

# CSAC



CALIFORNIA  
**STUDENT AID**  
COMMISSION

# California Student Loan Debt Service Review Workgroup Update

March 10, 2021

Patrick Perry, CSAC  
&  
HCM Strategists

# Agenda

- Background Context
- Overview of California Student Loan & Debt Review Workgroup
  - Members
  - Meetings to date
  - Remaining meeting topics
- Evaluative Framework
- Next Steps

## National Context

- **45 million Americans** with student loan debt
- Total amount of debt has doubled in past decade, and now stands at **\$1.68 trillion** outstanding debt nationally
- Average debt amount for Class of 2019 is **\$30,062** but research shows higher rates for certain vulnerable subgroups
- **1-in-4 borrowers** is behind on their loans and every 26 seconds, another borrower defaults on a federal student loan

# Student Loan Debt in California

## California by the Numbers

|   |                  |
|---|------------------|
| Total # of Borrowers                          | 3,819,700        |
| Total Outstanding Student Loan Debt           | \$147.17 billion |
| Average Student Loan Debt                     | \$38,530.01      |
| Total # of Borrowers Delinquent or in Default | 508,020          |
| Total Delinquent Debt                         | \$14.2 billion   |

*Source: Student Borrower Protection Center, March 2020*

## Examining Loans & Debt in Context of Equity

- Student loans **can be an important tool** for students to finance their education
- **Most debt is held by higher-income individuals/households** who have graduate/professional degrees.
- Need to understand **inequitable effects of loan practices and debt on the most vulnerable populations**: Black, Latinx and undocumented immigrants, low-income Californians and those who start but don't complete.

## Understanding & Addressing the Challenges

Possible problems and gaps that produce inequities include:

- **Lack of information** on options *before* they enroll and borrow
- **Limited support** to better understand differences between loan products (e.g., public vs. private) and determining how much to take out
- **Difficulty in navigating** repayment options
- **Insufficient assistance** when borrowers become delinquent
- **Challenges at for-profit institutions**

## Impact of Student Loan Debt

Borrowers who struggle to repay their student loan debt may experience adverse ripple effects:

- Lower credit score
- Difficulty clearing employer background checks
- Difficulty securing rental leases
- Access to other types of credit (e.g., car loans, business loans, home mortgages)
- Garnishment of wages
- Ability to save (including for retirement)

*Source: B. Patel Shrimali, J. DuMez and S. Abbi, April 2019*



## Legislative Charge

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

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

The Budget Act also defined the Workgroup’s composition, requiring representation from DOF, CSAC and the Scholarshare Investment Board, along with three members of the public with “expertise in private, state and public loan programs.”

## Workgroup Members

Dr. Lande Ajose, Office of Governor Gavin Newsom

Dr. Sandy Baum\*, Urban Institute

Catalina Cifuentes, California Student Aid Commission

Dr. Jamillah Moore\*, California Student Aid Commission

Chris Ferguson, California Department of Finance

Hal Geiogoue, Scholarshare Investment Board

Bob Shireman\*, The Century Foundation

*\*Member of the Public*

## Meetings to Date

| Date   | Meeting Topic  | Objectives   |
|--|--|--|
| <b>October 28, 2020</b><br>8:00 am - 10:00 am  | Introduction (e.g., workgroup charge, norms)                       | <ul style="list-style-type: none"> <li>• Refine workgroup charge and establish workgroup norms</li> <li>• Begin to assess the landscape and student loan research and trends</li> </ul>  |
| <b>December 10, 2020</b><br>8:00 am - 11:00 am | Background Research (e.g., debt levels by student characteristics) | <ul style="list-style-type: none"> <li>• Understanding of research on student loan debt; available data disaggregated by student and institutional characteristics</li> <li>• Establish evaluative criteria for assessing policy recommendations</li> <li>• Finalize topics of interest for further study</li> </ul> |

## Meetings to Date

| Date  | Meeting Topic   | Objectives   |
|---|---|--|
| <b>January 21, 2021</b><br>11:00 am – 2:00 pm | Issue Area #1: Early Education & Outreach                 | <ul style="list-style-type: none"> <li>• Understand early outreach and education practices that empower students and families in making informed borrowing decision</li> <li>• Identify possible policy recommendations</li> </ul>   |
| <b>March 5, 2021</b><br>8:00 am – 11:00 am    | Issue Area #2: Student Persistence & Borrower Protections | <ul style="list-style-type: none"> <li>• Understand which CA borrowers experience high rates of adverse outcomes, either prior to attainment or after completion</li> <li>• Understand the challenges affecting undocumented borrowers in the state-mandated Dream Loan program</li> <li>• Identify possible policy recommendations</li> </ul> |

## Upcoming Meetings

| Date                                      | Meeting Topic   | Objectives  |
|---|---|---|
| <b>April 15, 2021</b><br>8:00 - 11:00 am  | Issue Area #3: Loan repayment and debt forgiveness                      | <ul style="list-style-type: none"> <li>Analyze existing evidence and identify possible policy recommendations of interest</li> </ul>                              |
| <b>May 24, 2021</b><br>10:00 - 1:00 pm    | Issue Area #4: Private sector strategies, employer repayment assistance | <ul style="list-style-type: none"> <li>Analyze existing evidence and identify possible policy recommendations of interest</li> </ul>                              |
| <b>July 7, 2021</b><br>10:00 - 1:00 pm    | Identify Final Recommendations  | <ul style="list-style-type: none"> <li>Review policy recommendations against evaluative criteria and approve final set</li> <li>Approve report outline</li> </ul> |
| <b>August 25, 2021</b><br>10:00 - 1:00 pm | Report Review and Approval  | <ul style="list-style-type: none"> <li>Approve final report and prepare for its submittal to the legislature</li> </ul>   |

## Engaging Experts and Stakeholders

HCM & CSAC are actively engaging stakeholder groups and experts along the way to plan meeting agendas, identify topics/speakers, and present content to the Workgroup.

