California Student Loan and Debt Service Review Workgroup
Draft 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.[1]"*

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 selected by CSAC based on their expertise in private, state and public loan programs. 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, Next Gen California *(Public Member)*

Commencing in fall 2020, the Workgroup met regularly to review the relevant research, identify strategies and policy interventions to address student loan debt and assess the evidence of impact and associated fiscal costs of these ideas. 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

[1] AB-89 Budget Act of 2020

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 predatory for-profit institutions or take on debt but do not complete a credential.

UNDERSTANDING STUDENT DEBT

The burden of student loan debt is a national and state concern. There are more than 45 million borrowers nationwide who collectively owe $1.7 trillion in student loans.[2] Over the last 15 years, the average student debt grew and even outpaced inflation in 18 states.[3] Additionally, The Institute for College Access & Success (TICAS) found that the average student debt for Bachelor's degree earners grew by about 56 percent between 2004 and 2019, from $18,550 to $28,950.[4]

While these numbers and trends are effective at capturing the attention of policymakers, they have little value in guiding 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.

It should also be acknowledged that not all student debt is bad and there are benefits to student borrowing that should be considered in the context of policy solutions and interventions. Borrowing can enhance access and choice for students in terms of the type and level of degrees they pursue and the institution they attend. In this context, borrowing for education should be seen as an investment, with benefits and returns such as sustained employment and higher earnings. Further, there is evidence that borrowing can have positive effects on student academic performance and outcomes.[5] 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 particular populations and circumstances. Rather, it reinforces the need for a more nuanced understanding of student debt that can inform a more targeted and effective policy response.

Who Holds Debt

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

[3] 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/

[4] Debbie Cochrane, (Presentation to the California Student Loan and Debt Service Review Workgroup, The Institute for College Access & Success, December 10, 2020)

[5] Benjamin Marx & Leslie Turner, "The Benefits of Borrowing," Education Next, Higher Education, State Policy Vol. 19, No. 1.

Student borrowing and loan debt must be placed in the context of who goes to college in the first place. Access to college 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.[6] 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.

These differences in access to college and levels of attainment have implications for who holds student debt. Because of the inequities, the majority of student loan debt is held by individuals in higher income brackets and by those with at least a Bachelor's degree.[7] In fact, in 2019, 56 percent of student loan debt was held by households with a master's or professional degree.[8] Consequently, a higher share of student loan debt is held by higher income households.

In California, there are nearly 4 million borrowers who collectively owe a total of $147 billion in student loans with an average debt of $38,530.[9] Similar to national trends, 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.[10]

Disparities in Student Borrowing

Despite most debt being held by individuals from higher income backgrounds and those with higher degree levels (and higher salary returns), there are inequities that need to be understood to help identify the fairest and most equitable federal and state policy interventions and solutions.

While Black students are less likely to go to college and less likely to stay enrolled in college, those who do earn a Bachelor's degree take on significantly higher levels of debt compared to Bachelor's degree earners from other racial and ethnic backgrounds. Only 14 percent of Black Bachelor's degree earners graduate with no debt, compared to 30 percent of white, 33 percent of Latino, and 41 percent of Asian Bachelor's degree earners.[11] More concerning is the level of debt Black Bachelor's degree earners hold. In 2015-16, 21 percent of Black Bachelor's degree graduates accumulated over $50,000 in debt on the path to their

[6] Sandy Baum & Adam Looney, "Who Holds Student Debt? Who Struggles with Student Debt," California Student Aid Commission [Presentation], December 2020.
[7] Sandy Baum & Adam Looney, "Who Holds Student Debt? Who Struggles with Student Debt," California Student Aid Commission [Presentation], December 2020,
[8] Sandy Baum & Adam Looney, "Who Holds Student Debt? Who Struggles with Student Debt," California Student Aid Commission [Presentation], December 2020,
[9] "Why Borrowers Matter, State by State," The Student Borrower Protection Center, March 23, 2020, https://protectborrowers.org/why-borrowers-matter-state-by-state/
[10] Debbie Cochrane, (Presentation to the California Student Loan and Debt Service Review Workgroup, The Institute for College Access & Success, December 10, 2020)
[11] Sandy Baum & Adam Looney, "Who Holds Student Debt? Who Struggles with Student Debt," California Student Aid Commission [Presentation], December 2020.

