

CA Student Loan & Debt Service Review Workgroup

October 28, 2020 from 8am – 10am PST via Zoom

Attendees:

Dr. Lande Ajose Office of Governor Gavin Newsom	Marlene Garcia California Student Aid Commission
Dr. Sandy Baum Urban Institute	Patrick Perry California Student Aid Commission
Catalina Cifuentes California Student Aid Commission	Melissa Bardo California Student Aid Commission
Dr. Jamillah Moore California Student Aid Commission	Martha Snyder HCM Strategists
Chris Ferguson California Department of Finance	Juana H. Sánchez HCM Strategists
Hal Geiogoue Scholarshare Investment Board	Katie Lynne Morton HCM Strategists
Bob Shireman The Century Foundation	Elizabeth Salinas HCM Strategists

Meeting Notes

I. *Welcome and Introductions*

Patrick Perry, CSAC

- Facilitated workgroup and staff introductions
- Reviewed meeting objectives and agenda

II. *Public Comment*

- None received

III. *Urgency of Student Loan Debt & Workgroup Charge*

Martha Snyder, HCM Strategists

- Presented national trends and a snapshot of student loan debt in CA
- Reviewed how student loan debt impacts individuals and society more broadly
- Reviewed the legislative charge for the Workgroup and facilitated discussion with Workgroup members. Key takeaways from the discussion:

- Sandy - Accessing student loans does increase educational attainment. It can increase revenue. Average debt in California is for bachelor's degree recipients. Most people, the outstanding debt is nowhere near that. We need to ensure we focus on students beyond bachelor's graduates. What are the positives as well?
- Hal - Differentiation between graduate and undergraduate debt. The mission of the group is very specific language. Not just generalities, which are great. We need to get back to the language. They're looking for some practical ideas to manage these issues.
- Lande - +1 to the some of the comments. Looking at graduate student debt is helpful. Sandy's comments about the positive effects is helpful. It's helpful to understand the dynamics of disaggregated data (race, ethnicity, gender). We should aim to target our actions based on the students that face those issues.
- Catalina - Echoing what has been said. Would also love to see data by institution. USC vs UCLA and what that looks like is different. If we can go deeper by public and private that would be great as well.
- Patrick - The Use of loans by different income brackets. Where is it used and as you move up the income scale, where is it not used? Does the fact that student borrowing going down imply that we are doing something right? Are they becoming aware of other options?
- Chris - As we consider basic needs or students who are homeless, I've seen anecdotal evidence of students who are on video who say they won't take a student loan but live in their car. What are some of those tradeoffs? What are the signals that we are sending to students?
- Patrick - CSAC has the records of students who file FAFSA and who got Cal Grant. We don't have information on the use of loans. We do have is a willing researcher who has found some funding to do a match with the credit bureau. This is not the first time this happens, but we can look at students and match them with the credit bureau to see their debt accumulations. We also have on the FAFSA the parents' information, so we can look at debt instruments of the parents. Caution. The goal is not to study or just do research but rather recommendations. Going too far down the rabbit hole of research, we can't do that forever. Certain things are needed for us to discern (e.g., graduate vs undergraduate debt).
- Sandy - We need to have information on the demographics of people who borrow and those who are holding the debt. The income distribution of those who hold the debt looks different than that of those who borrow. Who are they now as they try to repay, and not just who were they when they borrowed?

- Bob - Made a note to get to Patrick some resources for disaggregated data on debt holders that my colleague has found through a census source. We are still determining the quality. Don't know if it allows for some state specific analysis.
- Lande - Student debt impacting the state. There has been an assumption that a number of students hold debt and that it prevents them from being able to purchase home, especially in CA where the housing cost is high. Curious about what we can understand about relationship between holding debt (some positive aspects and some negative ones) and ability to purchase a home over time. That might affect how we think about stable communities and what that means for people developing roots and having a longer-term tax base. Debt to degree completion as well.
- Patrick - A set of study that discussed how student debt affects entrepreneurship and ability to start businesses. YI had some reports on this.