- **Policy research organizations and issue area experts:** Urban Institute; Public Policy Institute of California (PPIC); Dr. Christiana Stoddard, Montana State University; Sara Adan, Independent Consultant; Professor Dalié Jiménez, UC Irvine School of Law
- **Consumer protection groups:** Consumer Reports, Student Borrower Protection Center, Student Debt Crisis
- **Advocacy organizations:** NextGen Policy, TICAS, Young Invincibles
- **Legal Aid & Direct Service Organizations:** Bay Area Legal Aid, uAspire, Western Center on Law & Poverty
- **State and local government agencies:** CSAC, CA Department of Financial Protection and Innovation, City and County of San Francisco Office of Financial Empowerment

# Evaluative Criteria

| Criterion                          | Questions to Ask   |
|------------------------------------|--|
| <b>Administrative feasibility</b>  | Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so? |
| <b>Cost and cost effectiveness</b> | How much would this intervention cost to implement? What is the return on investment that we expect?                                       |
| <b>Effectiveness</b>               | Will this intervention address systemic challenges in order to positively affect the outcomes we care about? By how much?                  |
| <b>Equity</b>                      | Does this intervention provide more equitable outcomes for CA borrowers? Does it target the groups that most need resources/support?       |
| <b>Fairness</b>                    | Does the design of this intervention provide equal access, consideration or opportunity to different groups that we care about?            |
| <b>Political feasibility</b>       | Will this intervention be met with strong opposition? Would the legislature have the political will to act?                                |
| <b>Procedural efficiency</b>       | Would this intervention improve upon a current process or policy that we identified as being onerous for borrowers?                        |
| <b>Sustainability</b>              | How likely would it be to sustain this intervention in the long-term?  |

# Evaluation Framework

| <b>Recommendation:</b> Provide personalized cost estimates on college costs and affordability tailored by income levels.  |  |   |
|---|--|---|
| <b>Detail:</b> <ul style="list-style-type: none"> <li>This effort would target grades 6-8 and moving forward and provide periodic messaging that estimates resources likely available to similar families and incomes</li> </ul>  |  |   |
| <b>Workgroup Comments/Questions:</b> <ul style="list-style-type: none"> <li>High school districts may already be notifying students and families of likelihood of college acceptance, based on A-G tracking.</li> <li>College Promise programs also partner with K12 to provide early “admit letters.”</li> </ul> |  |   |
| <b>Existing Examples:</b> <ul style="list-style-type: none"> <li>Sample outreach letter from Sara Adan</li> </ul>   |  |   |
| Criterion   | Guiding Questions  | Assessment and Rationale  |
| <b>Administrative feasibility</b>   | Who would have the power to implement this intervention (e.g., CSAC, IHEs) and do they have the existing organizational capacity to do so? | <ul style="list-style-type: none"> <li>CSAC could leverage existing data to provide personalized cost estimates to California's students.</li> <li>A question can be added to California tax return that asks residents to consent to having their income information used to provide them with information about how to pay for college. Adding this consent questions helps alleviate the need for legislative action. There would still be an administrative component to implement, such as ensuring the proper MOUs are in place.</li> <li>FTB sends CSAC income data from Tax Return</li> <li>Data needed from individual includes name, adjusted gross income, number of dependent exemptions, address, and email</li> <li>Data needed from colleges include net price calculator code so that the information on tuition and non-tuition costs (such as books, rent, and food) can be imported.</li> </ul>                  |
| <b>Cost and cost effectiveness</b>  | How much would this intervention cost to implement? What is the return on investment that we expect?                                       | <ul style="list-style-type: none"> <li><b>Need: Connect with Sara Adan to inquire about cost of implementing this strategy.</b></li> </ul>  |
| <b>Effectiveness</b>  | Will this intervention address systemic challenges in order to positively affect the outcomes we care about? By how much?                  | <ul style="list-style-type: none"> <li><b>Need: Connect with Sara Adan for additional outcomes data on personalized letters to students.</b></li> <li>Studies show that providing financial aid information to eighth graders increased their enrollment in college preparatory classes.<sup>1</sup></li> <li>In California, enough aid is available at public four-year institutions to make the net price lower for low-income students to attend a University of California school than a community college. But almost half of students who do not fill out a FAFSA state that they believe they will not qualify for financial aid or are not eligible to complete a FAFSA. As a result, students leave potentially billions of dollars of aid on the table: one study projected that Pell-eligible high school graduates left \$2.3 billion in federal aid unutilized due to not completing the FAFSA.<sup>2</sup></li> </ul> |
| <b>Equity</b>   | Does this intervention provide more equitable outcomes for CA borrowers? Does it target the groups that most need resources/support?       | <ul style="list-style-type: none"> <li>One limitation of this approach is that it would miss the poorest families who are not required to file a tax return. However, data from Free and Reduced Priced Lunch program can be used as a supplement.</li> </ul>   |



## Next Steps

