of borrowers who default within three years of entering repayment and 50 percent of students who are unable to pay down loan principal have attended for-profit institutions (despite

25 Based on analysis of Trends in Student Aid, 2015 Figure 14A.

26 Ben Miller, "The Continued Student Loan Crisis for Black Borrowers," Center for American Progress, December 2, 2019, <https://www.americanprogress.org/issues/education-postsecondary/reports/2019/12/02/477929/continued-student-loan-crisis-black-borrowers/>

27 SBPC, "Disparate Debts."

28 SBPC, "Disparate Debts."

29 "Testimony of Katherine Welbeck Before the California Assembly Select Committee on Student Debt: Student Debt Impacts of California Neighborhoods," Student Borrower Protection Center, December 4, 2019, <https://protectborrowers.org/wp-content/uploads/2019/12/K.-Welbeck-CA-Assembly-Select-Committee-on-Student-Debt-Testimony-1.pdf>

30 "Testimony of Katherine Welbeck Before the California Assembly Select Committee on Student Debt: Student Debt Impacts of California Neighborhoods," Student Borrower Protection Center, December 4, 2019, <https://protectborrowers.org/wp-content/uploads/2019/12/K.-Welbeck-CA-Assembly-Select-Committee-on-Student-Debt-Testimony-1.pdf>

31 "Fast Facts: Women & Student Debt," American Association of University Women (AAUW), [aauw.org/resources/article/fast-facts-student-debt/](http://aauw.org/resources/article/fast-facts-student-debt/)

32 TICAS, "Student Debt."

33 Riegg Cellini, "The alarming rise."

34 Hanson, "Student Loan Default.," "A Look at the Shocking Student Loan Debt Statistic for 2021," Student Loan Hero, January 27, 2021, <https://studentloanhero.com/student-loan-debt-statistics/>

making up only 8 percent of overall college enrollment).<sup>35</sup> There are 60 California institutions where the majority of students need to take out loans to attend but once they enter repayment most students are unable to make principal-reducing payments; fifty-four of these 60 institutions are for-profit institutions.<sup>36</sup>

Not completing a credential, family background and type of institution attended are primary factors for who ends up struggling to repay their student loan debt. This does not mean that individuals with higher degree levels and higher incomes don't face challenges that impact their ability to make payments. As borrowers enter repayment, they often face student loan servicing errors and must navigate a complex student loan system and servicer industry.

Once a student graduates or exits their program and begins repayment, they must interface with their student loan servicer, relying on information about their loans from those servicers. Several state attorneys general, including California have brought forth mounting evidence that student loan servicer errors and deceptive practices has negatively impacted borrowers' ability to repay their loans.<sup>37</sup>

Besides working with the student loan industry, borrowers must navigate different repayment programs that provide relief to their debt but are often complex and challenging to understand. Student loan servicers, employers and higher education institutions are critical players in ensuring students are provided accurate information and set up for success in paying off their loans. Systematic pitfalls and lack of information greatly hinder students' ability to pay off their student loans successfully.

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<sup>35</sup> As presented by Debbie Cochrane, The Institute for College Access and Success (TICAS) to the California Student Loan and Debt Service Review Workgroup, December 10, 2020.

<sup>36</sup> As presented by Debbie Cochrane, The Institute for College Access and Success (TICAS) to the California Student Loan and Debt Service Review Workgroup, December 10, 2020.

<sup>37</sup> Press Release Attorney General Becerra Joins Amicus Brief in Support of Pennsylvania Lawsuit Against Navient (August 29, 2019) at <https://oag.ca.gov/news/press-releases/attorney-general-becerra-joins-amicus-brief-support-pennsylvania-lawsuit-against>



## FEDERAL AND STATE ROLES IN ADDRESSING STUDENT DEBT

Understanding who holds debt, who struggles to repay and who is most likely to default are central to framing solutions, targeting relief and implementing interventions. Many borrowers have relatively high incomes and are able to repay their loans without undue hardship. Other borrowers, on the other hand, struggle with student loan payments for many reasons. Frequently these individuals come from lower-income backgrounds and/or do not have access to the necessary support that can help them navigate the student loan system and existing programs for critical repayment relief. Recognizing the wide range of borrower situations can help inform different strategies for reducing debt burden for all borrowers and especially the most vulnerable and affected populations.

The federal government plays the largest role in administering federal student loans and managing and governing policies related to student debt and repayment. Several programs in place at the federal level are meant to alleviate debt burden for individuals who are not able to make payments or for those borrowers that have been negatively affected by educational institutions or providers. These programs include:

- **Income Driven Repayment (IDR)<sup>38</sup>:** For borrowers with debts that are high relative to their income, these programs can significantly reduce the required payments, with any remaining balance fully forgiven after 20 or 25 years of repayment. Borrowers with incomes at or below 150 percent of the poverty level have \$0 payments. Borrowers with incomes in excess of 150 percent of the poverty line make payments equal to 10 percent of income above that level. One-third of borrowers are currently enrolled in the program.
- **Public Service Loan Forgiveness (PSLF)<sup>39</sup>:** This program forgives debt for borrowers with Direct Loans who work full-time for a qualified employer, such as a nonprofit or state, local or federal agency after the individuals have made 120 months of payment while in payment plans. However, the specific requirements and the employment certification forms, which verify borrowers are on track to forgiveness, can be a hurdle for individuals; 81 percent of individuals deemed ineligible are deemed so because of missing information.<sup>40</sup>
- **Closed School Discharges:** This program provides relief from student loans for borrowers whose institution closes before or shortly after they graduate. While not targeted specifically to borrowers in for-profit institutions, this program can provide relief for the higher incidence of closures within this sector.
- **Borrower Defense Discharges:** This program protects borrowers whose institutions misled them into enrolling (such as inaccurate job placement rates or graduation rates) or otherwise broke state law. Over 60,000 Californians have applied for discharges over the past four quarters, with a significant backlog of claims awaiting adjudication and significant levels of denied claims.<sup>41</sup> Many of these denials were due to relaxed oversight under the prior administration and steps have since been taken to alleviate the backlog and potentially redress denied claims.<sup>42</sup>

38 "Income Driven Repayment," United States Department of Education, accessed August 31, 2021, <https://studentaid.gov/manage-loans/repayment/plans/income-driven>

39 "Public Service Loan Forgiveness," United States Department of Education, accessed August 31, 2021, <https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service>

40 As presented by Debbie Cochrane, The Institute for College Access and Success (TICAS) to the California Student Loan and Debt Service Review Workgroup, December 10, 2020.

41 As presented by Debbie Cochrane, The Institute for College Access and Success (TICAS) to the California Student Loan and Debt Service Review Workgroup, December 10, 2020.

42 Jillian Berman, "90% of Borrowers Who Claim They Were Scammed by Their Schools Were Denied Relief," Market Watch, March 2021, <https://www.marketwatch.com/story/90-of-borrowers-who-claim-they-were-scammed-by-their-schools-were-denied-relief-11616417936>.

Given the heavy federal role in student loan provision and repayment, the role of the state is primarily one of advocacy and accountability, fostering access to information and intermediary supports on behalf of student borrowers. The state also has an important role in addressing gaps for specific students not supported by the federal system (notably undocumented students and borrowers).

Rather than duplicate federal programs, states should serve as a conduit to bolstering the effectiveness and reach of these federal programs. Efforts such as outreach and education strategies to help students understand options related to borrowing and student loan repayment can have significant effects. This can include outreach efforts around IDR to get more low-income borrowers relief that reduces the amount they have to pay; helping borrowers who may eventually benefit from PSLF to complete employment verification forms which can often be a barrier to program eligibility, or supporting awareness and access to the Closed School Discharge relief. There could also be a state role in advocating for better federal processes around the borrower defense discharge or supporting borrowers' attempts to seek reconsideration for those denied initial relief under the federal discharge program.

Another role for the state is to identify who borrowers are, which borrowers are struggling and proactively engaging them to access support as well as providing good information not just before and after they enter repayment but before they enroll and before they borrow so they can avoid excessive debt. Outreach before loans are taken out can also help reduce the need to take out private student loans not overseen by the federal government, which tend to have higher interest rates and more limited affordable repayment options.

There is also a critical role for the state to play in supporting those individuals and borrowers who can't access federal relief. This includes undocumented students who are excluded from receiving federal financial aid and access to federal loans, as well as individuals who have private student loans that are not subject to the same protections or payment relief as federally issued loans.

## BUILDING UPON CALIFORNIA'S EXISTING POLICIES AND INITIATIVES

The Workgroup received information about existing California policies, agencies and other initiatives that can serve as avenues for achieving more affordable opportunities for students and facilitate increased support and protections for California student borrowers. In some instances, addressing the issues faced by student borrowers does not require new policies but supporting the strong implementation of existing policies, better leveraging regulatory authority, enhancing data collection and use, and increasing coordination across agencies, institutions and partners.

### Agencies and Expanded Protections

In September 2020, Governor Newsom signed several pieces of legislation to enhance consumer financial protections. The California Consumer Protection Law (CCPL, AB 1864, Limón)<sup>43</sup> expanded the authority and responsibilities of the prior Department of Business Oversight (DBO) to become the new Department of Financial Protection and Innovation (DFPI). Broader consumer financial protections, increased transparency and accountability are aimed at preventing and prosecuting business practices that negatively affect vulnerable populations.<sup>44</sup> This expansion provides a shift in the regulatory, accountability and outreach capacities at the DFPI. The DFPI licenses and examines student loan servicers, including federal contractors and has been licensing servicers since 2018. DFPI plays a key role in enforcing both state and federal consumer financial protection laws. The DFPI has already exercised its new authority and mission by proactively pursuing bad actors in the financial industry, such as action taken against Optima Advocates for violating the Student Loan Servicing Act.<sup>45</sup>

California also enacted the Student Borrower Bill of Rights (SBBR, AB 376, Stone)<sup>46</sup>, implementing several protections and reforms focused on student loan servicers, including banning abusive practices, creating minimum standards for application of payments, focusing protections for vulnerable populations, implementing a private right of action to enforce protections and authorizing the DFPI to collect better data about the servicing industry.<sup>47</sup> The SBBR also included the establishment of a Student Loan Ombudsman that will serve as a critical resource for student borrowers, charged with reviewing complaints, monitoring data and coordinating with state agencies on the implementation of programs and supports.

The California Bureau for Private Postsecondary Education (BPPE), established in 2009, also plays an important role in protecting students and consumers through the oversight of California's private postsecondary institutions. The BPPE regulates private postsecondary institutions through approval authority as well as enforcement for non-compliance with provisions of operation.<sup>48</sup> Several pieces of legislation passed in 2019 affect the activities of the BPPE and could enhance protections, including data collection on loan and income outcomes (AB 1340, Chiu), requirements for out-of-state institutions to report if actions are taken against the institution (AB 1344, Bauer-Kaha), expanded definition of "economic loss" for Student Tuition Recovery Fund (AB 1346, Medina), and participation in the Cradle to Career data system development (AB 75).<sup>49</sup> Legislation

43 California Consumer Protection Law, AB 1864, 2020.

44 "California Consumer Financial Protection Law," Department of Financial Innovation and Protection, accessed August 31, 2021, <https://dfpi.ca.gov/california-consumer-financial-protection-law/>

45 "DFPI Launches Investigation Into Student-Loan Debt-Relief Companies and Takes Action Against Optima Advocates," Department of Financial Protection & Innovation, February 3, 2021, <https://dfpi.ca.gov/2021/02/03/dfpi-launches-investigation-into-student-loan-debt-relief-companies-and-takes-action-against-optima-advocates/>.

46 Student Borrower Bill of Rights, AB 376, 2020.

47 Presentation by Samantha Seng, NextGen, to the California Student Loan and Debt Service Review Workgroup on March 5, 2021.

48 About Us, Bureau of Private Postsecondary Education, accessed July 31, 2021, [https://www.bppe.ca.gov/about\\_us/](https://www.bppe.ca.gov/about_us/)

49 Sunset Review Report 2019, Bureau of Private Postsecondary Education, accessed July 25, 2021, [https://www.bppe.ca.gov/forms\\_pubs/sunset\\_2019.pdf](https://www.bppe.ca.gov/forms_pubs/sunset_2019.pdf).

enacted in 2020 (AB 70, Berman) established stricter standards for institutions seeking to be treated by the BPPE as nonprofit or public institutions.<sup>50</sup>

### **Cal Grant Reform and Free Application for Federal Student Aid (FAFSA) Completion**

The 2021 legislative session had two significant affordability-focused policies signed into law: the Cal Grant Equity Initiative and Free Application for Federal Student Aid (FAFSA) completion requirements for high school students.

The 2021-22 State Budget included reforms to the state's Cal Grant program such as eliminating the competitive Cal Grant for community college students and replacing it with an entitlement-based access award for all California Community College students. The reform legislation also eliminated eligibility barriers based on age and time since high school graduation.<sup>51</sup> These reforms are intended to result in more equitable and inclusive aid policies for students.

The budget also included requirements for school districts to verify that students and families who don't opt out, complete a FAFSA or, if applicable, a California Dream Act Application (CADAA). The legislation also requires districts to guide families to support services for completing these applications.<sup>52</sup>

### **Other Programs for College Affordability**

Several other state programs have been established to address various barriers to affordable college access for students. These include:

- a. *California Student Opportunity and Access Programs (Cal-SOAP)*<sup>53</sup>: this long-standing program, administered by the California Student Aid Commission (CSAC), is focused on improving awareness of postsecondary opportunities and financial aid to priority students. The program utilizes a network of secondary and postsecondary schools as well as community agencies that provide advising, tutoring, outreach and awareness workshops. There is current legislation in SB 737 (Limón) being considered by the California Legislature that would reform the program to be the premier financial aid awareness and assistance program and avoid duplicative state outreach efforts. Should this legislation pass, Cal-SOAP could become more aligned with some of the recommendations that follow in this report.
- b. *Cash for College*<sup>54</sup>: this program is also run by CSAC and provides support for students and families to complete the FAFSA or CADAA and Chafee Grant for Foster Youth applications. In fall 2020, CSAC launched a "train-the-trainer" program to expand available opportunities to support families and students. This model provides training to community partners to host Cash for College workshops and assist in completing financial aid applications.

50 Madison Beck, Consumer Protection Policy Center, "AB 70 (Berman) Imposes New Requirements on BPPE When Exempting Nonprofit Institutions of Higher Education that Previously Operated as For-Profit from Oversight," Blog, University of San Diego. <https://sites.sandiego.edu/cpil-blog/2020/11/03/ab-70-berman-imposes-new-requirements-on-bureau-of-private-postsecondary-education-when-exempting-nonprofit-institutions-of-higher-education-that-previously-operated-as-for-profit-from-oversight/>

51 "Student Aid Commission Praises Gov. Newsom and Legislature's Historic \$255 Million Expansion of Cal Grant Access in 2021-22 State Budget Agreement," California Student Aid Commission (CSAC) (Press Release), accessed July 25, 2021, [https://www.csac.ca.gov/sites/main/files/file-attachments/2021-2022\\_budget\\_plan\\_press\\_release.pdf](https://www.csac.ca.gov/sites/main/files/file-attachments/2021-2022_budget_plan_press_release.pdf)

52 AB 132, Postsecondary Education Trailer Bill, Senate Floor Analysis, 2020.

53 "California Student Opportunity and Access Program," California Student Aid Commission (CSAC), accessed July 27, 2021, <https://www.csac.ca.gov/california-student-opportunity-and-access-program-cal-soap>

54 California Student Aid Commission (CSAC), Cash for College, accessed July 27, 2021, <https://cash4college.csac.ca.gov>

- c. *California Dream Loan*<sup>55</sup>: this program administered by the University of California System and California State University System provides undocumented California students who meet requirements for the California Dream Act (which provides undocumented students access to state and institution financial aid resources) the opportunity to take out loans to pay for postsecondary education. These students are not eligible for federal aid, including federal loans, but face a gap in financial need of \$3,000 - \$6,000 annually.

These programs provide a platform to build from and expand support, resources and interventions for students, particularly those from marginalized communities.

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55 SB 1210, California Dream Loan Program, Senate Floor Analysis, 2013-2014.

## CONSIDERATIONS FOR POLICY

Understanding the implications and effects of student loan borrowing and debt helped to frame the scope of recommendations being advanced by the Workgroup. Though the primary focus and concern are on those individuals with debt and limited means to make repayment, the Workgroup as directed by its legal authority, focused on solutions and recommendations that can support individuals throughout their postsecondary experience. This includes providing support to prospective borrowers before they borrow, support and information to borrowers while they are enrolled in postsecondary programs and assistance after they complete or leave a program. This multifaceted approach is key to helping alleviate the intergenerational effects of student loan debt and addressing the inequitable effects of debt across different populations.

As such, the Workgroup oriented its discussions and content around three general groups of student borrowers - prospective, current and those in repayment. This framing, consistent with the Workgroup's legislative charge, recognizes that each of these groups has a core of common support needs but also requires tailored interventions when considering policy recommendations and solutions.

### Prospective Student Borrowers

These individuals (and/or their families) are those that are considering enrolling in a postsecondary institution but have not yet made the decision to do so or to use student loans as an option for financing their postsecondary education. Often these individuals are viewed as high school students persisting directly into postsecondary enrollment but are just as commonly older individuals that did not immediately enroll in postsecondary from high school or individuals pursuing advanced degrees. For each of these, having a clear understanding of costs and options for financing higher education is critical to provide before they decide to borrow.

In many cases, information on college costs and financing is limited, diffuse and confusing. This deficiency in clear, accessible information is particularly problematic for individuals and families from low-income backgrounds and contributes to disparities for who enrolls and where they enroll in postsecondary education.<sup>56</sup>

### Current Student Borrowers

Likely the consequence of limited information and support for individuals to make initial decisions about postsecondary costs and finance options, many college students do not know how much they have borrowed during college or have a good sense of what that means for repayment after leaving or completing their credential.<sup>57</sup> This points to the reality that information and support for students don't end with the initial decision, rather these actions must be sustained throughout an individual's postsecondary tenure.

Fundamentally, the most beneficial action for these students is to persist and complete their degrees at a quality institution, as those that most struggle to make repayment and those most likely to end up in default are individuals that borrow but end up with no credential. Borrowers who do not complete a credential are more than twice as likely to default than borrowers who do so.<sup>58</sup> This persistence and completion must be fostered

56 Sara Adan, "How States Can Deliver a More Effective College Affordability Message," The Century Foundation, October 22, 2019.

57 Elizabeth Akers and Matthew Chingos, "Are College Students Borrowing Blindly," Brown Center on Education Policy at Brookings, December 2014.

58 Students at Greatest Risk of Loan Default, The Institute for College Access & Success (TICAS), April 2018, [https://ticas.org/files/pub\\_files/students\\_at\\_the\\_greatest\\_risk\\_of\\_default.pdf](https://ticas.org/files/pub_files/students_at_the_greatest_risk_of_default.pdf).

with continued information and transparency around financing options and decisions, support for timely academic progress and understanding of employment and earnings outcomes for various programs.

### **Borrowers in Repayment**

The urgency of the student debt challenge is highest for individuals currently navigating the repayment system. Of the nearly 4 million Californians that owe \$147 billion in student debt, approximately 500,000 were behind on paying their loans prior to the COVID-19 pandemic.<sup>59</sup> The challenges to repay student loans have consequences that reach beyond education and in some cases can jeopardize longer-term financial security.<sup>60</sup>

Again there are particular implications for borrowers from low-income backgrounds and borrowers of color. As previously cited, despite California being a state with relatively low levels of undergraduate debt, low-income and Black students are more likely to accumulate debt to finance their undergraduate education.<sup>61</sup> Additionally, the implications of Black and Latino students being disproportionately represented in the for-profit sector carries through to repayment challenges, with students from this sector more likely to default and less likely to be paying down federal student loan principal within three years.<sup>62</sup>

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- 59 Suzanne Martindale and Michael McCauly, "California Governor Newsom signs student borrower protections into law," Consumer Reports, accessed July 22, 2021, [https://advocacy.consumerreports.org/press\\_release/california-governor-newsom-signs-student-borrower-protections-into-law/](https://advocacy.consumerreports.org/press_release/california-governor-newsom-signs-student-borrower-protections-into-law/).
- 60 As presented by Bonnie Latreille and Kat Walbeck, Student Borrower Protection Center to the California Student Loan and Debt Service Review Workgroup, December 10, 2020. Various sources cited.
- 61 Aissa Canchola and Seth Frotman, "The significant impact of student debt on communities of color," Consumer Finance Protection Bureau, September 15, 2016, <https://www.consumerfinance.gov/about-us/blog/significant-impact-student-debt-communities-color/>.
- 62 As presented by Debbie Cochrane, The Institute for College Access and Success (TICAS) to the California Student Loan and Debt Service Review Workgroup, December 10, 2020.

## WORKGROUP RECOMMENDATIONS

### Framework for Evaluating Recommendations

As the Workgroup heard from experts on how best to support prospective, current and former borrowers, the proposed interventions were analyzed using an evaluative framework, which the Workgroup adopted during its December 2020 meeting and refined in subsequent meetings. The evaluative framework consists of a set of criteria and questions intended to help the Workgroup weigh the different interventions and arrive at a final set of policy recommendations. The framework is outlined below, and the full analysis of the interventions presented to the Workgroup can be found in Appendix D.

- **Administrative Feasibility:** Who would have the power to implement this intervention (e.g., Institutions of higher education (IHEs), CSAC, the DFPI), and do they have the existing organizational capacity to do so?
- **Cost and Cost-Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?
- **Effectiveness:** Will this intervention address systemic challenges in order to positively affect the outcomes we want? By how much?
- **Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?
- **Political Feasibility:** What type and amount of support or opposition need to be considered?
- **Sustainability:** How likely would it be to sustain this intervention in the long term?

### Final Recommendations

Thirty-one interventions were presented to the Workgroup throughout its regular meetings. Workgroup members categorized these into a set of topline recommendations that encompass the scope of the proposed interventions. The Workgroup's topline recommendations for improving the student loan and debt landscape for prospective borrowers, current borrowers and borrowers in repayment in California are:

1. Create a central state hub and network for borrower outreach and triaged borrower assistance in the Department of Financial Protection and Innovation (DFPI).
2. Develop methods to strengthen prospective borrowers' understanding of available resources to finance their education, including student loans.
3. Prioritize the availability of targeted, tailored and personalized information and support services.
4. Strengthen protections for borrowers.
5. Fill gaps in federal loan access and relief, particularly for undocumented students.
6. Improve data collection, reporting and use around student loan borrowing and debt.

**Recommendation 1.** *Create a central state hub and network for borrower outreach and triaged borrower assistance in the Department of Financial Protection and Innovation (DFPI). Supports prospective borrowers, current borrowers, and borrowers in repayment.*

A consistent theme of the Workgroup's discussions and presentations from experts was the need for better, more consistent and proactive information for all, coupled with personalized support services for those most at risk. The need exists equally for individuals getting ready to borrow to finance their education and those in the process of repayment. The challenge is often not that individuals have limited options for managing payments, but rather that they aren't aware that these programs are available. Additionally, the



enrollment processes are often confusing, and the requirements are unclear. Borrowers struggle to navigate the complexities of the federal program landscape.<sup>63</sup>

Strategies that provide for more effective communication, reduce “friction points” for information and access to programs, and provide proactive outreach to borrowers at risk of default can help address the challenges for borrowers in navigating a myriad of programs.

One such approach would be the establishment of a centralized state hub in the DFPI. The hub would house services, data and information and would leverage existing partners, including community-based and legal aid service organizations, that can provide information, guidance and direct services when needed. Further consultation with the DFPI is still needed to avoid duplicative efforts and ensure effective implementation.

Some components to consider for a central state hub in California include:

- **A triage model for borrower support.** Borrowers need different levels of information and support based on the complexity of their situation. As such, having structures in place to assess the level of support a borrower needs is critical for ensuring the program is effective and efficient. For example, self-service may be a viable option for borrowers who are able to find the answers they need from information posted on a central website or mobile application. Other borrowers may be directed via a call center or email helpline to a trusted partner or legal service provider within the network to assist and provide case management based on the complexity of their case. If capacity exists, the DFPI could choose to take on the case management for borrowers with the most complex cases.
- **A backbone organization to administer the program.** Funded by the state, the DFPI could manage the outreach infrastructures established as part of the central hub, such as a central website, call center, email helpline or mobile application software. If authorized, the DFPI could also identify and coordinate trusted partners in the state as well as legal service providers for borrower case management. Additionally, the DFPI could maintain a central database of records, which may be made accessible to other partners and legal service providers in the network, to track borrower outcomes and maintain a level of quality assurance. The DFPI’s recently expanded authorities and current program implementation make the agency a strong candidate for administering the hub. The DFPI also has the expertise needed, including their licensing authority over student loan servicers that serve California borrowers (per the passage of AB 2251, Stone in 2016) and now with their authority over student loan servicer actions (per AB 376, Stone in 2020). Additionally, several of the central hub elements identified here are already underway at the DFPI, including outreach to nonprofits and community-based organizations that assist student borrowers. Further, under AB 376, Stone, the DFPI is charged with gathering data to monitor the student loan servicing market for any concerning trends. The Student Loan Ombudsman will work with other key agencies, including The California Bureau for Private Postsecondary Education (BPPE) and the Department of Justice, in supporting student borrowers. The DFPI can additionally coordinate with the California Student Aid Commission (CSAC) to coordinate on additional outreach to prospective borrowers.
- **A network of trusted partners and legal service providers to support the hub.** The DFPI could identify and engage with trusted partners across the state who may have high touchpoints with the types of borrowers who may benefit from the

63 “Personalized Interventions Hold Promise for Student Loan Borrowers at Risk of Delinquency, Default,” The Pew Charitable Trusts, accessed, July 22, 2021, <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2021/01/personalized-interventions-hold-promise-for-student-loan-borrowers-at-risk-of-delinquency-default>

information and services provided via the central hub. Trusted partners may include community-based organizations and other nonprofits and may provide a level of case management and direct services as deemed appropriate by the triage model in place. Legal service providers may offer their expertise to the network in the form of technical assistance as needed. Additionally, legal service providers may also offer case management to borrowers with more complex circumstances. If authorized, the network of trusted partners and legal service providers may receive grant funding or other financial resources from the DFPI with the expectation of services provided and the intake and outcomes reported to the backbone organization.

- **A robust infrastructure for borrower outreach and outcomes tracking.** To implement the triage model for borrower support effectively and efficiently, new and existing infrastructures may be leveraged by the DFPI to support the hub. A central website may include several “first line of defense” mechanisms, such as an automated chatbot or contact information for a call center or an email helpline, that can help direct borrowers to the appropriate entity based on the level of support they need. The website may also include other “self-service” functionalities, including accurate and high-quality information and guidance on common challenges faced by borrowers. For borrowers needing additional support beyond the “self-service” features, the call center, email helpline or perhaps a mobile application software may facilitate the triage assessment. Based on the support needed, a borrower may be connected to a trusted partner in the network or with a legal services provider. A central database may be maintained by the DFPI with records for borrowers who received assistance by the network, including relevant outcomes. The database may also provide a better understanding of the types of challenges California borrowers are facing and can help inform future strategies and interventions for addressing those challenges.

***Recommendation 2. Develop methods to strengthen prospective borrowers’ understanding of available resources to finance their education, including student loans. Supports prospective borrowers.***

Prospective borrowers need support to understand higher education costs, eligibility for certain types of aid and other financing options. Any targeted interventions to provide these types of support need to be considered within the complexities of the decisions prospective borrowers will be making. Recent state efforts are well-aligned with this recommendation; as mentioned, the 2021-22 State Budget requires school districts to verify that students are completing a Free Application for Federal Student Aid (FAFSA) or California Dream Act Application (CADAA) and to provide support to students in completing these applications. Additionally, the Workgroup heard from several experts on the specific considerations for this group of students. There are multiple approaches to support these individuals in ways that lead to more equitable college-going rates and more informed financial decisions.<sup>64</sup>

For example, some states have implemented finance education standards in high school that focus on college affordability issues as part of their graduation requirements. Research in states such as Texas indicates that these mandated financial education requirements do not change individuals’ decisions on whether or where to enroll in college. However, the requirements do influence students’ decisions on how to finance postsecondary education, with more significant effects on lower-income students’ decisions. Specifically, the requirements increase applications for financial aid. They also result in students opting for low-cost borrowing options over high-cost methods, a decrease in credit card debt, and reduced levels of working while enrolled.<sup>65</sup> California

<sup>64</sup> A complete and detailed list of interventions proposed throughout Workgroup deliberations can be found in Appendix D

<sup>65</sup> Christina Stoddard and Carly Urban, “The Effects of Mandated Financial Education on College Financing Choices”, December 10, 2018.

is one of five states with no personal finance standard or requirement.<sup>66</sup> However, the California Department of Education references the *Jump\$tart Coalition for Personal Financial Literacy* and the *National Standards for Financial Literacy* as resources for teachers.<sup>67</sup>

Additionally, behavioral economics research provides insights into the factors that drive individuals to participate in certain programs or respond to incentives.<sup>68</sup> Providing students and their families with early information (as soon as 7th grade) about college costs and available financial aid can influence their decisions and increase college attendance. This information helps students and their families understand financing options for college and influences course-taking and other academic decisions.<sup>69</sup> Importantly, this information is most effective when it is personalized and tailored to individuals.<sup>70</sup> Several models illustrate how states can use existing data or connection points to proactively inform students and families about potential eligibility for programs or services. Similarly, states could use existing data (such as tax returns and eligibility or enrollment in public benefits or free and reduced-price lunch) to provide transparent and more individualized information on college costs and eligibility for financial aid.<sup>71</sup>

Transparency can also be advanced by standardizing information and terms around college costs and financial options, net price calculations and aid offer formats for different types of institutions. A review of financial aid award letters found a significant lack of consistency and transparency.<sup>72</sup> Most relevant to the deliberations of this Workgroup, the review found that many award letters often did not provide clear information to differentiate the types of aid being offered (i.e., grant, loan, work-study) and categorized Parent Plus loans as “awards.”<sup>73</sup> States can play a role in requiring higher education segments to adopt common terminology, calculations and format for award letters.

Universal approaches of proactive information, early awareness and standard terms are essential. Still, there are some populations where more personalized 1:1 supports are necessary. This is particularly true for first-generation students, individuals from low-income backgrounds, and Black and Latino students. These underserved populations currently have inequitable support for navigating the complex processes of college financing. Research indicates a positive effect of high school counselors on postsecondary enrollment,<sup>74</sup> but there is a gap in access to counselors in schools serving predominantly

66 “Economic and Personal Finance Education in our Nation’s Schools, 2020 Survey of the States,” Council for Economic Education, accessed July 20, 2021, <https://www.councilforeconed.org/wp-content/uploads/2020/02/2020-Survey-of-the-States.pdf>

67 California Department of Education, “Appendix A: Financial Literacy and Mathematics Education of the Mathematics Framework for California Public Schools: Kindergarten through Grade Twelve,” Adopted by the California State Board of Education, November 2013, <https://www.cde.ca.gov/ci/ma/cf/documents/mathfwappendixa.pdf>, accessed July 20, 2021.

68 Thaler, Richard, Cass R. Sunstein, and John P. Balz. “Choice Architecture” in E. Shafir (ed.) *The Behavioral Foundations of Public Policy*. Princeton, NJ: Princeton University Press (2012); Guyton, John, Day Manoli, Brenda Schafer and Michael Sebastiani. “Reminders & Recidivism: Evidence from Tax Filing and EITC Participation among Low-Income Families.” Unpublished working paper (2016); Manoli, Day and Nick Turner. “Do Notices Have Permanent Effects on Benefit Take-Up?” *NYU Tax Law Review* 70 (2017): 439-533; Bettinger, Eric P., Bridget Terry Long, Philip Oreopoulos, and Lisa Sanbonmatsu. “The Role of Application Assistance and Information in College Decisions: Results from the H&R Block FAFSA Experiment.” *Quarterly Journal of Economics* 127, no. 3 (2012): 1205-1242.

69 Taryn Dinkelman and Claudia Martínez, “Investing in Schooling In Chile: The Role of Information about Financial Aid for Higher Education,” *Review of Economics and Statistics*, 2014, as referenced in Sara Adan’s presentation to the California Student Loan and Debt Service Review Workgroup.

70 Adan, “How States Can Deliver.”

71 Adan, “How States Can Deliver.”

72 Stephen Burd, Laura Keane, Rachel Fishman, Julie Habert, “Decoding the Cost of College: The Case for Transparent Financial Aid Award Letters,” *New America and Uaspire*, June 2018.

73 Burd, et. al., “Decoding the Cost of College.”

74 Michael Hurwitz and Jessica Howell, “Measuring the Impact of High School Counselors on College Enrollment,” *College Board Advocacy and Policy Center, Research Brief*, February 2013, as cited in “Increasing College Opportunity for Low-In-

low-income students and populations of color.<sup>75</sup> Further, despite the positive effects overall, there is also a need to sharpen the focus and expectations for counselors, who often face ambiguous roles that may hamper their ability to support improved academic outcomes and postsecondary enrollments for students.<sup>76</sup>

***Recommendation 3. Prioritize the availability of targeted, tailored and personalized information and support services. Supports prospective borrowers, current borrowers and borrowers in repayment.***

Providing only general information to students is not sufficient to impact their decisions and behaviors.<sup>77</sup> Prospective borrowers and those entering repayment on federal loans receive highly generalized entrance and exit counseling on their loans with no specification on their specific loan status. Instead, intentional messaging with personalized information that is clear and easy to understand is needed. Coordination among the California Department of Education, CSAC, institutions of higher education and other relevant entities will be critical to provide this personalized and targeted information. As noted, California could leverage existing data and infrastructures, including tax returns as well as eligibility or enrollment in public benefits or free and reduced-price lunch, to provide students and their families with transparent and individualized information on their potential college costs and eligibility for financial support.

Additionally, there are several examples of institutional and state efforts to provide students with targeted information about various financing options that have resulted in more active and positive borrowing decisions. Some of these interventions, which are generally low-cost, have also improved student retention and other outcomes. One such intervention was implemented at Montana State University, which sent targeted warning letters to students with high loan amounts. The intervention resulted in about 18 percent of students borrowing less the next semester, a slight increase in the retention rate and more credits earned (with fewer withdrawals).<sup>78</sup> Similarly, the Community College of Baltimore saw reductions in students taking out unsubsidized loans after a month-long text message campaign that provided information about loans and connected students to financial aid counselors.<sup>79</sup>

California implemented a similar requirement beginning in 2018-19 (AB 1178, 2017, Calderon) that higher education institutions, except for community colleges, provide students with information on the loan amounts, repayment estimates and other information related to borrowing.<sup>80</sup> Implementation of this requirement is not well understood across the state. The provisions could be strengthened by ensuring implementation and filling any data gaps that limit the personalization of information for students.

Additionally, research about programs such as Bottom Line and uAspire has shown that integrated advising from high school to college has positive effects on student persistence as well as decisions about programs of study and decisions that affect cost.<sup>81</sup>

come Students. Promising Models and A Call to Action." Executive Office of the President, January 2014.

75 Christopher Avery, "The Effects of College Counseling on High-Ability, Low-Income Students: Results of a Pilot Study with a Randomized Control Trial," National Bureau of Economic Research Working Paper no 16359, 2009, as cited in "Increasing College Opportunity for Low-Income Students. Promising Models and A Call to Action." Executive Office of the President, January 2014.

76 Mary Kate Blake, "Other Duties as Assigned: The Ambiguous Role of the High School Counselor," *Sociology of Education*, June 10, 2020.

77 Sara Adan, "How States Can Deliver a More Effective College Affordability Message," The Century Foundation, October 22, 2019.

