June 22, 2021

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

RE: Written Comments to the Policy Interventions Presented to Date

Dear Workgroup Members,

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

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

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

Policy Intervention 2 and 14 - Create a central state hub for borrower outreach. (page 6 and 27)
We greatly encourage the creation of a central state hub for borrower outreach. There is currently no state program that solely supports those with student loans. Student borrowers in repayment must fend for themselves to find out the information they need as they earnestly aim to pay off their debt. Student loan servicers are contracted by the Department of Education and are supposed to provide quality service to borrowers but instead time and time again servicing errors have been at the heart of the student debt crisis.[1] California can and should fill this void and provide a central hub of trusted information and resources to borrowers in addition to the consumer protections that address servicer errors.

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

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

"Real About Student Loans[2]" campaign could help drive borrowers back to the central hub and connect with the appropriate resources and services provided by the network of partners.

Local assistance grants from the central hub could fund training and time for local counselors and legal services providers, to help borrowers manage student debt. These grants could be given to cities and/or nonprofits with established infrastructure to provide student debt counseling, help borrowers get into the most appropriate repayment plans, such as income-based repayment, and direct borrowers to legal services when necessary. The accountability and effectiveness of these grants should track both the amount of student debt and savings as a result of this counseling. Engaging with student loan facilitation software partners (Policy Intervention 16) could help with scaling up this model to provide direct supportive services to borrowers across the state.

Policy Intervention 3 - Ensure consistency across institution provided loan entrance counseling for first time borrowers. (page 8)
Not only should student loan entrance counseling for first time borrowers be consistent but it should also be meaningful. A simple email or letter in the mail does not provide the level of detail and explanation necessary for prospective student loan borrowers to understand the long-lasting financial implications of taking out a student loan. Further, reporting on how institutions are providing this counseling is needed to ensure accountability and efficiency. Currently federal student loans require an exit notification when a student is leaving their higher education institution and is entering the grace period. Exiting students' experiences vary greatly and in some cases this exit notification doesn't take place at all. Consistency and meaningful exit information about beneficial loan repayment options and loan forgiveness programs is also needed, and the information provided should align with the information provided across the lifecycle of the loan.[3]

Policy Interventions 4 - Embed outreach activities within FAFSA for All efforts and 17 - Require all California high school districts to certify that their seniors completed a FAFSA or CADAA. (page 9 and 31)
In 2018 California ranked 30th in the nation for FAFSA completion - far too many students do not apply for financial aid, leaving millions of dollars of financial aid untouched. A recent EdSource report found that in a year after the COVID-19 outbreak, FAFSA completion rates in California decreased by 11% and CADAA by 45%. Students should utilize all federal and state financial aid funds available to them before considering taking out private student loans from banks and lenders. Private student loans lack the protections offered to federal student loans including, affordable repayment plans, loan forgiveness programs, loan default rehabilitation, and others. These differences are not widely-known but can have long-term consequences for students and families who lean on private student loans instead of less-risky federal loans. We greatly support state efforts that enable students to apply for financial aid funds.

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[2] See https://www1.nyc.gov/site/dca/media/Be-Real-About-Student-Loans-Campaign.page.
[3] See the Consumer Financial Protection Bureau "Student Loan Payback Playbook" as an example, accessed here: https://www.consumerfinance.gov/payback-playbook/

Policy Intervention 7 - Leverage nonprofit employers to provide information about student loan forgiveness options. (page 15)
Support the intervention as part of the central hub model, partnering with CalNonprofits and other large public service organizations with current content that could be utilized.

Policy Intervention 12 - Leverage Cal-SOAP to provide students with financing education. (page 22)
We support updating the Cal-SOAP program, specifically with a focus on expanding on education provided about student loans. Frequently, financial aid workshops simply mention student loans as an option without further details that are critical to ensure students understand the basics of navigating the loan system. Such details should include the differences between federal and private loans, subsidized and unsubsidized loans, the impact of default on credit scores and financial well-being, differences between deferment and forbearance, and the need to plan early for repayment and loan forgiveness programs.

Policy Interventions 13 - Provide expanded legal services and counseling following school closures through the Department of Financial Protection and Innovation (DFPI) and 22 - Require loan servicers to provide better information to borrowers on income driven repayment (IDR) and support borrowers in enrolling in IDR plans. (page 25 and 40)
In 2020 the California Consumer Financial Protection Law (CCFPL) established the DFPI with expansive oversight powers. In the same year, the passage of AB 376 The Student Borrower Bill of Rights by Assemblymember Mark Stone specifically created the Student Loan Ombudsman position at DFPI, among many other consumer protections for student loan borrowers. The Student Loan Ombudsman will receive and review student loan borrower complaints and have the authority to investigate these complaints and refer them accordingly with DOJ and BPPE. To fulfill this policy intervention we support full state investment for the Student Loan Ombudsman position at DFPI to coordinate with DOJ and BPPE to support borrowers following a school closure. Additionally, this intervention could leverage the central hub model to partner with legal aid organizations and other community based organizations supporting borrowers that have had their school shut down by providing local assistance grants to these organizations. Fully funding the implementation of AB 376 would ensure DFPI can play its role in ensuring loan servicers are properly providing information and quality service to student borrowers.