degree, compared to 10 percent of white, 7 percent of Hispanic and 6 percent of Asian Bachelor's degree holders.[12]

These national trends play out similarly for Black students in California. Despite the state's good marks on affordability and the low-levels of overall debt for Bachelor's degree recipients in California, low-income and Black students are more likely to graduate with debt. Three-quarters of Black graduates from CSU and two-thirds of Black graduates from UC graduated with debt, compared to half of all graduates in each of these segments.[13]

Additionally, there are disparities across gender. Females hold nearly two-thirds of the national student loan debt, and 41 percent of female undergraduates take on student debt in comparison to 35 percent of male undergraduates.[14] Single mothers who earn an undergraduate education have an average of $4,800 more student debt than women without dependents.[15] Among all borrowers, Black women accrue the most student loan debt in their undergraduate education than any other group, with an average debt of $37,558.[16]

The type of institution a student attends also has effects on the levels of debt accumulated. Individuals who attend for-profit institutions face particular challenges. First, students attending these institutions are much more likely to accumulate debt. Nationally, 83 percent of for-profit graduates have student loan debt.[17] Additionally, debt levels are higher for students that attend these institutions compared to public and private non-profit institutions. For-profit students accrue more debt per year than the public sectors: roughly $8,000 per year at for-profits, compared to $4,700 in community colleges and $7,000 in four-year public institutions.[18] 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.[19] The for-profit student loan debt challenge is especially concerning considering that for-profit schools enroll a disproportionate amount of Black and Latinx students, single mothers, and military-connected students.[20] Among California schools,

[12] Sandy Baum & Adam Looney, "Who Holds Student Debt? Who Struggles with Student Debt," California Student Aid Commission [Presentation], December 2020.

[13] Debbie Cochrane, (Presentation to the California Student Loan and Debt Service Review Workgroup, The Institute for College Access & Success, December 10, 2020)

[14] "Deeper in Debt: Women and Student Loans in the Time of COVID," American Association of University Women (AAUW), https://www.aauw.org/app/uploads/2020/05/Deeper_In_Debt_FINAL.pdf

[15] "Single Mothers in College: Growing Enrollment, Financial Challenges, and the Benefits of Attainment," Institute for Women's Policy Research, (September 2017), https://iwpr.org/iwpr-issues/student-parent-success-initiative/single-mothers-in-college-growing-enrollment-financial-challenges-and-the-benefits-of-attainment/

[16] AAUW, "Deeper in Debt."

[17] TICAS, "Student Debt."

[18] 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/

[19] Sandy Baum & Adam Looney, "Who Holds Student Debt? Who Struggles with Student Debt," California Student Aid Commission [Presentation], December 2020.

[20] Riegg Cellini, "The alarming rise."; TICAS, "Student Debt."

California for-profits enroll only 8 percent of undergraduate students, but 18 percent of Black undergraduates.

Who Struggles to Repay
Due to the inequities in access to college and inequities in who must borrow to achieve different levels of educational attainment, individuals that hold higher levels of debt - those with graduate and professional degrees - are often not the individuals most likely to struggle to repay their debt. In fact, nearly two-thirds of defaults come from individuals with less than $10,000 in debt. These challenges to repay are linked to postsecondary completion status, the type of degree completed and the type of school attended. Small debts can have disparate impacts on individuals based on the backgrounds they come from and the correlated leves of education they achieve.