78 Christina Stoddard, California Student Loan and Debt Service Review Workgroup, January 21, 2021.

79 Andrew Barr, Kelli Bird and Benjamin L. Castleman, "Prompting Active Choice Among High-Risk Borrowers: Evidence from a Student Loan Counseling Experiment," EdPolicyWorks, January 2016, <https://www.signalvine.com/app/uploads/2018/07/Research-PromptingActiveChoiceAmongBorrowers.pdf>

80 AB 1178, Postsecondary Education: Student Loans, 2017.

81 Andrew Carr and Benjamin Castleman, "The Bottom Line on College Counseling," accessed July 21, 2021, [http://people.tamu.edu/~abarr/BL\\_shell\\_10\\_17\\_2017.pdf](http://people.tamu.edu/~abarr/BL_shell_10_17_2017.pdf)

These models have several elements that states could learn from or leverage through partnership to expand access to advising and personalized support.

***Recommendation 4. Strengthen protections for borrowers. Supports prospective borrowers, current borrowers and borrowers in repayment.***

In addition to facing complex programs and processes and unclear information about available resources and eligibility requirements, borrowers also face challenges caused by numerous predatory practices by certain institutions, lenders, loan servicers and collectors. While some federal regulations and statutes govern the parameters of servicers working on behalf of the federal government, evidence indicates these laws and regulations are not effective or don't go far enough to protect borrowers. Instead, servicers engage in various practices that negatively affect borrowers, particularly lower-income populations.<sup>82</sup> These practices include steering borrowers toward forbearance when enrollment in an Income Driven Repayment (IDR) program would be more beneficial; having a lack of information and support on income recertification for IDR—leading to increased payments or total loan amounts; and giving borrowers inaccurate information on eligibility for loan forgiveness through the Public Service Loan Forgiveness Program (PSLF).<sup>83</sup>

Several states, including California, have stepped in to address these deficiencies through regulations and other efforts to help students understand the loan servicing process. These include the creation of a Student Bill of Rights and the establishment of a student loan ombudsman. California's recent action on both strategies, as well as enhanced authorities for the DFPI provide a critical opportunity to hold servicers accountable and support borrowers seeking to understand their options for repayment.

In addition to the practices of student loan servicers, the private loan industry engages in aggressive and negative collection practices.<sup>84</sup> These loans and the targeted collection practices of lenders have particular impact on Black and Latino students, who are more likely to struggle in repayment on private debt.<sup>85</sup> Higher interest rates of these loans, fewer safeguards compared to federal student loans and no required default mitigation mean these loans can have negative outcomes.<sup>86</sup>

Due to these realities, as well as the growing share of private loans to finance education, states have begun to provide more active oversight of these lenders, including ensuring borrowers with private loans receive certain information and guidance. Illinois passed legislation in 2017 that requires private loan servicers to provide borrowers information about alternative repayment options.<sup>87</sup> Pending legislation this year in California, AB 424 (Stone) would provide evidentiary standards for private lenders when bringing debt collection lawsuits against borrowers. The legislation is modeled after the Fair Debt Buying Practices Act, which was passed in 2013 and has significantly reduced collection lawsuits for unpaid credit card debt.<sup>88</sup> The Workgroup believes that the legislature and governor should give this bill serious consideration.

Further, a lot of problematic student loan debt is accumulated by students attending for-profit institutions, and Black and Latino students are disproportionately represented at these institutions. While many for-profit schools provide value to students and operate with integrity, the industry has an unfortunate history of predatory recruitment practices targeted toward, and negatively affecting, communities of color, women and

82 "Federal and State Regulation of Student Loan Servicers, A Legal Overview," Congressional Research Service (CRS), accessed July 22, 2021, <https://fas.org/sgp/crs/misc/R45917.pdf>

83 CRS, "Federal and State Regulation"

84 "California Assembly member Stone Introduces Bill to Reform Private Student Loan Collection," Student Debt Crisis, accessed August 31, 2021, <https://studentdebtcrisis.org/bill-to-reform-private-student-loan-collection>

85 Kat Welbek, "How Private Student Loans are Furthering Racial Disparities in the Student Loan Market," Student Borrower Protection Center, accessed July 22, 2021, <https://protectborrowers.org/how-private-student-loans-are-furthering-racial-disparities-in-the-student-loan-market/>

86 Welbek, "How Private Loans."

87 Illinois HB 1351, 2017

88 Assembly Floor Analysis, AB 424

veterans.<sup>89</sup> As noted, due to poorer employment outcomes for students attending for-profit institutions, students who take loans to attend these institutions are also more likely to end up in default.<sup>90</sup> There is a critical need for increasing oversight of these institutions and shutting down avenues that incent predatory behavior.<sup>91</sup>

The BPPE and the DFPI are well positioned to play critical roles in ensuring California's borrowers are well protected. However, the state must ensure these agencies can leverage fully and implement effectively their oversight, tools and resources to protect borrowers. This includes the DFPI's newly expanded oversight, including fully implementing the Student Loan Ombudsman role to review borrower complaints, monitor relevant data and coordination with state agencies as well as focusing on enforcement related to licensing and supervision over student loan servicers, and student loan debt relief companies.<sup>92</sup> For the BPPE, this means ensuring sufficient resources to carry out its oversight and enforcement responsibilities of private institutions, including for-profit institutions. With the bureau reliant on fees paid by institutions, this can compromise its capacity to carry out these responsibilities.

**Recommendation 5. Fill gaps in federal loan access and relief, particularly for undocumented students. Supports prospective borrowers, current borrowers and borrowers in repayment.**

Undocumented students do not have access to federal financial aid, federal loan programs or federal loan relief. This puts them at a particular disadvantage to accessing affordable and secure financial resources to pursue postsecondary opportunities.

California has a history of stepping in to fill gaps for undocumented students due to limited or no access to federal resources. Starting in 2002, undocumented students were deemed eligible for in-state tuition at all California public institutions.<sup>93</sup> This was followed in 2011, when undocumented students were deemed eligible for state financial aid and institutional aid. Despite these provisions, undocumented students still faced barriers in affordable access to California State University (CSU) and University of California (UC) institutions.

In 2014, in response to these continued barriers, the state established the California DREAM Loan Program to fill a gap in undocumented student's access to loans as a means to finance their education.<sup>94</sup> This original legislation was later expanded upon in 2018 to provide an income-based repayment program for DREAM Loan borrowers facing financial hardship and in 2019 by extending the program to students pursuing graduate and professional degrees. Given the implementation problems at the federal level, the CSU and UC systems should make extra efforts to assist borrowers who are struggling to access the option. Further, institutions should not be penalized in their use of the revolving fund by reduced payments made possible through IBR.

Currently, CSU and the UC each administer the DREAM Loan Program. Each is responsible for determining students' eligibility, awarding funds to students, providing entrance and exit loan counseling, servicing the loans, collecting loan repayments, and ensuring that student borrowing complies with the annual and aggregate borrowing limits (\$4,000 and \$20,000, respectively). Statute required UC and CSU to establish a revolving fund that

89 Robin Howarth and Lisa Stifler, "The Failings of Online For-Profit Colleges: Findings from Student Borrower Focus Groups," Brookings Economic Studies Program, March 2019, as cited in "Greater State Scrutiny Needed for For-Profit Colleges," Center on Budget and Policy Priorities, accessed July 20, 2021.

90

91 The Century Foundation, along with other organizations, offer several recommendations for how states can better protect students from dubious for-profit actors. These include: paying attention to early warning signs, closing loopholes, providing oversight of the online market, and providing access to better data and information about where to go and what to study and increase transparency about these institutions, their practices and often, poor outcomes. Stephanie Hall, Ramond Curtis and Carrie Wofford, "What States Can Do to Protect Students from Predatory For-Profit Colleges," accessed July 20, 2021.

92 As presented by Kelly Suk, California Department of Financial Protection & Innovation to the California Student Loan and Debt Service Review Workgroup, March 5, 2021.

93 SB 1210, California DREAM Loan Program, 2013-2014.

94 SB 1210, California DREAM Loan Program, 2013-2014.

would replenish as loan repayments were made by former borrowers. However, since the program was established in 2015-16, there are only two cohorts of students currently in repayment. This has resulted in reduced program funds for students.

California should sustain its efforts to support undocumented borrowers. This could include replenishing the DREAM Loan fund to ensure students aren't turning to alternative sources of financing that are more risky and harmful to them; requiring UC and CSU to provide more robust reporting to understand who is accessing the loan program (e.g., racial/ethnicity data, family income, gender, loan and repayment status), their financial needs and college outcomes; and providing more robust awareness and outreach to DREAM Loan borrowers through partnership between the DFPI and institutions to ensure borrowers understand the programs parameters and repayment requirements.

***Recommendation 6. Improve data collection, reporting, and use around student loan borrowing and debt. Supports prospective borrowers, current borrowers and borrowers in repayment.***

Ensuring that relevant, accurate, transparent and disaggregated data is easily accessible to policymakers, researchers and other key stakeholders and decision makers are critical for understanding the impacts of student debt on priority populations. It is also essential for identifying, developing and implementing interventions that will address the gaps revealed by the data. However, there are multiple challenges that state leaders would need to address to ensure the relevant data is collected, reported and used effectively. These include a critical disconnect between state data systems and federal student loan program data and limitations to capture data about critical populations (e.g., undocumented students, students enrolled at for-profit institutions, etc.).<sup>95</sup> Additionally, state longitudinal data systems, such as California's Cradle-to-Career data system currently in development, have challenges and limitations associated with them, including cross-agency sharing and ensuring the data are accessible, transparent and reported while maintaining student privacy.

Coordination across agencies and systems such as CSAC, the DFPI, the BPPE, the California Department of Education and the three segments of higher education: UC, CSU and the California Community Colleges (CCC), should ensure relevant student loan data are integrated into the state's Cradle-to-Career system as it continues in development. Additionally, existing data sources, such as the Federal Reserve Bank and the National Student Loan Data System (NSLDS) could be leveraged to access data on student borrowers, including credit and demographic characteristics of borrowers, loan amounts, default and labor market.<sup>96</sup> Further review and consideration of these sources will be needed to determine their viability as well as the best way to access and use these data.

In addition to collecting, reporting and analyzing student loan data, additional indicators should be examined to understand the full impact of student borrowing. Research by the Student Borrower Protection Center and Credit Builders Alliance shows that individuals with high burdens of student debt could pay nearly \$30,000 in hidden costs across other financial products related to credit cards and purchasing a home or car.<sup>97</sup> Indeed, understanding the full impacts of student loan debt on individuals' lives is critical to inform policy makers.<sup>98</sup> Therefore, state leaders could also prioritize analyzing other outcomes such as those related to health, labor market, housing, civic participation and social support systems.

95 As presented by Dr. Rajeev Darolia, University of Kentucky to the California Student Loan and Debt Service Review Workgroup, May 24, 2021.

96 "A crisis in student loans? How changes in the characteristics of borrowers and in the institutions they attended contributed to rising loan defaults" Adam Looney and Constantine Yannelis (online appendix), accessed July 28, 2021, <https://www.brookings.edu/bpea-articles/a-crisis-in-student-loans-how-changes-in-the-characteristics-of-borrowers-and-in-the-institutions-they-attended-contributed-to-rising-loan-defaults/>

97 "Data Point: The Secret Price of Student Debt," accessed July 28, 2021, Student Borrower Protection Center and Credit Builders Alliance, <https://protectborrowers.org/wp-content/uploads/2020/05/The-Secret-Price-of-Student-Debt.pdf>

98 As presented by Dr. Rajeev Darolia, University of Kentucky to the California Student Loan and Debt Service Review Workgroup, May 24, 2021.

# **APPENDICES**



**Appendix A: Meeting Schedule & Topics**

To carry out its important work, the California Student Loan and Debt Service Review Workgroup met approximately every six weeks. Meetings took place virtually via Zoom and were scheduled for three hours in length (with exception of the first Introduction meeting).

The California Student Aid Commission (CSAC) staff, with the support of HCM Strategists, supported the Workgroup with research and policy analysis to help inform Workgroup deliberations and facilitate meetings to guide decision-making. CSAC and HCM Strategists also staffed the Workgroup to assess cost implications of policy recommendations.

<b><i>Date</i></b>	<b><i>Meeting Topic(s)</i></b>	<b><i>Meeting Objectives</i></b>
<b>October 28, 2020</b>	Introduction (Workgroup charge and environmental scan)	<ul style="list-style-type: none"> <li>• Refine Workgroup charge and establish Workgroup norms</li> <li>• Begin to assess the landscape and student loan research and trends</li> </ul>
<b>December 10, 2020</b>	Background Research	<ul style="list-style-type: none"> <li>• Build shared understanding of the existing body of research on student loan debt, including the available data disaggregated by student institutional characteristics.</li> <li>• Establish evaluative criteria for Workgroup to use in assessing possible policy recommendations.</li> <li>• Review the updated meeting schedule and revise topics, as needed.</li> </ul>
<b>January 21, 2021</b>	Issue Area #1: Early Outreach and Education	<ul style="list-style-type: none"> <li>• Understand the available research on early outreach and education practices that empower students and families in making informed borrowing decisions.</li> <li>• Begin to identify possible policy recommendations and ideas for state intervention and discuss those recommendations against the Workgroup's established evaluative criteria.</li> <li>• Review the Workgroup's meeting schedule and revise topics, as needed.</li> </ul>

<b>Date</b>	<b>Meeting Topic(s)</b>	<b>Meeting Objectives</b>
<b>March 5, 2021</b>	Issue Area #2: Student Persistence and Borrower Protection	<ul style="list-style-type: none"> <li>• Understand which groups of California borrowers experience high rates of adverse outcomes, either prior to postsecondary attainment or after completion.</li> <li>• Understand the unique challenges affecting undocumented immigrant borrowers in the state-managed Dream Loan program.</li> <li>• Begin to identify possible policy recommendations and ideas for state interventions, to vet against the Workgroup's established evaluative criteria.</li> <li>• Review the Workgroup's meeting schedule and revise topics, as needed.</li> </ul>
<b>April 15, 2021</b>	Issue Area #3: Loan Repayment and Debt Forgiveness	<ul style="list-style-type: none"> <li>• Understand the Biden administration's priorities for federal student loan support and debt forgiveness.</li> <li>• Identify where gaps exist within federal loan repayment policies and programs.</li> <li>• Identify where further state action may complement federal efforts and/or unique opportunities for California to support vulnerable borrowers with repayment or debt forgiveness.</li> <li>• Begin to identify possible policy recommendations and ideas for state interventions, to vet against the Workgroup's established evaluative criteria.</li> </ul>
<b>May 24, 2021</b>	Issue Area #4: Data Sharing and Employer Repayment Assistance	<ul style="list-style-type: none"> <li>• Review progress on draft recommendations and discuss upcoming processes for public review and comment periods.</li> <li>• Identify interventions that utilize data sharing to target support to borrowers, as well as strategies to engage employers in borrower repayment assistance.</li> <li>• Learn directly from California borrower experiences, concerns and priorities.</li> </ul>

<b>Date</b>	<b>Meeting Topic(s)</b>	<b>Meeting Objectives</b>
<b>July 7, 2021</b>	Review Policy Interventions to Date	<ul style="list-style-type: none"> <li>· Review policy interventions to date against evaluative criteria.</li> <li>· Identify remaining questions and additional information needed to help inform which interventions will become recommendations.</li> <li>· Approve report outline.</li> </ul>
<b>August 4, 2021</b>	Identify Final Recommendations	<ul style="list-style-type: none"> <li>· Approve final recommendations and review draft report.</li> </ul>
<b>August 25, 2021</b>	Report Review	<ul style="list-style-type: none"> <li>· Review and discuss draft report</li> </ul>
<b>September 7, 2021</b>	Report Review and Approval	<ul style="list-style-type: none"> <li>· Approve final report and prepare for its submission to the legislature.</li> </ul>

## **Appendix B: Presenters**

HCM Strategists, with the support of The California Student Aid Commission (CSAC) staff, invited individuals to present at many of the scheduled Workgroup Meetings on topics in which they could share their expertise. The names and organizations of the presenters are as follows:

### ***Meeting: December 10, 2020***

Sandy Baum, Urban Institute  
Adam Looney, Brookings Institution  
Debbie Cochrane, The Institute for College Access and Success (TICAS)  
Hans Johnson, Public Policy Institute of California (PPIC)  
Bonnie Latreille & Kat Welbeck, Student Borrower Protection Center

### ***Meeting: January 21, 2021***

Dr. Christiana Stoddard, Montana State University  
Dr. Sara Adan, Education Research Expert  
Jaclyn Piñero, uAspire  
Jacob DuMez, City and County of San Francisco Office of Financial Empowerment  
Catalina Mistler, CSAC

### ***Meeting: March 5, 2021***

Cody Hounanian, Student Debt Crisis  
Dr. Dalié Jiménez, UC Irvine Law  
Noah Zinner, Bay Area Legal Aid  
Christopher Sanchez, Western Center on Law and Poverty  
Samantha Seng, NextGen Policy  
Kelly Suk, California Department of Financial Protection and Innovation

### ***Meeting: April 15, 2021***

Benjamin Miller, US Department of Education  
Sarah Sattelmeyer, New America  
Jack Porter, National Governors Association  
Mike Pierce, Student Borrower Protection Center  
Carolina Rodriguez, Education Debt Consumer Assistance Program (EDCAP)  
Persis Yu, National Consumer Law Center

### ***Meeting: May 24, 2021***

Evan White, California Policy Lab at UC Berkeley  
Dr. Rajeev Darolia, University of Kentucky  
Adam Gottlieb, UNITE-LA  
Aaron Smith, Savi  
Jake Brymner, CSAC  
Noah Chutz, Student Borrower  
Inna Kopelevich, Student Borrower  
Katie Rodger, Student Borrower  
Christine Shea, Student Borrower

### **Appendix C: Supporting Organizations**

HCM Strategists and The California Student Aid Commission (CSAC) staff met regularly, between each of the content specific meetings, with individuals from the following organizations: Consumer Reports, NextGen California, Student Borrower Protection Center, Student Debt Crisis and Young Invincibles. Prior to her officially joining the Workgroup, Samantha Seng made the connection between “the five,” who were the co-sponsors behind AB 376 (Stone) the Student Borrower Bill of Rights which passed last year. Individuals from the five organizations listed above helped to share expertise from the field, offered help in brainstorming between meetings and made connections that lead to confirmed presenters.

### **Appendix D: Interventions Proposed**

Please see attachment.

### **Appendix E: Submitted Public Comment**

Please see attachment.

## **Appendix D: Interventions Proposed**

### **California Student Loan and Debt Service Review Workgroup**

#### **Policy Interventions Presented to Date**

##### **Public Review and Comment**

The Budget Act of 2020 established the California Student Loan and Debt Service Review Workgroup with an expressed charge of researching “implementable strategies and concepts that are focused on better ensuring that prospective, current and former student loan borrowers are able to access the most financially beneficial loan programs, most affordable repayment plans and any available debt service forgiveness programs.”

The Workgroup will deliver a report to the California State Legislature and Department of Finance by September 1, 2021.

Invited content experts have presented to the members of the Workgroup on specific student loan and debt service issues and have provided relevant information, including challenges faced by student borrowers and potential policy interventions. Appendices D-1 and D-2 (enclosed) provide a compilation of the policy interventions presented to the Workgroup to date. Members of the Workgroup have not yet vetted these policy interventions but will consider and deliberate on the interventions at its upcoming meeting on July 7, 2021. To ensure that a broad set of perspectives are considered, members of the public are invited to participate in this period of public review and comment to provide input on the policy interventions presented to date as well as additional interventions the Workgroup might consider.

At this meeting, the Workgroup will deliberate on the policy interventions to incorporate into the final report it will deliver in September. A list of the topics covered at the Workgroup meetings is included below, and meeting notes and materials can be found [HERE](#).

January 21, 2021: Early Outreach and Education

March 5, 2021: Student Persistence and Borrower Protection

April 15, 2021: Loan Repayment and Debt Forgiveness

May 24, 2021: Data Sharing and Employer Repayment Assistance

##### **Public Review and Comment Process**

Members of the public are invited to review and offer written comments to the Policy Interventions Presented to Date (Appendix D-1 and Appendix D-2). All public comment will be submitted via email, sent directly to [CAStudentLoanWG@hcmstrategists.com](mailto:CAStudentLoanWG@hcmstrategists.com). Submissions of written public comment will be accepted until 5 p.m. PT Friday, June 25, 2021. When submitting comments, please also include the following information: name, title, organization/affiliation, email address. All stakeholders who submit written comment will receive the email distribution with notification for the July 2021 meeting.

##### **Enclosed:**

Appendix D-1: Policy Interventions Presented to Date

Appendix D-2: Analysis of Policy Interventions Presented to Date

**APPENDIX D-1: Policy Interventions Presented to Date  
California Student Loan and Debt Service Review Workgroup**

	<b>Prospective Student Borrowers (Pre-Borrowing)</b>	<b>Current Student Borrowers</b>	<b>Former Student Borrowers (In Repayment)</b>
<b>Communications and Outreach</b>	<p>1) Provide personalized estimates on college costs and affordability to students and their families tailored by income levels.</p> <p>2) Create a central state hub for borrower outreach.</p> <p>3) Ensure consistency across institution-provided loan entrance counseling for first-time borrowers.</p> <p>4) Embed outreach activities within FAFSA for all efforts.</p>	<p>2) Create a central state hub for borrower outreach.</p> <p>5) Implement early identification and outreach to students who are taking or are likely to take on high debt loads.</p> <p>6) Automate or otherwise expand outreach to borrowers eligible for the Student Tuition Recovery Fund.</p>	<p>2) Create a central state hub for borrower outreach.</p> <p>6) Automate or otherwise expand outreach to borrowers eligible for the Student Tuition Recovery Fund.</p> <p>7) Leverage nonprofit employers to provide information about student loan forgiveness options.</p>
<b>Direct Support and Services</b>	<p>8) Embed financial capacity-building education within California high school curricular standards.</p> <p>9) Expand school counselor training to include a more robust understanding of college affordability and student borrowing.</p> <p>10) Provide 1:1 virtualized counseling, including likely wage outcomes for selected programs.</p> <p>11) Expand Cash for College.</p> <p>12) Leverage Cal-SOAP to provide students with financing education.</p>	<p>10) Provide 1:1 virtualized counseling, including likely wage outcomes for selected programs.</p> <p>13) Provide expanded legal services and counseling following school closures through the Department of Financial Protection and Innovation (DFPI).</p>	<p>13) Provide expanded legal services and counseling following school closures through the Department of Financial Protection and Innovation (DFPI).</p> <p>14) Implement a hub and spoke triage model consumer assistance program (e.g., EDCAP in NY).</p> <p>15) Provide state-funded relief for federal student loan debt to individuals participating in federal IDR plans (e.g., NYS Get on Your Feet Loan Forgiveness Program).</p> <p>16) Engage with student loan facilitation software partners.</p>

**APPENDIX D-1: Policy Interventions Presented to Date  
California Student Loan and Debt Service Review Workgroup**

<b>State Oversight</b>	<p>17) Require all California high school districts to certify that their seniors have completed a FAFSA or CADAA.</p> <p>18) Implement stronger oversight of for-profit institutions by the California Bureau for Private Postsecondary Education (BPPE).</p> <p>19) Expand oversight over private loans and new financial products.</p> <p>20) Adopt the Cal Grant Equity Initiative to reduce eligibility gaps that are sometimes filled with loans.</p>	<p>18) Implement stronger oversight of for-profit institutions by the California Bureau for Private Postsecondary Education (BPPE).</p> <p>19) Expand oversight over private loans and new financial products.</p> <p>21) Address institutional transcript withholding policies.</p>	<p>22) Require loan servicers to provide better information to borrowers on income driven repayment (IDR) and support borrowers in enrolling in IDR plans.</p> <p>23) Support implementation of AB424: Private Student Loan Collections Reform Act.</p> <p>24) Reintroduce a modified AB152 as a tax credit program, with new provisions.</p>
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**APPENDIX D-1: Policy Interventions Presented to Date  
California Student Loan and Debt Service Review Workgroup**

<b>Other</b>	<p>25) Create an early FAFSA/ CADAA application that gives students an estimate of the aid for which they might be eligible.</p> <p>26) Expand and market the use of child savings accounts, including adopting the FY21-22 budget proposal.</p> <p>27) Improve research and data sharing to better understand disparate impacts on borrowers, including integrating with Cradle-to-Career.</p> <p>28) Identify state’s labor market needs and explore state “nudge” programs that provide student loan relief for certain fields or programs.</p> <p>29) Strengthen the way in which the California Dream Loan Program is administered, including replenishing loan funds and improving reporting by systems and campuses.</p>	<p>27) Improve research and data sharing to better understand disparate impacts on borrowers, including integrating with Cradle-to-Career.</p> <p>29) Strengthen the way in which the California Dream Loan Program is administered, including replenishing loan funds and improving reporting by systems and campuses.</p>	<p>27) Improve research and data sharing to better understand disparate impacts on borrowers, including integrating with Cradle-to-Career.</p> <p>30) Explore state refinancing program options.</p> <p>31) Explore homeowner incentive program options to provide student loan relief.</p>
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## APPENDIX D-2: Analysis of Policy Interventions Presented to Date California Student Loan and Debt Service Review Workgroup

**Intervention 1:** Provide personalized estimates on college costs and affordability to students and their families tailored by income levels.

**Target Population:** Prospective student borrowers (pre-borrowing)

**Type of Intervention:** Communications and outreach

**Notes:** The analysis of this intervention was prepared with support from Dr. Sara Adan, *Adan Education Consulting*

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- This effort would target grades 6-8 and moving forward, and would provide periodic messaging that estimates resources likely available to similar families and incomes.
- CSAC could leverage existing data to provide personalized cost estimates to California's students.
- A question can be added to California tax return that asks residents to consent to having their income information used to provide them with information about how to pay for college. Adding this consent questions helps alleviate the need for legislative action. There would still be an administrative component to implement, such as ensuring the proper MOUs are in place.
- FTB sends CSAC income data from Tax Return.
- Data needed includes name, adjusted gross income, number of dependent exemptions, address and email
- Coordination between CSAC and FTB will be needed. CSAC will also need to coordinate with CDE or LEAs to get student contact info who are considered socioeconomically disadvantaged. CSAC personnel workload might need some reworking to ensure no one is overburdened.
- The awareness campaign may need to work with middle and high schools to spread the word about taxes, as well as with various community organizations and college Dreamer Resource Centers for outreach to undocumented populations.

**Intervention 1:** Provide personalized estimates on college costs and affordability to students and their families tailored by income levels. (cont.)

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- **Aid Eligibility:** Given that CSAC has the infrastructure already in place to determine if someone is eligible for aid, creating estimates based off the FTB data should be relatively easy and cheap.
- **Aid Stats Info:** The only costs associated with this is some CSAC personnel time. This person would need to gather yearly stats on the average award amounts and median family income for the UC Blue & Gold, CSU Grant and Pell awardees.
- **College Costs:** This will have some initial start-up costs and small on-going personnel CSAC time. In the beginning, code will need to be developed to identify colleges near each potential student and what data will be pulled into each income category for the letters. After that, CSAC will need to do yearly pulls from IPEDS data for tuition and fees costs, as well as average total costs by income levels, and average net-price by income levels.
- **Overall Cost:** CSAC might need to hire 0.5 FTE/temporary employee/contractor to create the code at the beginning. They would need capacity to do the yearly data pulls, processing and letter production.
- Other costs to consider are mailing costs, awareness campaigns to get people to share their tax information and outreach to undocumented communities.
- If many families do elect to share their data, the ROI would be high.

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- Given aid is shown to increase college enrollment, this intervention has the potential to increase college enrollment for low-income and racially minoritized communities, especially if it starts in middle school.

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- One limitation of this approach is that it would miss the poorest families who are not required to file a tax return. However, data from Free and Reduced Priced Lunch program can be used as a supplement.
- Research shows that racially minoritized communities are risk adverse when it comes to taking out loans, since perceived college costs are a deterrent to enroll in college, this intervention has the potential to close equity gaps in terms of enrollment.

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- A question can be added to California tax return that asks residents to consent to having their income information used to provide them with information about how to pay for college. Adding this consent questions helps alleviate the need for legislative action. There would still be an administrative component to implement, such as ensuring the proper MOUs are in place.

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- Once the initial setup for implementation is complete, there are some minimal costs to sustain this intervention (listed above).

**Intervention 2:** Create a central state hub for borrower outreach.

**Target Population:** Prospective student borrowers (pre-borrowing), Current student borrowers, Former student borrowers (in repayment)

**Type of Intervention:** Communications and outreach

**Notes:**

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- One model of a central state hub for borrower outreach is a hub and spoke triage consumer assistance model.
- A hub and spoke triage model consumer assistance program would be administered by a backbone organization. In a hub and spoke model, the backbone organization would also serve as the central hub that maintains a database or records of all consumers, operate the helpline that would be consumers' first point of contact with the assistance program, and conduct program evaluation efforts.<sup>1 2</sup>
- The network would be comprised of partner organizations, typically community-based organizations (i.e., the spokes) that provide direct services (often in-person) to consumers. Consumers are referred to the partner organizations by the backbone organization, or the "hub."<sup>3</sup> The backbone "hub" organization subcontracts with the partner organizations to provide the consumer services.
- To ensure high-quality and consistent services, training and quality assurance should be provided by either the backbone "hub" organization or select technical assistance and training providers. Similarly, common outreach and educational materials should be developed.<sup>4</sup>
- New York State has launched a similar hub and spoke triage model consumer assistance program, the Education Debt Consumer Assistance Program (EDCAP).<sup>5</sup> The program is administered by the Community Service Society of New York and helps New Yorkers struggling with student debt navigate the repayment system and regain financial health. EDCAP was modeled after New York's Community Health Advocates program, which is a hub and spoke consumer assistance program focused on health care in the state.<sup>6</sup>
- In addition to providing consumer assistance for loan repayment, this central hub could also be leveraged for outreach to potential student borrowers and providing education and assistance with services needed by that student population.

1 <https://nyshealthfoundation.org/wp-content/uploads/2017/11/navigators-consumer-assistance-programs-september-2011-1.pdf>

2 <http://communityhealthadvocates.org/wp-content/uploads/2021/02/CHA-Report-2020.pdf>

3 Ibid.

4 Ibid.

5 <https://www.edcapny.org/>

6 <http://communityhealthadvocates.org/wp-content/uploads/2021/02/CHA-Report-2020.pdf>

**Intervention 2:** Create a central state hub for borrower outreach. (cont.)

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- According to analysis by EDCAP, the cost running a robust EDCAP at full-scale in New York is approximately \$3.5 million. At full capacity, the backbone “hub” helpline can support 10,000 inquiries. This can scale depending on the number of partner organizations within the network.<sup>7</sup> The cost to run a similar hub and spokes model would need to consider scaling the capacity for a California population.
- In FY20, the Community Health Advocates program, a hub and spoke consumer assistance program in New York focused on health care, received an appropriation of \$3.934 million that allowed 29 CBOs and the Helpline to handle almost 33,000 cases and saved consumers almost \$26 million in health care and insurance costs across the state.<sup>8</sup>

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- This intervention would support student borrowers with accessing personalized assistance.
- In FY20, the Community Health Advocates program, a hub and spoke consumer assistance program in New York focused on health care, received an appropriation of \$3.934 million that allowed 29 CBOs and the Helpline to handle almost 33,000 cases and saved consumers almost \$26 million in health care and insurance costs across the state.<sup>9</sup>
- A hub and spoke triage model consumer assistance program allows student borrowers to receive adequate support based on the complexity, severity and urgency of their situation. For example, EDCAP in New York helps consumers “determine their best repayment options; access loan forgiveness, cancellation, and discharge programs; get out of default to prevent wage garnishments, social security offsets, and tax intercepts; resolve issues with loan servicers and lenders; and obtain referrals to other services and resources to address additional needs.”<sup>10</sup>

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- A hub and spoke triage model consumer assistance program allows student borrowers to receive adequate support based on the complexity, severity, and urgency of their situation. Research shows that student borrowers who struggle the most with student loan repayment include borrowers who did not complete their degree, low-income borrowers, borrowers who attended for-profit institutions and Black borrowers. These borrowers stand to benefit from these types of programs and services.

7 [https://drive.google.com/drive/u/2/folders/1s1vMOLt1Df5koeaJ\\_kUx4Uoxf01f5bA0](https://drive.google.com/drive/u/2/folders/1s1vMOLt1Df5koeaJ_kUx4Uoxf01f5bA0)

8 <http://communityhealthadvocates.org/wp-content/uploads/2021/02/CHA-Report-2020.pdf>

9 <http://communityhealthadvocates.org/wp-content/uploads/2021/02/CHA-Report-2020.pdf>

10 <https://www.edcapny.org/what-we-do/>

**Intervention 2:** Create a central state hub for borrower outreach. (cont.)

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- Political feasibility could depend on cost of implementation. According to analysis by EDCAP, the cost running a robust EDCAP at full-scale in New York is approximately \$3.5 million. At full capacity, the backbone “hub” helpline can support 10,000 inquiries. This can scale depending on the number of partner organizations within the network.<sup>11</sup> The cost to run a similar hub and spokes model would need to consider scaling the capacity for a California population.

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- Long term sustainability would require ongoing funds and resources. According to analysis by EDCAP, the cost of running a robust EDCAP at full-scale in New York is approximately \$3.5 million. At full capacity, the backbone “hub” helpline can support 10,000 inquiries. This can scale depending on the number of partner organizations within the network. The cost to run a similar hub and spokes model would need to consider scaling the capacity for a California population.<sup>12</sup>

**Intervention 3:** Ensure consistency across institution-provided loan entrance counseling for first-time borrowers.

**Target Population:** Prospective student borrowers (pre-borrowing)

**Type of Intervention:** Communications and outreach

**Notes:**

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- Administrative ownership is unclear due to California's higher education system.
- Such a strategy could be implemented particularly if a more centralized database of information around loans and borrowers were supported.

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- Costs would include professional development for counselors; consistent data to identify first-time borrowers.

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- Unclear how directly this affects equity. However, if done more broadly to support CA borrowers it may increase more equitable opportunities through access to information and consistent counseling supports.

<sup>11</sup> [https://drive.google.com/drive/u/2/folders/1s1vMOLt1Df5koeaJ\\_kUx4Uoxf01f5bAO](https://drive.google.com/drive/u/2/folders/1s1vMOLt1Df5koeaJ_kUx4Uoxf01f5bAO)

<sup>12</sup> [https://drive.google.com/drive/u/2/folders/1s1vMOLt1Df5koeaJ\\_kUx4Uoxf01f5bAO](https://drive.google.com/drive/u/2/folders/1s1vMOLt1Df5koeaJ_kUx4Uoxf01f5bAO)

**Intervention 3:** Ensure consistency across institution-provided loan entrance counseling for first-time borrowers. (cont.)

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- Unknown. Could be met with some resistance depending on administrative and reporting burden for institution

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- This intervention would require support of institutions to implement. Sustainability considerations include ability to access and disseminate consistent information and size of administrative burden on institutions to ensure implementation.

**Intervention 4:** Embed outreach activities within FAFSA for All efforts.

**Target Population:** Prospective student borrowers (pre-borrowing)

**Type of Intervention:** Communications and outreach

**Notes:**

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- This intervention would rely on current efforts to require K12 districts and schools to certify that seniors have completed a FAFSA or CADAA.
- Trailer bill language would require local education agencies (LEAs) to: (1) “ensure that each of its pupils receives information on how to properly complete and submit the Free Application for Federal Student Aid or the California Dream Act Application, as appropriate, at least once before the pupil enters grade 12” commencing with the 2021-22 AY; and (2) “ensure that a grade 12 pupil who does not opt out, as provided, completes and submits a Free Application for Federal Student Aid or, if the pupil is exempt from paying nonresident tuition under existing law, completes and submits a form for purposes of the California Dream Act,” commencing with the 2021-22 AY.
- Trailer bill language indicates that “The local educational agency directs each high school pupil and, if applicable, the pupil’s parent or legal guardian, to support and assistance services necessary to comply with the requirement that may be available through outreach programs operated by the Student Aid Commission.” This could include accessing support through Cash for College workshops.
- Communication: CSAC currently offers publications for LEAs and schools to download or order in print, including flyers on FAFSA/CADAA, Cal Grant and materials for special populations (e.g., foster youth, undocumented immigrant students). Publications are available in eight different languages though not all publications are available in each language.
- Tracking FAFSA/CADAA submission: Through CSAC’s WebGrants portal, high school staff can view which seniors have submitted a FAFSA or CADAA. Counselors can also use this portal to verify students’ high school GPA, for purposes of determining Cal Grant award eligibility.
- Tracking Students who Opt-Out: LEAs would need to develop a system for tracking which students have opted out of this requirement.