Policy Interventions 19 - Expand oversight over private loans and new financial products and 23 - Support implementation of AB 424: Private Student Loan Collections Reform Act. (page 35 and 41)
We strongly support policy interventions 19 and 23 to support the passage of AB 424 (Stone) the Private Student Loan Collections Reform Act this year. The bill is critically important in providing basic consumer protections to student borrowers with private student loans, as hundreds of thousands of student loan borrowers in California are falling victim to predatory debt collection practices. Large out-of-state debt collectors are exploiting gaps in consumer protection law in an attempt to illegally garnish borrowers' wages and leave them on the hook for faulty debts. AB 424 would end these abusive practices.

Additionally, DFPI through the CCFPL and the Student Borrower Bill of Rights has expansive regulatory and oversight powers over new financial products and new market monitoring duties. Through its market monitoring responsibilities, DFPI can compel data from student loan servicers to watch for risks to consumers and closely scrutinize the practices of all companies that provide debt or credit to students and families paying for college.

Policy Intervention 20 - Adopt the Cal Grant Equity Initiative to reduce eligibility gaps that are sometimes filled with loans. (page 37)
The Cal Grant Equity Framework developed by the California Student Aid Commission (CSAC) and as presented in AB 1456 (Medina) would reform and streamline the Cal Grant state financial aid program. These reforms meet the needs of today's student population by removing outdated eligibility barriers such as age and time since high school graduation. Simplifying the Cal Grant program will make it easier for students and their families to access state aid and with state investment the Cal Grant Equity Framework will open up state financial aid eligibility to nearly 200,000 more students. Expanding and removing barriers to financial aid is a key step in preventing students from needing to take out student loans - we support this policy intervention.

Policy Intervention 21 - Address institutional transcript withholding practices. (page 39)
We support this policy intervention and urge the Workgroup to expand on existing law. AB 1313 passed in 2019 preventing institutional withholding of transcripts for debt collection purposes. California saw fit to prevent the cycle of debt as withholding transcripts can be a barrier to students gaining employment or furthering their education. For just the same reasons the state should further prohibit the withholding of diplomas or degrees for the purposes of debt collection and work collaboratively with California's public colleges to determine how to best alleviate the financial burden imposed on current and former students by unpaid debts owed to institutions

Policy Intervention 27 - Improve research and data sharing to better understand disparate impacts on borrowers, including integrating with Cradle-to-Career. (page 47)
We support this policy intervention and also suggest the following for additional data sources. Public higher education institutions must report to the National Student Loan Data System and can access student loan data. This data can be reported to the state to do targeted outreach to current borrowers before they leave college. The state should invest in financial aid offices and collect this information from the three public segments of the state's higher education system. The state can also allow researchers to gain anonymized access to large administrative data sets, including state tax records and financial aid information, in order to study and better understand the life-long effects of student debt on California borrowers and their families.

Policy Intervention 28 - Identify state's labor market needs and explore state "nudge" programs that provide student loan relief for certain fields or programs. (page 49)
We support this policy intervention and suggest that additionally, the state as an employer can provide information to state workers about the benefits of public service loan forgiveness. As part of a central hub for student borrowers model, the state can provide assistance to employees by providing state level workshops, and make minor changes to state level

processes to help ensure state employees access the right repayment plans or public service loan forgiveness.

Further, California Community College faculty currently receive vital information about beneficial student loan repayment and forgiveness options thanks to the passage of AB 463 (2019) and the same outreach should be extended to faculty at the California State University and University of California campuses.

Policy Intervention 29 - Strengthen the way in which the California Dream Loan Program is administered, including replenishing loan funds and improving reporting by systems and campuses. (page 50)
We strongly support this policy intervention as further data collection and robust reporting is needed to understand which students are being served and if the goals of the program are being met. During the pandemic many undocumented students experienced job loss and other financial stressors as well - taking care of family, lack of affordability for school materials and high speed internet. The California Dream Loan Program (Program) needs to be replenished and the current cohort of students need options for student loan forgiveness. The Program is meant to parity federal student loans so beneficial repayment options and loan forgiveness should be equally applied for our undocumented students striving to attain higher education.

When buried in student loans, borrowers may face depression, career dissatisfaction, delayed marriage or home-ownership, and many more mental health burdens. Student debt has also continued a cycle of systemic racial injustice as student borrowers of color are disproportionately impacted by the student debt crisis. The promise of higher education has been stolen by crippling student debt and so we thank the Workgroup for their efforts to find equitable and effective solutions to help student borrowers. We urge the Workgroup to focus especially on those nearly 4 million Californians who are currently in repayment and need support with their debt now. Thank you for the opportunity to provide public comment and for your consideration.

Sincerely,

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