One of the leading factors associated with challenges to make payments and high rates of default is completion status. 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 degree. After 1-year, 5-years and 7-years of entering repayment status, non-completers are at least 20 percentage points less likely to be paying down their loans than completers.[21] This struggle to repay translates into default. Over a ten-year period from 2002-2012 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.[22] Non-completers are less likely to

The impacts of completion on ability to repay are connected to disparate repayment challenges for Black, Latino and other minoritized populations, low-income and individuals that attend for-profit institutions.

Of the Black students who began their undergraduate education in 2003-2004, roughly 50 percent had defaulted by 2016--up to 70 percent of this cohort is projected to default by 2024.[23] Default rates for Black borrowers remain higher than those for their peers across all types of higher education institutions.[24] And, on average, the median Black borrower still owes 95% of their original student debt balance after 20 years of starting college, while the median white borrower paid down almost 95% of their balance.[25] On average, the median Latino borrower still owes 83% of their initial student debt balance 12 years after starting college, while the median white borrower owes only 65% of their balance.[26] Additionally, females take about 2 years longer than men to repay student loans and are more likely to

[21] Michael Itzkowitz, "Want More Students to Pay Down Their Loans? Help Them Graduate," Third Way, August 8, 2018, accessed August 10, 2021.
[22] Based on analysis of Trends in Student Aid, 2015 Figure 14A.

[23] U.S. House of Representatives, "A $1.5 Trillion Crisis."
[24] 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/
[25] SBPC, "Disparate Debts."
[26] SBPC, "Disparate Debts."

struggle economically.[27] This can be linked to other factors, such as lower incomes for women and fields of study. There is a high proportion of Black female college graduates that struggle with student loans repayments (57%).[28] Lastly, Pell Grant recipient borrowers were more than twice as likely to struggle with repayments than those who weren't Pell Grant recipient borrowers.[29]

In California, neighborhoods of color are marginally 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 3 times higher than neighborhoods with the lowest percent of Black and Latinx residents.[30] Bay Area communities with the largest percentages of Black and Latinx residents had 19.9% of borrowers in delinquency and 15.3% of borrowers in default.[31] In Los Angeles, default rates in zip codes with high populations of color are double those in predominantly white zip codes.[32] Additionally, in Los Angeles, default rates in zip codes with high populations of color are double those in predominantly white zip codes.[33]

In addition to accumulating higher amounts of debt, borrowers who attend a for-profit institution are more likely to struggle with repayment.[34] For-profits enroll only 10% of students but account for half of loan defaults.[35] Additionally, 15.6% of student borrowers who attended a private, for-profit college default within the first year of repayment, and 48% of borrowers who attended a for-profit college default within 12 years.[36] Many for-profit students struggle to repay their debt because they don't complete their programs or they face challenges to attain a job.[37]

For California based for-profit schools, student borrowers that default or are struggling with repayment are disproportionately from 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 colleges (despite making up only 8

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27 "Fast Facts: Women & Student Debt," American Association of University Women (AAUW), aauw.org/resources/article/fast-facts-student-debt/
28 AAUW, "Deeper in Debt."
29 TICAS, "Student Debt."
30 SBPC, "Disparate Debts."
31 SBPC, "Disparate Debts."
32 "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
33 "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
34 TICAS, "Student Debt."
35 Riegg Cellini, "The alarming rise."
36 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/
37 TICAS, "Student Debt."

percent of overall college enrollment).[38] Another way to look at this is where students are at highest risk of having debts they can not pay. Based on an analysis conducted by TICAS, there are 60 California colleges where the majority of students need to take out loans to attend and then once they enter repayment most students are unable to make principal-reducing payments. Fifty-four of these 60 institutions are for-profit colleges.[39]

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. While most of the student loan debt is held by individuals and households with higher levels of educational attainment and higher incomes, there are still many borrowers that struggle with student loan payments. In many cases, 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 critical repayment relief. This understanding can help inform the effects of different strategies on reducing debt burden for the most vulnerable and affected populations.