**Intervention 4:** Embed outreach activities within FAFSA for All efforts. (cont.)

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- Governor Newsom’s proposal includes a proposed funding source. The trailer bill language says, if the Commission on State Mandates determines that the proposal contains costs mandated by the state, LEAs will be reimbursed by the state according to the statutory provisions.<sup>13</sup>

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- This intervention would ensure additional California students are completing a FAFSA or CADAA.
- In the last two years in California, nearly a half million high school seniors did not complete a FAFSA or CADAA, leaving an estimated \$550 million in state and federal financial aid on the table. The COVID-19 pandemic has further disrupted application completion rates for many high school and college students, preventing them from being eligible to receive financial aid for college. The Governor’s Proposed Budget highlights that California has seen a decline of about 10 percent and 45 percent in first-time freshman FAFSA and CADAA completion rates, respectively.<sup>14</sup>
- Louisiana established its FAFSA completion policy in 2017-18. In the first year of implementation, FAFSA completion rates increased by 26 percentage points to an overall completion rate of over 77 percent.<sup>15</sup>

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- During the ongoing pandemic, declines in California FAFSA completion have been greater in communities that are lower-income or have more Black and Latinx individuals. Currently, students who would benefit the most from financial aid are the least likely to apply. This proposal would make it easier for students who wish to attend college to apply for financial aid and receive support to complete the application, while making sure there are avenues for students to opt-out.<sup>16</sup>

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- In January 2021, Governor Newsom put forth a budget proposal that would ensure all high school seniors complete a Free Application for Federal Student Aid (FAFSA) or California Dream Act Application (CADAA), if passed.

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- Governor Newsom’s Proposal on LEA confirmation calls for LEAs (i.e., school districts, county offices of education or charter schools) to ensure that their seniors either complete and submit the FAFSA or CADAA beginning in the 2021-22 academic year, or opt-out of doing so.

13 [https://west.edtrust.org/resource/frequently-asked-questions-governor-newsoms-proposal-on-local-education-agencies-confirmation-of-fafsa-or-cadaa-applications/#:~:text=In%20January%202021%2C%20Governor%20Newsom,\(CADAA\)%2C%20if%20passed.](https://west.edtrust.org/resource/frequently-asked-questions-governor-newsoms-proposal-on-local-education-agencies-confirmation-of-fafsa-or-cadaa-applications/#:~:text=In%20January%202021%2C%20Governor%20Newsom,(CADAA)%2C%20if%20passed.)

14 Ibid.

15 Ibid.

16 Ibid.



**Intervention 5:** Implement early identification and outreach to students who are taking or are likely to take on high debt loads.

**Target Population:** Current student borrowers

**Type of Intervention:** Communications and outreach

**Notes:**

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- This intervention would require institutions to identify students who are borrowing higher levels of debt and send them warning letters, so students are aware that they are borrowing at higher levels than their peers.
- A similar intervention was implemented in Fall 2012 at Montana State University. According to a paper by Maximilian Schmeiser, Christiana Stoddard and Carly Urban, “the Allen Yarnell Center for Student Success at Montana State University sent warning letters to students with high loans amounts based on their standing in school: first-semester freshmen with more than \$6,250 in loans, sophomores with more than \$12,000 in debt, juniors with more than \$18,750 in debt and any student with more than \$25,000 in debt received a letter.”<sup>17</sup>
  - The letters advised, “If you continue to accept loans at this rate you will accrue a debt level that may become difficult to repay, which may place you at risk for defaulting on your loan.” Letters further offered career and financial counseling. Approximately 2,300 letters were sent in the first year, comprising about 15 percent of the student body at Montana State University.<sup>18</sup>

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- Cost considerations include administrative costs to review student borrower data to identify students to receive the warning letters and to complete the outreach efforts.

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- A similar intervention was implemented in Fall 2012 at Montana State University. Intervention results included:
  - About 18% of students borrowed next in the next semester. Among freshmen, 18% of sf students borrowed less the next semester.<sup>19</sup>
  - There was a slight increase in retention rate.<sup>20</sup>
  - More credits earned in the current semester (with fewer Withdraws) and slightly higher GPA.<sup>21</sup>

17 [https://www.montana.edu/urban/documents/Manuscript\\_Urban.pdf](https://www.montana.edu/urban/documents/Manuscript_Urban.pdf)

18 Ibid.

19 <https://drive.google.com/file/d/1byNVOHvmbGT5x8nxESBMoX1InCfQPJZu/view?usp=sharing>

20 Ibid.

21 Ibid.

**Intervention 5:** Implement early identification and outreach to students who are taking or are likely to take on high debt loads. (cont.)

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- This intervention could help address equity gaps in borrowing levels. For example:
- Among California public colleges, low-income and underrepresented students are much more likely to graduate with debt.<sup>22</sup>
  - Three out of four Black CSU graduates leave college with student loan debt, compared to half of all CSU graduates.<sup>23</sup>
  - Among CSU graduates who borrowed loans, two-thirds were from families with incomes below \$27,000.<sup>24</sup>
  - Two-thirds of Black UC graduates and those from families with incomes below \$29,000 leave college with student loan debt, compared to half of all UC graduates.<sup>25</sup>

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- Institutions would need to have the resources and capacity to be able to implement this intervention, including the relevant student data and analysis to support student identification.

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- Sustainability considerations include administrative costs and institutional capacity to review student borrower data to identify students to receive the warning letters and to complete the outreach efforts.

**Intervention 6:** Automate or otherwise expand outreach to borrowers eligible for the Student Tuition Recovery Fund.

**Target Population:** Current student borrowers, Former student borrowers (in repayment)

**Type of Intervention:** Communications and outreach

**Notes:** The analysis of this intervention is based on a 2019 report, “Bittersweet Relief: Strengthening California’s Student Tuition Recovery Fund” to Better Support Students” by The Institute for College Access & Success.<sup>26</sup>

22 <https://drive.google.com/file/d/1i-6csbWBoqujtRaFQgXzbqImgnzcvio4/view?usp=sharing>

23 Ibid.

24 Ibid.

25 Ibid.

26 <https://ticas.org/wp-content/uploads/2019/08/bittersweet-relief.pdf>

**Intervention 6:** Automate or otherwise expand outreach to borrowers eligible for the Student Tuition Recovery Fund. (cont.)

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- This intervention would expand use of the Student Tuition Recovery Fund via additional outreach to student borrowers who qualify for relief.
- In 2016, the Office of Student Assistance and Relief (OSAR) was created within BPPE to “advance and promote the rights of private postsecondary educational institution students.” OSAR’s specific statutory duties include conducting outreach to students who have been affected by the “unlawful activities” or closure of a school and giving these students individual assistance to make sure that they “successfully access available state and federal relief programs.”<sup>27</sup>
- According to TICAS, “schools that close without establishing reliable custodianship of student records leave students at a substantial disadvantage when they apply for STRF or certain types of federal discharge relief. Although California institutions are legally required to provide BPPE with a plan to make student records available through a third party such as a custodian of records, or to provide these documents directly to BPPE prior to closure, in many cases the available documents are limited or unavailable, leaving students who need financial records or enrollment agreements to obtain STRF or federal loan discharge relief without options.” BPPE can take steps to ensure that “the school provides for adequate maintenance of not only transcripts, but also enrollment and accounting records that may be critical to students’ ability to obtain relief.”<sup>28</sup>

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- The Student Tuition Recovery Fund (STRF) is funded through assessments paid by students to their institutions and passed on to BPPE. BPPE has the authority to set the amount of the assessments collected by students, but the total STRF cannot exceed \$25 million. Once the fund reaches \$25 million, BPPE is required to stop collecting assessments from students until the fund falls below \$20 million as a result of relief paid to injured students. According to TICAS, “STRF has exceeded its statutory limit since 2014, at which time the balance exceeded \$28 million. BPPE eventually ceased collecting STRF assessments (then fifty cents per \$1,000 of tuition fees) in 2014. However, because so little STRF relief has been issued to students, the fund balance has never The Institute for College Access & Success 7 substantially lowered, and as a result no assessment has been collected since that time. At present, despite a number of large school closures, the STRF balance still exceeds \$25 million.”<sup>29</sup>
- According to TICAS, “BPPE currently maintains records for more than 20 closed schools. To the extent that BPPE lacks the resources to maintain student records for every school that closes, it should at least develop minimum standards for custodians of records that ensure that students can readily obtain essential documents related to their education. Doing so will ensure that BPPE, OSAR and students have access to the necessary documentation.”<sup>30</sup>

27 Ibid.

28 Ibid.

29 Ibid.

30 Ibid.

**Intervention 6:** Automate or otherwise expand outreach to borrowers eligible for the Student Tuition Recovery Fund. (cont.)

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- According to TICAS, the STRF is underutilized as “available data indicate that the number of students who receive or even apply for STRF relief in any given year represents an alarmingly small percentage of the students who have been impacted by closure. In the 2015-16 fiscal year, for example, BPPE reported the closure of 209 supervised postsecondary institutions, branches or satellite locations, together enrolling 5,490 students. However, during this same period, BPPE reported receiving only 628 STRF applications, and approving only 295.”<sup>31</sup>
- Additionally, TICAS reports that “Interviews with legal services providers on their experiences helping students of failed private postsecondary institutions suggest that the low number of STRF applications submitted by students is more likely the result of a lack of student awareness about the program, rather than a lack of need for relief.”<sup>32</sup>

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- Research shows that predatory for-profit schools target communities of color, and in particular Black students and students who serve(d) in the military.<sup>33</sup>

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- The STRF has had historical political support. The STRF was first established by the Legislature in 1978, and was expanded in 1989. It was reauthorized in 2009 by the California Postsecondary Education Act, which also placed the administration of the STRF under the purview of BPPE, newly created at that time. In 2016, the Act was amended to establish the OSAR.<sup>34</sup>

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- The STRF has had historical political support. The STRF was first established by the Legislature in 1978, and was expanded in 1989. It was reauthorized in 2009 by the California Postsecondary Education Act, which also placed the administration of the STRF under the purview of BPPE, newly created at that time. In 2016, the Act was amended to establish the OSAR.<sup>35</sup>
- Resources would need to be provided for BPPE and OSAR to complete necessary outreach efforts to reach affected students eligible for STRF relief.

**Intervention 7:** Leverage nonprofit employers to provide information about student loan forgiveness options.

**Target Population:** Former student borrowers (in repayment)

**Type of Intervention:** Communications and outreach

31 Ibid.

32 Ibid.

33 [https://protectborrowers.org/wp-content/uploads/2020/12/Combating-Exploitative-Education\\_2020.pdf](https://protectborrowers.org/wp-content/uploads/2020/12/Combating-Exploitative-Education_2020.pdf)

34 <https://ticas.org/wp-content/uploads/2019/08/bittersweet-relief.pdf>

35 Ibid.

**Intervention 7:** Leverage nonprofit employers to provide information about student loan forgiveness options. (cont.)

**Notes:**

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- This intervention could be implemented as a component of an additional intervention: a central state hub and spokes model for triage and outreach.
- The California Association of Nonprofits (CalNonprofits) is a statewide membership organization that brings nonprofits together to advocate for the communities they serve.<sup>36</sup> If a central state hub and spokes model is adopted for consumer assistance and borrower outreach, CalNonprofits might be in the “spokes” network of service providers.

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- This intervention could be run as a component of a central state hub and spokes model for triage and outreach intervention. According to analysis by EDCAP, the cost running a robust EDCAP at full-scale in New York is approximately \$3.5 million. At full capacity, the backbone “hub” helpline can support 10,000 inquiries. This can scale depending on the number of partner organizations within the network.<sup>37</sup> The cost to run a similar hub and spokes model would need to consider scaling the capacity for a California population.

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- A report by the Student Borrower Protection Center and the American Federation of Teachers describes findings of an investigation of PSLF servicing, including:<sup>38</sup>
  - Borrowers whose employment had been certified as eligible for PSLF were later reconsidered and rejected.
  - Borrowers employed by the same organization receive different answers when seeking to certify their employment.
  - There is no standardized process for certifying employers.
  - Borrowers lack a clear process or a formal right to appeal if their employer is rejected.
- Incorporating nonprofit employers into the state’s hub and spokes can help provide student borrowers with consumer assistance to navigate PSLF processes and relief.

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- Challenges with accessing and navigating PSLF are well documented;<sup>39</sup> this intervention could help address equity gaps in PSLF access.

36 <https://calnonprofits.org/about-us/about-calnonprofits>

37 [https://drive.google.com/drive/u/2/folders/1slvMOLt1Df5koeaJ\\_kUx4Uoxf01f5bA0](https://drive.google.com/drive/u/2/folders/1slvMOLt1Df5koeaJ_kUx4Uoxf01f5bA0)

38 <https://protectborrowers.org/wp-content/uploads/2020/08/ECF-Failures.pdf>

39 Ibid.

**Intervention 7:** Leverage nonprofit employers to provide information about student loan forgiveness options. (cont.)

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- Political feasibility could depend on cost of implementation of a central state hub and spokes model for consumer assistance and outreach. According to analysis by EDCAP, the cost running a robust EDCAP at full-scale in New York is approximately \$3.5 million. At full capacity, the backbone “hub” helpline can support 10,000 inquiries. This can scale depending on the number of partner organizations within the network.<sup>40</sup> The cost to run a similar hub and spokes model would need to consider scaling the capacity for a California population.

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- If this intervention is implemented as part of a central state hub and spokes model for consumer assistance and outreach, ongoing funding would need to be provided to sustain this intervention.

**Intervention 8:** Embed financial capacity-building education within California high school curricular standards.

**Target Population:** Prospective student borrowers (pre-borrowing)

**Type of Intervention:** Direct support and services

**Notes:**

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHes) and do they have the existing organizational capacity to do so?

- AB 2015 requires the governing board of a school district and the governing body of a charter school, as appropriate, to ensure that each of its pupils receives information on how to properly complete and submit the Free Application for Federal Student Aid (FAFSA) or the California Dream Act Application, as appropriate, at least once before the pupil enters grade 12.
  - Expanding the scope of AB 2015 could include a broader education on college financing. For example, curricular standards in Texas include:
    - Personal financial literacy. The student understands the various methods available to pay for college and other postsecondary education and training. The student is expected to: (A) understand how to complete the Free Application for Federal Student Aid (FAFSA) provided by the United States Department of Education; (B) research and evaluate various scholarship opportunities such as those from state governments, schools, employers, individuals, private companies, nonprofits and professional organizations; (C) analyze and compare student grant options; (D) analyze and compare student loan options, including private and federal loans; and (E) research and evaluate various work-study program opportunities.<sup>41</sup>

40 [https://drive.google.com/drive/u/2/folders/1s1vMOLt1Df5koeaJ\\_kUx4Uoxf01f5bAO](https://drive.google.com/drive/u/2/folders/1s1vMOLt1Df5koeaJ_kUx4Uoxf01f5bAO)

41 <http://ritter.tea.state.tx.us/rules/tac/chapter113/ch113c.html>

**Intervention 8:** Embed financial capacity-building education within California high school curricular standards. (cont.)

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- Assembly Floor analysis of AB 2015 indicated that “by requiring school districts to provide information on how to complete and submit the FAFSA or California Dream Act application, this bill could result in a reimbursable state mandate likely in the low hundreds of thousands of dollars each year. This estimate assumes that 5% to 10% of high school teachers in the state would spend one hour of staff time on these activities. To the extent the Commission on State Mandates determines the bill’s requirements to be reimbursable, this could lead to pressure for the state to increase the K-12 Mandates Block Grant.”<sup>42</sup>
- Other cost considerations depend on the additional standards included to expand AB2015 and the staff time required to complete the activities related to those standards.

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- The paper, “The Effects of Financial Education on Student Financial Aid Choices” by Christina Stoddard and Carly Urban examined the effects of required finance education in high school. The “results suggest graduation requirements increase aid applications and federal loans, while decreasing private loans and the likelihood of holding credit card balances.”<sup>43</sup>
- The effects on federal aid are strongest for students attending public universities and minority students: students at public schools increased subsidized Stafford loan amounts by \$150 on average, while Black and Hispanic students increased their subsidized Stafford amounts by \$260 and \$300, respectively.<sup>44</sup>
- For students with an EFC below the median, results indicated that:
  - These students were 3% more likely to apply for aid; an additional 9% received subsidized loans; an additional 3% receive grants; carrying a credit card balance decreases for 3%; and about 3.5% fewer students work while enrolled in school.<sup>45</sup>

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- The paper, “The Effects of Financial Education on Student Financial Aid Choices” by Christina Stoddard and Carly Urban examined the effects of required finance education in high school. The “results suggest graduation requirements increase aid applications and federal loans, while decreasing private loans and the likelihood of holding credit card balances.”<sup>46</sup> The effects on federal aid are strongest for students attending public universities and minority students: students at public schools increased subsidized Stafford loan amounts by \$150 on average, while Black and Hispanic students increased their subsidized Stafford amounts by \$260 and \$300, respectively.<sup>47</sup>

42 [https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill\\_id=201720180AB2015](https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=201720180AB2015)

43 [https://www.montana.edu/urban/Draft\\_StudentLoans\\_Fin\\_Ed\\_June.pdf](https://www.montana.edu/urban/Draft_StudentLoans_Fin_Ed_June.pdf)

44 Ibid.

45 <https://drive.google.com/file/d/1byNVOHvmbGT5x8nxESBMoX1InCfQPJZu/view?usp=sharing>

46 [https://www.montana.edu/urban/Draft\\_StudentLoans\\_Fin\\_Ed\\_June.pdf](https://www.montana.edu/urban/Draft_StudentLoans_Fin_Ed_June.pdf)

47 Ibid.

**Intervention 8:** Embed financial capacity-building education within California high school curricular standards. (cont.)

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- AB2 2015 was approved by the Legislature in 2018. In January 2021, Governor Newsom put forth a budget proposal that would ensure all high school seniors complete a Free Application for Federal Student Aid (FAFSA) or California Dream Act Application (CADAA), if passed.

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- AB2015 was approved by the Legislature in 2018 and is set to begin in Academic Year 2021-2022. Additionally, Governor Newsom's Proposal on LEA confirmation calls for LEAs (i.e., school districts, county offices of education, or charter schools) to ensure that their seniors either complete and submit the FAFSA or CADAA beginning in the 2021-22 academic year or opt-out of doing so.

**Intervention 9:** Expand school counselor training to include a more robust understanding of college affordability and student borrowing.

**Target Population:** Prospective student borrowers (pre-borrowing)

**Type of Intervention:** Direct support and services

**Notes:** The analysis of this intervention was prepared with support from Jaclyn Piñero, Janeira Forté, Jermaine Myrie and Tyler Wu, *uAspire*.

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- One potential implementing organization is the Commission on Teacher Credentialing.<sup>48</sup>
- Higher education institutions that offer relevant preparation programs would need to be engaged.<sup>49</sup>

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- Considerations include administrative costs to coordinate with institutions who provide relevant training programs, costs required to develop the college affordability and student borrowing curriculum, and costs to implement the robust training.

48 <https://www.ctc.ca.gov/>

49 <https://www.ctc.ca.gov/commission/reports/data/approved-institutions-and-programs>



**Intervention 9:** Expand school counselor training to include a more robust understanding of college affordability and student borrowing. (cont.)

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- This type of standardized intervention, alongside continuing education update requirements given how financial aid changes annually, would have significant impact across the state for students and families as current standards do not require any work through the credentialing program to focus on financial aid.
- This type of approach more critical now in the state under AB2015 and other state-wide approaches to affordability/FAFSA completion/student loan crisis. AB2015 requires the governing board of a school district or the governing body of a charter school to ensure that students receive information on how to properly complete and submit the FAFSA or the CADAA at least once before pupils enter grade 12.
- This is a systems level approach to cost and effectiveness of FAFSA completions rates across CA.
- This approach would improve access to federal, state and institutional aid to possibly limit the amount of private loans students and families feel they must take out to afford college.
- This represents building in financial literacy as a statewide mandate to reduce need for private loans to finance a college degree.

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- Need multi-tier interventions to ensure equitable services and access is provided statewide for all students.
- By standardizing and systematizing this type of training, knowledge and skills for school counseling staff, it would unify the information, resources, understanding and thus decision-making for students and families as it pertains to postsecondary affordability.

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- AB2015 to be put into place for academic year 2021-22.
- Federal changes in FAFSA (FAFSA simplification) slated for the 2023-2024 academic year; this will result in many changes directed to students and families to ensure simplification is successful.
- Will come down to cost and ability to fund until there can be some systemic fixes that remove the need for more band-aid interventions.

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- Would require ongoing state funding mechanism.

**Intervention 10:** Provide 1:1 virtualized counseling, including likely wage outcomes for selected programs.

**Target Population:** Prospective student borrowers (pre-borrowing)

**Type of Intervention:** Direct support and services

**Notes:** The analysis of this intervention was prepared with support from Jaclyn Piñero, Janeira Forté, Jermaine Myrie and Tyler Wu, *uAspire*.

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- In collaboration with CSAC, a partner could provide 1:1 virtual counseling for 11<sup>th</sup> and 12<sup>th</sup> graders and then continue the virtual advising through postsecondary.
- The select partner would need to have the capacity (i.e., enough staff and advisors) for a full statewide scale; analysis would need to be done to determine the number of students and any scoping through warm hand off/triage model with CSAC/Cal-SOAP as additional on the ground partners for direct student service.
- Data sharing infrastructure would also have to be dealt with to ensure the partnership has access to shared student information to navigate and handle student needs.
- The administrative feasibility of this greatly increases by utilizing californiacolleges.edu as the platform for direct student advising, but also as the place to house other student and practitioner resources (videos, cost calculator tools, etc.).

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- Cost depends on total number of students identified for direct advising.
- Under a current similar model run by *uAspire*, the average cost per student, through *uAspire*'s virtual advising model is ~\$200/student.
- Cost depends on how many annual training sessions to occur for a total number of practitioners.
- Upfront tech build out costs for triage approach and integration of tools and other resources into californiacolleges.edu or a central state hub.
- Return on investment can be measured in multiple ways. A few to consider: amount of federal, state and institutional aid utilized (uptake); increase in enrollment; increase in persistence.

**Intervention 10:** Provide 1:1 virtualized counseling, including likely wage outcomes for selected programs. (cont.)

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- There is both duplication and a complete lack of FAFSA advising across the state (most concentrated in urban centers; lack of access in more rural parts of the state).
- Financial aid processes are very cumbersome for many, which can lead families to resort to loans.
- The deeper investment into resources that leverage federal, state and institutional aid for students and families can have a direct result in decreasing the need for private borrowing to complete a postsecondary education.
- The partner's advising could ensure students draw in the max Pell/CADA, CalGrant and institutional aid available. This is the 'preventive' approach so that students don't have to rely on loans to persist and graduate.
- The partner could also work directly with the segments on systemic fixes around aid offers and indirect cost transparency so that students have the full upfront cost of college and can make more informed financial decisions at the outset.

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- The design would have to ensure that various entry points and accessibility are built (e.g., in-person advising opportunities; bilingual staff; translated resources, etc.).
- Advising resources should also be prioritized for highest-need districts (lowest FAFSA/CADA submission; high FRPL; high BICOP; last amount of staffing resources).
- More affluent districts could be prioritized for training vs in person advising to ensure equity.
- Advising should also include CTE and other postsecondary options for students where federal and state aid can be applied.

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- AB2015 to be put into place for academic year 2021-22.
- Federal changes in FAFSA (FAFSA simplification) slated for the 2023-2024 academic year; this will result in many changes directed to students and families to ensure simplification is successful.
- Will come down to cost and ability to fund until there can be some systemic fixes that remove the need for more band-aid interventions.

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- The systemic fixes as outlined under effectiveness will help reduce costs in out years.
- FAFSA simplification could also decrease the cost in out years as Pell becomes easier to pull down for students (although verification could still be a big issue if that process is not also dealt with in the federal FAFSA simplification process).

## Intervention 11: Expand Cash for College.

**Target Population:** Prospective student borrowers (pre-borrowing)

**Type of Intervention:** Direct support and services

**Notes:** The analysis of this intervention was prepared with support from Catalina Mistler, *California Student Aid Commission*.

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- The mission of Cash for College, which is run by the California Student Aid Commission, is “to help low-income and first-generation college-goers complete the application process so they can access financial aid for education and career/technical training beyond high school. Students and families can attend FREE Cash for College workshops across California for help completing the Free Application for Federal Student Aid (FAFSA) or California Dream Act (CADAA) and Chafee Grant for Foster Youth applications.”<sup>50</sup>
- To expand Cash for College, the “California Student Aid Commission launched the Fall 2020 Cash for College Train the Trainer Program. The Statewide Cash for College Train the Trainer Program provides new and existing community partners with the training and resources to host their own Cash for College Workshops to assist students in completing the Free Application for Federal Student Aid (FAFSA) or California Dream Act Application (CADAA). This program will expand on the Cash for College workshops to reach more students and assist in financial aid completion.”<sup>51</sup>
  - According to the Cash for College website, “every year CSAC partners with locally based partner organizations, including high schools, community colleges, universities and community groups to provide Cash for College Workshops to students. To become a Cash for College Community Champion, [organizations can] complete the Train the Trainer Workshop/Training. Once trained, Cash for College Community Champions will host Cash for College workshops to assist students and families in completing their financial aid applications.”<sup>52</sup>
- Opportunities to expand Cash for College include providing information beyond completing a FAFSA, CADAA and Foster Youth applications, such as information on how to compare and analyze scholarships, grant opportunities, student loan options and work-study options.

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- CSAC’s 2020-21 revised budget included \$21 million for Ongoing Programs, which includes Assumption Program of Loans for Education, California Military Department GI Bill Awards, Cash for College, Chafee Foster Youth Program, John R. Justice Program, Law Enforcement Personnel Dependents Scholarships and State Nursing Assumption Program of Loans for Education for Nursing Faculty.<sup>53</sup>
- The Cash for College budget is approximately \$380,000.<sup>54</sup>
- Additional considerations include costs for expanding the Cash for College curriculum including developing workshop materials, training curriculum providers and the additional time to implement the expanded curriculum.

50 <https://www.csac.ca.gov/cash-college>

51 Ibid.

52 Ibid.

53 <https://lao.ca.gov/Publications/Report/4355>

54 Catalina Mistler, CSAC

**Intervention 11:** Expand Cash for College. (cont.)

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- In 2019, Cash for College served approximately 34,000 students.<sup>55</sup> The primary target audience of Cash for College workshops is low-income and first-generation students.

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- In 2019, Cash for College served approximately 34,000 students.<sup>56</sup> The primary target audience of Cash for College workshops is low-income and first-generation students.

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- CSAC currently receives funding from the state to support Cash for College workshops.

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- Sustainability considerations include additional costs required to expand the Cash for College curriculum including developing workshop materials, training curriculum providers and the additional time to implement the expanded curriculum.

**Intervention 12:** Leverage Cal-SOAP to provide students with financing education.

**Target Population:** Prospective student borrowers (pre-borrowing)

**Type of Intervention:** Direct support and services

**Notes:** The analysis of this intervention was prepared with support from Catalina Mistler, *California Student Aid Commission*.

55 [https://www.csac.ca.gov/sites/main/files/file-attachments/c4c\\_train\\_the\\_trainer\\_november\\_17\\_summit.pdf?1610331635](https://www.csac.ca.gov/sites/main/files/file-attachments/c4c_train_the_trainer_november_17_summit.pdf?1610331635)

56 [https://www.csac.ca.gov/sites/main/files/file-attachments/c4c\\_train\\_the\\_trainer\\_november\\_17\\_summit.pdf?1610331635](https://www.csac.ca.gov/sites/main/files/file-attachments/c4c_train_the_trainer_november_17_summit.pdf?1610331635)

**Intervention 12:** Leverage Cal-SOAP to provide students with financing education. (cont.)

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- The California Student Aid Commission administers Cal-SOAP, which was established in 1978 to “improv[e] the flow of information about postsecondary education and financial aid while raising the achievement levels of low-income, elementary and secondary school students or geographic regions with documented low-eligibility or college participation rates, and who are first in their families to attend college.”<sup>57</sup>
- SB 737 (Limón) would modernize the functions and priorities of Cal-SOAP to help students and families: 1) understand the true cost of college; 2) understand their financing options (grants, scholarships, student loans, and work opportunities); and 3) apply for financial aid using the FAFSA or CADAA.<sup>58</sup>
- Under SB 737, Cal-SOAP projects would be required to:<sup>59</sup>
  - Provide services on college preparation, understanding the total cost of attendance, assistance with completion of financial aid applications;
  - Increase the number of pupils submitting completed financial aid applications (including assisting with financial aid verification as needed);
  - Hire undergraduate and graduate students to serve as college success coaches to mentor students and encourage a college-going culture;
  - Promote the value of career technical education; and
  - Maintain a comprehensive pupil data system.
- SB 737 would strengthen the data collection and program evaluation of Cal-SOAP to better serve students.<sup>60</sup>
  - CSAC is currently working with Cal-SOAP and WestED to build a robust data system.
  - Cal-SOAP projects would submit data metrics, including but not limited to: individual records of high school pupils served, services performed by the project, number of pupils that completed the FAFSA or CADAA, and number of pupils who are eligible for postsecondary enrollment.
  - CSAC’s role would support program evaluation.

57 <https://www.csac.ca.gov/california-student-opportunity-and-access-program-cal-soap>

58 <https://www.csac.ca.gov/cal-soap-modernization-sb-737-limon>

59 Ibid.

60 Ibid.

**Intervention 12:** Leverage Cal-SOAP to provide students with financing education. (cont.)

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- Senate Floor analysis of SB 737 states that “the Cal-SOAP is currently budgeted at \$7.9 million General Fund and funds 16 local projects throughout the state. This bill’s provisions could potentially result in additional, but unknown General Fund cost pressure for the state. Specifically, this bill expands the population of students being assisted under the program to include first year college students, to the extent that resources are available. This bill also allows up to two percent of program funds to be allocated for administrative activities, which could result in funds being diverted from direct student services.”<sup>61</sup>
- Senate Floor analysis of SB 737 states that “this bill provides additional oversight responsibilities and authority for the Commission. For example, it authorizes the Commission to require that each project submit certain outreach metrics for the purpose of evaluating the effectiveness of the program. This bill also authorizes the Commission to adopt regulations necessary for the implementation and evaluation of the program and projects. However, the Commission indicates any state operations costs resulting from this bill could be absorbed within existing resources.”<sup>62</sup>

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- According to a CSAC fact sheet on SB 737, “Cal-SOAP consists of 16 regional consortia (or projects) administered by the California Student Aid Commission (Commission) with a statutory mandate to improve access to higher education by raising the academic achievement levels of underserved populations. While there are numerous government-funded programs that are designed to increase the academic college eligibility of underserved students, few focus on helping students understand the true cost of attendance and supporting them through the financial aid application process. Due to the institutional knowledge and staff expertise at the Commission, many Cal-SOAP projects have made college financing assistance – such as filling out the FAFSA or CADAA – a priority. However, the governing statute has not been substantially updated in over 40 years.”<sup>63</sup>

61 [https://leginfo.ca.gov/faces/billAnalysisClient.xhtml?bill\\_id=20210220SB737](https://leginfo.ca.gov/faces/billAnalysisClient.xhtml?bill_id=20210220SB737)

62 Ibid.

63 [https://www.csac.ca.gov/sites/main/files/file-attachments/sb737\\_factsheet.pdf?1618003543](https://www.csac.ca.gov/sites/main/files/file-attachments/sb737_factsheet.pdf?1618003543)

**Intervention 12:** Leverage Cal-SOAP to provide students with financing education. (cont.)

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- Cal-SOAP currently serves historically underserved students pursuing higher education at over 400 middle and high school campuses. SB 737 would authorize CSAC to “allocate funding to support projects designed to increase the accessibility of financial aid for students from underserved communities, who meet one or more of the following criteria: 1) students who are from low-income families; b) student who would be the first in their families to attend a postsecondary education institution; c) students who are from schools or geographic regions with documented low post-secondary education eligibility or participation rates; d) students who are homeless youth, as defined or who are at risk of becoming homeless; e) students who are from mixed immigrant status households or who themselves are immigrants; f) students who are current or former foster youth, as defined; g) students who identify as being LGBTQ+; and h) students who are part of a historically underserved minority group.”<sup>64</sup>

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- Cal-SOAP was established in 1978 and is budgeted at \$7.9 million General Fund and funds 16 local projects throughout the state. Projects must secure matching funds for its state allocation.<sup>65</sup>

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- Senate Floor analysis of SB 737 states that “the Cal-SOAP is currently budgeted at \$7.9 million General Fund and funds 16 local projects throughout the state. This bill's provisions could potentially result in additional, but unknown General Fund cost pressure for the state. Specifically, this bill expands the population of students being assisted under the program to include first year college students, to the extent that resources are available. This bill also allows up to 2% of program funds to be allocated for administrative activities, which could result in funds being diverted from direct student services.”<sup>66</sup>

**Intervention 13:** Provide expanded legal services and counseling following school closures through the Department of Financial Protection and Innovation (DFPI).

**Target Population:** Current student borrowers, Former student borrowers (in repayment)

**Type of Intervention:** Direct support and services

**Notes:**

64 Ibid.

65 Ibid.; <https://www.csac.ca.gov/california-student-opportunity-and-access-program-cal-soap>

66 [https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill\\_id=20210220SB737](https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=20210220SB737)



**Intervention 13:** Provide expanded legal services and counseling following school closures through the Department of Financial Protection and Innovation (DFPI). (cont.)

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- The mission of the Department of Financial Protection and Innovation is to “serve Californians by effectively overseeing financial service providers, enforcing laws and regulations, promoting innovation, fair and honest business practices, enhancing consumer awareness, and protecting consumers by preventing potential market-place risks, fraud and abuse.”<sup>67</sup> The DFPI’s strategic plan aims to “improve its services to licensees and consumers, provide employees more development opportunities, grow leadership competencies and maximize operational efficiency.”<sup>68</sup>
- The passage of the California Consumer Financial Protection Law and Student Borrower Protection Bill gives DFPI expanded oversight and new tools and resources to protect borrowers. For the first time in the department’s history, DFPI can investigate all claims of unlawful, unfair, deceptive and abusive financial practices and have oversight over student loan debt relief servicers and private colleges funding.<sup>69</sup>
- According to the 2019 report, “Bittersweet Relief: Strengthening California’s Student Tuition Recovery Fund” by TICAS,<sup>70</sup> in its annual report to the legislature in 2018, the Office of Student Assistance and Relief (OSAR; currently under BPPE) reported that it had developed procedures to conduct workshops for affected students when it receives notification of a pending closure and, critically, to first contact students identified on school rosters individually to notify them of the workshop and to provide individual counseling for those students who are unable to attend.<sup>70</sup> Further, TICAS reports that, “providing individualized assistance to students is, and should be, time intensive. OSAR’s statutory responsibilities include not only helping eligible students obtain Student Tuition Recovery Fund (STRF) relief, but also helping them access the other relief programs that they are eligible for including federal loan discharge. One legal services attorney interviewed for this report estimated that it takes her approximately five to 15 hours to help a student apply for federal student loan discharge and STRF relief.”<sup>71</sup>

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- Considerations include the costs to ensure capacity is available to support students following school closures. TICAS reports that “one legal services attorney interviewed for this report estimated that it takes her approximately five to 15 hours to help a student apply for federal student loan discharge and STRF relief.”<sup>72</sup>

67 <https://dfpi.ca.gov/strategic-plan/>

68 Ibid.

69 <https://drive.google.com/file/d/1J4YkwoHQ6yrnLpBGJnztCNRct0rpOmwo/view?usp=sharing>

70 <https://ticas.org/wp-content/uploads/2019/08/bittersweet-relief.pdf>

71 Ibid.

72 Ibid.

**Intervention 13:** Provide expanded legal services and counseling following school closures through the Department of Financial Protection and Innovation (DFPI). (cont.)

