

## **CA Student Loan & Debt Service Review Workgroup**

January 21, 2021

11am – 2pm PST

### **Workgroup Attendees**

Dr. Lande Ajose  
Office of Governor Gavin Newsom

Chris Ferguson  
California Department of Finance

Dr. Sandy Baum\*  
Urban Institute

Hal Geiogue  
Scholarshare Investment Board

Catalina Cifuentes  
California Student Aid Commission

Bob Shireman\*  
The Century Foundation

Dr. Jamillah Moore  
California Student Aid Commission

\*Member of the Public

### **Facilitators, Presenters, and Support**

Dr. Christina Stoddard  
Montana State University

Melissa Bardo  
California Student Aid Commission

Dr. Sara Adan  
Education Research Expert

Martha Snyder  
HCM Strategists

Jaclyn Piñero  
uAspire

Juana H. Sánchez  
HCM Strategists

Jacob DuMez  
San Francisco Office of Financial  
Empowerment

Katie Lynne Morton  
HCM Strategists

Patrick Perry  
California Student Aid Commission

Elizabeth Salinas  
HCM Strategists

## Meeting Notes

Welcome

*Patrick Perry, CSAC*

- Meeting objectives
- Meeting agenda
- Housekeeping announcements

Public Comment

*Juana Sanchez, HCM Strategists*

- Benjamin Blevins, SSCCC
- Samantha Seng, NextGen California
- Lauren Valles, UCSA and UCLA Student
- Marcos Montes, SoCAL CAN
- Tyler Wu, uAspire
- Cody Hounanian, Student Debt Crisis
- Mahmoud Zahriya, Young Invincibles

Expert Panel: Best Practices in Early Outreach and Education

*Martha Snyder, HCM Strategists (Moderator); Dr. Christina 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*

- Overview by Dr. Christina Stoddard
  - Low income, high ability students are less likely to enroll ("too little" borrowing from some).
  - Big drop-off in low-income high school students completing FAFSA applications in light of COVID-19.
  - Financing college is complicated (students must decide where to attend, whether to work, how many credits to take, what major to pursue, whether or how much to borrow).
  - Financing education is often the first complex financial decisions young adults make.
  - Financial "mistakes" are more common for younger adults.
  - FAFSA and the borrowing process are confusing.
  - Most information about student loans online is focused on repayment.
  - Research focused on:
    - Financial education requirements in high school
      - Robust education in high school has robust impacts. Students are more likely to apply for aid.
        - Students with EFC above the median are less likely to take out private loans and more likely to receive subsidized loans.

- Students with EFC below the median are more likely to get grants and less likely to work during school.
  - Targeted financial information (letters) for high borrowers in college.
    - Students borrowed less the following semester. There was a slight increase in retention rate.
- Overview by Dr. Sara Adan
  - Financial aid and college cost information gaps are present. Students overestimate 65% and the cost of a four-year college by 65%. Their parents overestimate by 80% percent. Students overestimate the cost of a two-year college by 240% and their parents overestimate by 155%.
  - Sending personalized cost estimates using existing data:
    - FTB sends CSAC income data from tax returns.
    - Data needed: name, adjusted gross income, number of dependents, address, email.
  - Adding question to tax return provides the consent mechanism so legislation would not be required.
  - This method doesn't capture families with incomes so low that do not need to file taxes, but data from other public benefits such as CalFresh or FRPL can be leveraged.
  - Recommendation: Require colleges to share net price calculator code to import information on tuition and non-tuition costs.
    - There is no standard methodology for non-tuition costs, so using average costs is a viable option.
  - Personalized Letter Components
    - Statistic for the share of families with similar incomes
    - Overview of aid they might be eligible for
    - Tuition and fees for colleges nearby
    - Average non-tuition costs
    - Net price for families with similar incomes
    - Disclaimer
  - Information is needed as early as 7<sup>th</sup> grade but no later than 9<sup>th</sup> grade. Students need time to become academically prepared and eligible.
  - Outreach to undocumented families in a way that helps foster trust is key.
  - The branding for letters needs to be a trusted and recognizable source. It can be perceived as fraudulent if it is not a trusted source. Perhaps focus groups can help inform this.
- Overview by Jaclyn Piñero
  - Nearly 1 in 3 college students in CA report a challenge like food or housing insecurity that affects their ability to achieve their degree.
  - Average debt levels for CA has grown by 35 percentage points between 2004 and 2019.
  - Three-pronged impact strategy:
    - Advise high school and college students
      - SFOUSD partnership to work with students and help them navigate the process beginning in 11<sup>th</sup> grade.
    - Train school counselors and program staff
      - Technical assistance can help increase and scale capacity.
    - Advance policy and systems change