The federal government plays the largest role in administering student loans and managing and governing policies related to student debt and repayment. There are several programs in place at the federal level that are meant to alleviate debt burden for individuals that are not able to make payments or for those borrowers that have been harmed by the student loan or postsecondary system. These programs include:

- **Income Driven Repayment (IDR)[40]**: This program significantly reduces the amounts low-income students have to pay and fully forgives loan debt after 20 or 25 years of repayment. Borrowers with incomes at or below 150% of the poverty level have $0 payments. Borrowers with incomes in excess of 150% of the poverty line make payments at 10% of discretionary income. Only one-third of borrowers are currently enrolled in the program. The nearly one million students defaulting on loans each year indicates there is room to improve access and enrollment in IDR.
- **Public Service Loan Forgiveness (PSLF)[41]**: This program forgives debt for individuals that work for a qualified employer, such as a non-profit or state, local or federal agency after the individuals have made 120 months of payment. 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.[42]

[38] Debbie Cochrane, (Presentation to the California Student Loan and Debt Service Review Workgroup, The Institute for College Access & Success, December 10, 2020)
[39] Debbie Cochrane, (Presentation to the California Student Loan and Debt Service Review Workgroup, The Institute for College Access & Success, December 10, 2020)

[40] United States Department of Education, Income Driven Repayment
[41] United States Department of Education, Public Service Loan Forgiveness
[42] Debbie Cochrane, (Presentation to the California Student Loan and Debt Service Review Workgroup, The Institute for College Access & Success, December 10, 2020)

- **Closed School Discharges:** This program provides relief from student loans for borrowers whose school closes before or shortly after they graduate. While not targeted specifically to borrowers in for-profit schools, this program can provide relief for the higher incidence of school closure within this sector.
- **Borrower Defense Discharges:** This program protects borrowers whose schools misled them into enrolling (such as misled 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.[43] Many of these denials were do to relaxed oversight under the prior administration and steps have since been taking to alleviate the backlog and potentially redress denied claims.[44]

Recognizing that the federal government has several programs that borrowers can benefit from is an important context to understanding the state's role in addressing issues pertaining to student loan debt 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 and addressing gaps for specific students not supported by the federal system (notably undocumented students and borrowers).

Rather than duplicate federal programs, states can 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 in enhancing data 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 unmanageable debt.

There is also a critical role for the state to play in supporting those individuals and borrowers that 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.

[43] Debbie Cochrane, (Presentation to the California Student Loan and Debt Service Review Workgroup, The Institute for College Access & Success, December 10, 2020)
[44]https://www.marketwatch.com/story/90-of-borrowers-who-claim-they-were-scammed-by-their-schools-were-denied-relief-11616417936

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 to 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 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 of 2020, Governor Newsom signed several pieces of legislation to enhance consumer financial protections. This legislation included the California Consumer Protection Law (CCPL, AB 1864).[45] This legislation expands and renames the Department of Business Oversight (DBO) to the Department of Financial Protection and Innovation (DFPI), which will broaden consumer financial protections, increase transparency and accountability, and prevent business practices that harm vulnerable populations.[46]

In addition to the CPPL, California passed the Student Borrower Bill of Rights (SBBR, AB 376).[47] This legislation implements several protections and reforms focused on student loan servicers, including banning abusive practices, creating minimum standards for application of payments, focused protections for vulnerable populations, private right of action to enforce protections, and authorization for DFPI to collect better data about the servicing industry.[48] The SBBR also includes the establishment of a Student Borrower Ombudsman that can serve as a critical resource for student borrowers, charged with reviewing complaints, monitoring data and coordinating with state agencies on 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 oversight of California's private postsecondary institutions. Several pieces of legislation passed in 2019 affect the activities of BPPE and could enhance protections, including data collection on loan and income outcomes (AB 1340), requirements for out-of-state institutions to report if actions are taken against the institution (AB 1344), expanded definition of "economic loss" for Student Tuition Recovery Fund (AB 1346), and participation in the Cradle to Career data system development (AB 75).[49]

Cal Grant Reform & FAFSA Completion

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[45] California Consumer Protection Law, AB 1864, 2020.
[46] Department of Financial Innovation and Protection.
[47] Student Borrower Bill of Rights, AB 376, 2020.
[48] Presentation by Samantha Seng, NextGen, to the California Student Loan and Debt Service Review Workgroup on March 5, 2021.
[49] Bureau of Private Postsecondary Education, Sunset Review Report 2019 accessed July 25, 2021.