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- TICAS reports that “Interviews with legal services providers on their experiences helping students of failed private postsecondary institutions suggest that the low number of STRF applications submitted by students is more likely the result of a lack of student awareness about the program, rather than a lack of need for relief.”<sup>73</sup>
- More timely legal aid and counseling is needed for students whose schools close; TICAS reports that “students whose schools close usually come to [seek legal aid and counseling] only after their loans go into repayment around six months after they leave school. None of these students know about STRF. Even when [the process is explained], they are confused about the differences between federal discharge relief and STRF relief.”<sup>74</sup>

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- Research shows that predatory for-profit schools target communities of color, and in particular Black students and students who serve(d) in the military.<sup>75</sup>

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- The STRF, which provides relief to students whose institution has closed, has had historical political support. The STRF was first established by the Legislature in 1978 and was expanded in 1989. It was reauthorized in 2009 by the California Postsecondary Education Act, which also placed the administration of the STRF under the purview of BPPE, newly created at that time. In 2016, the Act was amended to establish the OSAR.<sup>76</sup>

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- The STRF, which provides relief to students whose institution has closed, has had historical political support. The STRF was first established by the Legislature in 1978 and was expanded in 1989. It was reauthorized in 2009 by the California Postsecondary Education Act, which also placed the administration of the STRF under the purview of BPPE, newly created at that time. In 2016, the Act was amended to establish the OSAR.<sup>77</sup>
- Resources would need to be provided for DFPI to ensure capacity is available to support students following school closures. TICAS reports that “one legal services attorney interviewed for this report estimated that it takes her approximately five to 15 hours to help a student apply for federal student loan discharge and STRF relief.”<sup>78</sup>

73 Ibid.

74 Ibid.

75 [https://protectborrowers.org/wp-content/uploads/2020/12/Combating-Exploitative-Education\\_2020.pdf](https://protectborrowers.org/wp-content/uploads/2020/12/Combating-Exploitative-Education_2020.pdf)

76 <https://ticas.org/wp-content/uploads/2019/08/bittersweet-relief.pdf>

77 Ibid.

78 Ibid.

**Intervention 14:** Implement a hub and spoke triage model consumer assistance program (e.g., EDCAP in NY).

**Target Population:** Former student borrowers (in repayment)

**Type of Intervention:** Direct support and services

**Notes:**

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- A hub and spoke triage model consumer assistance program would be administered by a backbone organization. In a hub and spoke model the backbone organization would also serve as the central hub that maintains a database or records of all consumers, operate the helpline that would be consumers' first point of contact with the assistance program, and conduct program evaluation efforts.<sup>79 80</sup>
- The network would be comprised of partner organizations, typically community-based organizations (i.e., the spokes) that provide direct services (often in-person) to consumers. Consumers are referred to the partner organizations by the backbone organization, or the "hub."<sup>81</sup> The backbone "hub" organization subcontracts with the partner organizations to provide the consumer services.
- To ensure high-quality and consistent services, training and quality assurance should be provided by either the backbone "hub" organization or select technical assistance and training providers. Similarly, common outreach and educational materials should be developed.<sup>82</sup>
- New York State has launched a similar hub and spoke triage model consumer assistance program, the Education Debt Consumer Assistance Program (EDCAP).<sup>83</sup> The program is administered by the Community Service Society of New York and helps New Yorkers struggling with student debt navigate the repayment system and regain financial health. EDCAP was modeled after New York's Community Health Advocates program, which is a hub and spoke consumer assistance program focused on health care in the state.<sup>84</sup>

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- According to analysis by EDCAP, the cost running a robust EDCAP at full-scale in New York is approximately \$3.5 million. At full capacity, the backbone "hub" helpline can support 10,000 inquiries. This can scale depending on the number of partner organizations within the network.<sup>85</sup> The cost to run a similar hub and spokes model would need to consider scaling the capacity for a California population.
- In FY20, the Community Health Advocates program, a hub and spoke consumer assistance program in New York focused on health care, received an appropriation of \$3.934 million that allowed 29 CBOs and the Helpline to handle almost 33,000 cases and saved consumers almost \$26 million in health care and insurance costs across the state.<sup>86</sup>

79 <https://nyshealthfoundation.org/wp-content/uploads/2017/11/navigators-consumer-assistance-programs-september-2011-1.pdf>

80 <http://communityhealthadvocates.org/wp-content/uploads/2021/02/CHA-Report-2020.pdf>

81 Ibid.

82 Ibid.

83 <https://www.edcapny.org/>

84 <http://communityhealthadvocates.org/wp-content/uploads/2021/02/CHA-Report-2020.pdf>

85 [https://drive.google.com/drive/u/2/folders/1slvMOLt1Df5koeaJ\\_kUx4Uoxf01f5bAO](https://drive.google.com/drive/u/2/folders/1slvMOLt1Df5koeaJ_kUx4Uoxf01f5bAO)

86 <http://communityhealthadvocates.org/wp-content/uploads/2021/02/CHA-Report-2020.pdf>

**Intervention 14:** Implement a hub and spoke triage model consumer assistance program (e.g., EDCAP in NY). (cont.)

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- In FY20, the Community Health Advocates program, a hub and spoke consumer assistance program in New York focused on health care, received an appropriation of \$3.934 million that allowed 29 CBOs and the Helpline to handle almost 33,000 cases and saved consumers almost \$26 million in health care and insurance costs across the state.<sup>87</sup>
- A hub and spoke triage model consumer assistance program allows student borrowers to receive adequate support based on the complexity, severity, and urgency of their situation. For example, EDCAP in New York helps consumers “determine their best repayment options; access loan forgiveness, cancellation, and discharge programs; get out of default to prevent wage garnishments, social security offsets, and tax intercepts; resolve issues with loan servicers and lenders; and obtain referrals to other services and resources to address additional needs.”<sup>88</sup>

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- A hub and spoke triage model consumer assistance program allows student borrowers to receive adequate support based on the complexity, severity, and urgency of their situation. Research shows that student borrowers who struggle the most with student loan repayment include borrowers who did not complete their degree, low-income borrowers, borrowers who attended for-profit institutions, and Black borrowers. These borrowers stand to benefit from these types of programs and services.

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- According to analysis by EDCAP, the cost running a robust EDCAP at full-scale in New York is approximately \$3.5 million. At full capacity, the backbone “hub” helpline can support 10,000 inquiries. This can scale depending on the number of partner organizations within the network.<sup>89</sup> The cost to run a similar hub and spokes model would need to consider scaling the capacity for a California population.

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- According to analysis by EDCAP, the cost running a robust EDCAP at full-scale in New York is approximately \$3.5 million. At full capacity, the backbone “hub” helpline can support 10,000 inquiries. This can scale depending on the number of partner organizations within the network.<sup>90</sup> The cost to run a similar hub and spokes model would need to consider scaling the capacity for a California population.

87 <http://communityhealthadvocates.org/wp-content/uploads/2021/02/CHA-Report-2020.pdf>

88 <https://www.edcapny.org/what-we-do/>

89 [https://drive.google.com/drive/u/2/folders/1s1vMOLt1Df5koeaJ\\_kUx4Uoxf01f5bAO](https://drive.google.com/drive/u/2/folders/1s1vMOLt1Df5koeaJ_kUx4Uoxf01f5bAO)

90 [https://drive.google.com/drive/u/2/folders/1s1vMOLt1Df5koeaJ\\_kUx4Uoxf01f5bAO](https://drive.google.com/drive/u/2/folders/1s1vMOLt1Df5koeaJ_kUx4Uoxf01f5bAO)

<p><b>Intervention 15:</b> Provide state-funded relief for federal student loan debt to individuals participating in federal IDR plans (e.g., NYS Get on Your Feet Loan Forgiveness Program).</p>
<p><b>Target Population:</b> Former student borrowers (in repayment)</p>
<p><b>Type of Intervention:</b> Direct support and services</p>
<p><b>Notes:</b></p>
<p><b>Administrative Feasibility:</b> Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?</p> <ul style="list-style-type: none"> <li>• The state currently has targeted loan forgiveness programs, for individuals in health care. The California Student Loan Repayment Program is run by the Office of State-wide Health Planning and Development (OSHPD) and there are several other programs available through the Health Professions Education Foundation.<sup>91</sup></li> <li>• A broader program more aligned to the NYS Get on Your Feet Loan Forgiveness Program would likely be administratively implemented by CSAC. New York's is administered out of the Higher Education Services Corporation.</li> </ul>
<p><b>Cost and Cost Effectiveness:</b> How much would this intervention cost to implement? What is the return on investment that we expect?</p> <p>Using the NYS Get on Your Feet Loan Program, the state provides a certain level of funding which, along with the eligibility criteria, determines the number of award recipients (i.e., not all eligible borrowers receive an award). When the program was first established in 2015-16, the state budgeted \$236,000 which provided loan forgiveness awards to 644 eligible borrowers. The budget grew to a high of \$2.5 million in 2017-18, providing 2,209 awards to eligible borrowers.<sup>92</sup></p> <p>ROI is undefined.</p>
<p><b>Effectiveness:</b> Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?</p> <p>Depending on design, these programs can provide targeted forgiveness to lower-income individuals. The NYS program requires students to be enrolled in the federal Income Driven Repayment plan at 10 percent discretionary income (or other eligible program), have an AGI less than \$50,000, and are within two years of completing their undergraduate degree.</p>
<p><b>Equity:</b> Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?</p> <p>If limited by those with recent undergraduate degrees, and income limitations, this recommendation could help advance equity. Data indicate that Black individuals hold more debt (percentage wise), and that there is higher borrower distress in Hispanic and Black Communities<sup>93</sup> A recommendation like this, however, if based on enrollment in Income Driven Repayment plan or other program would require ensuring targeted outreach to communities to help them understand and enroll in these programs.</p>

91 <https://oshpd.ca.gov/loans-scholarships-grants/loan-repayment/>

92 Higher Education Services Corporation, [Annual Report 2019-20](#).

93 "At What Cost? Student Loan Debt in the Bay Area" presentation to workgroup by Jacob DuMez, December 10, 2020

<b>Intervention 15:</b> Provide state-funded relief for federal student loan debt to individuals participating in federal IDR plans (e.g., NYS Get on Your Feet Loan Forgiveness Program). (cont.)
<b>Political Feasibility:</b> Will this intervention be met with strong opposition? Would the legislature have the political will to act?
<b>Sustainability:</b> How likely would it be to sustain this intervention in the long term?  Sustainability would be dependent on fiscal resources available to support the program costs.

<b>Intervention 16:</b> Engage with student loan facilitation software partners.
<b>Target Population:</b> Former student borrowers (in repayment)
<b>Type of Intervention:</b> Direct support and services
<b>Notes:</b>
<b>Administrative Feasibility:</b> Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so? <ul style="list-style-type: none"> <li>An entity that is capable of creating the software or providing customer service once the software is live or both. There is potential to partner with the federal government.</li> </ul>
<b>Cost and Cost Effectiveness:</b> How much would this intervention cost to implement? What is the return on investment that we expect? <ul style="list-style-type: none"> <li>The estimated cost should include the cost to create, promote, and maintain the software and to provide customer service.</li> </ul>
<b>Effectiveness:</b> Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much? <ul style="list-style-type: none"> <li>The intervention would inform students on federal programs, state programs, refinancing options, and employer contribution. The software app will provide individualized advisement and will check for students' program eligibility, allow students to select programs, and digitize their paperwork.<sup>94</sup> The intervention would allow borrowers to make smarter financial decision and to take advantage of programs that they are eligible for.</li> <li>Greater awareness of financial options corresponds with college access and success.</li> <li>In addition to the information gap, the intervention would combat the communication gap.</li> </ul>
<b>Equity:</b> Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support? <ul style="list-style-type: none"> <li>The intervention would decrease the information divide and communication gap especially for first-generation borrowers. The information divide and communication gap are also a racial equity issue.</li> <li>The software would help eliminate human error and administrative burden with state and federal programs.</li> </ul>

94 <https://lookforwardwi.gov/wp-content/uploads/2020/07/Savi-Presentation-07222020-.pdf>

**Intervention 16:** Engage with student loan facilitation software partners. (cont.)

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- Given that the services will be provided to all Californian borrowers, there should be support for this intervention.

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- As long as there is a platform that can provide updated information and maintain high quality services, this intervention can be sustainable in the long term.

**Intervention 17:** Require all California high school districts to certify that their seniors have completed a FAFSA or CADAA.

**Target Population:** Prospective student borrowers (pre-borrowing)

**Type of Intervention:** State oversight

**Notes:**

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- Trailer bill language would require local education agencies (LEAs) to: (1) “ensure that each of its pupils receives information on how to properly complete and submit the Free Application for Federal Student Aid or the California Dream Act Application, as appropriate, at least once before the pupil enters grade 12” commencing with the 2021-22 AY; and (2) “ensure that a grade 12 pupil who does not opt out, as provided, completes and submits a Free Application for Federal Student Aid or, if the pupil is exempt from paying nonresident tuition under existing law, completes and submits a form for purposes of the California Dream Act,” commencing with the 2021-22 AY.
- Trailer bill language indicates that “The local educational agency directs each high school pupil and, if applicable, the pupil’s parent or legal guardian, to support and assistance services necessary to comply with the requirement that may be available through outreach programs operated by the Student Aid Commission.” This could include accessing support through Cash for College workshops.
- Communication: CSAC currently offers publications for LEAs and schools to download or order in print, including flyers on FAFSA/CADAA, Cal Grant and materials for special populations (e.g., foster youth, undocumented immigrant students). Publications are available in eight different languages though not all publications are available in each language.
- Tracking FAFSA/CADAA submission: Through CSAC’s WebGrants portal, high school staff are able to view which seniors have submitted a FAFSA or CADAA. Counselors can also use this portal to verify students’ high school GPA, for purposes of determining Cal Grant award eligibility.
- Tracking Students who Opt-Out: LEAs would need to develop a system for tracking which students have opted out of this requirement

**Intervention 17:** Require all California high school districts to certify that their seniors have completed a FAFSA or CADAA. (cont.)

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- Governor Newsom's proposal includes a proposed funding source. The trailer bill language says, if the Commission on State Mandates determines that the proposal contains costs mandated by the state, LEAs will be reimbursed by the state according to the statutory provisions.<sup>95</sup>

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- In the last two years in California, nearly a half million high school seniors did not complete a FAFSA or CADAA, leaving an estimated \$550 million in state and federal financial aid on the table. The COVID-19 pandemic has further disrupted application completion rates for many high school and college students, preventing them from being eligible to receive financial aid for college. The Governor's Proposed Budget highlights that California has seen a decline of about 10 percent and 45 percent in first-time freshman FAFSA and CADAA completion rates, respectively.<sup>96</sup>
- Louisiana established its FAFSA completion policy in 2017-18. In the first year of implementation, FAFSA completion rates increased by 26 percentage points to an overall completion rate of over 77 percent.<sup>97</sup>

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- During the ongoing pandemic, declines in California FAFSA completion have been greater in communities that are lower-income or have more Black and Latinx individuals. Currently, students who would benefit the most from financial aid are the least likely to apply. This proposal would make it easier for students who wish to attend college to apply for financial aid and receive support to complete the application, while making sure there are avenues for students to opt-out.<sup>98</sup>

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- In January 2021, Governor Newsom put forth a budget proposal that would ensure all high school seniors complete a Free Application for Federal Student Aid (FAFSA) or California Dream Act Application (CADAA), if passed.

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- Governor Newsom's Proposal on LEA confirmation calls for LEAs (i.e., school districts, county offices of education, or charter schools) to ensure that their seniors either complete and submit the FAFSA or CADAA beginning in the 2021-22 academic year, or opt-out of doing so.

95 [https://west.edtrust.org/resource/frequently-asked-questions-governor-newsoms-proposal-on-local-education-agencies-confirmation-of-fafsa-or-cadaa-applications/#:~:text=In%20January%202021%2C%20Governor%20Newsom,\(CADAA\)%2C%20if%20passed.](https://west.edtrust.org/resource/frequently-asked-questions-governor-newsoms-proposal-on-local-education-agencies-confirmation-of-fafsa-or-cadaa-applications/#:~:text=In%20January%202021%2C%20Governor%20Newsom,(CADAA)%2C%20if%20passed.)

96 Ibid.

97 Ibid.

98 Ibid.



**Intervention 18:** Implement stronger oversight of for-profit institutions by the California Bureau for Private Postsecondary Education (BPPE).

**Target Population:** Prospective student borrowers (pre-borrowing), Current student borrowers

**Type of Intervention:** State oversight

**Notes:**

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- The Bureau for Private Postsecondary Education (BPPE) “protects students and consumers through the oversight of California’s private postsecondary educational institutions by conducting qualitative reviews of educational programs and operating standards, proactively combating unlicensed activity, impartially resolving student and consumer complaints, and conducting outreach.”<sup>99</sup>
- BPPE was supposed to undergo a sunset review process in 2020, but that process was delayed due to COVID-19. A Sunset Review Report was released in December 2019 and outlines issues identified by BPPE and proposed solutions, including actions to be taken by BPPE, the Legislature, or DCA to resolve the issues.<sup>100</sup> Sample solutions identified by BPPE for issues include:
  - Authorizing BPPE to take disciplinary action if there is potential harm to students to provide student and public protection. Currently, code requires actual student harm before BPPE can take disciplinary action for an institution’s violation of the law.<sup>101</sup>
  - Providing BPPE with the authority to require surety bonds as part of the application process for an approval to operate. The amount of the surety bond would be based on a number of factors such as, the number of students enrolled and/or the institution’s financial health.<sup>102</sup>
  - Authorizing BPPE to strengthen minimum operating standards.<sup>103</sup>

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- According to the Sunset Review Report, “at the end of fiscal year 2018-2019, the Bureau had a reserve balance of 4.8 months. Pursuant to CEC section 94930(b), the reserve level shall not exceed six months.” Further, the report states that “based on the Bureau’s projected revenue of \$16,771,000 and authorized expenditures of \$18,021,000 in 2019-2020, if revenue is realized and full expenditure authority is utilized, the fund would be insolvent in 2021-2022. Historically, the Bureau reverts a sizeable amount of its appropriation which has delayed fee increases, however with a planned facility relocation and IT project, the Bureau may utilize all its expenditure authority in upcoming years. The Bureau may be able to delay a fee increase beyond 2021-2022, however that determination cannot be made at the time this report is being prepared.”<sup>104</sup>

99 [https://www.bppe.ca.gov/about\\_us/](https://www.bppe.ca.gov/about_us/)

100 [https://www.bppe.ca.gov/forms\\_pubs/sunset\\_2019.pdf](https://www.bppe.ca.gov/forms_pubs/sunset_2019.pdf)

101 Ibid.

102 Ibid.

103 Ibid.

104 Ibid.

**Intervention 18:** Implement stronger oversight of for-profit institutions by the California Bureau for Private Postsecondary Education (BPPE). (cont.)

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- In FY2019-20, BPPE achieved \$191,017.63 in savings for consumers. BPPE’s Office of Student Assistance and Relief assisted over 4,000 students with federal forgiveness claims, over 6,000 students with STRF claims, and over 4,000 students with non-STRF private loan relief efforts.<sup>105</sup>
- According to Brookings, “for-profit colleges only enroll 10 percent of students but they account for half of all student-loan defaults. 71% of students in for-profit colleges borrow federal loans, as compared to only 49% of students in 4-year public schools. The average amount borrowed by students in for-profit colleges is nearly \$2,000 higher than the amount borrowed in 4-year public schools.<sup>106</sup>

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- Research shows that predatory for-profit schools target communities of color, and in particular Black students and students who serve(d) in the military.<sup>107</sup>

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- In January 2007, California’s law authorizing the regulation of the private postsecondary education sector in California was allowed to sunset, leaving the state without any regulatory body overseeing private institutions. In 2009, the Legislature and the Governor reached agreement on AB 48 (Portantino, Chapter 310, Statutes of 2009). AB 48 established a new Private Postsecondary Education Act and created a new oversight Bureau within DCA for the purpose of regulating private postsecondary educational institutions that provide educational services in California.<sup>108</sup>

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- BPPE was supposed to undergo a sunset review process in 2020, but that process was delayed due to COVID-19.<sup>109</sup> The previous sunset review occurred in 2016. Sustainability considerations include the outcomes of the pending sunset review of BPPE.

**Intervention 19:** Expand oversight over private loans and new financial products.

**Target Population:** Prospective student borrowers (pre-borrowing), Current student borrowers

**Type of Intervention:** State oversight

105 [https://www.dca.ca.gov/publications/2020\\_annrpt.pdf](https://www.dca.ca.gov/publications/2020_annrpt.pdf)

106 <https://www.brookings.edu/blog/how-we-rise/2021/01/12/the-for-profit-college-system-is-broken-and-the-biden-administration-needs-to-fix-it/>

107 [https://protectborrowers.org/wp-content/uploads/2020/12/Combating-Exploitative-Education\\_2020.pdf](https://protectborrowers.org/wp-content/uploads/2020/12/Combating-Exploitative-Education_2020.pdf)

108 [https://www.bppe.ca.gov/about\\_us/](https://www.bppe.ca.gov/about_us/)

109 [https://www.bppe.ca.gov/forms\\_pubs/sunset\\_2019.pdf](https://www.bppe.ca.gov/forms_pubs/sunset_2019.pdf)

**Intervention 19:** Expand oversight over private loans and new financial products. (cont.)

**Notes:** The analysis of this intervention was prepared with support from Samantha Seng, *NextGen Policy*.

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- Current legislation, AB 424 would “1) prohibit a private education lender or loan collector from making any written statement to a debtor in attempt to collect a private education loan, unless the lender or loan collector possesses and provides to the debtor specified information regarding the loan; 2) require all settlement agreements between a debtor and a private education lender or loan collector to be documented in open court or otherwise documented in writing; 3) require a private education lender or loan collector that accepts a payment as payment in full or as a full and final compromise, to provide a final statement to the debtor within 30 calendar days that clearly and conspicuously shows specified information, including that zero balance is owed; 4) prohibit a private education lender or loan collector from bringing suit or initiating arbitration to collect a private education loan if the statute of limitations on the claim has expired, and require a complaint brought by a lender or loan collector to collect a private education loan to contain specified information; and 5) provide a cause of action against a creditor, private education lender or loan collector for violating the Act. Remedies would include actual damages, statutory damages, restitution, attorney’s fees and other specified relief.”<sup>110</sup>

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- According to the Assembly Appropriations Committee, there is an “annual cost of approximately \$200,000 for the Department of Financial Protection and Innovation (DFPI) to provide specified oversight of the private education lender and loan collector industry. Under the recently enacted California Consumer Financial Protection Law, DFPI has new regulatory powers to oversee currently unlicensed financial industries, including debt collectors.”<sup>111</sup>
- According to the Assembly Appropriations Committee, “cost pressures (General Fund (GF)/Trial Court Trust Fund) in the mid-hundreds of thousands of dollars annually to the courts in additional workload. This bill authorizes a cause of action for violations of the Act. The estimated workload cost of one hour of court time is \$956. If 20 cases are filed statewide resulting in 20 hours of court time for each case, costs would be approximately \$382,400. Although courts are not funded on the basis of workload, increased pressure on the courts and staff may create a need for increased funding for courts to perform existing duties. This is particularly true given that courts have delayed hundreds of trials and civil motions during the COVID-19 pandemic resulting in a serious backlog that must be resolved. The Governor’s 2021-22 budget proposes \$72.2 million in ongoing GF revenue for trial courts to continue addressing the backlog and provide timely access to justice.”<sup>112</sup>

<sup>110</sup> [https://leginfo.ca.gov/faces/billAnalysisClient.xhtml?bill\\_id=202120220AB424](https://leginfo.ca.gov/faces/billAnalysisClient.xhtml?bill_id=202120220AB424)

<sup>111</sup> Ibid.

<sup>112</sup> Ibid.

**Intervention 19:** Expand oversight over private loans and new financial products. (cont.)

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- Assembly Floor analysis states that AB 424 “is modeled on California’s Fair Debt Buying Practices Act, which the Legislature enacted in 2013 to put in place basic requirements for 1) the documentation that a debt buyer must possess to begin debt collection communication with an alleged debtor, 2) pleading standards in debt collection lawsuits, and 3) evidentiary standards to obtain a default judgment. It also created a private right of action for violations. The AB 424 Assembly Committee on Judiciary notes in its analysis that the Fair Debt Buying Practices Act has reduced collection lawsuits for unpaid credit card debt by nearly 60% by requiring competent evidence in these cases.”<sup>113</sup>

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- Although borrowers of color and low-income borrowers use private loans less often than their white or high-income peers, they frequently face distress in repayment.<sup>114</sup>
- According to Student Debt Crisis, AB 424 “will help vulnerable communities by first establishing minimum evidentiary standards for lawsuits filed by private education lenders or loan collectors against borrowers. It will require lenders and collectors to provide specified records including, but not limited to: documentation establishing the chain of ownership, records of negotiations, and a log of collection attempts, which would be made available at the request of the borrower. AB 424 will also allow a borrower to pursue avenues of enforcement if a lender or collector fails to comply with provisions of this bill.”<sup>115</sup>

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- AB 424 passed in the Assembly (56 Ayes; 20 Noes) on May 27 and was referred to the Senate on May 28.

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- According to the Assembly Appropriations Committee, there is an “annual cost of approximately \$200,000 for the Department of Financial Protection and Innovation (DFPI) to provide specified oversight of the private education lender and loan collector industry. Under the recently enacted California Consumer Financial Protection Law, DFPI has new regulatory powers to oversee currently unlicensed financial industries, including debt collectors.”<sup>116</sup>

113 Ibid.

114 <https://protectborrowers.org/how-private-student-loans-are-furthering-racial-disparities-in-the-student-loan-market/#:~:text=Despite%20being%20less%20than%20half,with%20additional%20risks%20for%20borrowers.>

115 <https://studentdebtcrisis.org/bill-to-reform-private-student-loan-collection/>

116 Ibid.

**Intervention 20:** Adopt the Cal Grant Equity Initiative to reduce eligibility gaps that are sometimes filled with loans.

**Target Population:** Prospective student borrowers (pre-borrowing)

**Type of Intervention:** State oversight

**Notes:**

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- Cal Grant program is currently implemented by CSAC.
- Recommendations to remodel Cal Grant would require legislative changes (currently reflected in AB 1456), specifically the reforms would:
  - Provide an access award (entitlement) for all California Community College students with incomes qualifying for maximum Pell and who do not have any dependents under age 18.
  - Eliminate eligibility barriers based on age and time since high school graduation.

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

Reform proposals recommends a multi-phase implementation<sup>117</sup>.

- Phase 1: Adoption of the Cal Grant Equity Framework: **\$157 million** to extend a Cal Grant 2 award of \$1,656 to all CCC students with incomes that would qualify for a maximum Pell Grant award.  
**\$76 million:** increase the Students with Dependent Children award to \$6,000 for all student-parents receiving a Cal Grant 2 or 4 at a UC, CSU, or CCC.
- Phase 2: Extension to all students with incomes qualifying for Pell:  
**\$306 million:** extend eligibility for a Cal Grant 2 or 4 award to all students with incomes that would qualify for a Pell Grant award.

Phase 3: Increase Cal Grant 2 Award Amounts

- **\$274 million:** increase the Cal Grant 2 award from \$1,656 to \$2,500 for all CCC students with incomes qualifying for a Pell Grant award.

Phase 4: Adopt other key policies that will promote college affordability

- Establish a formula for determining the award amount for students enrolled at eligible private, nonprofit institutions.
- Revise standards for Cal Grant lifetime eligibility such that students can receive aid for two summer periods without impacting their awards during the traditional academic year.

FAFSA requirements (mandatory) could change estimates due to more students qualifying.

<sup>117</sup> CSAC Presentation to workgroup on May 25, 2021

**Intervention 20:** Adopt the Cal Grant Equity Initiative to reduce eligibility gaps that are sometimes filled with loans. (cont.)

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

Based on estimates provided by CSAC:<sup>118</sup>

- The recommended reforms to Cal Grant 2 will provide awards to lower-income individuals (average income = \$18,598); older students (average age 25.2); more student-parents (22%) and higher numbers of awards to Latinx (155,000 additional) and Black (22,000 additional) at California's Community Colleges.
- Cal Grant 4 Changes would increase students eligible from 132,584 under current Cal Grant programs to 171,222 under modernization

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

The reforms would increase access to awards for lower-income individuals and older students with increased numbers of awards to Latinx and Black students.

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

**Sustainability:** How likely would it be to sustain this intervention in the long term?

Full implementation would require additional investments to fully phase-in and sustain overtime, as noted.

**Intervention 21:** Address institutional transcript withholding policies.

**Target Population:** Current student borrowers

**Type of Intervention:** State oversight

**Notes:**

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- In 2019, the Legislature approved AB 1313 to prohibit institutions from withholding a student's request for a transcript as a means for debt collection.<sup>119</sup>

<sup>118</sup> Ibid.

<sup>119</sup> [https://leginfo.ca.gov/faces/billTextClient.xhtml?bill\\_id=201920200AB1313](https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB1313)

**Intervention 21:** Address institutional transcript withholding policies. (cont.)

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- According to Assembly Floor analysis of AB 1313, “Community college districts could incur unknown but potentially significant costs to the extent that this bill limits their ability to collect debt which they would then have to absorb. While the Chancellor’s Office does not uniformly track student debt information systemwide, these costs would vary by district depending on the amount of debt currently owed. To the extent that the Commission on State Mandates determines the bill’s requirements to be a mandate, the state would need to reimburse these costs.”<sup>120</sup>
- According to Assembly Floor analysis of AB 1313, “this bill could also result in unknown but potentially significant costs to CSU and UC campuses and to private postsecondary institutions to the extent that the bill limits their ability to collect debt. While the segments indicate they do not uniformly track student debt information systemwide, the UC indicates that if transcripts can no longer be used as leverage to collect on delinquent balances, they could incur statewide costs of \$10 to \$12 million each year after the delinquent accounts are sent to collection agencies.”<sup>121</sup>

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- Transcript withholding for institutional debt presents barriers for students. Even if a student is able to repay their small debt, in the time that they were not able to register, the classes they need to take could have filled, meaning it could take the student longer to complete their degree or transfer to another institution. Particularly for the students most at risk of stopping out, what may seem like small delays or small amounts of debt can have outsized impacts on their successful completion of a degree or credential. All of these barriers delay students’ abilities to ultimately find a job with a higher paying wage, typically one of the primary goals of pursuing postsecondary education.

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- Addressing institutional debt is a critical issue in helping states think about how to close equity gaps, serve adult students, develop a skilled workforce, strengthen intellectual capital and meet their attainment goals.

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- In 2019, the Legislature approved AB 1313 to prohibit institutions from withholding a student’s request for a transcript as a means for debt collection.<sup>122</sup>

120 Ibid.  
121 Ibid.  
122 Ibid.

**Intervention 21:** Address institutional transcript withholding policies. (cont.)

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- In 2019, the Legislature approved AB 1313 to prohibit institutions from withholding a student's request for a transcript as a means for debt collection.<sup>123</sup>

**Intervention 22:** Require loan services to provide better information to borrowers on income driven repayment (IDR) and support borrowers in enrolling in IDR plans.

**Target Population:** Former student borrowers (in repayment)

**Type of Intervention:** State oversight

**Notes:** The analysis of this intervention was prepared with support from Samantha Seng, *NextGen Policy*.

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- Under this intervention, loan servicers would be required to provide better information to borrowers about income-driven repayment (IDR) and provide support to borrowers in enrolling in IDR plans.
- Supervision over student loan servicers falls under the purview of the Department of Financial Protection and Innovation (DFPI).<sup>124</sup>

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- Senate Floor analysis for AB 1864, which established DFPI, states that "the Administration estimates a cost of \$10.2 million and 44 positions in 2020-21, an additional \$4.6 million and 28 positions in 2021- 22, and an additional \$4.5 million and 18 staff positions in 2022-23 and ongoing funding. This is an overall increase of \$19.3 million and 90 positions by the end of 2022-23 upon full implementation of DFPI."<sup>125</sup>

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- An analysis from the Government Accountability Office found that borrowers in standard repayment are up to 28 times more likely to default than those paying based on their income.<sup>126</sup>

<sup>123</sup> Ibid.

<sup>124</sup> <https://drive.google.com/file/d/1J4YkwoHQ6yrnLpBGJnztCNRct0rpOmwo/view?usp=sharing>

<sup>125</sup> [https://leginfo.ca.gov/faces/billAnalysisClient.xhtml?bill\\_id=201920200AB1864](https://leginfo.ca.gov/faces/billAnalysisClient.xhtml?bill_id=201920200AB1864)

<sup>126</sup> <https://protectborrowers.org/new-data-show-borrowers-of-color-and-low-income-borrowers-are-missing-out-on-key-protections-raising-significant-fair-lending-concerns/>



**Intervention 22:** Require loan services to provide better information to borrowers on income driven repayment (IDR) and support borrowers in enrolling in IDR plans. (cont.)

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- According to the Student Borrower Protection Center, “Black borrowers are two times more likely than their white peers to fall behind on their student loans without accessing IDR, contributing to huge racial disparities in delinquency and default.”<sup>127</sup>
- According to the Student Borrower Protection Center, “IDR is a universal protection under the law—but too many low-income borrowers who could benefit the most are missing out. More than half (54 percent) of borrowers at the lowest income level (those who report making up to \$20,000 annually) report having fallen behind on their student loans without accessing IDR—even though effectively all borrowers making less than approximately \$20,000 would qualify for a \$0 payment through an IDR plan.”<sup>128</sup>
- According to the Student Borrower Protection Center, “more than a quarter of borrowers accessing other forms of government assistance—who are almost certainly eligible for \$0 monthly payments through IDR—are missing out on payment relief. Only 43 percent of federal student loan borrowers who rely on income-dependent government assistance programs such as the Supplemental Nutrition Assistance Program (SNAP) or Supplemental Security Income (SSI) are enrolled in IDR, even though IDR would most likely entitle all of them to a \$0 monthly student loan payment.”<sup>129</sup>

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- The establishment of DFPI had political support; supervision over student loan servicers falls under the purview of DFPI.