- How do we navigate the financial aid systems so that we put the maximum amount dollars (federal, state, institutional) in students' pockets?
  - Focus on FAFSA completion instead of FAFSA submission.
  - Students need assistance to compare different award letters because of inconsistencies across award offers.
  - In college years 1-3, uAspire supports students with renewal of FAFSA, SAP, understanding loan amount and burden.
  - Data sharing agreements between organizations like uAspire and institutions helps deepen the approach.
  - Counselor training helps ensure students receive consistent information regardless of who is advising them.
  - California state work involves standardizing financial aid terms and aid offer formats for California's colleges and universities.
  - Dramatically. Increase financial aid application completion
  - Protect, streamline, and strengthen the Cal Grant.
  - Simplify the California Dream Act application and expand access to financial aid for undocumented students.
  - Increase access to public benefits for students
  - Streamline transfer pathways
- Overview by Jacob DuMez
  - Percent of San Francisco borrowers who have defaulted since 2003 increased drastically through 2018. There is a lot of variation across ZIP codes.
  - Who is most at risk? Low-income, Black and brown communities
  - 1 in 6 Bay Area borrowers have defaulted at least once since 2003.
  - San Francisco Fed has an online tool that allows users to examine key metrics with characteristic overlays (race, ethnicity, income, etc.)
  - Debt Strategies include:
    - Free legal advice and assistance.
    - Training for frontline staff.
    - Supporting policy (Borrower Bill of Rights, for-profit oversight, DFPI).
    - IDR; and
    - College affordability counseling.
      - Different from a standard workshop
      - There is little to no support in San Francisco to navigate these processes
      - There are capacity and cost issues that prevent counselors to provide more robust supports
      - Cash for College workshops are great but do not provide 1:1 trust partnership opportunity that is needed.
      - There are no centralized efforts across the state.
      - There is a wide variety of the extent to which counselors in different schools engage or would be able to engage in this kind of work.
      - There is a concern that talking about student debt will scare students from applying.

- A virtual model is the reality right now, but a hybrid approach seems important to build 1:1 trusted relationship.
  - These resources and supports should be targeted to Black students, Latinx students, first-generation students, and low-income students.
- Panel Q&A
  - Key themes across panelists:
    - Targeted approaches
    - Using data that already exists
    - Leveraging partners
    - Training counselors
    - The importance of specificity
  - Catalina Cifuentes
    - Counselor training had not been updated in a long time and previously did not include college affordability. Now it requires 150 hours.
    - How are we reaching out to graduate schools of education to ensure counselor training is done well?
    - In Michigan, credentials need to be renewed every 3 years and doing so requires specific training.
    - AB2015 requires FAFSA and financial information before 12<sup>th</sup> grade. This is rolling out this fall.
    - When we explore the curriculum, this is typically just "financial literacy" but not "college affordability." It is up to local decisions to determine what information is shared with students. Information about how to buy a house is different from information about how to survive the first two years out of high school.
  - Martha Snyder
    - Is there any specificity in the states that were highlighted?
      - Dr. Stoddard: Older state financial education mandates do not have as much of an impact. Texas provides a lot of specificity on what needs to be taught to students.
  - Jaclyn Piñero
    - The handoff is critical. Figuring out how the pieces stack together is important. We have more we can give to students with what is in place now, but what is lacking is a collaborative intent.
  - Jacob DuMez
    - Handouts and workshops may have short-term gains, but longer term impacts requires 1:1 partnerships and counseling.
  - Lande Ajose
    - Is the notion that students are borrowing "too little" relative to actual costs?
      - Dr. Stoddard: Sometimes we frame that students should borrow less. We don't want to scare students off with that, however. Perhaps some students are not enrolling because they are high ability but are scared of loans.
    - When we think about providing information early enough so students can get their academics to track. Would the information dissemination be done in intervals? 2 years? 3 years? 5 years? Do they check the box whenever a family wants to?