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

The 2021-22 State Budget included reforms to the state's Cal Grant program such providing 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 eliminates eligibility barriers based on age and time since high school graduation.[50] These reforms will result in more equitable and inclusive aid policies for students.

The budget also included requirements for districts to verify that students and families who don't opt out complete FAFSA and Dream Act applications. The legislation also requires districts to guide families to support services for completing these applications.[51]

Other Programs for College Affordability

There are several other programs that have been established to address various barriers to affordable college access for students. These include:

a. *California Student Opportunity and Access Programs (Cal-SOAP)[52]:* this long-standing program, administered by 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.
b. *Cash for College[53]*: this program is run by the California Student Aid Commission and provides support for students and families to complete the FAFSA or California Dream Act Application (CADAA) and Chafee Grant for Foster Youth applications. In Fall of 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.
c. *California Dream Loan[54]*: this program provides undocumented California students who meet requirments for the California Dream Act (which provides undocumented students access to private, 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 loans, but face a gap in financial need of $3,000 - $6,000 annually.

[50] California Student Aid Commission, "Student Aid Commission Praises Gov. Newsom and Legislature's Historic $255 Million Expansion of Cal Grant Access in 2021-22 State Budget Agreement," Press Release, July 13, 2021, accessed: July 25, 2021.
[51] AB 132, Postsecondary Education Trailer Bill, Senate Floor Analysis, 2020.
[52] California Student Aid Commission (CSAC), California Student Opportunity and Access Program, accessed: July 27, 2021.
[53] California Student Aid Commission (CSAC), Cash for College, accessed: July 27, 2021.
[54] SB 1210, California Dream Loan Program, Senate Floor Analysis, 2013-2014.

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

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 is on those individuals with debt and limited means to make repayment, the workgroup wanted to consider solutions and recommendations that can support individuals throughout their postsecondary experience. This includes providing support to prospective borrowers before they borrow, support and information while they are enrolled in postsecondary programs and assistance after they complete or leave a program. This multi-faceted approach is key to helping alleviate intergenerational effects of student loan debt and addressing the inequitable effects of debt across different populations.

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 have a core of common support needs but also require 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 are critical to provide before they decide to borrow.

In many cases, information on college costs and financing are 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.[55]

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

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

know if they did borrow or how much debt they have during college.[56] This points to the reality that information and support for students doesn'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.[57] This persistence and completion must be fostered 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 an estimated $150 billion in student debt, approximately 500,000 were behind on paying their loans prior to the COVID-19 pandemic.[58] The challenges to repay student loans have consequences that reach beyond education and in some cases can jeopardize longer-term financial security.[59]

Again there are particularly concerning implications for low-income borrowers 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.[60] Additionally, the implications of Black and Latinx 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 3 years.[61]

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 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

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

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[58] Suzanne Martindale and Michael McCauly, "California Governor Newsom signs student borrower protections into law," Consumer Reports, September 25, 2020, accessed July 22, 2021.

[59] 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.

[60]

[61] 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.

interventions presented to the workgroup can be found in Appendix D.

- **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?
- **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 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?
- **Political Feasibility:** What type and amount of support or opposition needs 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 X 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 include:

1. Creating a central state hub and network for borrower outreach and triaged borrower assistance.
2. Developing channels to strengthen prospective borrowers' understanding of available resources to finance their education, including student loans.
3. Prioritizing the availability of targeted, tailored and personalized information and support services.
4. Strengthening protections for borrowers.
5. Providing access to debt relief and forgiveness to undocumented borrowers.
6. Improving data collection, reporting and use around student loan borrowing and debt.