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- According to the Assembly Appropriations Committee, there is an “annual cost of approximately \$200,000 for the Department of Financial Protection and Innovation (DFPI) to provide specified oversight of the private education lender and loan collector industry. Under the recently enacted California Consumer Financial Protection Law, DFPI has new regulatory powers to oversee currently unlicensed financial industries, including debt collectors.”<sup>130</sup>
- Senate Floor analysis for AB 1864, which established DFPI, states that “the Administration estimates a cost of \$10.2 million and 44 positions in 2020-21, an additional \$4.6 million and 28 positions in 2021- 22, and an additional \$4.5 million and 18 staff positions in 2022-23 and ongoing funding. This is an overall increase of \$19.3 million and 90 positions by the end of 2022-23 upon full implementation of DFPI.”<sup>131</sup>

127 Ibid.

128 Ibid.

129 Ibid.

130 [https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill\\_id=202120220AB424](https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=202120220AB424)

131 [https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill\\_id=201920200AB1864](https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=201920200AB1864)

**Intervention 23:** Support implementation of AB424: Private Student Loan Collections Reform Act.

**Target Population:** Former student borrowers (in repayment)

**Type of Intervention:** State oversight

**Notes:** The analysis of this intervention was prepared with support from Samantha Seng, *NextGen Policy*.

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- AB 424 would “1) prohibit a private education lender or loan collector from making any written statement to a debtor in attempt to collect a private education loan, unless the lender or loan collector possesses and provides to the debtor specified information regarding the loan; 2) require all settlement agreements between a debtor and a private education lender or loan collector to be documented in open court or otherwise documented in writing; 3) require a private education lender or loan collector that accepts a payment as payment in full or as a full and final compromise, to provide a final statement to the debtor within 30 calendar days that clearly and conspicuously shows specified information, including that zero balance is owed; 4) prohibit a private education lender or loan collector from bringing suit or initiating arbitration to collect a private education loan if the statute of limitations on the claim has expired, and require a complaint brought by a lender or loan collector to collect a private education loan to contain specified information; and 5) provide a cause of action against a creditor, private education lender or loan collector for violating the Act. Remedies would include actual damages, statutory damages, restitution, attorney’s fees and other specified relief.”<sup>132</sup>

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- According to the Assembly Appropriations Committee, there is an “annual cost of approximately \$200,000 for the Department of Financial Protection and Innovation (DFPI) to provide specified oversight of the private education lender and loan collector industry. Under the recently enacted California Consumer Financial Protection Law, DFPI has new regulatory powers to oversee currently unlicensed financial industries, including debt collectors.”<sup>133</sup>
- According to the Assembly Appropriations Committee, “cost pressures (General Fund (GF)/Trial Court Trust Fund) in the mid-hundreds of thousands of dollars annually to the courts in additional workload. This bill authorizes a cause of action for violations of the Act. The estimated workload cost of one hour of court time is \$956. If 20 cases are filed statewide resulting in 20 hours of court time for each case, costs would be approximately \$382,400. Although courts are not funded on the basis of workload, increased pressure on the courts and staff may create a need for increased funding for courts to perform existing duties. This is particularly true given that courts have delayed hundreds of trials and civil motions during the COVID-19 pandemic resulting in a serious backlog that must be resolved. The Governor’s 2021-22 budget proposes \$72.2 million in ongoing GF revenue for trial courts to continue addressing the backlog and provide timely access to justice.”<sup>134</sup>

<sup>132</sup> [https://leginfo.ca.gov/faces/billAnalysisClient.xhtml?bill\\_id=20210220AB424](https://leginfo.ca.gov/faces/billAnalysisClient.xhtml?bill_id=20210220AB424)

<sup>133</sup> Ibid.

<sup>134</sup> Ibid.

**Intervention 23:** Support implementation of AB424: Private Student Loan Collections Reform Act. (cont.)

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- Assembly Floor analysis states that AB 424 “is modeled on California’s Fair Debt Buying Practices Act, which the Legislature enacted in 2013 to put in place basic requirements for 1) the documentation that a debt buyer must possess to begin debt collection communication with an alleged debtor, 2) pleading standards in debt collection lawsuits, and 3) evidentiary standards to obtain a default judgment. It also created a private right of action for violations. The AB 424 Assembly Committee on Judiciary notes in its analysis that the Fair Debt Buying Practices Act has reduced collection lawsuits for unpaid credit card debt by nearly 60% by requiring competent evidence in these cases.”<sup>135</sup>

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- Although borrowers of color and low-income borrowers use private loans less often than their white or high-income peers, they frequently face distress in repayment.<sup>136</sup>
- According to Student Debt Crisis, AB 424 “will help vulnerable communities by first establishing minimum evidentiary standards for lawsuits filed by private education lenders or loan collectors against borrowers. It will require lenders and collectors to provide specified records including, but not limited to: documentation establishing the chain of ownership, records of negotiations, and a log of collection attempts, which would be made available at the request of the borrower. AB 424 will also allow a borrower to pursue avenues of enforcement if a lender or collector fails to comply with provisions of this bill.”<sup>137</sup>

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- AB 424 passed in the Assembly (56 Ayes; 20 Noes) on May 27 and was referred to the Senate on May 28.

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- According to the Assembly Appropriations Committee, there is an “annual cost of approximately \$200,000 for the Department of Financial Protection and Innovation (DFPI) to provide specified oversight of the private education lender and loan collector industry. Under the recently enacted California Consumer Financial Protection Law, DFPI has new regulatory powers to oversee currently unlicensed financial industries, including debt collectors.”<sup>138</sup>

135 Ibid.

136 <https://protectborrowers.org/how-private-student-loans-are-furthering-racial-disparities-in-the-student-loan-market/#:~:text=Despite%20being%20less%20than%20half,with%20additional%20risks%20for%20borrowers.>

137 <https://studentdebtcrisis.org/bill-to-reform-private-student-loan-collection/>

138 Ibid.

<b>Intervention 24:</b> Reintroduce a modified AB152 as a tax credit program, with new provisions.
<b>Target Population:</b> Former student borrowers (in repayment)
<b>Type of Intervention:</b> State oversight
<b>Notes:</b>
<p><b>Administrative Feasibility:</b> Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?</p> <ul style="list-style-type: none"> <li>The State of California Franchise Tax Board (FTB) collects state personal income tax and corporate income tax of California.</li> </ul>
<p><b>Cost and Cost Effectiveness:</b> How much would this intervention cost to implement? What is the return on investment that we expect?</p> <ul style="list-style-type: none"> <li>According to the FTB, the estimated revenue impact of AB 152 (Voepel) in the first year of implementation would be \$38 million, the second year of implementation would be \$31 million, and the last year of implementation would be \$37 million. Their analysis does not account for changes in employment, personal income or gross state product.<sup>139</sup></li> </ul>
<p><b>Effectiveness:</b> Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?</p> <ul style="list-style-type: none"> <li>The tax credit is expected to incentivize employers to assist borrowers with their loan repayment.</li> <li>The student loan assistance program is expected to decrease the amount of student loan defaults and increase timely repayment of student loans.</li> </ul>
<p><b>Equity:</b> Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?</p> <ul style="list-style-type: none"> <li>Many employers, especially small businesses, may not afford to support their employees with student loan assistance.</li> </ul>
<p><b>Political Feasibility:</b> Will this intervention be met with strong opposition? Would the legislature have the political will to act?</p> <ul style="list-style-type: none"> <li>With the original language of AB 152, employers were not satisfied with the deduction in payroll tax. Reintroducing AB 152 as a tax credit program would benefit employers by reducing taxes equal to their fiscal support.</li> <li>There may be opposition given that many employers, especially small businesses, may not afford to participate in this intervention.</li> </ul>
<p><b>Sustainability:</b> How likely would it be to sustain this intervention in the long term?</p> <ul style="list-style-type: none"> <li>In AB 152, Assembly member Voepel introduced the intervention as a 5-year program.</li> </ul>

<sup>139</sup> <https://www.ftb.ca.gov/tax-pros/law/legislation/2019-2020/AB152-030519.pdf>

**Intervention 25:** Create an early FAFSA/CADAA application that gives students an estimate of the aid for which they might be eligible.

**Target Population:** Prospective student borrowers (pre-borrowing)

**Type of Intervention:** Other

**Notes:** The analysis of this intervention was prepared with support from Catalina Mistler, *California Student Aid Commission*.

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- The California Student Aid Commission currently administers CADAA for students who are not eligible to submit a FAFSA. The CADAA is similar and aligned to FAFSA and is used to determine aid eligibility for CADAA-eligible students in the same way a FAFSA would be used for FAFSA-eligible students.
- A similar application could be developed to serve the purpose of an “early” financial aid application that would give students an estimate of the aid they might be eligible for at California’s different public institution segments (CCC, CSU, UC).

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- Based on the volume of the expected target student population, cost considerations could be modeled on current CSAC administrative costs to maintain and process CADAA.

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- Given aid is shown to increase college enrollment, this intervention has the potential to increase college enrollment for low-income and racially minoritized communities, especially if this intervention is targeted in earlier grades.

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- Racial equity gaps exist in FAFSA completion rates. Familiarizing students with the aid application process and the different aid opportunities available to them can help decrease these equity gaps when students are ready to submit their “real” (i.e., not “early”) aid application.
- Research shows that racially minoritized communities are risk adverse when it comes to taking out loans, since perceived college costs are a deterrent to enroll in college, this intervention has the potential to close equity gaps in terms of enrollment.

**Intervention 25:** Create an early FAFSA/CADAA application that gives students an estimate of the aid for which they might be eligible. (cont.)

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- Requiring school districts to certify high school seniors have completed a FAFSA or CADAA has general political support. This intervention is aligned with FAFSA for All efforts.

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- Ongoing administrative costs would need to be provided to ensure sustainability of this intervention.

**Intervention 26:** Expand and market the use of child savings accounts, including adopting the FY21-22 budget proposal.

**Target Population:** Prospective student borrowers (pre-borrowing)

**Type of Intervention:** Other

**Notes:** The analysis of this intervention was prepared with support from Catalina Mistler, *California Student Aid Commission*.

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- This intervention could be implemented in collaboration between CSAC and the state.
- The California Student Aid Commission administers the Child Savings Account Grant Program, which “was enacted in the 2019-20 State Budget to support local governments and nonprofit organizations that sponsor or collaborate on one or more comprehensive citywide or regional child savings account programs. The Budget Act of 2020 appropriated \$10,000,000 in one-time General Fund dollars to the CSA Grant Program. The amount of each grant award shall be at a minimum \$100,000.”<sup>140</sup>
- Additionally, the May Revision allocates \$2 billion to create a California Child Savings Accounts program. Seeded with \$500 per account, the value of deposits will grow over time, providing a direct path to affording postsecondary education and helping address equity gaps. New accounts will be created for each subsequent income class of low-income first graders.<sup>141</sup>

<sup>140</sup> <https://www.csac.ca.gov/child-savings-account-grant-program>

<sup>141</sup> <http://www.ebudget.ca.gov/2021-22/pdf/Revised/BudgetSummary/FullBudgetSummary.pdf>

**Intervention 26:** Expand and market the use of child savings accounts, including adopting the FY21-22 budget proposal. (cont.)

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- The Budget Act of 2020 appropriated \$10,000,000 in one-time General Fund dollars to the CSA Grant Program. The amount of each grant award shall be at a minimum \$100,000.<sup>142</sup>
- The May Revision allocates \$2 billion to create a California Child Savings Accounts program. Seeded with \$500 per account, the value of deposits will grow over time, providing a direct path to affording postsecondary education and helping address equity gaps. New accounts will be created for each subsequent income class of low-income first graders.<sup>143</sup>

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- Research shows that “child savings accounts aim to improve the lives of low- and moderate-income people economically, socially, and psychologically. They increase financial security by providing people with the means to help weather emergencies like a job loss. Savings accounts also develop financial capability; in demonstrating the value of saving and compound interest, they encourage people to save more.”<sup>144</sup>

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- Research shows that “child savings accounts aim to improve the lives of low- and moderate-income people economically, socially, and psychologically. They increase financial security by providing people with the means to help weather emergencies like a job loss. Savings accounts also develop financial capability; in demonstrating the value of saving and compound interest, they encourage people to save more.”<sup>145</sup>

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- The state has shown support for child savings accounts. The Budget Act of 2020 appropriated \$10,000,000 in one-time General Fund dollars to the CSA Grant Program. The amount of each grant award shall be at a minimum \$100,000.<sup>146</sup> Additionally, the May Revision allocates \$2 billion to create a California Child Savings Accounts program. Seeded with \$500 per account, the value of deposits will grow over time, providing a direct path to affording postsecondary education and helping address equity gaps. New accounts will be created for each subsequent income class of low-income first graders.<sup>147</sup>

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- Sustainability would depend on additional investments over time.

142 <https://www.csac.ca.gov/child-savings-account-grant-program>

143 <http://www.ebudget.ca.gov/2021-22/pdf/Revised/BudgetSummary/FullBudgetSummary.pdf>

144 <https://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000157-A-Review-of-Childrens-Savings-Accounts.pdf>

145 <https://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000157-A-Review-of-Childrens-Savings-Accounts.pdf>

146 <https://www.csac.ca.gov/child-savings-account-grant-program>

147 <http://www.ebudget.ca.gov/2021-22/pdf/Revised/BudgetSummary/FullBudgetSummary.pdf>

**Intervention 27:** Improve research and data sharing to better understand disparate impacts on borrowers, including integrating with Cradle-to-Career.

**Target Population:** Prospective student borrowers (pre-borrowing), Current student borrowers, Former student borrowers

**Type of Intervention:** Other

**Notes:**

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- Legislation passed in 2019 called for the establishment of a statewide, longitudinal data system for California. The proposed Cradle-to-Career Data System aims to link existing education, workforce, financial aid and social service information to better equip policymakers, educators and the public to address disparities in opportunities and improve outcomes for all students throughout the state.<sup>148</sup>
- The Cradle-to-Career data system can be used to collect and track financial aid information, including information about student loan borrowing. This data can help key stakeholders better understand disparate impacts on borrowers and help with decision-making about necessary interventions.
- Sample key metrics to consider tracking, disaggregated by different student characteristics and in context to non-borrowers include:
  - Loan defaults (on all types of debt including and beyond student debt)
  - Delinquencies
  - Number of borrowers
  - Levels of debt
  - Other early warning signs of default (currently available from servicer-held data)
- The Cradle-to-Career system would benefit from integration with:
  - Federal data systems
  - K12 and higher education data systems
  - SUR
  - FTB
  - EDD
  - Credit bureau data systems
  - Social services data systems
  - NSC data systems
  - Federal Reserve Bank data systems

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

<sup>148</sup> [https://leginfo.ca.gov/faces/codes\\_displayText.xhtml?lawCode=EDC&division=1.&title=1.&part=7.&chapter=8.5.&article=](https://leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=EDC&division=1.&title=1.&part=7.&chapter=8.5.&article=)



**Intervention 27:** Improve research and data sharing to better understand disparate impacts on borrowers, including integrating with Cradle-to-Career. (cont.)

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- Access to robust disaggregated data about student borrowing is critical for ensuring policy decisions are well-informed and tailored to borrower populations that most need it.
- One consideration is that the Cradle-to-Career Data System will take a long time to develop into full-scale. Additional ways of accessing and using student borrower data will need to be identified in the meantime.

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- Access to robust disaggregated data about student borrowing is critical for ensuring policy decisions are well-informed and tailored to borrower populations that most need it.

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- The Cradle-to-Career Data System has broad political support. Legislation passed in 2019 called for the establishment of a statewide, longitudinal data system for California. The proposed Cradle-to-Career Data System aims to link existing education, workforce, financial aid, and social service information to better equip policymakers, educators and the public to address disparities in opportunities and improve outcomes for all students throughout the state.<sup>149</sup>

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- Additional funding will be needed over time to ensure long-term sustainability of the Cradle-to-Career data system.

**Intervention 28:** Identify state's labor market needs and explore state "nudge" programs that provide student loan relief for certain fields or programs.

**Target Population:** Prospective student borrowers (pre-borrowing)

**Type of Intervention:** Other

**Notes:** Analysis modeled on Colorado legislation SB 19-057, passed in 2019<sup>150</sup>

<sup>149</sup> [https://leginfo.ca.gov/faces/codes\\_displayText.xhtml?lawCode=EDC&division=1.&title=1.&part=7.&chapter=8.5.&article=](https://leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=EDC&division=1.&title=1.&part=7.&chapter=8.5.&article=)

<sup>150</sup> <https://leg.colorado.gov/bills/sb19-057>

**Intervention 28:** Identify state’s labor market needs and explore state “nudge” programs that provide student loan relief for certain fields or programs. (cont.)

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- Department of Personnel Administration or another centralized agency as the primary implementer. Colorado legislation charges the department of personnel to disseminate materials to state employees about eligibility for federal student loan repayment programs and loan forgiveness.
- CO legislation also specifically identifies other state agencies as partners to disseminate information, including:
  - the department of education, for distribution to school district, charter school, institute charter school, and boards of cooperative services employees;
  - the department of higher education, for distribution to employees at state institutions of higher education;
  - The secretary of state, for dissemination to nonprofit public service organizations, as defined in the act, with encouragement for these organizations to distribute the informational materials to their employees; and
  - The division of local government in the department of local affairs, for distribution to cities, counties, cities and counties, special districts, and other local government entities, with encouragement for those entities to distribute the informational materials to their employees.

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- According to the fiscal note analysis of CO SB 19-057, no additional investment would be required, but would increase workload for identified agencies.
- The fiscal impact summary indicates “minimal” impact for state and local governments.

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- This intervention is largely about dissemination of information. Specific effectiveness of the Colorado legislation is not yet available.
- Evidence of effectiveness of “nudging” is mixed, though it can be effective when coupled with the appropriate information, particularly regarding the impact of program/repayment options on monthly payments.<sup>151</sup>

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- This intervention does not directly target the groups most in need of resource and support as it is a generalized requirement for disseminating information. However, the focus is to ensure access to information about federal repayment options. This may help to close inequities in information across groups.

<sup>151</sup> <https://scholarcommons.usf.edu/cgi/viewcontent.cgi?article=9384&context=etd>

**Intervention 28:** Identify state’s labor market needs and explore state “nudge” programs that provide student loan relief for certain fields or programs. (cont.)

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- Unclear. However, the Colorado Legislation passed 48-16.

**Sustainability:** How likely would it be to sustain this intervention in the long term?

Likely to be sustained over time if passed due to its low cost and relatively low impact on administrative burden.

**Intervention 29:** Strengthen the way in which the California Dream Loan Program is administered, including replenishing loan funds and improving reporting by systems and campuses.

**Target Population:** Prospective student borrowers (pre-borrowing), Current student borrowers

**Type of Intervention:** Other

**Notes:** The analysis of this intervention was prepared with support from Christopher Sanchez, *Western Center on Law & Poverty*

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- Currently, CSU and UC each administer the California Dream Loan Program. Each is responsible for determining students’ eligibility, awarding funds to students, providing entrance and exit loan counseling, servicing the loans, collecting loan repayments and ensure student borrowing complies with the annual and aggregate borrowing limits (\$4,000 and \$20,000, respectively).
- Better coordination among CSU, UC, and the new Department of Financial Protection & Innovation would be needed to ensure a strengthened program that serves eligible students.

**Intervention 29:** Strengthen the way in which the California Dream Loan Program is administered, including replenishing loan funds and improving reporting by systems and campuses. (cont.)

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- As written, the California Dream Loan Program law states that “It is the intent of the Legislature that, each fiscal year, funds shall be appropriated in the annual Budget Act to participating institutions for purposes of the DREAM Program.<sup>152</sup>” However, resources from the General Fund have not been ongoing.
- Statute required UC and CSU to establish a revolving fund that would replenish as loan repayments were made by former borrowers. However, since the program was established in 2015-2016, there are only two cohorts of students currently in repayment.
- Initial cost estimates based on AB540 population enrollment in UC and CSU were \$6.9 million for the first year and double each year thereafter until the program became self-sustaining.<sup>153</sup>

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- There are an estimated 4,000 undocumented students enrolled in the 10-campus UC system, about 9,500 at California State University’s 23 campuses and about 50,000 to 70,000 in the state’s 115 community colleges. About half of those students are estimated to have DACA status.<sup>154</sup>
- Currently, UC and CSU are required to report on: (A) The total amount of funding in the institution’s DREAM revolving fund. (B) The annual amount contributed by the state to the institution’s DREAM revolving fund. (C) The annual amount contributed by the institution to the institution’s DREAM revolving fund. (D) The annual administrative costs of the DREAM Program at the institution. More robust reporting is required to better understand which students are being served through the program, what their needs are, and what their trajectory of education is.

152 [https://leginfo.ca.gov/faces/codes\\_displayText.xhtml?lawCode=EDC&division=5.&title=3.&part=42.&chapter=2.&article=23](https://leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=EDC&division=5.&title=3.&part=42.&chapter=2.&article=23).

153 [https://leginfo.ca.gov/faces/billAnalysisClient.xhtml?bill\\_id=201320140SB1210](https://leginfo.ca.gov/faces/billAnalysisClient.xhtml?bill_id=201320140SB1210)

154 <https://edsource.org/2019/university-of-california-will-support-undocumented-students-even-if-daca-ends/619844#:~:text=There%20are%20an%20estimated%204%2C000.estimated%20to%20have%20DACA%20status>.

**Intervention 29:** Strengthen the way in which the California Dream Loan Program is administered, including replenishing loan funds and improving reporting by systems and campuses. (cont.)

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- Since 2002, undocumented students in California have been exempt from paying nonresident tuition and fees at the state’s public institutions. In 2011, these students became eligible for state financial aid or financial aid offered by these public institutions. However, many of these students remain ineligible for federal student aid for reasons beyond their control. Lack of access to federal student loans presents a substantial barrier for these students to obtain a baccalaureate degree from the California State University or the University of California as they face, on average, a “gap” in their financial aid packages of \$3,000-\$6,000 annually.<sup>155</sup> The California DREAM Loan Act provides a way to address this barrier by providing access to additional state aid so students may take full advantage of the educational opportunities offered at the California State University and the University of California.

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- The state has demonstrated a willingness to invest in undocumented students by enabling them to pay in-state tuition at the state’s public higher education institutions, qualifying them for Cal Grants and institutional aid, and establishing the California Dream Loan Program.

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- Replenishing the fund and providing sufficient resources to serve eligible students will be required.

**Intervention 30:** Explore state refinancing program options.

**Target Population:** Former student borrowers (in repayment)

**Type of Intervention:** Other

**Notes:**

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- The California Educational Facilities Authority (CEFA) under the State Treasurer’s Office is authorized to hold or invest in student loans, create pools of student loans and sell bonds bearing interest on a taxable or tax-exempt basis or other interest backed by pools of student loans.<sup>156</sup>

<sup>155</sup> [https://leginfo.ca.gov/faces/billAnalysisClient.xhtml?bill\\_id=201320140SB1210](https://leginfo.ca.gov/faces/billAnalysisClient.xhtml?bill_id=201320140SB1210)

<sup>156</sup> [https://leginfo.ca.gov/faces/billTextClient.xhtml?bill\\_id=201720180SB674](https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB674)

**Intervention 30:** Explore state refinancing program options. (cont.)

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- The cost of the intervention should consider expanding CEFA's capacity and the cost of refinancing student loans.

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- By improving the financial position of borrowers, this intervention can minimize the compounded effects of the burden of student debt.

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- The state refinancing program can provide long term, low-interest educational loans for all students regardless of credit scores, which can improve the financial position of borrowers, especially for borrowers who have been historically marginalized.

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- In 2014, California passed legislation to create a student loan refinancing program for private loans. In 2017, SB 674 (Allen), intended to create the California Student Loan Refinancing Program Fund in the State Treasury for California residents with private student loans.<sup>157</sup> There is a growing demand for student refinancing programs.

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- State refinancing programs rely on market demand.<sup>158</sup>

**Intervention 31:** Explore homeowner incentive program options to provide student loan relief.

**Target Population:** Former student borrowers (in repayment)

**Type of Intervention:** Other

**Notes:**

157 [https://leginfo.ca.gov/faces/billPdf.xhtml?bill\\_id=201720180SB674&version=20170SB67497AMD](https://leginfo.ca.gov/faces/billPdf.xhtml?bill_id=201720180SB674&version=20170SB67497AMD)  
158 <https://files.eric.ed.gov/fulltext/ED572331.pdf>

**Intervention 31:** Explore homeowner incentive program options to provide student loan relief. (cont.)

**Administrative Feasibility:** Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so?

- The California Department of Housing & Community Development awards loans and grants to public and private housing developers, nonprofit agencies, cities, counties, state and federal partners. Maryland and Illinois implemented their homeowner incentive program through state departments and agencies that engage in housing and community development. The Maryland SmartBuy 3.0 program is administered by Maryland's Department of Housing and Community Development (DHCD), a state department that implements housing policy that promotes and preserves homeownership and creates innovative community development initiatives. Additionally, the Illinois SmartBuy program is administered by the Illinois Housing Development Authority, a self-supporting agency to finance affordable housing across Illinois.

**Cost and Cost Effectiveness:** How much would this intervention cost to implement? What is the return on investment that we expect?

- The cost of the intervention should consider expanding the department's capacity to implement this program, administrative costs, and relieving a portion of student debt for participants.

**Effectiveness:** Will this intervention address systematic challenges to positively affect the outcomes we care about? By how much?

- This intervention would help borrowers pay down their debt while building their own asset. The intervention would ease debt burdens and significantly increase the rate of homeownership, allowing young households to start building home equity and improving their standard of living. The homeowner incentive program would address the compounding financial effects of the burden of student loans.

**Equity:** Does this intervention provide more equitable outcomes for California borrowers? Does it target the groups that most need resources/ support?

- Depending on the eligibility requirements for the program, there can be barriers to entry. The eligibility requirements must be carefully constructed so that they are not prohibitive (e.g. outstanding debt balance, credit scores, and down payments). The Illinois SmartBuy program requires borrowers to have at least one "borrower's full remaining student loan balance at loan close," and a minimum credit score of 640 for all loan types.<sup>159</sup> Additionally, the Maryland Smartbuy 3.0 program relies on approved lenders to confirm eligibility.<sup>160</sup> These eligibility requirements pose barriers to entry for borrowers who are low-income or who have a credit score lower than the minimum required.
- Maryland and Illinois imposed income limits for their programs that target middle-to low-income households.
- The incentive program could be effective in addressing racial wealth disparities.<sup>161</sup>

159 <https://www.ihda.org/lenders-realtors/lending-programs/>

160 <https://mmp.maryland.gov/Pages/SmartBuy/default.aspx>

161 <https://files.eric.ed.gov/fulltext/ED606374.pdf>

**Intervention 31:** Explore homeowner incentive program options to provide student loan relief. (cont.)

**Political Feasibility:** Will this intervention be met with strong opposition? Would the legislature have the political will to act?

- Political feasibility could depend upon who the target of the intervention is.

**Sustainability:** How likely would it be to sustain this intervention in the long term?

- The demand for the program depends on the housing market.
- The program may be at risk of being cut during economic downturns.



# **APPENDIX E: SUBMITTED PUBLIC COMMENT**



STUDENT  
BORROWER  
PROTECTION  
CENTER



**CHIRLA**  
Coalition for Humane  
Immigrant Rights



**WESTERN CENTER**  
ON LAW & POVERTY

June 25, 2021

Members, California Student Loan and Debt Service Review Workgroup  
California Student Aid Commission  
11040 White Rock Road  
Rancho Cordova, CA 95670

RE: Written Comments to the Policy Interventions Presented to Date

Dear Workgroup Members,

On behalf of the undersigned organizations, we respectfully submit the following comments on the California Student Loan Debt Service Review Workgroup’s (Workgroup) Policy Interventions Presented to Date (Appendix A and Appendix B). We applaud Governor Newsom and the California Legislature’s action to address the student debt crisis in California by establishing the Workgroup through the Budget Act of 2020, with the charge to “research implementable strategies and concepts that are focused on better ensuring that prospective, current, and former student loan borrowers are able to access the most financially beneficial loan programs, most affordable repayment plans, and any available debt service forgiveness programs.”

Nearly 4 million Californians collectively hold over \$147 billion in student loan debt. Women and borrowers of color, especially black student borrowers, disproportionately carry this debt. These historically left behind student borrowers are also more likely to default due to predatory lending practices, loan servicing errors and misinformation, lack of information and financial resources. This situation perpetuates the cycle of poverty for many low-income students striving to prosper through attaining a higher education. We appreciate the Workgroup’s inclusion of equity in the evaluative criteria for Policy Interventions as the student debt crisis is certainly an issue of racial justice.

As the Workgroup prepares to complete a final report to the Legislature, we offer these comments to help ensure a comprehensive strategy to educate and outreach to the spectrum of student borrowers includes a package of consumer protections, addresses college affordability, and financial aid awareness efforts.

**Policy Intervention 2 and 14 - Create a central state hub for borrower outreach.** (page 6 and 27)

We greatly encourage the creation of a central state hub for borrower outreach. There is currently no state program that solely supports those with student loans. Student borrowers in repayment must fend for themselves to find out the information they need as they earnestly aim to pay off their debt. Student loan servicers are contracted by the Department of Education and are supposed to provide quality service to borrowers but instead time and time again servicing errors have been at the heart of the student debt crisis.<sup>1</sup> California can and should fill this void and provide a central hub of trusted information and resources to borrowers in addition to the consumer protections that address servicer errors.

At every step of the college affordability spectrum, prospective student borrowers and borrowers should have access to a reliable government sourced hub of information regarding student loans. This hub may be better suited at a state agency in order to meet the scale of need across California. The state agencies that should be involved and working in partnership with whatever entity becomes the central hub include: the California Department of Financial Protection and Innovation (DFPI), California Student Aid Commission (CSAC), Bureau for Private Postsecondary Education (BPPE), and the California Department of Justice (DOJ). These entities either play a role in helping students pay for college or oversee regulations of the student loan market, and implement consumer protections for student loan borrowers. The hub should have a go-to webpage for student borrowers to get generalized information, and potentially make use of specific information tools, like a comparison tool for aid letters and how to apply for forgiveness programs. Along with a central website to direct all student borrowers to, a call center would be key to also ensure borrowers are directed to the appropriate agency, non-profit partners, or resource. The central hub could then leverage a network of non-profit partners, including legal aid attorneys, that already engage with prospective student borrowers, current student borrowers and former student borrowers throughout the state, including leveraging local government efforts at city offices of financial empowerment to provide services to borrowers. Decades of government mismanagement and industry abuse have eroded trust among student loan borrowers. Utilizing trusted messengers within communities is critical to ensure the communication and outreach channels are effective. Much content and resources already exist so developing distribution channels or partnering with existing distribution channels would be the focus. A general or localized advertising campaign modeled after New York City's

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<sup>1</sup> California Attorney General Xavier Becerra has filed a lawsuit against Navient for deceptive student loan practices and joined other state attorney generals against further predatory student loan servicing tactics. See: <https://oag.ca.gov/news/press-releases/attorney-general-becerra-charges-navient-corporation-largest-student-loan> and <https://oag.ca.gov/news/press-releases/attorney-general-becerra-joins-amicus-brief-support-pennsylvania-lawsuit-against>.

“Real About Student Loans<sup>2</sup>” campaign could help drive borrowers back to the central hub and connect with the appropriate resources and services provided by the network of partners.

Local assistance grants from the central hub could fund training and time for local counselors and legal services providers, to help borrowers manage student debt. These grants could be given to cities and/or nonprofits with established infrastructure to provide student debt counseling, help borrowers get into the most appropriate repayment plans, such as income-based repayment, and direct borrowers to legal services when necessary. The accountability and effectiveness of these grants should track both the amount of student debt and savings as a result of this counseling. Engaging with student loan facilitation software partners (Policy Intervention 16) could help with scaling up this model to provide direct supportive services to borrowers across the state.

**Policy Intervention 3 - Ensure consistency across institution provided loan entrance counseling for first time borrowers.** (page 8)

Not only should student loan entrance counseling for first time borrowers be consistent but it should also be meaningful. A simple email or letter in the mail does not provide the level of detail and explanation necessary for prospective student loan borrowers to understand the long-lasting financial implications of taking out a student loan. Further, reporting on how institutions are providing this counseling is needed to ensure accountability and efficiency. Currently federal student loans require an exit notification when a student is leaving their higher education institution and is entering the grace period. Exiting students' experiences vary greatly and in some cases this exit notification doesn't take place at all. Consistency and meaningful exit information about beneficial loan repayment options and loan forgiveness programs is also needed, and the information provided should align with the information provided across the lifecycle of the loan.<sup>3</sup>

**Policy Interventions 4 - Embed outreach activities within FAFSA for All efforts and 17 - Require all California high school districts to certify that their seniors completed a FAFSA or CADAA.** (page 9 and 31)

In 2018 California ranked 30th in the nation for FAFSA completion - far too many students do not apply for financial aid, leaving millions of dollars of financial aid untouched. A recent EdSource report found that in a year after the COVID-19 outbreak, FAFSA completion rates in California decreased by 11% and CADAA by 45%. Students should utilize all federal and state financial aid funds available to them before considering taking out private student loans from banks and lenders. Private student loans lack the protections offered to federal student loans including, affordable repayment plans, loan forgiveness programs, loan default rehabilitation, and others. These differences are not widely-known but can have long-term consequences for students and families who lean on private student loans instead of less-risky federal loans. We greatly support state efforts that enable students to apply for financial aid funds.

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<sup>2</sup> See <https://www1.nyc.gov/site/dca/media/Be-Real-About-Student-Loans-Campaign.page>.

<sup>3</sup> See the Consumer Financial Protection Bureau “Student Loan Payback Playbook” as an example, accessed here: <https://www.consumerfinance.gov/payback-playbook/>

**Policy Intervention 7 - Leverage nonprofit employers to provide information about student loan forgiveness options.** (page 15)

Support the intervention as part of the central hub model, partnering with CalNonprofits and other large public service organizations with current content that could be utilized.

**Policy Intervention 12 - Leverage Cal-SOAP to provide students with financing education.** (page 22)

We support updating the Cal-SOAP program, specifically with a focus on expanding on education provided about student loans. Frequently, financial aid workshops simply mention student loans as an option without further details that are critical to ensure students understand the basics of navigating the loan system. Such details should include the differences between federal and private loans, subsidized and unsubsidized loans, the impact of default on credit scores and financial well-being, differences between deferment and forbearance, and the need to plan early for repayment and loan forgiveness programs.

**Policy Interventions 13 - Provide expanded legal services and counseling following school closures through the Department of Financial Protection and Innovation (DFPI) and 22 - Require loan servicers to provide better information to borrowers on income driven repayment (IDR) and support borrowers in enrolling in IDR plans.** (page 25 and 40)

In 2020 the California Consumer Financial Protection Law (CCFPL) established the DFPI with expansive oversight powers. In the same year, the passage of AB 376 The Student Borrower Bill of Rights by Assemblymember Mark Stone specifically created the Student Loan Ombudsman position at DFPI, among many other consumer protections for student loan borrowers. The Student Loan Ombudsman will receive and review student loan borrower complaints and have the authority to investigate these complaints and refer them accordingly with DOJ and BPPE. To fulfill this policy intervention we support full state investment for the Student Loan Ombudsman position at DFPI to coordinate with DOJ and BPPE to support borrowers following a school closure. Additionally, this intervention could leverage the central hub model to partner with legal aid organizations and other community based organizations supporting borrowers that have had their school shut down by providing local assistance grants to these organizations. Fully funding the implementation of AB 376 would ensure DFPI can play its role in ensuring loan servicers are properly providing information and quality service to student borrowers.

**Policy Interventions 19 - Expand oversight over private loans and new financial products and 23 - Support implementation of AB 424: Private Student Loan Collections Reform Act.** (page 35 and 41)

We strongly support policy interventions 19 and 23 to support the passage of AB 424 (Stone) the Private Student Loan Collections Reform Act this year. The bill is critically important in providing basic consumer protections to student borrowers with private student loans, as hundreds of thousands of student loan borrowers in California are falling victim to predatory debt collection practices. Large out-of-state debt collectors are exploiting gaps in consumer protection law in an attempt to illegally garnish borrowers' wages and leave them on the hook for faulty debts. AB 424 would end these abusive practices.

Additionally, DFPI through the CCFPL and the Student Borrower Bill of Rights has expansive regulatory and oversight powers over new financial products and new market monitoring duties. Through its market monitoring responsibilities, DFPI can compel data from student loan servicers to watch for risks to consumers and closely scrutinize the practices of all companies that provide debt or credit to students and families paying for college.