- Sara Adan: 5 years too far. Perhaps it is every year. Incomes do change over time. Providing annual updates could be useful. There are some administrative burdens, but every year is needed.
- There was mention that legislation would not be required for the tax data, but would we need an MOU? Is this an administrative or regulation effort?
  - Sara Adan: Having the questions put on the tax form alleviates the need for legislative action. There would just be the administrative aspect, such as getting MOUs together. Most organizations already have infrastructures in place to share data in a secure manner.
- Regarding the data sharing agreements, are those are for K12 or on the PS side as well? What is the ideal?
  - Jaclyn Piñero: Those are for K12. There are very high level conversations that have happened for partnering with local institutions, but it is difficult to move that conversation forward. There is a need for leadership to see the value of those data sharing agreements.
- Regarding the long-term effects of counseling, what does "cultural competency" look like in this case? Different communities are comfortable at different levels for borrowing for different types of borrowing. How do we think about that?
  - Jacob DuMez: A lot of it has to do with who is delivering the message and the education to those communities.
- Bob Shireman
  - The college understands the context and can provide the information about what can work for them. The danger might be that the college is so focused on getting the student to enroll, so it might not give students the best advice.
- Lande Ajose
  - Standardizing tools and strategies is key. There is a lot of confusion about why it's okay to borrow in one instance and not in another.

## CSAC Early Outreach Programs

*Catalina Mistler, CSAC*

- Cal SOAP
  - Partner with other intersegmental outreach programs
  - Host Cash for College workshops for high school seniors and families
  - Have explored expanding to include more financial literacy and college affordability supports.
  - Lesson learned from NY example: A screen popup alerted students that they were about to accept a loan as part of their financial aid package.
- Cash for College and Train the Trainer Programs
  - Free financial aid workshops to help students complete FAFSA and CADAA

- Targeted to high school seniors, with some encouragement for younger siblings and families to attend.
- Free webinar trainings open to community partners, school administrators and others who want to help students and their families complete FAFSA/CADAA.
- CSAC Statewide Financial Aid Training
  - Free financial aid webinar trainings for high school counselors and other community partners.
  - Provide information on Cal Grant, Middle Class Scholarship, Chafee Grant and other updated information based on changes and new programs.
- Steps to College, College Fairs, Black College Expo
  - Partner with organizations to host Cash for College workshops
  - Student loan and borrower information might be lacking.
- GEAR UP Scholarshare Trust Awards
- Child Savings Account Programs
  - New programs for CSAC to administer
- Direct Communications to Students
  - Communication to high school seniors who are awarded a preliminary Cal Grant High School Entitlement Award in the fall
  - Follow up with high school students who have not yet submitted a FAFSA or CADAA.
  - CSAC call center takes up to 100,000 calls from students and families to answer questions.
- Opportunities for Earlier Engagement
  - Collect information from high schools for all grade levels to provide financial aid information earlier to families and students.
  - Partner with CDE to include financial aid information to families at the beginning of the school year when parent packets are sent home.
  - Create an early FAFSA/CADAA for families to allow middle and early high school students to apply and see what they could be eligible for, including information about student borrowing.
  - Expanding Cash for College
- If we could collect information from high schools for all grade levels, that could greatly help with getting earlier information to students. The platform already exists to expand providing information to students.

Workgroup Discussion: Policy Recommendations

*Martha Snyder, HCM Strategists*

- Draft policy recommendations elevated throughout this meeting:

#	General Recommendation	Detail	Comments
1	<i>All CA high school seniors should be required to fill out FAFSA/CADAA</i>	<ul style="list-style-type: none"> <li>HS Districts required to certify students have submitted (completed?) FAFSA/CADAA</li> </ul>	<ul style="list-style-type: none"> <li>Not a HS grad requirement</li> <li>Will need support <u>structures</u></li> <li>What other "wrap" support should State provide with this requirement?</li> </ul>
2	<i>CA to have a financial education requirement in high school curriculum</i>	<ul style="list-style-type: none"> <li>Is this the same as AB2015? Expand and focus the use of Ab2015 structures around financial literacy</li> </ul>	<ul style="list-style-type: none"> <li>Strong focus on college financing vs overall personal finance</li> <li>Specific curriculum (TX)</li> </ul>
3	<i>Early college targeting of high amount borrowers</i>	<ul style="list-style-type: none"> <li>Identify early borrowers of high amounts and counsel them, direct them to resources</li> </ul>	<ul style="list-style-type: none"> <li>Likely for colleges, easily <u>identified</u></li> <li>Campus financial planners? External?</li> </ul>
4	<i>Personalized cost estimates on costs/affordability, tailored to income levels</i>	<ul style="list-style-type: none"> <li>Target 6-8 grades and moving forward, periodic messaging estimating resources likely available to similar families/incomes</li> </ul>	<ul style="list-style-type: none"> <li>Many HS's already do this for A-G tracking, likelihood of college <u>acceptance</u></li> <li>Use of FTB data match? Opt-in?</li> <li>Bill to <u>authorize</u>?</li> <li>Combine with social services data/free/reduced lunch data to capture non-filers</li> </ul>
5	<i>Share data on standardized net prices for various income levels</i>	<ul style="list-style-type: none"> <li>Used in personalized letter or central location?</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>
6	<i>1:1 Virtualized affordability counseling</i>	<ul style="list-style-type: none"> <li>11<sup>th</sup>-12<sup>th</sup> grade, first 3 yrs in college, provide caseload managed. 1:1 virtualized individual support structure</li> </ul>	<ul style="list-style-type: none"> <li>Located where? Who best to provide? K-12 district, college, <u>Stasta</u>, local municipality, nonprofit, all? How does this scale?</li> </ul>
7	<i>School Counselor Training</i>	<ul style="list-style-type: none"> <li>Embed in new certification requirements/150 hours/PPS standards requirement</li> </ul>	<ul style="list-style-type: none"> <li>Who provides standardized curriculum?</li> </ul>
8	<i>Child Savings Account</i>	<ul style="list-style-type: none"> <li>Expand and market use of CSA's</li> </ul>	<ul style="list-style-type: none"> <li>Statewide initiative? Seed money provided by State?</li> </ul>
9	<i>Expand Cash for College programming</i>	<ul style="list-style-type: none"> <li>Start with workshops in middle school</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>

- Discussion
  - Recommendation 1
    - This is currently in draft legislation. It is a huge leap forward and hopefully it will stay in the budget.
    - What are other supports needed?
  - Recommendation 2
    - AB2015 requires FAFSA info to be given to students before 12<sup>th</sup> grade. It is not comprehensive.
    - It is important to note and be clear on exemptions for students. A strong focus on college is better than only focusing on personal finances. You don't have to leave that out, but there is a need to focus more on college. We can pull from other state examples, like Texas.
    - Standardized changes to curriculum can be a big process. For the "do-ability" of this recommendation, that is a consideration. It's not impossible, but it can be a big effort.
    - "Financial literacy" is considered pretty old-fashioned language. Something like "financial capability" captures more of the ability and opportunity to act. Another definition is "the capacity, based on knowledge, skills, and access, to manage financial resources effectively."
    - Readiness guides are sent home to families that outline whether students are ready for college. Those are already sent out, but there is nothing about financial eligibility/ or something that would be comparable for finance to give families that information.
  - Recommendation 3



- How would a student qualify for this? We provide grants to the entities, and they establish the accounts. There are different types of accounts at each of the entities. We fund them, and they establish their programs. The fund is \$10 million this year, and this is funded by the state.
  - Can this be used as an incentive and structured with financial training?
  - \$25 million in place for a universal account does not go far enough. The infrastructure is there for a universal CSA.
  - CSA coalition is poised to coordinate across entities.
- Recommendation 9
  - Focus on students in middle school, community colleges (e.g., transfer students).
- Recommendation 10
  - Create an early FAFSA or CADAA application.
  - How to bridge the gap and involve IHEs?
    - That is sorely needed. Currently, there is only an online portal training that students go through to receive information. It's not very helpful and not effective.
- A lot of these recommendations are about how we get to students and give them a message. What is the message? We need to decide as a state what the message will be and what the priority list looks like for how to finance education. What does that distinct and uniform message look like?

## Closing Announcements

*Patrick Perry, CSAC*

- Upcoming meeting schedule