Recommendation 1. Creating a central state hub and network for borrower outreach and triaged borrower assistance. *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.[62]

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 a centralized state hub for information that houses data and information and leverages existing partners, including community-based and legal aid service organizations, that can provide information, guidance and direct services when needed. New York's Education Debt Consumer Assistance Program (EDCAP) is one such example of this approach.[63] This program, modeled off a similar program in the state - the Community Health Advocates program - is administered by the Community Service Society of New York and provides consumers with a triage of support from information and guidance on repayment options to more intensive interventions around default and legal services .[64]

Some components to consider for a potential 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 particular 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 offer assistance and case management based on the complexity of their case. If capacity exists, the backbone organization that administers the program may 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, this organization may manage the outreach infrastructures established as part of the central hub, such as a central website, call center, email help line or mobile application software. The backbone organization may also identify and coordinate trusted partners in the state as well as legal service providers for borrower case management. Additionally, the backbone organization may 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.

- **A network of trusted partners and legal service providers to support the hub.** The backbone organization may identify and engage with trusted partners

[62] The Pew Charitable Trusts, "Personalized Interventions Hold Promise for Student Loan Borrowers at Risk of Delinquency, Default," January 2021, accessed, July 22, 2021.
[63] Presentation from
[64] Education Debt Consumer Assistance Program, "What We Do," accessed July 15, 2021.

across the state who may have high touchpoints with the types of borrowers who may benefit from the information and services provided via the central hub. Trusted partners may include community-based organizations and other non-profits 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 technical assistance as needed. Additionally, legal service providers may also offer case management to borrowers with more complex circumstances. The network of trusted partners and legal service providers may receive grant funding or other financial resources from 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 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 with a trusted partner in the network or with a legal services provider. A central database may be maintained by the backbone organization 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. Developing channels 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. 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.[65]

For example, some states have implemented high school finance standards 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

[65] A complete and detailed list of interventions proposed throughout workgroup deliberations can be found in Appendix D

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.[66] California is one of five states with no personal finance standard or requirement.[67] 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.[68]

Additionally, behavioral economics research provides insights into the factors that drive individuals to participate in certain programs or respond to incentives.[69] 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.[70] Importantly, this information is most effective when it is personalized and tailored to individuals.[71] 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 can 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.[72]

Transparency can also be advanced by standardizing financial aid terms, net price calculations and aid offer formats for colleges and universities. A review of financial aid

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[66] Christina Stoddard and Carly Urban, "The Effects of Mandated Financial Education on College Financing Choices", December 10, 2018.
[67] Council for Economic Education, "Economic and Personal Finance Education in our Nation's Schools, 2020 Survey of the States," https://www.councilforeconed.org/wp-content/uploads/2020/02/2020-Survey-of-the-States.pdf, accessed July 20, 2021
[68] 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.
[69] 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.
[70] 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.
[71] Adan, "How States Can Deliver"
[72] Adan, "How States Can Deliver"

award letters found a significant lack of consistency and transparency.[73] 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."[74] 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 Latinx 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[75], but there is a gap in access to counselors in schools serving predominantly low-income students and populations of color.[76] 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.[77]

Recommendation 3. Prioritizing 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.[78] Instead, intentional messaging with personalized information that is clear and easy to understand is needed. As noted, California can 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

[73] 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.
[74] Burd, et. al., "Decoding the Cost of College"
[75] 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-Income Students. Promising Models and A Call to Action." Executive Office of the President, January 2014.
[76] 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.
[77] Mary Kate Blake, "Other Duties as Assigned: The Ambiguous Role of the High School Counselor," Sociology of Education, June 10, 2020.
[78] Sara Adan, "How States Can Deliver a More Effective College Affordability Message," The Century Foundation, October 22, 2019.

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 who 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).[79] 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.[80]

Similarly, 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.[81] These models have several elements that states could learn from or leverage through partnership to expand access.