**Policy Intervention 20 - Adopt the Cal Grant Equity Initiative to reduce eligibility gaps that are sometimes filled with loans.** (page 37)

The Cal Grant Equity Framework developed by the California Student Aid Commission (CSAC) and as presented in AB 1456 (Medina) would reform and streamline the Cal Grant state financial aid program. These reforms meet the needs of today's student population by removing outdated eligibility barriers such as age and time since high school graduation. Simplifying the Cal Grant program will make it easier for students and their families to access state aid and with state investment the Cal Grant Equity Framework will open up state financial aid eligibility to nearly 200,000 more students. Expanding and removing barriers to financial aid is a key step in preventing students from needing to take out student loans - we support this policy intervention.

**Policy Intervention 21 - Address institutional transcript withholding practices.** (page 39)

We support this policy intervention and urge the Workgroup to expand on existing law. AB 1313 passed in 2019 preventing institutional withholding of transcripts for debt collection purposes. California saw fit to prevent the cycle of debt as withholding transcripts can be a barrier to students gaining employment or furthering their education. For just the same reasons the state should further prohibit the withholding of diplomas or degrees for the purposes of debt collection and work collaboratively with California's public colleges to determine how to best alleviate the financial burden imposed on current and former students by unpaid debts owed to institutions

**Policy Intervention 27 - Improve research and data sharing to better understand disparate impacts on borrowers, including integrating with Cradle-to-Career.** (page 47)

We support this policy intervention and also suggest the following for additional data sources. Public higher education institutions must report to the National Student Loan Data System and can access student loan data. This data can be reported to the state to do targeted outreach to current borrowers before they leave college. The state should invest in financial aid offices and collect this information from the three public segments of the state's higher education system. The state can also allow researchers to gain anonymized access to large administrative data sets, including state tax records and financial aid information, in order to study and better understand the life-long effects of student debt on California borrowers and their families.

**Policy Intervention 28 - Identify state's labor market needs and explore state "nudge" programs that provide student loan relief for certain fields or programs.** (page 49)

We support this policy intervention and suggest that additionally, the state as an employer can provide information to state workers about the benefits of public service loan forgiveness. As part of a central hub for student borrowers model, the state can provide assistance to employees by providing state level workshops, and make minor changes to state level

processes to help ensure state employees access the right repayment plans or public service loan forgiveness.

Further, California Community College faculty currently receive vital information about beneficial student loan repayment and forgiveness options thanks to the passage of AB 463 (2019) and the same outreach should be extended to faculty at the California State University and University of California campuses.

**Policy Intervention 29 - Strengthen the way in which the California Dream Loan Program is administered, including replenishing loan funds and improving reporting by systems and campuses. (page 50)**

We strongly support this policy intervention as further data collection and robust reporting is needed to understand which students are being served and if the goals of the program are being met. During the pandemic many undocumented students experienced job loss and other financial stressors as well - taking care of family, lack of affordability for school materials and high speed internet. The California Dream Loan Program (Program) needs to be replenished and the current cohort of students need options for student loan forgiveness. The Program is meant to parity federal student loans so beneficial repayment options and loan forgiveness should be equally applied for our undocumented students striving to attain higher education.

When buried in student loans, borrowers may face depression, career dissatisfaction, delayed marriage or home-ownership, and many more mental health burdens. Student debt has also continued a cycle of systemic racial injustice as student borrowers of color are disproportionately impacted by the student debt crisis. The promise of higher education has been stolen by crippling student debt and so we thank the Workgroup for their efforts to find equitable and effective solutions to help student borrowers. We urge the Workgroup to focus especially on those nearly 4 million Californians who are currently in repayment and need support with their debt now. Thank you for the opportunity to provide public comment and for your consideration.

Sincerely,

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Our File Number 298

June 22, 2021

[VIA EMAIL TO CSACLoanWG@hcmstrategists.com](mailto:CSACLoanWG@hcmstrategists.com)

California Student Loan and  
Debt Service Review Workgroup

**Re: Comments to Policy Interventions Presented to Date**

Dear Workgroup Members:

I am writing on behalf of the Legal Aid Foundation of Los Angeles (LAFLA) to provide comments on the Policy Interventions Presented to Date. We appreciate the important work you are doing to research how to ensure that California's struggling student loan borrowers can access affordable repayment options and debt cancellation programs. We also appreciate this opportunity to comment on your draft recommendations. We hope that your final recommendations will create a pathway to economic stability for the hundreds of thousands of low-income Californians who pursue a higher education to create a future for themselves and their families, but suffer from student debt burdens they cannot afford to repay.

Our comments focus on Intervention Nos. 2, 6, 13, 14, and 16. We are concerned about the hundreds of thousands of low-income Californians who borrowed student loans as far back as the 1980s, but who are still struggling with their student loans. These borrowers deserve high quality and expert student loan assistance. Many of these borrowers, who are disproportionately people of color and women, have suffered wage garnishments, Social Security offsets and other consequences for decades, unaware that they are likely eligible for federal student loan cancellation or affordable repayment plans. Even when they are aware of their options, complex legal work is often necessary to obtain debt cancellation, stop involuntary debt collection, or get loans out of default due to evidentiary and other barriers imposed by the Department of Education. In addition, many borrowers need legal representation defending federal and private student loan collection lawsuits.

For Workgroup members who have not provided student loan assistance to borrowers, it might be useful to review the National Consumer Law Center's Student Loan Law Manual to fully understand the complexity of student loan work. The Manual details the many complex legal

**Other Office Locations:**

**Long Beach Office**, 601 Pacific Ave., Long Beach, CA 90802; 562-435-3501  
**Santa Monica Office**, 1640 5th St., Suite 124, Santa Monica, CA 90401; 310-899-6200  
**South Los Angeles Office**, 7000 S. Broadway, Los Angeles, CA 90003; 213-640-3950  
**West Office**, 1102 Crenshaw Blvd., Los Angeles, CA 90019; 323-801-7989



issues faced by low-income student loan borrowers and highlights the need for expert legal services. The Student Loan Law Manual is available at <https://library.nclc.org/user>. National Consumer Law Center (NCLC) is willing to offer Workgroup members temporary free access.

In addition, I have attached, as Exhibit A, an excerpt from a brief and declarations filed by NCLC regarding the need for legal services for low-income student loan borrowers, filed in *New York Legal Assistance Group v. Elisabeth DeVos, et al.*, a lawsuit challenging burdensome federal student loan regulations that would severely limit student loan debt relief for borrowers harmed by for-profit school fraud. To read the entire brief, see: <https://www.nclc.org/images/NYLAG-v.-DeVos-NCLC-Amicus.pdf>.

While properly trained and supervised non-legal professionals should be able to provide quality assistance to many, there are many others who will need expert legal assistance. For this reason, to the extent the Workgroup recommends some kind of student loan assistance hub, we urge you to also recommend: (1) that any such hub include supervising attorneys; (2) mandatory training for all hub staff from attorneys who have expertise in student loan law; and (3) extensive funding to the existing network of legal aid organizations that already have student loan expertise, as well as training and expansion for other legal aid organizations in under-served areas. This would build on and support the California organizations that already provide and have student loan expertise, while creating a cohesive network of non-legal staff who can properly evaluate cases for all potential options and legal issues (with attorney oversight to avoid the unlawful practice of law), provide assistance on simpler cases, and refer more difficult cases to partner legal aid organizations.

### **About LAFLA**

LAFLA seeks to achieve equal justice for low-income people through direct representation, systematic change, and community education. LAFLA is a public interest leader on student loan work in California and the sole legal services organization in California that has developed student loan and for-profit school expertise by consistently representing low-income borrowers for over 30 years. We provide critical outreach and education, self-help clinics, and quality direct legal assistance to financially distressed student loan borrowers. We also serve as a resource for other organizations carrying out this important work in California and throughout the nation.

I am a senior attorney at LAFLA and have also worked on for-profit school and student financial aid issues for much of my career. At LAFLA, I concentrate on providing assistance to low-income student loan borrowers. I also currently work as Of Counsel with the National Consumer Law Center (NCLC) where I focus on the same issues. I previously worked for the California Attorney General's office, where I investigated and prosecuted businesses engaged in deceptive practices, including for-profit schools. I first started working on student loan issues in 1998 as Directing Attorney of the Consumer Law Project at Public Counsel in Los Angeles. For over 20 years, I have also drafted and commented on state and federal legislation and regulations regarding student loans, published reports about student loan issues impacting low-income borrowers, co-authored many editions of NCLC's Student Loan Law Manual, and represented the interests of low-income student loan borrowers in negotiated rulemaking regarding federal financial aid.

We – and the other legal services organizations throughout California that provide some student loan services<sup>1</sup> – see a steady stream of borrowers who have defaulted on federal and private student loans obtained as long ago as the 1980s. Many have been harmed by deceptive for-profit schools. These borrowers seek a higher education for one reason – to secure higher-paying employment in order to improve their lives and the lives of their families. Many of our clients' hopes are shattered when their schools close, when they are targeted and harmed by illegal and deceptive recruitment practices, or when they suffer the long-term consequences from student loan defaults. Most of these students, harmed through no fault of their own, are unaware that they may be eligible for federal student loan cancellation or an affordable repayment plan. And, even if they are aware, most of the federal repayment and debt cancellation programs are difficult for them to navigate alone. Legal representation for California borrowers is a critical component for any strategy to help Californians struggling with education debt.

### **Need for Legal Services for Low-Income Student Loan Borrowers**

Higher education is still the primary pathway to economic opportunity and long-term economic stability for individuals and families. Yet, this path is becoming increasingly inaccessible and requires students to take on enormous amounts in both federal and private student loans. Total outstanding student debt has surpassed all other forms of unsecured debt in the U.S. The default and delinquency rates on student debt are at record highs.

But the burden of this student loan crisis is not spread equally – low-income borrowers and borrowers of color are disproportionately more likely to default on their student loans. Because of their lack of financial resources, low-income borrowers are required to borrow more than other students in order to obtain a higher education. They are also more likely to attend expensive and sometimes fraudulent for-profit colleges.

Given this crisis, LAFLA sees a constant stream of low-income student loan borrowers who have defaulted on their student loans, the majority of whom are people of color and women. Most of our clients are also non-traditional students – older students who work while they attend college, veterans, single parents, non-English speakers, and/or the first in their families to attend college. Some attended public and non-profit schools and simply cannot afford to repay their debts because they have fallen on hard times or are disabled or elderly. Many also attended fraudulent for-profit schools. Rather than leading to high paying careers, their educations have only led to a lifetime of growing debt.

Defaulted student loan debt has severe lifelong consequences. Unlike other debts, there is no statute of limitations for federal student loans. If a borrower defaults on a federal loan, the government may offset Social Security benefits (including disability benefits), seize tax refunds (including the seizure of Earned Income Tax Credits), and garnish wages – all without any court judgment. Because defaulted borrowers lose eligibility for federal financial aid, other higher education opportunities are closed to them. In addition, borrowers who fail to pay their private

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<sup>1</sup> The primary organizations that provide some legal assistance to student loan borrowers are the Legal Aid Society of San Diego, Public Law Center in Santa Ana, Public Counsel in Los Angeles, Bay Area Legal Aid, East Bay Community Law Center, and Housing and Economic Rights Advocates in Oakland. While they are not signatories to this letter, we thought it would be useful to make sure the Workgroup is aware of the legal services organizations in California that provide some legal assistance to student loan borrowers.

student loans often face lawsuits. Delinquency and default also cause serious damage to borrowers' credit histories, affecting their ability to find housing and even obtain employment. The long-term consequences of this harm reverberate through generations, communities, and the state.

There is an urgent need for effective student loan legal services, particularly in low-income communities. Many of these borrowers are eligible for some type of relief that will help their situation – from an affordable income-based repayment plan to a false certification discharge. But most are unaware of their rights or are unable to exercise their rights on their own. Student loan options are incredibly complex and difficult to navigate. Borrowers do not know where to turn for help, and do not receive unbiased and expert advice from the various entities they deal with – loan servicers, collection agencies, lenders or even the government – all of whom have incentives to make sure the loans are being repaid, not to help borrowers.

Over the years, federal cuts to legal services funding have led to a significant downsizing of legal services providers, including LAFLA. Meanwhile, legal services organizations face new pressures, from the COVID crisis and student debt crisis to meeting the needs of returning veterans and refugee children. Like LAFLA, legal services providers throughout the state have seen increases in low-income Californians with student loan debt problems.

While LAFLA has been able to assist some of these students, we and other legal services organizations throughout California cannot meet the demand for our services without significant additional resources. LAFLA currently has 1.5 attorneys handling over 142 open cases. We have not been able to accept any new cases since August 2020, even though we receive calls from new borrowers seeking help every day. Funding would allow us and many other legal services providers to expand the much-needed legal services available to low-income student loan borrowers.

### **The Types of Legal Services Provided to Student Loan Borrowers**

The following is a short description of the types of necessary legal services for low-income student loan borrowers, including the work that goes into evaluating cases, outreach and education. We provide this information to help the Workgroup understand the level of work and expertise that is often necessary to provide student borrowers with assistance.

1. **Outreach and Education**: Few borrowers understand their options or know that legal services organizations may be able to help them. While we do not currently have the time or resources to do much outreach or education, whenever a school suddenly closes, we provide clinics and assistance. We partner with the Bureau, the Attorney General, other government agencies and non-profits whenever possible.

We also provide education and clinics, resource permitting, on other student loan issues, including (1) getting out of default; (2) obtaining affordable repayment plans; (3) applying for various types of discharges available to borrowers, including school-based discharges (false certification discharges, closed school discharges, unpaid refund discharges, borrower defense relief) and total and permanent disability discharges; (4) scams to watch out for, including debt relief company scams; and (5) how to evaluate

schools and spot potentially fraudulent for-profit schools. We also provide training to other legal services organizations, as well as a training for non-legal first responders regarding how they can help borrowers and when to refer cases to attorneys.

2. Case Intake and Evaluation: We must ensure a student is eligible for our services and interview the student about the particular facts of his/her case. In many cases, we must spend one or two months (sometimes longer because of the time it takes to get documents from the Department of Education through FOIA requests) obtaining documents and information before we can advise the student of his/her options.

As an example, students (and their parents) often have multiple loans. Their rights depend on the types of loans they have. If they are government loans, then their rights depend on the type of loan (FFEL, Direct, Consolidation or Parent PLUS, or Perkins), the history of those loans, who holds those loans, and the date they took out the loans. If they are private loans, their rights depend on the terms of the loan promissory note and applicable state law. Their rights may also depend on where they went to school.

All of this takes time to figure out. Most students do not know how many loans or what types of loans they have, nor do they understand the history or status of their loans. We must therefore obtain loan documentation and loan history through FOIA requests, requests to loan servicers, requests to schools (if they exist), and requests to private lenders. Once we have the documents and facts, we may have to perform additional legal research to determine and advise a client of fully of their options. Without this information, it is difficult to provide accurate advice to students.

3. Legal Services: After we have evaluated a case, we inform borrowers of their options, all of which can involve time consuming legal work:
  - a. Handling emergencies: We first identify emergencies which often involve short deadlines to assert a borrower's rights. One emergency arises if a borrower has received a notice of wage garnishment, Social Security offset, or tax refund offset. In this circumstance, the borrower has a very limited time to submit an objection and, if they fail to do so, the involuntary collection will proceed. The objection must be based on one of many potential legal bases. A second emergency arises if a borrower is already experiencing involuntary debt collection and is struggling to survive on limited income. Each type of involuntary offset has different standards and procedures to prevent an offset or stop it after it starts, all of which depend on the types of loans and the history of those loans. A third emergency arises when a borrower has been served with a federal debt or private student loan collection lawsuit. The borrower must respond in a limited amount of time or face a default judgment. In addition, if a borrower was never properly served with a complaint, then discovers the existence of a default judgment due to a wage garnishment or bank account levy, they will have limited time under California or federal law to seek to set aside that judgment.
  - b. For Federal Loans: We always evaluate each case to provide the broadest possible long-term solution for each borrower. Because the broadest relief is through debt

cancellation, we evaluate every single case for potential eligibility. If a borrower is not eligible for any type of debt cancellation, we then move on to getting them out of default and into the best possible affordable repayment plan.

- Statutory loan discharges: Closed school, false certification, unpaid refund, and disability discharges. Most of these, especially false certification and unpaid refund discharges, require extensive evidence that we must obtain from the Department of Education, schools (if they still exist), the Bureau for Private Postsecondary Education, and other sources. Although closed school and disability discharges usually require less evidence, most students are confused and daunted by the complicated discharge applications. Some borrowers may also be eligible for a discharge through a Chapter 7 bankruptcy, but this evaluation requires bankruptcy expertise.
- Borrower defense claims: Borrowers may request a cancellation of their federal loans if their schools engaged in state law violations. To obtain this relief, they must produce sufficient evidence to make a prima facie case under the applicable federal standard. For Direct Loans, there are currently 3 different sets of standards and requirements that depend on when the federal student loans were obtained (before July 1, 2017; between July 1, 2017 and July 1, 2020; and after July 1, 2020). The new administration is likely to enact additional or alternative standards. For FFEL Loans, there is yet an entirely different standard and procedure. This type of relief requires extensive legal work. In addition, there are several pending lawsuits that have been brought on behalf of low-income borrowers challenging the Department of Education's failure to properly evaluate hundreds of thousands of pending applications, among other issues. Many borrowers' rights will depend on the outcome of these lawsuits.
- Getting out of default: If a borrower is in default, they may be able to get out of default and obtain an affordable repayment plan through consolidation or rehabilitation. But only certain loans are eligible for consolidation and rehabilitation. For example, if a loan has been reduced to a judgment, the borrower will not be able to get out of default through consolidation or rehabilitation unless the judgment is set aside. In this case, we will attempt to negotiate vacation of the judgment, but the government will not always agree to do so.

In addition, borrowers can lose some of their cancellation rights if they consolidate out of default. For example, borrowers in default who have a potential borrower defense claim should not consolidate out of default at this time. If they do so, it is very likely they will never qualify for borrower defense relief because all new consolidation loans are covered by the new borrower defense standard, which went into effect on July 1, 2020. This new standard makes it almost impossible for borrowers to qualify for debt relief based on school fraud. This is an example of where good intentions can harm a student if counselors are not appropriately trained and supervised, in what should be a simple option for a defaulted borrower.

- Income-dependent repayment plans: Borrowers must get out of default before they can obtain income-dependent repayment plans. In addition, some loans, such as Parent PLUS loans, are not eligible for the income-based repayment plans, but are eligible for the least affordable type of income-dependent repayment plan after consolidation. But borrowers must be careful not to consolidate Parent PLUS loans with other loans, otherwise they will lose their eligibility for the most affordable type of repayment plan on the non-Parent PLUS loans.
  - Pro per assistance: We help clients complete and submit their own applications, including through clinics, when the process is sufficiently accessible. For example, we may help borrowers apply for closed school discharges, consolidation loans or income-based repayment plans on their own. However, we always tell them to call us if they run into problems, at which time we consider getting more involved. If the process is too complicated, we represent the borrower.
  - Systemic issues: We monitor all our cases for systemic issues and then try to address those informally with the Department or assistance from lawmakers, through an appeal process if necessary, or through litigation. This is an important part of our work, as we can leverage the work we do for a few borrowers to help many.
- c. For Private Loans: Borrowers have fewer options on private loans.
- We evaluate all private loan cases for potential defenses, which include statutes of limitation, defenses-to-repayment based on school misconduct (if a holder notice is included in the promissory note), and evidentiary issues.<sup>2</sup> We also evaluate potential counterclaims, including for school misconduct and debt collection violations.
  - We assert many defenses through demand letters prior to litigation after we request necessary documentation from the private loan holders. If a borrower is served with a lawsuit, they must assert certain affirmative defenses (such as statute of limitations) and mandatory counterclaims in a limited amount of time, or lose their rights to do so. We represent borrowers defending these lawsuits. Most of our cases end in dismissals, with no judgment against our client and no obligation by our client to make any further loan payments.

As an example of one of our cases, Mr. Jones obtained six private student loans in order to attend a historically black college starting in 2006, four of which were co-signed by his mother. Neither Mr. Jones nor his mother could afford the steep monthly payments because no affordable repayment plan was available. In mid-2019, Mr. Jones was served with six lawsuits in which the plaintiff Sallie Mae student loan trusts sought total damages of \$77,000 for breach of written

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<sup>2</sup> See, e.g., Robyn Smith & Emily Caplan, National Consumer Law Center, [Going to School on Robo-Signing: How to Help Borrowers and Stop the Abuses in Private Student Loan Cases](https://www.studentloanborrowerassistance.org/wp-content/uploads/2013/05/robo-signing-2014.pdf) (April 2014), available at: <https://www.studentloanborrowerassistance.org/wp-content/uploads/2013/05/robo-signing-2014.pdf>.

contract. His mother was served with four of these lawsuits. In discovery, plaintiffs could not produce any of the terms of the promissory notes or any documents showing the transfer of the loans from the original lenders to the plaintiffs. When I told plaintiffs' counsel that I planned to seek summary judgment because they lacked the evidence necessary to prove their cases, they dismissed all 6 lawsuits.

4. STRF Applications: We prepare and submit Student Tuition Recover Fund (STRF) applications on behalf of closed school borrowers and borrowers who are eligible for STRF relief on other bases. For example, students who are covered by an attorney general judgment against a school that goes unpaid are also eligible for STRF relief.

Submitting a STRF claim is often a complicated process, as the forms are difficult and borrowers must include copies of documents to prove the amount paid on private loans or in cash, the dates of enrollment, etc. We spend significant time requesting documents from lenders, servicers, and the schools or their custodians, then organizing and submitting them for our clients.

5. Follow-up and appeals:

- Putting together and submitting an application is only a first step for federal loan options. Often we spend hours on the simplest of cases, for example helping a client to consolidate his/her loans, due to the Department of Education student loan bureaucracy, lack of loan servicer and debt collector knowledge, and other impediments. The more complex cases can take more time calling the loan servicer, the Department of Education, guaranty agencies, etc. Most borrowers have no idea how to resolve problems with their loan servicers or denials of their requests.

As an example, we had to file a lawsuit before the Department would allow one of our clients to consolidate his loans out of default. The law provides that a borrower is eligible for consolidation as long as their loans have not been reduced to a judgment. The Department had not filed a collection lawsuit against our client and had not reduced the loans to a judgment. Despite this, the Dept. refused to consolidate because the loans had been transferred for collection to the Department of Justice, which handles all federal debt collection lawsuits. This violated the federal regulations, but the Dept. granted our client's consolidation application only after we filed a lawsuit.

- Many of debt cancellation applications require appeals before the Department will grant them, including closed school discharges, false certification discharges, unpaid refund discharges, and borrower defense claims. For example, we had a Corinthian client who we helped complete and submit a closed school discharge application on his own. When he received a denial from the loan servicer, he called us. The loan servicer had denied the discharge because "it had no record of the school closing" although this Corinthian campus had clearly closed in April 2015. We filed an appeal and contacted the loan servicer's general counsel. The loan servicer investigated and realized that it had the wrong internal code for the campus. It fixed the problem,



granted our client's discharge, and also went back and reopened all other closed school discharges applications involving that Corinthian campus.

In some cases, appeals may involve filing cases in federal district court. See, for example, two of our cases summarized here: <https://lafla.org/get-help/student-loan-issues/students-defrauded-by-marinello-schools-of-beauty-obtain-belated-discharges-after-filing-suit-against-the-department-of-education/> and <https://lafla.org/press-release/debt-relief-for-defrauded-student-loan-borrower-who-attended-career-institute/>.

6. **Ensuring Full Loan Relief:** If we are successful in obtaining loan relief or helping the client with his/her legal issue, we also ensure that the borrower obtains the full loan relief to which they are entitled. For example, many of our clients are granted a discharge of their consolidation loans based on school misconduct (i.e., school closure, false certification, etc.). In these cases, the law requires a full refund for all payments made on the underlying loans that were consolidated, including tax refunds seized. Because the Department destroys all the underlying loan records whenever a loan is consolidated, we have the burden of proving that a tax refund offset occurred and how much should be refunded to the client. We therefore must request records from the Department of Treasury, then provide those to the Department to make sure it refunds the required amounts to our clients.
7. **Pro Bono Assistance:** While we are always interested in placing cases with pro bono private attorneys, we rarely do so because finding, training, and engaging pro bono attorneys requires extensive and ongoing resources. Here is a quick list of all the barriers to and work required for developing pro bono attorney resources:
  - Low-income clients cannot find pro bono help without first contacting an organization that matches clients with pro bono attorneys. In most communities, this service is provided by legal services organizations.
  - Legal services organizations must do extensive outreach to attorneys and have the difficult task of convincing and engaging already extremely busy private attorneys with performing additional pro bono work.
  - Pro bono attorneys rarely take cases outside of their area of residence and work.
  - Legal services organizations must train pro bono attorneys, as most are asked to work in areas of the law that are new and unfamiliar to them.
  - Cases must be screened and prepared for placement with pro bono attorneys. In student loan cases, this involves extensive pre-placement work of gathering documents and information necessary to make sure the client is eligible for the type of student loan relief the pro bono attorney would help them obtain.
  - Placing pro bono cases requires perfect timing. Pro bono attorneys must be available at the same time the case is ready to place and the client is available.
  - Placing pro bono cases also requires conflict checks with the potential pro bono attorneys. Conflicts are often a barrier to pro bono placement in student loan cases, as many legal firms represent colleges, loan servicers, lenders, collection agencies, guaranty agencies, and other large business entities involved in the student loan or education industry. As a result, many attorneys are not able to take student loan cases

on “issue” conflict grounds, even if they do not have a conflict with the particular school, lender or other entity involved. Others will only help students who attended schools that closed long ago, in order to avoid any appearance of conflict. And still others will have actual conflicts because they have represented an entity that was somehow involved in the student loan transaction.

- Legal services organization attorneys must always be available to provide ongoing consultation and assistance to pro bono attorneys on every case they take, especially in cases that involve a complex area of law, like student loans. This limits the number of pro bono volunteers that student loan attorneys, like me, can take on and supervise.
- Many volunteers are only interested in taking one case or in limiting their commitment to a certain amount of time. This impacts legal services organizations’ ability to find and educate long-term and committed pro bono attorneys in a complex area, such as student loans. As a result, maintaining a large pool of pro bono attorneys requires constant outreach and training.

It is difficult to adequately summarize the extensive legal expertise and work required to assist most student loan borrowers. Hopefully, this summary demonstrates some of the ways in which quality legal services are a necessary component to any large-scale student loan assistance program in California. I would be happy to answer questions or provide specific examples, as well as information about average number of hours spent on different types of cases, the average amounts of debt cancelled based on discharge applications we have submitted, etc.

### **Comments to Specific Proposed Interventions**

1. **Intervention Nos. 2 and 14**: Recommendation regarding the hub and spoke model for student loan assistance.

For the above-described reasons, any type of hub arrangement must include significant funding for legal services. It should also ensure attorney oversight of any non-legal counselors providing services to student loan borrowers.

The Workgroup cites to the student loan services provided in New York by EDCAP. We reviewed the information publicly available on its website, but could not find complete answers to the following questions. We recommend that the Workgroup do further research to find the answers to the following questions before concluding that EDCAP is a successful model appropriate for California:

- a. Does EDCAP assess eligibility of every student loan borrower who seeks assistance for the following with respect to federal loans (i.e., obtaining the fullest relief possible for a borrower should be top priority)?
  - Loan cancellation: Total and permanent disability discharge, closed school discharge, false cert. discharge, borrower defense discharge, unpaid refund discharge, discharge through Ch. 7 bankruptcy, discharge through settlement/compromise authority of Dept. of Education, Public Service Loan Forgiveness, income-driven repayment plan cancellation;

- If so, does it prepare the evidence and applications necessary and submit them on behalf of borrowers under the supervision of an attorney?
  - Does it help borrowers appeal adverse decisions from the Department?
  - Does it fund legal services to prepare and submit applications and represent borrowers in these proceedings, including appeals? If so, who does it fund and how much?
  - To the extent that EDCAP assists with debt relief applications and other federal loan services, what are the outcomes reported?
    - How much has been refunded and cancelled to the borrowers it helps?
    - How many discharges has it filed and how many have been granted?
- b. How does EDCAP help borrowers whose wages are being garnished or experiencing income tax returns offsets or Social Security/SSDI being offsets, or who have received notice that the Department of Education plans on initiating involuntary collection?
- Does it prepare and file objections?
  - Does it prepare and submit financial hardship applications?
  - What other services does it provide?
  - Does it provide attorney assistance on these cases?
  - What are the outcomes on these cases?
- c. How does EDCAP help borrowers who have been sued and either have just been served with a judgment or have a default judgment against them?
- Again, does it fund legal services?
  - If so, what are the outcomes of these cases?
  - If not, what does it do for these borrowers?
- d. Are any of its partner organizations legal services organizations?
- Who are its partners, legal and non-legal?
  - Do they all include attorney oversight or assistance if they are not legal services organizations? Is this a requirement for each grantee?
  - How much funding does it provide for legal services?
- e. Who trains the legal and non-legal staff of EDCAP's partners?
- What subjects are they trained on?
  - Are they trained on how to spot legal issues and when to refer cases to an attorney?
  - Where can they go for help with questions?
- f. Does EDCAP track systemic issues?
- If so, how does it advocate for the Department of Education or other entity to address the issue and provide a systemic fix?

These are critical questions to determine whether any type of state-funded student loan assistance model can and will provide meaningful relief for California student loan borrowers, both on an individual borrower-by-borrower basis and on a larger statewide basis.

2. **Intervention Nos. 6 and 13**: School closures and Student Tuition Recovery Fund recommendations.

The DFPI has an expansive mission and is just getting started. Its purview is not the oversight of schools and school closures, but the regulation and oversight of financial and loan services. The Bureau for Private Postsecondary Education is currently the state agency that responds when a school closes, which is more appropriate because it oversees these schools, deals with student document and other critical issues, administers the Student Tuition Recovery Fund, and has the necessary expertise regarding higher education, federal financial aid, and the loan discharge options for federal student loans. It also works closely with the Department of Education when a school closes.

To expand outreach and services after a school closure, the state should fund and the Bureau should coordinate with legal services providers who have already developed and can offer closed school and STRF clinics. This coordination and funding would more efficiently build on existing networks and expertise, rather than requiring the new DFPI to develop a whole new area of expertise, procedures, and personnel to respond to school closures and provide services to borrowers.

In addition, government agencies – including the DFPI, the Bureau for Private Postsecondary Education, and the Department of Justice – are constrained in the services they can provide to individuals. While they can provide general information and help borrower do things like obtain documents, they cannot provide legal advice, prepare documents or applications on behalf of individuals, or correct documents prepared by or on behalf of individuals, because they represent the state. They of course can accept and try to resolve complaints from borrowers regarding businesses and file law enforcement actions on behalf of the People of the State of California, but they cannot represent individual borrowers in any such dispute.

In addition, for the reasons explained throughout this letter, this recommendation should not limit the provision of legal services and outreach to closed school students. Indeed, the closed school discharge program, of all the federal debt cancellation programs, is the most accessible to borrowers and, in most cases, the easiest for borrowers to access without legal assistance.

Disproportionate numbers of Black and Latinx students, low-income students, veterans, and older students enroll in programs offered by predatory for-profit education companies.<sup>3</sup> According to the research of law professors Dalié Jimenez and Jonathan Glater:

For-profit colleges aggressively market to Black and Latinx students, as well as other marginalized groups like women, single parents, immigrants, formerly incarcerated people, and military veterans. While Black and Latinx students make

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<sup>3</sup> See Center for Responsible Lending, [The State of For-Profit Colleges](#) (Jan. 29, 2019) (providing a state-by-state breakdown of for-profit college enrollments of low-income people, African-Americans, and women, as well as their low graduation rates, high debt loads, and higher default rates).

up less than one-third of all college students, they represent nearly half of all those attending for-profit institutions. Fifteen percent of Black students attended private for-profit institutions: more than students of any other race or ethnicity. For-profit colleges are generally far more expensive than their public and nonprofit counterparts. . . . Students at for-profit institutions pay more, are more likely to borrow, and borrow larger amounts than those attending a non-profit or public school.<sup>4</sup>

Therefore, to truly tackle the unjust debt loads of Californians of color and women, the recommendations should include the funding of legal services to help borrowers harmed by for-profit school fraud to seek federal debt relief, as well as to submit STRF applications on their behalf whenever they are eligible for STRF relief.

3. **Intervention No. 16**: Student loan software.

Any software program should be carefully developed with student loan legal experts to ensure that it is able to identify all potential borrower options based on a student's individual case. In addition, it must be careful not to provide incorrect or harmful recommendations that would negatively impact a borrower's eligibility for any kind of relief or repayment options.

**Conclusion**

While we believe that non-legal counselors can provide valuable assistance to student loan borrowers, such assistance must be provided under the supervision of attorneys and in partnership with legal services due to the complexity of student loan laws and the potential harm that can result from inaccurate or incomplete advice or guidance. We therefore caution making any recommendation that does not tie any such services to significant funding for free legal services from non-profit legal services organizations. In addition, the most cost-effective and efficient way to develop a new student loan assistance structure for California would be to build on existing networks and expertise already developed by legal services programs.

We thank you for the opportunity to provide our feedback, as these issues are so important to our clients. We hope the Workgroup will adopt our recommendations, to ensure that Californians burdened with student loan debt will have true access to high-quality and expert student loan assistance. Please feel free to contact me if you have any questions.

Sincerely,



Robyn Smith  
Senior Attorney

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<sup>4</sup> Dalié Jiménez & Jonathan Glater, "[Student Debt is a Civil Rights Issue: The Case for Debt Relief and Higher Education Reform.](#)" 55 Harv. C.R.-C.L. L. Rev. 131, 145-147 (Winter, 2020) (citations omitted).

# **Exhibit A**

**IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK**

NEW YORK LEGAL ASSISTANCE  
GROUP,

Plaintiff,

v.

ELISABETH DeVOS, in her official capacity  
as Secretary of Education, and UNITED  
STATES DEPARTMENT OF EDUCATION,

Defendants.

Case No. 1:20-cv-01414  
(LGS)

**BRIEF OF THE NATIONAL CONSUMER LAW CENTER AS *AMICUS CURIAE* IN  
SUPPORT OF NEW YORK LEGAL ASSISTANCE'S MOTION FOR SUMMARY  
JUDGMENT**

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## **INTERESTS OF AMICUS**

This brief is submitted by the National Consumer Law Center (“NCLC”). *Amicus* participated in the 2016 and 2018 negotiated rulemaking process on borrower defense through rulemaking meetings, written comments, public letters, petitions, and other advocacy materials. *Amicus* educated the Department of Education about students’ experiences with predatory schools and barriers to accessing relief under both the 2016 and 2019 Rules.

NCLC is a nonprofit organization specializing in consumer issues on behalf of low-income people. NCLC has nationally recognized expertise in student loan law and publishes a widely-used treatise on student loan law, *Student Loan Law* (6th ed. 2019), *updated at* [www.nclc.org/library](http://www.nclc.org/library). NCLC’s Student Loan Borrower Assistance Project provides information about student borrowers’ rights and seeks to increase public understanding of student lending issues and to identify policy solutions to promote access to education and lessen student debt burdens. The Project’s attorneys provide direct representation to low-income student loan borrowers, many of whom enrolled in predatory schools that made false promises of guaranteed employment or used other unfair recruiting tactics to secure their enrollment. NCLC also consults with civil legal services organizations across the country that represent borrowers in their local communities who have been harmed by predatory schools. NCLC’s unique position as subject matter expert and consultant to legal service organizations across the country allows it to provide insight into the burden of the 2019 Rules on borrowers and legal aid organizations alike.