IV. Preliminary Environmental Scan

Elizabeth Salinas, HCM Strategists

- Reviewed key areas of student loan debt policy, based on a preliminary environmental scan that was also distributed as a handout
- Highlighted policy ideas and interventions that have emerged as recommendations, from the national research base
- Facilitated discussion with the Workgroup. Key takeaways from the discussion:
 - Patrick - CSAC updated SEARS survey in 2019. Another area of student debt is the use of credit cards. Some of the information is shocking. Getting ready to come out with a SEARS brief. Student loans might not be quick and expedient to get, but credit cards are. The balances that students carry month after month are significant. It seems like using grant aid pay for tuition and then not necessarily properly using longer term student loan debt to cover some of their basic needs issues. Would be remiss to only focus on student loans. Need to look at all sources of funding. The proper pecking order (grant aid 1st, long term student loans 2nd, and then credit cards and emergency loans).
 - Catalina - Early awareness and early information. Earlier FAFSA info was the start of that work. Spent time cross-walking curriculum an standards what's required in Econ classes. Can we shift that to focus on first 4 years out of high school? Can we align that with the curriculum? 60% of our students are low-income or qualify for FRPL, their institutions are depending on K12 to provide this info. This is already a grad requirement, so can we modify the curriculum? Can we be getting deeper on finding a way to create a module or track outcome data for students who completed that curriculum and their outcomes.
 - Bob - Underscore Patrick's and Catalina's points. Broader context of what's happening to our population. Whether they are going to college. Of those who go to college, how many are borrowing. Data we've been shown is average of

people who borrowed. A lot of people don't borrow. Sometimes that is a positive, but it might be that they are engaging inadequately in college. Making sure that we are aware of that context or in the absence of data, we are reminding ourselves of the context we don't have.

- Sandy - In addition to providing information, students need info in advance about where to go and what to study. A lot of problematic student loan debt is for-profit rather than community colleges. They are enrolling in programs that won't provide good outcomes. Regulations around that to help students make better choices where they are more likely to succeed.
- Lande - Extent to which we are thinking of the solutions at the level of the borrower vs institution vs policy. There are things we can do such as increase information or student. Don't want to put everything at the foot of students. What are the different points of interventions
- Chris - Can we create a comprehensive calculator to be used to guidance counselors? There are various models out there. Can we look at those solutions?

V. Workgroup Planning

Juana H. Sánchez, HCM Strategists

- Reviewed Workgroup norms and presented proposed meeting schedule (distributed as a handout)
- Feedback from the Workgroup included:
 - Patrick - Want to set the dates of the meetings and set the topics for the meetings. We will want to gather resources ourselves and from members and invite 3-4 of them in to share what they know and what policy recommendations they might have for any particular area. A lot of this work has been done elsewhere so we should leverage what has been done. Goal is to for each meeting to bring experts in, discuss to see if it is something to include in the report. And begin collecting recommendations that can be refined between now and September. Have begun drafting some of those.
 - Bob - From Chat: I suggest making Issue Area #1 a bit broader, incorporating Sandy's point about guidance when students are choosing colleges. So maybe a broader "pre-college" framing. (I am not a fan of the "financial literacy" terminology, btw). It's more than just understanding finance. It creates the impression that they lack basic math skills, but it is so much more difficult than that.
 - Sandy - We need to talk about the regulatory area. It's regulating loan services, institutions and programs, etc. It's not just how to help students navigate the students but how do we change the system that they have to navigate. Regulatory issues around institutions and programs is earlier in the programs

- Bob - It might be a good frame for every meeting. Is this a student-level, regulatory-level, etc.?
- Lande - As we think about regulatory options and what can happen with servicers that we are clear about what we can do at the state policy level and what will be up to the federal level. I like the idea of asking those regulatory questions at each meeting to have a lens for examining each of the issue areas.
- Lande - Question: How much in advance of August 23 meeting do you anticipate we will have the report and be able to review that and coming together on the 23rd to ratify it. What happens between July 5 and August 23?
- Martha - The goal is to come out of July 5 meeting with a sense of the recommendations and outline for the report.
- Hal - Each meeting is a defined subject matter within the picture, can we aim to summarize at the end of each meeting on where we have consensus on recommendations so it's not hanging until the end. What's the channel if we have thoughts to get to the group.
- Patrick - As we go through the meetings, we can summarize at the end the recommendations that we move forward with. We should begin to develop the list as we go along and review it at the beginning of the next meeting. That way what comes out of the July meeting is not a surprise. We should also be mindful about public comment on the report.
- Juana - One example is, around financial literacy is not the right terminology. Recommendations on putting onus on institutions rather than student. Another next step is to do a survey to assess availability versus doing different doodle polls for each of the meetings.
- Juana - If there are resources available that we can integrate into our agenda, please send those to us.
- Patrick - Katie Lynne will send out links to set up meeting schedule. We will be in contact between meetings to ask for recommendations.

VI. **Closing & Next Steps**

Patrick Perry, CSAC

- Announced next steps on scheduling for December 2020 meeting
- Announced CSAC website where meeting agendas will be posted:
<https://www.csac.ca.gov/california-student-loan-and-debt-service-review-workgroup>
- Meeting adjourned at 9:40 am