Recommendation 4. Strengthening 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 harm borrowers, particularly underprivileged populations.[82] 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 misleading information on eligibility for loan forgiveness through the Public Service Loan Forgiveness Program (PSLF).[83]

Several states 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 of these strategies, as well as enhanced authorities for the Department of Financial Protection and Innovation (DFPI) provide a critical opportunity to hold servicers accountable and support borrowers seeking to understand their options for repayment.

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[79] Christina Stoddard, California Student Loan and Debt Service Review Workgroup, January 21, 2021.
[80] https://www.signalvine.com/app/uploads/2018/07/Research-PromptingActiveChoiceAmongBorrowers.pdf
[81] Andrew Carr and Benjamin Castleman, "The Bottom Line on College Counseling," October 2017, accessed July 21, 2021.
[82] Congressional Research Service (CRS), "Federal and State Regulation of Student Loan Servicers, A Legal Overview," September 17, 2019, accessed July 22, 2021.
[83] CRS, "Federal and State Regulation"

In addition to the practices of student loan servicers, the private loan industry engages in aggressive and harmful collection practices.[84] These loans and the targeted collection practices of lenders have particularly harmful outcomes for Black and Latinx students, who are more likely to struggle in repayment on private debt.[85] Higher interest rates of these loans, fewer safeguards compared to federal student loans and no required default mitigation mean these loans can have devastating outcomes.[86] 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.[87] Pending legislation in California, AB 424, would provide numerous requirements for private lenders around debt collection practices. 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.[88]

Further, a lot of problematic student loan debt is accumulated by students attending for-profit institutions, and Black and Latinx 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 veterans.[89] As noted, due to poorer employment outcomes for students attending for-profit institutions (and dismal completion rates), students who take loans to attend these institutions are also more likely to end up in default.[90] There is a critical need for increasing oversight of these institutions, and shutting down avenues that incent predatory behavior. 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, particularly the 90/10 loophole for veterans, 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.[91]

As mentioned, DFPI and BPPE are well-positioned to play critical roles in ensuring

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84 Student Debt Crisis, "California Assemblymember Stone Introduces 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, August 7, 2020, accessed July 22, 2021.

86 Welbek, "How Private Loans."

87 Illinois HB 1351, 2017

88 Assembly Floor Analysis, AB 424

89 Robin Howarth and Lisa Stifler, "The Failings of Online For-Profit Colleges: Findings from Student Borrower Focus Groups," Brooking 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.

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91 Stephanie Hall, Ramond Curtis and Carrie Wofford, "What States Can Do to Protect Students from Predatory For-Profit Colleges," May 26, 2020, accessed July 20, 2021.

California's borrowers are well protected. Ensuring that DFPI and BPPE are able to leverage fully and effectively their oversight, tools and resources to protect borrowers is essential. This includes DFPI's newly expanded oversight, including fully implementing the Student Borrower 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, student loan debt relief companies and for-profit colleges.[92]

Recommendation 5. Filling gaps in federal loan access and relief, particularly for undocumented students.

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 colleges and universities.[93] This was followed in 2011 when undocumented students were deemed eligible for state financial aid and/or California college and university institutional aid. Despite these provisions, undocumented students still faced barriers in affordable access to California State University and University of California institutions. In 2014, in response to these continued barriers, the state established the California DREAM Loan to fill a gap in undocumented student's access to loans as a means to finance their education.[94] 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.

Currently, CSU and 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 ensure 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 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. This has resulted in reduced program funds for students.

California can sustain its efforts to support undocumented borrowers. This includes 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 the University of California and California State University to provide more robust reporting to understand who is

[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.

accessing the loan program, their financial needs and college outcomes; and providing more robust awareness and outreach to DREAM Loan borrowers through partnership between DFPI and institutions to ensure borrowers understand the programs parameters and repayment requirements.

Recommendation 6. Improving 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 is 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.).[95] 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.