## **INTRODUCTION AND SUMMARY**

For decades, a handful of legal aid organizations have represented low-income students whose aspirations were exploited by predatory postsecondary schools. These predatory schools target students who have limited exposure to higher education, first-generation college students, disabled students, veterans, and students of color, and use their hopes of a better future against them. They lie to students about the quality of education offered and the career opportunities available after graduation, often charging exorbitant tuition to take students’ federal student loan

dollars, and then provide little more than a worthless degree. After investing thousands of dollars and working hard to earn their degrees, students discover that they are in a worse position than if they had not enrolled at all; often a student's association with a predatory school is a black eye in the job market and the student is left with tens of thousands of dollars he or she cannot repay. Each year, hundreds of thousands of struggling low-income borrowers seek help, but the few legal aid organizations that provide student loan services are consistently stretched to capacity and cannot fully respond to this overwhelming need.

Congress passed the Higher Education Act (HEA) to give low-income and minority students federal student loans so that they could access institutions of higher education, intending that educational access would increase their economic mobility. In 1994, after it became evident that federal student loan dollars were being used to defraud those students and leave them mired in debt, Congress intervened and amended the HEA to give borrowers the right to assert defenses to repayment ("a borrower defense") to discharge their federal student loans. In 2016, when thousands of defrauded students pleaded with the Department of Education ("Department") for help after they were cheated by schools and were drowning in federal student loan debt, the Department promulgated regulations establishing a process for defrauded students' to exercise their right to assert a borrower defense. The Department recognized that students should not be expected to know the student loan discharge regulations or be penalized for their lack of knowledge. So, the regulations also included processes for those who did not know they could request relief and implemented necessary protections to expose the practices of shady schools.

However, when the Department promulgated the rules currently at issue—the Student Assistance General Provisions, Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Program, 84 Fed. Reg. 49,788 (Sept. 23, 2019) ("2019 Rules")—it ignored Congressional intent and its own prior justification for heightened student protections. Further, it ignored the experience of the students Congress intended HEA to help. Legal aid organizations told the Department about the ways in which schools deceive borrowers and the struggles borrowers face in getting relief. Instead of reducing burdens for borrowers and increasing school

oversight, the 2019 Rules not only rescind virtually all of the student protections added by the 2016 Rules, they also give predatory schools a free pass to lie and cheat students, while saddling them with debt they will never be able to repay.

The 2019 Rules establish relief eligibility criteria that will be nearly impossible for most borrowers to satisfy, even with the assistance of a lawyer. And the vast majority of low-income borrowers will not have access to a lawyer. To be eligible for relief, a borrower must, within three years of attending their school, meet four requirements:

- submit detailed documentation proving that the school committed a misrepresentation,
- prove that the school made the misrepresentation *knowing* it was deceptive,
- demonstrate he or she incurred financial harm beyond the clear harm of incurring enormous federal student debt that they would not have otherwise incurred, and
- demonstrate that such harm was *exclusively* caused by the school's misconduct.

The 2019 Rules also rescind protections the 2016 Rules created to safeguard defrauded students' access to justice and to ensure that borrowers would get relief if they could not finish their program due to the school's closure. Overall, the 2019 Rules leave students more vulnerable to predatory school practices than ever before and give schools a green light to deceive students with impunity.

Based on our extensive experience advocating for debt relief on behalf of low-income students harmed by abusive schools and consulting with legal aid attorneys across the country who represent student borrowers, *amicus* writes to explain how the 2019 Rules arbitrarily and capriciously:

- ignore the needs of borrowers,
- harm the majority of defrauded low-income students, and
- impose an enormous burden on legal aid organizations representing those borrowers.

The 2019 Rules will make it more time-consuming and difficult for underfunded and overstretched legal aid organizations to help borrowers harmed by their schools. Legal aid organizations that provide student loan law expertise, already limited in number and capacity, will have to spend more time at each stage of representation. Advocates will expend more time searching for evidence of school misconduct that predatory schools may have released to third parties and government agencies, submitting (and litigating) Freedom of Information Act and public records act requests, tracking down witnesses and drafting declarations, obtaining records from predatory schools, obtaining financial records to demonstrate financial harm, and drafting each client's discharge application—all without any assurance of success, given the almost impossible-to-meet standards of the 2019 Rules.

They will have to spend more time seeking reconsideration from the Department and filing lawsuits in district court to challenge unlawful denials. Few legal aid organizations will have the resources to tackle the increased work and demand, leaving many borrowers to navigate this complex and legalistic borrower defense process on their own against knowledgeable Department counsel and experienced and highly-paid school attorneys. For these reasons, the Court should grant Plaintiff's Motion for Summary Judgment and stop the 2019 Rules from harming low-income borrowers and legal aid organizations alike.

## ARGUMENT

### **I. The borrower defense rule is vital to ensuring borrowers can obtain relief from federal student loan debt after a school deceives them.**

#### **A. Predatory schools have a longstanding history of exploiting low-income students' dreams of improving their lives through education.**

For decades, legal aid organizations have been helping students cheated by schools seeking access to federal student aid dollars.<sup>1</sup> Congress passed the HEA in the civil rights era, intending to

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<sup>1</sup> Congress has long been concerned that federal student aid dollars not be used to students' detriment. *See* The Century Found., *The Cycle of Scandal at For-Profit Colleges* (2017) <https://bit.ly/3er3DZX> (several reports describing Congressional action from first GI Bill onward).

**III. Under the 2019 Rules, legal aid organizations will struggle to adequately serve clients who are desperate for relief from debt stemming from predatory schools' deceptive practices.**

Every state in America has its share of borrowers struggling to pay their federal loan debt and each has cohorts of borrowers whose student loan debt is in default.<sup>162</sup> Eighty percent of Americans cannot afford legal assistance to figure out what legal remedies are available to them.<sup>163</sup> Hundreds of thousands of Americans who have nowhere else to turn attempt to get student loan advice from legal aid organizations each year. Yet, few offer student loan services,<sup>164</sup> and of the organizations that do, demand always exceeds capacity.<sup>165</sup>

Even with the protections added by the 2016 Rules, legal aid organizations struggled to meet the demand for student loan help.<sup>166</sup> From December 2019 until May 2020, when the Department resumed processing previously submitted claims, the Department granted 10,133 applications and denied 45,228 applications, denying claims from many defrauded legal aid clients.<sup>167</sup> The borrowers who were denied relief under the prior rule are returning for help to determine what to do next, especially if they have defaulted on their loans and the threat of extrajudicial collections is near. The 2019 Rules will only serve to make defrauded borrowers' path to relief more difficult and their chances of success more unlikely.

The 2019 Rules increase borrowers' need for legal help and leave borrowers even more vulnerable to school misconduct than they were before. Removing group and automatic closed-school discharges will increase the numbers of low-income borrowers struggling to repay debt that they have a right to discharge. And although the 2019 Rules claim school misconduct will still be deterred,<sup>168</sup> the lax student protections in the 2019 Rules will embolden predatory schools to

<sup>162</sup> *Debt in America; an Interactive Map*, Urban Institute <https://urban.is/2CcWsaQ> (last updated Dec. 17, 2019).

<sup>163</sup> Leonard Willis, Am. Bar Assoc., Access to Justice: Mitigating the Justice Gap (Dec. 3, 2017), <https://perma.cc/86YY-CL9S>.

<sup>164</sup> See *Legal Resources*, Student Loan Borrower Assistance Project at the Nat'l Consumer Law Ctr., <https://perma.cc/2R5H-37TU>; Ex. 3, Laura Smith Decl. at ¶ 3.

<sup>165</sup> Ex. 1, Robyn Smith Decl. at ¶ 12; Ex. 2, Tyler Decl. at ¶ 6.

<sup>166</sup> See Ex. 1, Robyn Smith Decl. at ¶ 12; Ex. 2, Tyler Decl. at ¶¶ 9-10.

<sup>167</sup> Fed. Student Aid, U.S. Dep't of Educ., May 2020 Borrower Defense Report, <https://bit.ly/2OsJIQ4>.

<sup>168</sup> 2019 Rules, 84 Fed. Reg. at 49,896.

continue targeting vulnerable populations.<sup>169</sup> Indeed, predatory schools will know that as long as the truth is embedded in small print in complex and confusing documents, the lies their representatives tell will go unchecked<sup>170</sup> if the borrower is even able to submit an application.<sup>171</sup> As the Department’s projections demonstrate, only 3% of the loan volume held by defrauded borrowers will be forgiven under this arbitrary and capricious Rule.<sup>172</sup>

Furthermore, the 2019 Rules’ new evidentiary burdens, complicated standards, and discharge exclusions mean advocates will need even more time and effort to obtain discharges for each defrauded student loan client. Each stage of representation will take longer under the 2019 Rules, meaning legal aid advocates across the country will be forced to work longer hours to serve fewer clients. Ultimately, under the 2019 Rules, despite the longer hours borrowers and legal aid organizations alike will spend compiling applications, many deserving low-income borrowers will be unable to attain relief. These borrowers will experience a complete inversion of the rationale behind the HEA; instead of being given access to higher education and relief after being subject to school misconduct, they will suffer financial hardship and face economic inertia.

**A. Legal aid organizations providing student loan help were already pushed to capacity under the 2016 Rules.**

Legal aid organizations are already overwhelmed with the volume of low-income clients who need student loan help. Legal aid organizations serving client populations of millions of people have few dedicated, full-time student loan attorneys; for example, Legal Aid Foundation of Los Angeles (LAFLA) only has one, and Philadelphia, a city where over 25% of the population

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<sup>169</sup> See Legal Aid Community, Comment Letter on Borrower Defense NPRM 2018, *supra* note 10, at 28, 31, 32, 35 (describing ways in which predatory schools targeted vulnerable populations).

<sup>170</sup> See 2019 Rules, 84 Fed. Reg. at 49,807 (stating borrowers should “make these important decisions based upon written representations and documentation from the institution”).

<sup>171</sup> Indeed, the Department itself “expect[s] that the changes in the final regulations that will reduce the anticipated number of borrower defense applications are related more to changes in the process, not due to changes in the type of conduct on the part of an institution that would result in a successful defense[.]” 2019 Rules, 84 Fed. Reg. at 49,897.

<sup>172</sup> The Institute for College Access & Success, Defrauded Students Left Holding the Bag Under Final “Borrower Defense” Rule (Sept. 3, 2019) <https://perma.cc/L25A-R7QP>.

has student loan debt and 44% live at or below the poverty line, has none.<sup>173</sup> Even legal aid organizations that have dedicated student loan attorneys are overwhelmed by borrowers' need for help; the Legal Aid Foundation of Los Angeles (LAFLA) reports that it must close its doors to borrowers for periods of time just to manage their caseloads.<sup>174</sup>

The student loan clients that legal aid organizations serve have generally already faced decades of financial hardship due to debt that was fully dischargeable.<sup>175</sup> Clients often only seek help if “they are facing a financial emergency catalyzed by their student loans, such as having their wages or social security benefits garnished or their tax refund seized.”<sup>176</sup> As Johnson Tyler, an attorney at Brooklyn Legal noted, “Borrowers who suspect that their school scammed them often d[o] not think they could do anything about it until they speak with us.”<sup>177</sup> Often, low-income borrowers realize for the first time that they are eligible for a closed school discharge or borrower defense when they speak with legal aid staff.<sup>178</sup> Others try to attain relief on their own but just don't realize how profoundly their school was breaking the law to optimize school profits at students' expense<sup>179</sup> or are stopped because they cannot navigate the legal system alone.<sup>180</sup>

Despite the Department's assertion in the 2019 Rules that “[a]rbitration does, in fact, help ‘provide a path’ for borrowers to acquire relief in an efficient, cost-effective, and quicker manner than traditional litigation[],”<sup>181</sup> most borrowers do not have the means to hold schools accountable in arbitration or in court. Legal aid organizations cannot serve the volumes of clients needing

<sup>173</sup> Ex. 1, Robyn Smith Decl. at ¶ 8 (“LAFLA presently employs one part-time Senior Attorney (three-fifths time), one full-time staff attorney, and one legal fellow to cover the entirety of its student loan work. The legal fellow's one-year fellowship will expire at the end of November in 2020.”); Ex. 2, Tyler Decl. at ¶ 6; Ex. 3, Laura Smith Decl. at ¶ 3.

<sup>174</sup> Ex. 1, Robyn Smith Decl. at ¶ 12.

<sup>175</sup> For example, one client of Community Legal Services in Philadelphia suffered with the debt stemming from “a Philadelphia trade school [she attended] for a few weeks in 1988 until it closed”—including having her tax refund taken—for thirty years before realizing she qualified for loan relief. Ex. 3, Laura Smith Decl. at ¶ 7. Clients of Brooklyn Legal Services have struggled with debts for decades before realizing they were eligible to file a borrower defense. Ex. 2, Tyler Decl. at ¶ 14-15. *See also* Ex. 1, Robyn Smith Decl. at ¶¶ 24-28, 30-31, 33-37.

<sup>176</sup> Ex. 2, Tyler Decl. at ¶¶ 8, 19.

<sup>177</sup> *Id.*

<sup>178</sup> *See* Ex. 1, Robyn Smith Decl. at ¶¶ 16, 25, 31, 69; Ex. 2, Tyler Decl. at ¶¶ 13-15; Ex. 3, Laura Smith Decl. at ¶ 7.

<sup>179</sup> Ex. 1, Robyn Smith Decl. at ¶¶ 33-37, 62-65.

<sup>180</sup> *See* Ex. 1, Robyn Smith Decl. at ¶ 20 (describing that often private attorneys will not represent clients in claims against schools or federal student loan matters because they will not collect attorneys' fees); Ex. 2, Tyler Decl. at ¶ 13 (describing a client who tried, and failed, to sue his school pro se).

<sup>181</sup> 2019 Rules, 84 Fed. Reg. at 49,841.



student loan help if they sink extensive resources into arbitrating students' claims.<sup>182</sup> Affirmative litigation only makes sense from a resource perspective if it is pursued on a class basis or develops caselaw that helps others.<sup>183</sup>

As a result, a borrower defense discharge is many clients' only means of attaining relief. Advocates were already spending significant amounts of time helping borrowers submit borrower defense applications under the less-challenging 2016 Rules. In fact, the prior rules' process was already so complicated and time-consuming that student loan legal aid attorneys could only provide borrower defense representation for a limited number of clients and turned scores of others away.<sup>184</sup> Advocates report that when representing clients filing borrower defense applications under the prior rule, they spent an average of between 5 and 50 hours dedicated to researching and completing the borrower defense form.<sup>185</sup> And, even after receiving an attorneys' help to compile an application, borrowers with meritorious claims are receiving denials under the prior rule, forcing legal aid organizations to weigh their clients' options.<sup>186</sup> The 2019 Rules do nothing to alleviate the burdens preventing borrowers from attaining relief under the 2016 Rules; to the contrary, they make it even more difficult to get relief.<sup>187</sup> Despite legal aid organizations' valiant efforts, borrowers will certainly fare worse under the 2019 Rules.

#### **B. The 2019 Rules remove student protections and will increase legal aid caseloads.**

The removal of group discharge processes and automatic closed school discharges will substantially increase the numbers of low-income borrowers who need legal aid help to get loan relief. Legal aid organizations, already overstretched, will bear that burden.<sup>188</sup> Many of the thousands of borrowers whose loan issues could have been taken care of via application-less discharges will now turn to legal aid organizations when they are needlessly suffering from

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<sup>182</sup> See Ex. 1, Robyn Smith Decl. at ¶ 15.

<sup>183</sup> See Ex. 1, Robyn Smith Decl. at ¶ 15; Ex. 2, Tyler Decl. at ¶ 7 (describing that occasionally Brooklyn Legal Services provides individual representation in affirmative cases).

<sup>184</sup> See Ex. 1, Robyn Smith Decl. at ¶¶ 12, 43-44; Ex. 2, Tyler Decl. at ¶¶ 9-10.

<sup>185</sup> Ex. 1, Robyn Smith Decl. at ¶ 88. See also Ex. 2, Tyler Decl. at ¶ 12 (spending an average of 12 hours just preparing an application form, excluding time spent interviewing the client).

<sup>186</sup> See Ex. 1, Robyn Smith Decl. at ¶ 65;

<sup>187</sup> See Ex. 1, Robyn Smith Decl. at ¶ 87; Ex. 2, Tyler Decl. at ¶¶ 16-18, 20-22.

<sup>188</sup> See generally Ex. 1, Robyn Smith Decl.; Ex. 2, Tyler Decl.; Ex. 3, Laura Smith Decl.

financial hardships caused by dischargeable debt.<sup>189</sup> Furthermore, the 2019 Rules' removal of closed school discharge notices will lessen the likelihood students will know they are eligible for relief.<sup>190</sup>

**C. Legal aid attorneys will need to dedicate significantly more time to help borrowers complete forms and respond to schools under the 2019 Rules' borrower defense process.**

The 2019 Rules will involve a lengthier application form that will take more time for the advocate to complete than it already took to assemble an application under the 2016 Rules. Advocates will need to engage in substantially more factual investigation<sup>191</sup> and back-and-forth with their clients to show that the borrower satisfied the "preponderance of the evidence" standard,<sup>192</sup> and prove that the misrepresentation alleged "directly and clearly relates to enrollment or continuing enrollment at the institution or the provision of educational services for which the loan was made,"<sup>193</sup> "the institution's act or omission was made with knowledge of its false, misleading, or deceptive nature or with a reckless disregard for the truth,"<sup>194</sup> the borrower reasonably relied upon the misrepresentation at issue and the financial harm the borrower suffered was not due to intervening circumstances.<sup>195</sup> Unlike applications submitted under the prior rules, which did not require overly detailed accounts of how the school's misrepresentation caused the borrower harm and would supplement the borrowers' application with evidence already within the Department's possession, advocates will now have to draft a detailed and documented individual application for every borrower. Unlike the prior rule, the advocate will have to explain how the client's resulting unemployment was caused by their school and not the exigent circumstances that made them a target for their predatory school.<sup>196</sup>

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<sup>189</sup> *Id.*

<sup>190</sup> *See* 2019 Rules, 84 Fed. Reg. at 49,854.

<sup>191</sup> *See* Ex. 2, Tyler Decl. at ¶ 20.

<sup>192</sup> 2019 Rules, 84 Fed. Reg. at 49,817, 49,885-86.

<sup>193</sup> 34 C.F.R. § 685.206(e)(3).

<sup>194</sup> 2019 Rules, 84 Fed. Reg. at 49,807.

<sup>195</sup> *Id.* at 49,797.

<sup>196</sup> 34 C.F.R. § 685.206(e)(4).

Furthermore, the 2019 Rules will require advocates to engage in extended, time-sensitive representation. Legal aid advocates will be pressed to help borrowers assemble a complete application supported by evidence within three years of the date the borrower left school.<sup>197</sup> Advocates will again need to provide time-sensitive representation to borrowers to analyze and respond to a school's response to the borrower's application.<sup>198</sup> The process established by the 2019 Rules puts the borrower and the school in an openly adversarial process, and how the student responds to a school's submission may determine the outcome of a borrower's application.<sup>199</sup> The heightened back and forth between school and borrower will further limit the number of former students that legal aid attorneys are able to take on as clients.<sup>200</sup> The heightened workload created by the 2019 Rules will further reduce how many low-income clients legal aid organizations can represent in borrower defense proceedings.<sup>201</sup>

**D. The 2019 Rules require that advocates conduct extensive investigations to unearth documentary evidence necessary to substantiate their clients' borrower defense claims.**

Advocates share the evidentiary burdens students face in compiling a complete application that satisfies the heightened requirements of the 2019 Rules. To zealously represent each client, the legal aid advocate will need to exhaust every avenue that might yield documentary evidence that substantiates their client's claims against their school and fully unearths the extent of the school's misconduct. Because there are numerous sources that hold relevant information about a school, those efforts will take time. As Robyn Smith, an attorney at LAFLA explained:

[W]e often spend extensive time obtaining documents to support each client's application. We often submit a FERPA request for student records to the school if it still exists. If it does not, then we research who maintains the student records, which could be a state agency, a third-party custodian of records, or a bankruptcy trustee if the school has filed for bankruptcy. We then must spend time requesting the records from the appropriate party which can also take time. Sometimes state agencies and/or bankruptcy trustees have

<sup>197</sup> 34 C.F.R. § 685.206(e).

<sup>198</sup> 34 C.F.R. § 685.206(e)(6).

<sup>199</sup> 34 C.F.R. § 685.206(e)(10)(i); 2019 Rules, 84 Fed. Reg. at 49,837.

<sup>200</sup> Ex. 2, Tyler Decl. at ¶ 16.

<sup>201</sup> Ex. 1, Smith Decl. at ¶ 87; Ex. 2, Tyler Decl. at ¶ 17.

the records, but take time to find them because they are disorganized.

We also often submit FOIA requests to the Department, California Public Records Act requests to the Bureau for Private Postsecondary Education, look for old catalogs, websites and advertisements on-line and through the “Way Back Machine,” and research lawsuits by state attorneys general or private parties and request documents from them. Sometimes we obtain voluminous documents that we must then review and organize.

If our client has contact information for other former students or former school staff, we will often attempt to contact these people to interview them and prepare declarations. In addition, in some cases we will find experts who will agree to submit declarations.<sup>202</sup>

Legal aid staff use their legal expertise to get evidence the client would not be able to attain on their own.<sup>203</sup> Moreover, borrowers and advocates alike will be deprived from discovering evidence that would have been exposed in court through student lawsuits because of the 2019 Rules’ removal of limitations of when schools can compel students to arbitrate. As a result, representing each defrauded borrower will take more dedicated time from any advocate who agrees to represent them than is otherwise required under the 2016 Rule.

**E. The 2019 Rules will make it substantially more difficult for legal aid organizations to provide assistance to low-income borrowers submitting pro se applications.**

Even under the 2016 Rules, it took advocates hours to provide advice to borrowers submitting their own application.<sup>204</sup> Because the 2019 Rules are so complex and difficult to satisfy, advocates will be forced to dedicate more time to explaining the ins and outs of borrower defense and decoding the legal terms<sup>205</sup> that govern whether relief is available for both direct representation

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<sup>202</sup> Ex. 1 at ¶¶ 51-53.

<sup>203</sup> See *id.* at ¶¶ 36-37 (describing the extensive added evidence LAFLA attorneys added to a borrower’s pro se borrower defense application).

<sup>204</sup> *Id.* at ¶¶ 43-50 (describing the process LAFLA provides when advising borrowers submitting their own applications, and noting that even if they did not provide full representation, they still spent up to 5 hours on each case “performing an intake/reviewing eligibility, interviewing the client regarding the facts of his/her case, sometimes helping the client to set up an FSA ID, obtaining information regarding the client’s student loans, reviewing that information and other available documents, sometimes doing legal research, and providing advice about the options available to the client.”).

<sup>205</sup> Indeed, even negotiators were confused by the legalese in proposed regulatory language during negotiated rulemaking and the Department acknowledged it would be confusing for schools and borrowers alike. Legal Aid Community, Comment Letter on Borrower Defense NPRM 2018, *supra* note 10, at 14.

and pro se clients. Previously, some advocates emphasized to borrowers completing application pro se that they should focus on providing affidavit testimony that present a clear picture of his or her school's misconduct and the impact their loans have had on their lives.<sup>206</sup> While before, advocates emphasized that a borrower provide as complete a picture as possible of their school experience, the 2019 Rules necessitate that they understand what documentary evidence will show that the school's misrepresentation "directly and clearly relates to enrollment or continuing enrollment at the institution or the provision of educational services for which the loan was made" and what "financial harm" will make the borrower eligible for relief.<sup>207</sup> Further, the Department has not consumer-tested its application forms, meaning legal aid organizations will also need to guide borrowers through how to complete the form itself.<sup>208</sup> Borrowers already struggled to compile a complete application under the prior standards; the 2019 Rules only heighten the barriers for borrowers trying to attain relief without a lawyer.

Additionally, because the 2019 Rules impose new drawbacks to filing a borrower defense form, advocates will be forced to help borrowers assess whether the risks are worthwhile. Under the Rule, borrowers who apply but are denied or partially granted will have their interest capitalized when the Secretary reinitiates repayment.<sup>209</sup> Moreover, the 2019 Rules give schools permission to withhold transcripts (if otherwise permitted by state law) if students' borrower defense application is granted.<sup>210</sup> Advocates will need to carefully discuss the potential consequences of filing a borrower defense application with each applicant.

**F. Advocates will dedicate substantially more time to educating the public about student loan laws under the 2019 Rules.**

The changes in the 2019 Rules will allow the Department to abrogate its responsibility to protect borrowers from misconduct and educate them about predatory schools and their federal

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<sup>206</sup> Ex. 1, Robyn Smith Decl. at ¶¶ 48-50.

<sup>207</sup> 2019 Rules, 84 Fed. Reg. at 49,816, 49,931-32.

<sup>208</sup> Legal Aid Community, Comment Letter on Borrower Defense 2018 NPRM *supra* note 10, at 80-81.

<sup>209</sup> 2019 Rules, 84 Fed. Reg. at 49,816.

<sup>210</sup> *Id.* at 49,837.

student loan rights,<sup>211</sup> and as a result, legal aid advocates will be the only line of defense for many defrauded borrowers. To fill the education-gap left by the Department, some legal aid advocates will dedicate more time to educate their current clients and the public about the 2019 Rules' relief eligibility standards, the importance of seeking legal advice quickly after they believe a school has defrauded them, and the need to keep all school marketing, enrollment, and loan materials for at least a few years after leaving their school. Thus, the 2019 Rules make every stage of representation more challenging and complicated for legal aid advocates and will make it difficult for legal aid organizations to continue serving the same volume of clients as they did under the prior rules.

### CONCLUSION

*Amicus* urges this court to grant NYLAG's Motion for Summary Judgment to ensure that borrower defense is not made an illusory remedy for borrowers seriously harmed by the misrepresentations of predatory schools across the county.

Respectfully submitted,  
/s/ Andrew Pizor  
Andrew G. Pizor (#AP4249)  
National Consumer Law Center  
7 Winthrop Square, 4th Floor  
Boston, MA 02110  
(617) #

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<sup>211</sup> See 2019 Rules, 84 Fed. Reg. at 49,823 (“[T]he Department has emphasized the need for students to be engaged and informed decisions about their education choices.[...] We believe borrowers are able to inform themselves of their options, if they have been harmed by an institution’s misrepresentation.”); *id.* at 49,828 (“The Department disagrees that students are largely reliant on their own testimony to file a defense to repayment claim. The Department urges students to make informed consumer decisions and treats students as empowered consumers. While students should request important information that is relevant to their enrollment decision in writing, institutional misconduct is never excusable[.]”).

# EXHIBIT 1

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Declaration of Robyn Smith in Support of Amicus

I, Robyn Smith, declare as follows:

1. I am a Senior Attorney at the Legal Aid Foundation of Los Angeles (“LAFLA”), where I have worked part-time for over 6 years. I am licensed to practice law in the State of California. I have personal knowledge of the matters stated herein and, if called as a witness, could and would competently testify thereto.

2. I exclusively handle student loan and higher education cases at LAFLA. I also handle student loan related work as Of Counsel for the National Consumer Law Center.

3. I have worked in the area of student loan and higher education law for over twenty years, including in my work as an attorney in the Consumer Law Section of the California Department of Justice from 2000 through 2009, and as Director of the Consumer Law Project at Public Counsel, a legal services organization in Los Angeles, from 1998 to 2000.

4. LAFLA is a public interest leader on student loan work, having developed student loan and for-profit school expertise over the last 30 years. We provide outreach and education, self-help clinics, and direct legal assistance to financially distressed student loan borrowers. We also engage in state and federal advocacy on higher education policies. We serve as a resource for and often consult with other legal services organizations carrying out this work throughout the country.

5. Our policy and advocacy efforts are grounded in our direct legal assistance work with low-income borrowers, particularly those who have been harmed by deceptive for-profit schools.

6. Currently, LAFLA is one of a handful of legal services organizations across the country that provide free legal assistance to low-income student loan borrowers. Like all of the other legal services organizations that provide student loan assistance to low-income borrowers, LAFLA lacks sufficient staff to meet the overwhelming demand for their services.

7. LAFLA is the only non-profit legal services organization in Los Angeles County that has a full-time staff attorney dedicated to representing student loan borrowers.



1           8.       LAFLA presently employs one part-time Senior Attorney (three-fifths time),  
2 one full-time staff attorney, and one legal fellow to cover the entirety of its student loan work.  
3 The legal fellow’s one-year fellowship will expire at the end of November in 2020.

4           9.       As of July 1, 2019, the Los Angeles County had an estimated population of over  
5 10 million, with 14.2% people in poverty.

6           10.      The majority of LAFLA’s student loan clients are non-traditional students –  
7 older students who work while they attend college, veterans, single parents, non-English  
8 speakers, and/or the first in their families to attend college. The majority of the people we  
9 assist are African American or LatinX.

10          11.      Our federal funding from the Legal Services Corporation allows us to assist  
11 only those student loan borrowers who meet specific eligibility criteria, including that they  
12 must have not have income that exceeds 200% of the federal poverty level for their household  
13 size. In very limited circumstances we can provide services to people with slightly higher  
14 levels of income under separate grants.

15          12.      While LAFLA strives to serve as many clients as possible, we cannot assist  
16 every person who seeks help due to the high demand for our services. Over the last five years,  
17 we have had to close our student loan intake twice for several months each time because we  
18 were unable to keep up with the demand while managing our existing case load.

19          13.      Our level of legal services ranges from counsel and advice to administrative  
20 applications and representing borrowers in court.

21          14.      Student loan borrowers seek our help for a wide range of matters, including:  
22 defending against private or federal student loan collection actions; getting defaulted federal  
23 loans out of default through Direct Loan Consolidation or loan rehabilitation; stopping  
24 involuntary federal debt collection, including wage garnishment, Social Security or SSDI  
25 benefits offsets, and tax refund seizures; obtaining and staying on income-driven repayment  
26 plans; applying for closed school, false certification, unpaid refund, and disability discharges;  
27 submitting borrower defense applications; resolving disputes with their colleges; resolving  
28 credit report disputes; stopping unfair debt collection practices; stopping payments to and

1 recovering money from fraudulent debt relief companies; and applying for relief to the  
2 California Student Tuition Recovery Fund.

3 15. Given the volume of clients we serve, we do not have the capacity to bring  
4 affirmative litigation against schools. Similarly, we do not have the capacity to represent  
5 borrowers in arbitration proceedings.

6 16. Many of these borrowers are eligible for some type of federal debt relief that  
7 will help their situation, including loan discharges based on school misconduct. Most,  
8 however, are unaware of their eligibility for debt discharges. Indeed, although many borrowers  
9 know that their schools lied to them and provided substandard educations at best, they have no  
10 idea that their schools violated any laws or that they had any rights to seek redress for the  
11 deceptive and illegal practices they experienced.

12 17. In most cases, from several years to as much as 30 years have passed since our  
13 clients last attended college and seek our assistance. It is very rare for clients harmed by  
14 school fraud to seek help within three years after they stopped attending.

15 18. Most of our clients call us when they are threatened with or experiencing some  
16 kind of involuntary federal debt collection, have been served with a debt collection lawsuit,  
17 want to go back to school but are barred from doing so due to defaulted federal debt, are unable  
18 to afford their monthly loan payments, or have been unable to obtain housing, employment, or  
19 credit because of the defaulted loans reported on their credit reports.

20 19. In most cases, our clients could have avoided financial disaster if they had  
21 received sufficient loan advice long before they sought our assistance. Instead, low-income  
22 borrowers often receive misinformation from a number of sources, including loan servicers and  
23 debt collectors. They very rarely advise clients about their potential eligibility for closed school  
24 discharges or borrower defense relief, even when borrowers tell loans servicers or debt  
25 collectors that their schools closed or that they had problems with their schools. Loan servicers  
26 and debt collectors typically focus on pressuring borrowers to make payments. For borrowers  
27 who cannot afford monthly payments and who have not yet defaulted, loan servicers pressure  
28 borrowers to put their loans into forbearance or apply for income-driven repayment plans. For

1 these reasons, many borrowers struggle to repay their federal student loan debts for years even  
2 though they were eligible for a loan discharge.

3 20. In addition, the private bar typically does not take on federal student loan  
4 discharge cases. There is little financial incentive to do so since our clients lack the means to  
5 pay attorneys and clients rarely receive a sufficient refund from a discharge to pay an attorney  
6 on a contingency basis. Similarly, many private attorneys refuse to represent borrowers whose  
7 schools behaved illegally when the borrower's enrollment contract includes a mandatory  
8 arbitration clause because the likelihood of success in arbitration is lower.

9 21. By the time some borrowers seek help from LAFLA, it has been years since the  
10 borrower attended their school. Often, they have already defaulted on their federal loans and  
11 exhausted their one shot to get out of default by consolidating their loans into either Direct or  
12 FFEL Consolidation Loans. Some of these borrowers have re-defaulted before they seek  
13 LAFLA's services.

14 22. Thus, the three-year statute of limitations in the 2019 Rules will likely bar most  
15 future clients harmed by school fraud from ever receiving any type of federal student loan  
16 relief.

17 23. For example, in April 2008, Mr. R (we use only his last initial to protect his  
18 privacy) enrolled in a bachelor's degree program in media and art animation at the Art Institute  
19 ("AI") based on, among other things, false promises that he would have no problem finding  
20 high paying employment after graduation. However, after he graduated in March 2014, he was  
21 never able to find a job in the field for which he trained and earns approximately \$800 per  
22 month doing maintenance/grounds-keeping work.

23 24. In 2018, Mr. R. sought LAFLA's assistance when he was served with a debt  
24 collection lawsuit for private student loans he obtained to attend AI. He also had taken out  
25 multiple federal loans totaling over \$80,000. On a number of these loans, after he first entered  
26 repayment 2013, he had difficulty making the monthly payments and his loan servicer used  
27 serial forbearances to prevent his default.

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1           25.     When LAFLA discovered that Mr. R had enrolled at AI based on  
2 misrepresentations and other state law violations, we advised him that he was eligible for  
3 borrower defense relief. He had never heard of borrower defense and had no idea he was  
4 possibly eligible for any type of federal student loan relief. LAFLA therefore completed and  
5 submitted a borrower defense claim on his behalf in March 2019, which is still pending. 40  
6 hours of attorney/staff time, including pro bono attorney time, was spent preparing and  
7 submitting the borrower defense claim.

8           26.     As another example, in 2000, Mr. D enrolled at United Education Institute  
9 College (UEI) where he obtained \$6,625 in federal student loans to attend the Network  
10 Technology program.

11           27.     After completing the program in 2001, Mr. D struggled to find employment and  
12 repay his loans. After falling into default on his student loans in 2004, he consolidated his  
13 federal student loans to get out of default. Mr. D subsequently fell into default again in 2006.  
14 Then, in 2015 and 2016, his federal income tax refunds were seized to repay his defaulted  
15 federal student loan. In April 2019, when the Department began garnishing his wages, Mr. D  
16 sought the assistance of LAFLA to stop the garnishment.

17           28.     Because UEI made multiple misrepresentations to Mr. D regarding its job  
18 placement rates; the quality of its program; the likelihood of obtaining a job; and the earning  
19 potential of graduates, LAFLA advised Mr. D that he was eligible for discharge of his federal  
20 student loans through a borrower defense claim. Prior to this, Mr. D had no idea that he was  
21 eligible for any type of relief based on the misconduct of UEI. After LAFLA prepared and  
22 submitted the borrower defense claim on Mr. D's behalf, the wage garnishment was stopped in  
23 June 2019.

24           29.     Many borrowers have difficulty correctly completing the borrower defense  
25 application for the 2016 Rules without legal assistance, or even the far easier one-page  
26 Attestation form the Department developed for a specific group of Corinthian College  
27 borrowers. Because the 2019 Rules incorporates far more difficult and legalistic standards,  
28

1 many more borrowers will need legal help completing and submitting the borrower defense  
2 application for loans obtained after July 1, 2020.

3 30. For example, Mr. C enrolled in the Automotive Technology program at  
4 Wyotech Long Beach, a Corinthian Colleges school, in 2011 and received \$9500 in federal  
5 student loans for his enrollment. After completing his program in 2013, Mr. C struggled to find  
6 a job in his field of study and received none of the promised assistance from Wyotech.

7 31. Mr. C found out from a LAFLA clinic that he was eligible for loan relief under  
8 the Department's borrower defense findings against his campus for illegally inflating job  
9 placement rates. Using a self-help guide, Mr. C prepared and submitted an Attestation  
10 Borrower Defense Application on his own. The Department granted his borrower defense  
11 claim, but Mr. C was confused to find that only half of his Everest loans were cancelled. He  
12 contacted LAFLA for further assistance, and we determined that Mr. C's had incorrectly filled  
13 out his dates of enrollment; his estimates were short by several months. The Department's  
14 approval only provided a discharge for the loans that were disbursed during the enrollment  
15 period that Mr. C indicated in his initial application, leaving out 2 of the 4 federal student loans  
16 that he actually took out for his attendance. LAFLA assisted Mr. C to obtain further  
17 documentation to indicate his correct enrollment dates and helped him to prepare a revised  
18 Borrower Defense claim. While the first application was approved within 6 months of  
19 submission, the revised application has been pending for nearly 3 years, with no indication of  
20 when a final decision will be made.

21 32. In addition, most borrowers cannot obtain documentary evidence necessary to  
22 prove their borrower defense claims on their own. As a result, the 2019 Rules' new  
23 requirement that borrowers' testimony is not enough to substantiate a school's  
24 misrepresentation will bar thousands of borrowers from obtaining relief.

25 33. For example, in 2006, Ms. S enrolled in the Criminal Justice Program at ITT  
26 Technical Institute (ITT Tech). While enrolling, ITT Tech made misrepresentations to Ms. S  
27 regarding its graduate employment rates and their average salaries; the quality of instruction,  
28 including teacher credentials; and the career services assistance available to graduates.

1           34. Ms. S obtained over \$51,000 in federal student loans to earn her ITT Tech  
2 degree. After completing her program in 2010, Ms. S. could not find employment in the  
3 criminal justice field. Employers would not hire her based on her ITT Tech degree and ITT  
4 Tech did not provide any careers services to help Ms. S find employment as promised. She  
5 eventually gave up on her dream of working in the criminal justice field.

6           35. As a result, Ms. S suffered severe financial hardship as she not only struggled to  
7 support herself, but she struggled to support her children. In 2016, Ms. S defaulted on her  
8 federal student loan.

9           36. In 2016, Ms. S consolidated her loans out of default and submitted a pro se  
10 borrower defense claim to the Department. However, because she was not assisted by legal  
11 counsel, her application was limited in facts and devoid of significant relevant information.  
12 After waiting over 2 years for a response to her borrower defense claim, in September 2019  
13 Ms. S contacted LAFLA seeking assistance with discharging her federal student loans.

14           37. LAFLA reviewed the borrower defense application submitted by Ms. S and  
15 prepared and submitted a revised borrower defense claim with the Department. The new  
16 application included extensive details and information regarding the misrepresentations made  
17 by ITT Tech, as well as the subsequent financial hardship Ms. S suffered as a result of her  
18 attendance at ITT Tech. LAFLA also submitted nearly 250 pages of supporting evidence for  
19 her claim, including: administrative agency memos; internal documents and memos concerning  
20 ITT Tech, which LAFLA obtained through a FOIA request to the Department; correspondence  
21 between Ms. S. and federal/state/and administrative agencies, including the Office of then  
22 Senator for the State of California Dianne Feinstein and California Attorney General Kamala  
23 Harris, whereby Ms. S. made multiple requests for these agencies to intervene on payment of  
24 her federal student loans; and newspaper articles. Ms. S's application is still pending.

25           38. Due to the complex nature of higher education financing, our student loan  
26 clients require legal assistance in order to identify and access the relief options for which they  
27 are eligible.

28

1           39.     When clients first seek our services, they are often unaware of what kind of  
2 financial aid they received. They typically have little or no documentation regarding their  
3 student loans, many do not even have an Federal Student Aid (“FSA”) ID. The FSA ID allows  
4 borrowers to download all their federal student loan information and history, which we must  
5 review in order to evaluate each client’s options.

6           40.     Our clients also do not typically have any documents from their school, such as  
7 enrollment agreements, other agreements they signed, disclosures provided, loan documents,  
8 records of funds paid to the school, etc.

9           41.     Thus, to evaluate their case, we must gather documentation. This includes  
10 helping our clients obtain an FSA ID and download their federal student loan information from  
11 the Department’s website; requesting their student records from the school under the Family  
12 Educational Rights and Privacy Act (or the school’s custodian of records, the state agency, or a  
13 bankruptcy trustee if a school has closed); requesting records related to government oversight  
14 and investigations of the school under the Freedom of Information Act (“FOIA”) and/or the  
15 California Public Records Act; researching and finding other sources of school-related records  
16 from accrediting agencies, lawsuits, state attorneys general, etc. This can take several weeks to  
17 several months, and sometimes even longer because the Department is slow to respond to  
18 FOIA requests and appeals of insufficient FOIA responses.

19           42.     In the meantime, we often conduct triage to stabilize the client’s financial  
20 situation, including getting the clients on an affordable repayment plan or out of default to stop  
21 involuntary collection such as wage garnishment or Social Security benefit offsets.

22           43.     In 2019, we provided counsel and advice or limited service in 154 student loan  
23 cases.

24           44.     Of these 154 cases, we advised—but could not fully represent—approximately  
25 60 borrowers that they were eligible to seek a loan discharge by filing a borrower defense  
26 claim. We did not have the capacity to provide any further assistance to these 60 borrowers,  
27 even when they had meritorious borrower defense claims.

28

1           45.     Even though we did not fully represent these 60 clients, we spent up to 5 hours  
2 on each case performing an intake/reviewing eligibility, interviewing the client regarding the  
3 facts of his/her case, sometimes helping the client to set up an FSA ID, obtaining information  
4 regarding the client's student loans, reviewing that information and other available documents,  
5 sometimes doing legal research, and providing advice about the options available to the client.

6           46.     Because the 2016 borrower defense process is already complex, we attempt to  
7 provide simple instructions and advice that our clients can understand. We communicate  
8 primarily by letter because, based on our caseloads, we cannot spend time coaching and  
9 assisting our clients through the borrower defense process.

10          47.     The main evidence available to students in borrower defense cases is their  
11 testimony because postsecondary school misrepresentations are typically verbal.

12          48.     To the extent that documents are helpful to prove school misconduct, very few  
13 borrowers have copies of any of the disclosures provided to them, enrollment agreements,  
14 advertisements, loan agreements, documents showing all funds paid to the school and charged  
15 to the student, instructional materials, faculty qualifications, school career services leads, etc.

16          49.     Most students also have no idea whether their schools were subject to state or  
17 federal investigations, accreditor actions, or lawsuits of any kind, nor do they know how to  
18 make FOIA requests, state Public Records Act requests, or how to research if any such  
19 documents are otherwise publicly available. While all of this is important evidence of school  
20 misconduct, we typically do not advise borrowers to seek these documents because doing so is  
21 complicated and, if added to our counsel and advice letters, likely to deter borrowers from  
22 applying for relief.

23          50.     For these reasons, in our counsel and advice letters we try to provide simple  
24 advice we think borrowers can follow. We advise borrowers to provide detailed descriptions  
25 of the misrepresentations that were made to them and any other illegal conduct, as well as the  
26 financial harm they suffered, including how the student loans have impacted their lives.  
27 Without this advice, in my experience most borrowers with meritorious claims tend to provide  
28 very short answers to most questions on the borrower defense application for the 2016 Rules.



1           51.     Preparing and submitting borrower defense applications under the 2016 Rules  
2 are time-consuming. After initial intake, as noted above, we often spend extensive time  
3 obtaining documents to support each client’s application. We often submit a FERPA request  
4 for student records to the school if it still exists. If it does not, then we research who maintains  
5 the student records, which could be a state agency, a third-party custodian of records, or a  
6 bankruptcy trustee if the school has filed for bankruptcy. We then must spend time requesting  
7 the records from the appropriate party which can also take time. Sometimes state agencies  
8 and/or bankruptcy trustees have the records, but take time to find them because they are  
9 disorganized.

10           52.     We also often submit FOIA requests to the Department, California Public  
11 Records Act requests to the Bureau for Private Postsecondary Education, look for old catalogs,  
12 websites and advertisements on-line and through the “Way Back Machine,” and research  
13 lawsuits by state attorneys general or private parties and request documents from them.  
14 Sometimes we obtain voluminous documents that we must then review and organize.

15           53.     If our client has contact information for other former students or former school  
16 staff, we will often attempt to contact these people to interview them and prepare declarations.  
17 In addition, in some cases we will find experts who will agree to submit declarations.

18           54.     After a student loan discharge is submitted, our legal services do not end. We  
19 must confirm the application’s receipt with the federal loan servicer and monitor the  
20 application’s processing.

21           55.     In 2019, we provided extensive services to approximately 45 borrowers. This  
22 level of service means that we did extensive research, prepared complex legal documents, had  
23 extensive interactions with third parties, or provided extensive ongoing assistance.

24           56.     Of these 45 cases, we prepared borrower defense applications for 14 clients.  
25 We closed the 14 borrower defense cases as extensive service because we either helped the  
26 clients submit their applications pro se, or the clients did not keep in touch with us. LAFLA  
27 staff and attorneys spent an average of 22 hours on each of the borrower defense cases.  
28

1           57.     After a student loan discharge is submitted, our legal services do not end. We  
2 must confirm the application’s receipt with the federal loan servicer and monitor the  
3 application’s processing.

4           58.     For clients who first sought our services in 2019, we submitted 23 borrower  
5 defense applications which were still pending as of Dec. 31, 2019.

6           59.     Though LAFLA’s resources are already stretched thin, we anticipate an  
7 increased demand for our legal services for a number of reasons. We continue to receive calls  
8 from new clients who enrolled at for-profit colleges over the last 15 years and are eligible for  
9 borrower defense. We are also receiving an increasing number of calls from current and new  
10 clients who want assistance appealing Department denials of their borrower defense  
11 applications.

12           60.     Indeed, we are likely to stop accepting new student loan cases starting in  
13 November 2020, or even earlier, because our legal fellow’s one-year fellowship terminates at  
14 the end of November. We do not have sufficient funding at this time to hire him as a staff  
15 attorney at the end of his fellowship.

16           61.     When a loan discharge is denied, we evaluate the case for administrative or  
17 district court appeal as these appeals take up considerable resources. In the last few months,  
18 both current and new clients are starting to receive letters either denying their borrower defense  
19 claims or granting partial discharges. We are evaluating each case on whether there is any  
20 merit to submitting additional evidence and requesting reconsideration or appealing to district  
21 court. Because there are a large number of legal questions and potential pitfalls for each  
22 approach, and each case is fact-intensive, we are doing both legal and factual research before  
23 we decide how to handle each of these cases.

24           62.     For example, in 2016 Mr. W obtained both federal and private loans, totaling  
25 over \$200,000 to earn his bachelor degree in fine arts (photography) at the Brooks Institute of  
26 Technology (“Brooks”), a for-profit school which was owned by Career Education  
27 Corporation. He enrolled based on Brooks’ representations that it had high graduate placement  
28 rates, offered a highly competitive and well-respected photography program, and that Mr. W

1 would be placed in an elite class of working professionals. Based on these representations, Mr.  
2 W borrowed this large sum of loans and invested in the Brooks education believing that a  
3 Brooks degree would lead to a high-paying, successful career in photography. Although Mr.  
4 W graduated and earned a degree, he was never able to find a job as a photographer. It was  
5 only after graduating and making this significant life investment that Mr. W discovered that  
6 Brooks had inflated its placement rates and lied about its reputation and the employability of its  
7 graduates.

8 63. Before Mr. W attended, California's Bureau for Private Postsecondary  
9 Vocational Education and Brooks' accreditor had both taken action against Brooks for inflating  
10 its placement rates and making other misrepresentations in order enroll students. Brooks was  
11 also embroiled in a class action involving former students which it eventually settled for over  
12 \$12 million. Brooks did not disclose this information to Mr. W before he enrolled.

13 64. Mr. W owes over \$80,000 for federal student loans from his attendance at  
14 Brooks. He submitted a borrower defense claim pro se to the Department, seeking a discharge  
15 of his federal loans based on his school's misconduct, but only included limited details and  
16 information regarding the misrepresentations on which he relied in enrolling. He did not know  
17 about and therefore did not submit the extensive evidence from the accreditation agency, the  
18 California oversight agency, or the class action to support his claim.

19 65. The Department recently denied Mr. W's BD claim. We are now assessing  
20 whether to request reconsideration and submit this additional evidence of Brooks' illegal  
21 practices or appeal to federal district court.

22 66. The 2019 Rules will have other consequences for the clients we assist. For  
23 example, clients who have to consolidate out of default after July 1, 2020—which will create a  
24 new Direct Consolidation Loan that may be subject to the 2019 Rules' borrower defense  
25 standard-- will likely be unable to obtain a borrower defense discharge under the 2019 Rules,  
26 even though they would have been eligible for a borrower defense discharge under the 2016  
27 Rules.

28

1           67. For example, a former Corinthian student sought help from LAFLA for her  
2 defaulted federal student loans from Everest College. Sometime in 2008, Ms. J had enrolled in  
3 the Criminal Justice Program based on the school's misrepresentations regarding job placement  
4 rates, expected salary after graduation, transferability of credit, and career services after she  
5 graduated.

6           68. After graduating in 2014 and taking on over \$30,000 in federal student loans,  
7 however, Ms. J realized that Everest had lied to her. Unfamiliar with any options for how to  
8 obtain relief and unable to find a job in her field of study, Ms. J struggled with her debt, which  
9 fell into default in February 2019.

10           69. When she sought to purchase a home in early 2020, she was unable to qualify  
11 for loans due to her defaulted student debt, which was the only negative account on her credit.  
12 She searched for help and contacted LAFLA, where she learned for the first time of her  
13 eligibility for borrower defense relief. However, in order to get her loans out of default so she  
14 could buy a home, Ms. J had to make the difficult decision to consolidate her loans out of  
15 default, foreclosing her eligibility for a borrower defense claim.

16           70. By the time the consolidation is finalized, Ms. J's Direct Consolidation Loan  
17 will be subject to the more draconian 2019 Rules; under the new regulation's three year  
18 limitation period, Ms. J will not be able to submit a borrower defense claim as three years have  
19 already passed since she completed her program.

20           71. Similarly, the 2019 Rules' removal of automatic closed school discharge will  
21 mean more students will struggle to repay debt that should have been discharged.

22           72. I have seen firsthand the misinformation and confusion that plagues students in  
23 the wake of a school's closure.

24           73. Typically, when a school closes, students panic and have no idea where to turn  
25 for help.

26           74. In the midst of their panic, students are bombarded with confusing or  
27 misleading information from multiple sources. Prior to the enactment of the closed school  
28 disclosure provisions in the 2016 Rules, these included (1) the closing school itself, which

1 often does not provide any information on closed school discharges but instead focuses on  
2 providing transcripts and encouraging students to transfer their credits so that the school is not  
3 liable for the closed school discharges; 2 competitor for-profit schools, who pressure students  
4 to enroll in their programs, promising that they will accept transfers of credits when in fact they  
5 may accept few, and calling themselves “teach-outs” when in fact they are not providing free  
6 teach-outs approved by accreditors or the state oversight agency; and (3) debt relief companies,  
7 which physically hand out, e-mail and mail students misleading advertisements guaranteeing  
8 loan forgiveness, when in fact these companies illegally charge students up-front fees, then file  
9 loan consolidation applications or perform no services at all.

10 75. The closed school disclosure requirements in the 2016 Rules covering the  
11 program participation agreements would have helped to alleviate much of the above confusion  
12 by requiring closing schools to provide discharge information to its students.

13 76. As an example, the for-profit school chain, Marinello Schools of Beauty, closed  
14 in February 2016 after the Department of Education determined that it had engaged in a fake  
15 high school diploma scheme to obtain federal student loans on behalf of non-high school  
16 graduates who were not in fact eligible for federal financial aid.

17 77. LAFLA hosted a legal clinic to inform Marinello students of their rights and  
18 loan discharge options. For many attendees, LAFLA’s legal clinic was the first time that they  
19 heard about their eligibility for a closed school discharge and other loan cancellation options.

20 78. Our attendees and attorneys left the clinic to find a Marinello debt relief flyer  
21 posted on their cars’ windshields. The flyer was for a scam debt relief company bearing  
22 Marinello’s logo and claiming to have “loan forgiveness experts who get you the most out of  
23 forgiveness.” A true and correct copy of this debt relief flyer is attached hereto as Exhibit A.

24 79. Even though the Department is required by the discharge regulation to cease  
25 collection and notify students about their closed school discharge eligibility after a school  
26 closes, the Department often notifies students several months to a year after a school closes.  
27 By that time, students also receive multiple deceptive offers of loan forgiveness from  
28

1 fraudulent debt relief companies. They often do not trust or understand the closed school  
2 discharge notices from the Department and therefore do not always apply.

3 80. For these reasons, at least several clients a year call us for help with their  
4 student loans, and LAFLA discovers that they are eligible for a closed school discharge even  
5 though the school closed decades ago. The vast majority of these clients never again attempted  
6 to go to college or obtain federal financial aid to do so.

7 81. For example, when she was just 18-years-old in 1991, Ms. D saw flyers posted  
8 in her Central Los Angeles neighborhood offering security guard training. Ms. D visited the  
9 school, the for-profit college Brookline Technical Institute. Based on its promises of a high-  
10 equality education and a job placement program that would lead to a lucrative career in private  
11 security, Ms. D enrolled in its security guard program.

12 82. Ms. D received \$4,625 in federal student loans to finance her tuition at  
13 Brookline.

14 83. A few months after she enrolled, Ms. D and other students arrived at the school  
15 building and found themselves locked out; the school unexpectedly closed. In the weeks that  
16 followed, an instructor organized picket lines outside of Brookline's corporate offices. She  
17 attended several such protests, but eventually gave up on receiving any further services or  
18 refunded tuition.

19 84. Ms. D sought our assistance in 2016, after the government seized over \$7,000 in  
20 federal income tax benefits to repay her defaulted federal loans. We helped her apply for a  
21 closed school discharge, but the Department denied her application on the grounds that she had  
22 no evidence to show that she was attending Brookline when it closed – it had established a  
23 closed school date that was later than the date of the school lockout.

24 85. We issued FOIA requests and searched for documents with this information.  
25 We finally obtained an old document, from the now-defunct California agency that had  
26 guaranteed her student loans, with the dates of her attendance. After we submitted an appeal to  
27 the Department with this new evidence, Ms. D's closed school discharge application was  
28 granted. The Department discharged approximately \$19,000 in student loan debt in May 2018

1 and refunded Ms. D \$7800 in September 2018. Total LAFLA staff and attorney time on this  
2 matter was 84 hours.

3 86. If an automatic discharge regulation like the one included within 2016 Rules  
4 had covered Ms. D, it would have prevented her decades-long struggle with debt that should  
5 have been discharged. The 2019 Rules' removal of that regulatory provision guarantees that  
6 there will be more students with experiences like Ms. D.

7 87. Overall, the 2019 Rules will increase the number of low-income borrowers who  
8 need legal assistance to a) evaluate whether they are even eligible for borrower defense relief  
9 under the impossibly high standards and (b) find and prepare the extensive documentary  
10 evidence that will be necessary to submit applications. Even worse, it will force LAFLA to  
11 turn away more borrowers harmed by for-profit school fraud because of the increased amount  
12 of labor it will take to prepare borrower relief applications and prepare responses and possibly  
13 additional evidence to counter school opposition to the applications.

14 88. Given that LAFLA now spends between 5 and 50 hours on each borrower  
15 defense application it prepares, exclusive of the time LAFLA will have to spend appealing  
16 negative decisions, there is no possible way that LAFLA will be able to provide assistance or  
17 representation to many borrowers under the new 2019 Rules.

18 89. I declare under penalty of perjury under the laws of the State of California that  
19 the statements contained in his declaration are true and correct.

20 Executed on this 17th day of July, 2020, at Los Angeles, California.

21  
22  
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27  
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**Robyn  
Smith**

Digitally signed by Robyn Smith  
DN: cn=Robyn Smith, o=Legal Aid  
Foundation of Los Angeles,  
ou=ESWG,  
email=rsmith@lafa.org, c=US  
Date: 2020.07.17 07:42:31 -07'00'

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ROBYN SMITH  
Senior Attorney  
Legal Aid Foundation of Los Angele

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# Exhibit A



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out of forgiveness"

# EXHIBIT 2



1 in affirmative cases in federal court against servicers, debt collection agencies, the  
2 Department of Education, and others. We also provide hundreds of borrowers with  
3 assistance and advice, but do not represent them. On an average week, I will conduct six  
4 intakes for low-income borrowers seeking help with their student loan issues.

5 8. Clients often contact Legal Services NYC because they are facing a  
6 financial emergency catalyzed by their student loans, such as having their wages or social  
7 security benefits garnished or their tax refund seized. Borrowers who suspect that their  
8 school scammed them often did not think they could do anything about it until they speak  
9 with us. Many borrowers who contact us and attended a for-profit school are eligible for  
10 multiple types of loan relief. Because of the dire financial condition most borrowers are  
11 in when they contact us, we must help clients pursue relief that will quickly stop  
12 involuntary collections, extinguish student loan debt, or return large amounts of money.

13 9. Approximately 1 in 5 students seeking student loan help from Legal  
14 Services NYC in 2019 attended a for-profit school. Almost every borrower who attended  
15 a for-profit school and contacts us has a meritorious borrower defense claim. Often, they  
16 contact us years, if not decades, after they attended their school.

17 10. Because borrower defense applications require hours of attorney time to  
18 complete, we are often unable to provide full representation to borrowers who have a  
19 meritorious borrower defense. In 2019, we were not able to help approximately 60 people  
20 submit borrower defense claims, even though they had meritorious claims that their  
21 school deceived them and/or violated state law.

22 11. Since 2016, we have filed 12 borrower defenses.

23 12. On average, due to the high volume of cases I work on, I can't spend  
24 much more than 12 hours drafting and preparing any loan discharge application. This  
25 does not include the time spent prior to the deciding to file the borrower defense.  
26 Typically I spend at least two additional hours just interviewing the client and gathering  
27 loan information. The most time-consuming portion of compiling such applications is  
28 substantiating a borrower's experience. This involves locating similar claims via federal

1 and state freedom of information filings, locating and reviewing agency audits and law  
2 enforcement actions against the offending school, and making sense of earnings, debt  
3 loads, and repayment rates of borrowers who attended the offending school found on the  
4 U.S. Department of Education’s public data website.

5 13. Borrowers struggle to get student loan relief without the assistance of an  
6 attorney. One borrower for whom I prepared a borrower defense application previously  
7 tried to sue his school in state court, twice. He was unable to find a private attorney to  
8 take his case and both cases were dismissed due to procedural errors on his part. He  
9 contacted us because he did not have any other options and received a letter warning him  
10 that his tax refund would be intercepted. He did not know he could file a borrower  
11 defense until we met.

12 14. Borrowers often don’t know what they can do after a school has defrauded  
13 them, either. For example, a 38-year-old woman contacted us after the Department of  
14 Education seized her tax refund and garnished her wages. In 2004, she attended a  
15 “medical coding school” called the Career Institute for Health and Technology. When  
16 trying to get her to enroll, school representatives mailed her a solicitation telling her  
17 medical billing specialists—the profession the school would train her for—made between  
18 \$35,000 and \$65,000 a year. Remarkably, unlike most clients I serve that do not have  
19 documentation of their school’s misrepresentation, she saved the mailing. Shortly after  
20 graduating, she discovered that the school lied about how much medical billing jobs paid.  
21 She was able to get a medical billing job that paid \$9 an hour, or approximately \$18,000  
22 annually. She also discovered that she could have gotten the job without going to a  
23 special medical billing school. Like many other borrowers I speak with, even though she  
24 knew her school lied, she did not think she could do anything about it. She filed for  
25 bankruptcy in 2016 and was told she should seek out legal aid to help her with her  
26 student loans, which were not dischargeable. She only sought out legal help on her  
27 student loan problem 13 years after she attended the school. Legal Services staff spent 11  
28 hours compiling and filing her borrower defense, which is still pending.

1           15.     Another 77-year-old woman contacted Brooklyn Legal Services when her  
2 Social Security check was offset in 2018. She attended a beauty school in the late 1980s  
3 and quickly discovered that her school lied to her about the quality of their instructors  
4 and educational program. At her school, students were asked to cut each other’s hair  
5 without meaningful instruction or supervision. She did not think she could do anything  
6 about the debt, even though she knew her school cheated her. She contacted Brooklyn  
7 Legal Services because she was falling behind on her bills due after she experienced a  
8 Treasury offset of her Social Security benefits to pay for her defaulted beauty school  
9 debt. Only then when she contacted us did she learn she could file a borrower defense.  
10 We spent 4.25 hours drafting and filing her borrower defense application. Her application  
11 took less time than normal because I had already collected substantial information about  
12 the school’s misconduct from a criminal investigation into the school and prosecution of  
13 its employees.

14           16.     The 2019 Borrower Defense Rules will make it even more difficult for me  
15 to represent clients filing borrower defense claims. The new standard will take more time  
16 to explain to borrowers and will confuse borrowers who have not yet filed for relief that  
17 have claims governed by the 2016 or state law standards.

18           17.     The heightened complexity of the 2019 Rules’ relief eligibility standards  
19 combined with the time-sensitive need to respond to schools’ responses to my clients’  
20 borrower defenses will make it impossible for me to serve the same volume of clients and  
21 to represent borrowers in borrower defense proceedings.

22           18.     Many low-income borrowers—my future clients—who have meritorious  
23 claims against their school will be precluded from being eligible for relief under the 2019  
24 Rules unless they file within three years of leaving the school.

25           19.     My experience is that borrowers do not grapple with extinguishing a loan  
26 involving a predatory for-profit until their wages are garnished, or their tax refund is  
27 intercepted, or they become disabled or retire and have their Social Security offset.  
28 These events happen many years, if not decades, after a borrower leaves an offending

1 school. This is because borrowers move to more legitimate schools and get in-school  
2 deferments and servicers pressure borrowers to utilize other repayment options like  
3 income driven repayment, or loan forbearance that make no payment due on the  
4 predatory-school loan, even if student discloses that their school closed or the nature of  
5 their borrower defense claim to the servicer.

6 20. Moreover, the 2019 rules substantially change the types of evidence my  
7 future clients will have to provide to get relief. To help these borrowers file a borrower  
8 defense, I will have to engage in an even more intensive factual investigation than before.  
9 I anticipate that gathering the necessary evidence to complete an application will take  
10 substantially more time than the time it took me to complete a borrower defense under  
11 the 2016 Borrower Defense Rules. Because records requests often take months to  
12 process, I anticipate that some borrowers will not be able to attain the best evidence to  
13 support their claim within the three-year limitations period—or at all.

14 21. I also anticipate that, because the 2019 Rules rescind automatic closed  
15 school loan discharges, our office will have even more clients seeking loan relief help.  
16 Like many of the clients we currently serve, those students will also experience default  
17 and involuntary collections even though they were eligible for federal loan relief.

18 22. Finally, because the 2019 Rules rescind the regulations limiting when  
19 schools can compel students to arbitration and the regulations requiring schools to submit  
20 arbitral and judicial records to the Department, it will be even harder to hold schools  
21 accountable in court. I anticipate that more schools will engage in predatory practices to  
22 induce students to enroll because they will know they will not get caught or exposed to  
23 law-makers and law-enforcement.

24  
25 I declare under penalty of perjury under the laws of the State of New York that  
26 the statements contained in his declaration are true and correct. Executed on this 15<sup>th</sup> day  
27 of July, 2020.

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By: -s- Johnson M. Tyler

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# EXHIBIT 3

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Declaration of Laura Smith in Support of Amicus

I, Laura Smith, declare as follows:

1. I am a staff attorney in the Homeownership and Consumer Rights Unit of Community Legal Services of Philadelphia (“CLS”)
2. CLS provides free legal services to low-income Philadelphians.
3. According to the most recent census data, more than 24 percent of Philadelphians live in poverty.<sup>1</sup> In the part of North Philadelphia where one of CLS’s two offices is located, at least 45 percent of people live in poverty.<sup>2</sup> As of 2017, 14 percent of Philadelphians lived in deep poverty (defined as having income at or less than half the poverty level).<sup>3</sup> Over 25 percent of Philadelphians have an active student loan.<sup>4</sup> One in five Philadelphians with a student loan was severely delinquent in December 2018.<sup>5</sup>
4. CLS receives frequent requests for help with student loan debt, including situations involving closed school discharges and borrower defenses to repayment.
5. Unfortunately, CLS does not currently have a dedicated attorney to represent people facing these problems. With limited resources and no dedicated attorney, CLS usually provides only advice or limited representation to these people.
6. CLS is not aware of any other legal help in Philadelphia for people seeking closed school discharge, borrower defense to repayment forgiveness, or other student loan relief.
7. Borrowers who seek student loan help from CLS are often facing a financial crisis. For example, one borrower, Ms. B, sought assistance from CLS when she received a notice of proposed wage garnishment for two federal student loans.

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<sup>1</sup> <https://www.census.gov/quickfacts/philadelphiacountypennsylvania>  
<sup>2</sup> [https://www.pewtrusts.org/-/media/assets/2019/05/state\\_of\\_poverty.pdf](https://www.pewtrusts.org/-/media/assets/2019/05/state_of_poverty.pdf)  
<sup>3</sup> *Id.*  
<sup>4</sup> <https://philadelphiafed.org/-/media/community-development/publications/special-reports/student-loan-debt-in-philadelphia.pdf?la=en>  
<sup>5</sup> *Id.*

1 She attended a Philadelphia trade school for a few weeks in 1988 before it closed.  
2 Because the school closed, she didn't think she had to repay her student loan debt.  
3 She did not know about closed school loan discharges. Years later, her tax refunds  
4 were seized to repay these loans. When she received a wage garnishment notice,  
5 collection agents told her she could only enter into a repayment agreement to  
6 avoid the garnishment. When she consulted with an attorney at CLS in 2019—  
7 thirty years after she attended her school—she learned she was eligible for a  
8 closed school loan discharge. She applied for relief and received a discharge.

9 8. Because she did not have legal help, she spent decades with a reported  
10 delinquency, lost her tax refunds, and was threatened with wage garnishment—all  
11 for loans that were eligible for a complete discharge.

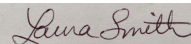
12 9. Another borrower, Ms. M, with limited English proficiency, borrowed federal  
13 student loans to attend a private vocational school in New York. The school  
14 closed in 2014 because the school administrators were illegally collecting federal  
15 grant money by inflating foreign students' attendance records. Ms. M did not  
16 know she was eligible for a closed school loan discharge. She made regular  
17 monthly payments until she lost her job. She attempted to apply for a closed  
18 school discharge, but did not complete the form correctly because of her limited  
19 English proficiency. Despite being eligible for relief, she was denied. With the  
20 assistance of a paralegal at CLS, she resubmitted her closed school discharge  
21 application and received a full discharge on her loan in 2017.

22 10. If the automatic closed school loan discharge regulations are rescinded, more  
23 borrowers like Ms. B and Ms. M will needlessly suffer decades of repaying debt  
24 that is eligible for discharge simply because they are unaware they are eligible or  
25 because they are unable to complete the Department's complicated forms.

26 I declare under penalty of perjury that the foregoing is true and correct.

27 Executed on this 15th day of July, 2020, in Philadelphia, Pennsylvania.

28





CAStudentLoan WG &lt;castudentloanwg@hcmstrategists.com&gt;

## Public Comment re: Policy Interventions from Bay Area Debtors' Union to CA Student Loan WG

1 message

Tiffany Konyen &lt;tkonyen@gmail.com&gt;

Fri, Jun 25, 2021 at 7:57 PM

To: CAStudentLoanWG@hcmstrategists.com

Cc: lavishpraise@gmail.com, teal73pulis@gmail.com, jenna.duncan@gmail.com, bayareadebtorsunion@gmail.com

Names: Tiffany Konyen, Laurel Sharp, Janine Nelson, Jennifer C. Duncan

Title: Student Debtors, Debt Scholars, Activists, Strikers and Allies

Organization/affiliation: Bay Area Debtors' Union as a branch of the Debt Collective

Email addresses: [BayAreaDebtorsUnion@gmail.com](mailto:BayAreaDebtorsUnion@gmail.com) ; [tkonyen@ciis.edu](mailto:tkonyen@ciis.edu); [lavishpraise@gmail.com](mailto:lavishpraise@gmail.com); [teal73pulis@gmail.com](mailto:teal73pulis@gmail.com); [jenna.duncan@gmail.com](mailto:jenna.duncan@gmail.com)

To the Members of the California Student Loan and Debt Service Review Workgroup,

As a group of concerned Debtors' and Allies from across the Bay Area and Nationally, we are united in our call for immediate justice as it relates to student loan debt. We see unfavorable pandemic- driven, economic conditions and seek collaboration with elected representatives and citizens alike. It is crucial to act now on behalf of the many Borrowers devastated by multiple well-documented, economic hardships, such as stagnated wages, increased costs of housing due to gentrification and the general rising costs of basic goods, which have existed before the pandemic and seemingly will exist well beyond without intervention. With real support resources and legislative action, we may begin to address known and heightened systemic conditions causing intergenerational debt burdens that are cruel and unnecessary.

We are a growing national coalition of student debtors and families, abolition advocates and educators, progressive politicians, and everyone else who believes education is a fundamental right, not a predatory commodity with debilitating lifelong financial consequences. The myth of the "good debtor" has revealed the fallacy of debt morality. We witness and experience that it is very common for people to go into debt to meet basic needs besides education, such as healthcare, food, transportation, housing and utilities, symptomatic of known larger societal inequities. Can't Pay, Won't Pay by the [Debt Collective](#) documents a predatory systemic problem in higher education needing collective response, which has brought us together as a multi-generational and diverse Union, which spans professional status and class. We have come to know personally how "debt erodes our freedom and forces unbearable choices on us" (Debt Collective). Should I pay my student loan or pay for food? We believe legal, financial and mental health support services, along with a commitment to college for all are a few of the solutions necessary to navigate this mounting and unsustainable dilemma.

We invite the members of this committee to create coalition with the Debt Collective and other organizations and groups doing this important advocacy and empowerment work. We encourage the committee to continue listening to what Borrowers have to say, as those most impacted by student loan debt and its many heavy repercussions. "Our private debt contracts and our desperate attempts to be good debtors conceal the crime of treating healthcare, shelter and education as profit centers" (Debt Collective). Join us in standing up against exploitation of students, their families and their communities!

We would also have you consider the following recommendation for legal and administrative aid specifically assigned for those completing the Borrower Defense to Repayment application. We suggest an important intervention lies within the legal support and coaching for Borrowers on how to approach this application, since the Department of Education is not actively reviewing the submitted documents, but this can be a necessary tool for those who have been defrauded. According to the NY Legal Assistance Group's guide to the BDR application: "While the Department of Education accepts BDR applications, it is currently not processing them. Students have sued the DOE over the Department's failure to process applications with suits ongoing" but with no immediate resolutions or relief. This as well as other repayment programs hosted by DOE have continued to prove themselves ineffective by design or detriment.

We provide this feedback with an explicit invitation to contact us for further dialogue at the [BayAreaDebtorsUnion@gmail.com](mailto:BayAreaDebtorsUnion@gmail.com). Thank you for your time and consideration in moving towards eliminating harmful debts and funding higher education in California.

With care,

Bay Area Debtors' Union// Debt Collective

Signing Members: Tiffany Konyen, Laurel Sharp, Janine Nelson, Jennifer C. Duncan