Relevant student loan data should be integrated into the state's Cradle-to-Career system as it continues in development. In a February 2021 report, the Institute for College Access & Success' elevates three student debt metrics to strengthen higher education accountability: debt-to-discretionary earnings, earnings net of debt payments and repayment rate.[96] Other student loan outcome indicators (e.g., loan amounts, characteristics of borrowers, default, labor market outcomes, etc.) can be obtained from the National Student Loan Data System and leveraged to carry out targeted outreach to borrowers.[97]

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.[98] Indeed, understanding the

[95] As presented by Dr. Rajeev Darolia, University of Kentucky to the California Student Loan and Debt Service Review Workgroup, May 24, 2021.
[96] The Institute for College Access & Success, "A Policymaker's Guide to Using New Student Debt Metrics to Strengthen Higher Education Accountability," February 2021, Accessed July 15, 2021.
[97] Adam Looney and Constantine Yannelis, "A crisis in student loans? How changes in the characteristics of borrowers and in the institutions they attended contributed to rising loan defaults" online appendix, Fall 2015, Accessed July 28, 2021.
[98] Student Borrower Protection Center and Credit Builders Alliance, "Data Point: The Secret Price of Student Debt," May 2020, Accessed July 28, 2021

full impacts of student loan debt on individuals' lives is critical.[99] Therefore, state leaders should also prioritize analyzing other outcomes such as those related to health, labor market, housing, civic participation and social support systems.

CONCLUSION

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 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.

Date	***Meeting Topic(s)***	***Meeting Objectives***
October 28, 2020	Introduction (Workgroup charge and environmental scan)	– Refine workgroup charge and establish workgroup norms – Begin to assess the landscape and student loan research and trends
December 10, 2020	Background Research	– Build shared understanding of the existing body of research on student loan debt, including the available data disaggregated by student institutional characteristics. – Establish evaluative criteria for workgroup to use in assessing possible policy recommendations. – Review the updated meeting schedule and revise topics, as needed.

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

January 21, 2021	Issue Area #1: Early Outreach and Education	− Understand the available research on early outreach and education practices that empower students and families in making informed borrowing decisions. − Begin to identify possible policy recommendations and ideas for state intervention and discuss those recommendations against the Workgroup's established evaluative criteria. − Review the Workgroup's meeting schedule and revise topics, as needed.
March 5, 2021	Issue Area #2: Student Persistence and Borrower Protection	− Understand which groups of California borrowers experience high rates of adverse outcomes, either prior to postsecondary attainment or after completion. −Understand the unique challenges affecting undocumented immigrant borrowers in the state-managed Dream Loan program. − Begin to identify possible policy recommendations and ideas for state interventions, to vet against the Workgroup's established evaluative criteria. − Review the Workgroup's meeting schedule and revise topics, as needed.
April 15, 2021	Issue Area #3: Loan Repayment and Debt Forgiveness	− Understand the Biden administration's priorities for federal student loan support and

		debt forgiveness. − Identify where gaps exist within federal loan repayment policies and programs. − Identify where further state action may complement federal efforts and/or unique opportunities for California to support vulnerable borrowers with repayment or debt forgiveness. − Begin to identify possible policy recommendations and ideas for state interventions, to vet against the Workgroup's established evaluative criteria.
May 24, 2021	Issue Area #4: Data Sharing and Employer Repayment Assistance	− Review progress on draft recommendations and discuss upcoming processes for public review and comment periods. − Identify interventions that utilize data sharing to target support to borrowers, as well as strategies to engage employers in borrower repayment assistance. − Learn directly from California borrower experiences, concerns and priorities.
July 7, 2021	Review Policy Interventions to Date	− Review policy interventions to date against evaluative criteria. − Identify remaining questions and additional information needed to help inform which interventions will become recommendations. − Approve report outline.

August 4, 2021	Identify Final Recommendations	– Approve final recommendations and draft report.
August 25, 2021	Report Review and Approval	– Approve final report and prepare for its submission to the legislature.

Appendix B: Presenters

HCM Strategists, with the support of The California Student Aid Commission 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
Christoper 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 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.