Student Borrower Struggles & How Schools Can Help

Stephanie Sampedro | Student Loan Advocate
Washington Student Achievement Council
WSAC’S MISSION

We advance educational opportunities and attainment in Washington State.

- Policy and research
- Savings and financial aid programs
- Access and support programs
- Consumer protection
WORKSHOP OUTCOMES

- Understand the student loan landscape nationally
- Which students are struggling & with what issues
- What does student debt look like in WA?
- Two institution examples
- Opportunities to help student borrowers
- Resources for further learning
UNDERSTANDING THE STUDENT LOAN LANDSCAPE NATIONALLY
TOTAL FEDERAL AND NONFEDERAL LOANS IN 2017 DOLLARS SINCE 97-98

TRENDS.COLLEGEBOARD.ORG

Figure 6: Total Federal and Nonfederal Loans in 2017 Dollars by Type, 1997-98 to 2017-18

Download Data in Excel
DISTRIBUTION OF BORROWERS AND DEBT BY OUTSTANDING BALANCE

TRENDS.COLLEGEBOARD.ORG
PRIVATE LOANS
WHICH STUDENTS ARE STRUGGLING & WITH WHAT ISSUES
BORROWING BY ETHNICITY

Share of BA Recipients with Student Loan Debt in 2016, by Race/Ethnicity

- White: 69%
- Black: 85%
- Hispanic/Latino: 66%
- Asian: 45%

Average Debt for BA Recipients with Loans in 2016, by Race/Ethnicity

- White: $30,100
- Black: $34,000
- Hispanic/Latino: $25,450
- Asian: $25,450

Quick Facts about Student Debt – TICAS, April 2019
BORROWERS AT-RISK OF DEFAULT

Who are Defaulted Borrowers?

- 65% Income below twice the federal poverty line
- 51% Have dependent child
- 20% Single parent
- 40% Independent
- 47% First-generation
- 45% Attended for-profit school
- 33% Black
- 52% <$10k total federal undergraduate debt
- 49% Did not complete program

Calculations by TICAS using the U.S. Department of Education’s Beginning Postsecondary Students Longitudinal Study (BPS), which follows undergraduate students who enrolled in college for the first time in 2005-06 and tracks their academic outcomes through 2008-09 and whether they default on their federal student loans within 12 years of entering college. Calculations only include those who borrowed federal loans and represent the share of non-defaulters and defaulter. All differences are statistically significant.

Causalities of college debt – TICAS, June 2019
## DEBT DISPARITIES

<table>
<thead>
<tr>
<th>Race/Ethnicity and Gender</th>
<th>Median Ratio of Original Balance Still Owed on Federal Loans, 12 Years after Beginning College</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
<td>80%</td>
</tr>
<tr>
<td><strong>Race/Ethnicity and Gender</strong></td>
<td></td>
</tr>
<tr>
<td>American Indian or Alaska Native</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>N/A</td>
</tr>
<tr>
<td>Female</td>
<td>98%</td>
</tr>
<tr>
<td>Asian</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>45%</td>
</tr>
<tr>
<td>Female</td>
<td>47%</td>
</tr>
<tr>
<td>Black or African American</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>111%</td>
</tr>
<tr>
<td>Female</td>
<td>113%</td>
</tr>
<tr>
<td>Hispanic or Latino</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>79%</td>
</tr>
<tr>
<td>Female</td>
<td>86%</td>
</tr>
<tr>
<td>White</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>56%</td>
</tr>
<tr>
<td>Female</td>
<td>72%</td>
</tr>
<tr>
<td>More than one race</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>76%</td>
</tr>
<tr>
<td>Female</td>
<td>80%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age When Entering College</th>
<th>Median Ratio of Original Balance Still Owed on Federal Loans, 12 Years after Beginning College</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 or younger</td>
<td>74%</td>
</tr>
<tr>
<td>19</td>
<td>73%</td>
</tr>
<tr>
<td>20-23</td>
<td>95%</td>
</tr>
<tr>
<td>24-29</td>
<td>99%</td>
</tr>
<tr>
<td>30 or older</td>
<td>97%</td>
</tr>
</tbody>
</table>

Source: Calculations from U.S. Department of Education, National Center for Education Statistics, 2003-04 Beginning Postsecondary Students Longitudinal Study: Second Follow-up (IPS3/0409). Data unsuitable for Pacific Islander, Hawaiian, or American Indian borrowers. Data unsuitable for Native Hawaiians or American Indian male borrowers due to sample size or unstable estimates. Rates include those who have fully paid off federal loans.
STUDENT DEBT IS WIDENING THE RACIAL WEALTH GAP

Figure 1: 20 years after starting college typical Black borrower still owes 95% of debt, typical White student owes just 6%

Cumulative amount borrowed over 20 years

Total debt owed after 20 years

$20,000

$19,500  5% decrease

$16,300  94% decrease

$18,500  Black

$1,000  White

Data Source: Authors' calculations of Beginning Postsecondary Students (BPS) survey, BPS: 96/2001 cohort.
NY FEDERAL RESERVE BANK

Increasing burden on household balance sheets

Change in household debt (2008-2018)

-1%  58%  4%  152%  8%
Mortgage  HE Revolving  Auto Loan  Credit Card  Student Loan  Other  Total
WHAT DOES STUDENT DEBT LOOK LIKE IN WA?
STUDENT DEBT IN WASHINGTON

750,000+ student loan borrowers

$25.5 billion outstanding student debt

$33,842 average student debt

96,589 borrowers in delinquency

$2.57 billion in delinquency

36% increase in senior citizens w/debt
## BORROWING IN WA BY DOLLAR AMOUNT

<table>
<thead>
<tr>
<th>Borrower balance</th>
<th>Borrowers (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$5K</td>
<td>120.2</td>
</tr>
<tr>
<td>$5K to $10K</td>
<td>129.5</td>
</tr>
<tr>
<td>$10K to $20K</td>
<td>162.7</td>
</tr>
<tr>
<td>$20K to $40K</td>
<td>160.7</td>
</tr>
<tr>
<td>$40K to $60K</td>
<td>68.5</td>
</tr>
<tr>
<td>$60K to $80K</td>
<td>40.1</td>
</tr>
<tr>
<td>$80K to $100K</td>
<td>21.0</td>
</tr>
<tr>
<td>$100K to $200K</td>
<td>36.2</td>
</tr>
<tr>
<td>$200K+</td>
<td>14.7</td>
</tr>
</tbody>
</table>
BORROWER ISSUES IN WA

Top Borrower Complaint subjects

- Discharge/Forgiveness
- Closed School Discharge
- Third Party Modification Co.
- AI Seattle
- PSLF
- Borrower Defense to Repayment
INSTITUTIONAL EXAMPLES
Partnered w/ TICAS to track repayment & default
• They learned non-completers, independent students, & certain programs of study had higher default rates

Observation: Students accepted everything listed on their award letter

Solution: Offer what is reasonable for most students to borrow, and offer tools & information on borrowing more
• Offer all sub loans up front
• Provide notice of unsub availability
• Provide tools to inform borrowing decisions
LCC UNSUBSIDIZED LOAN REQUEST FORM

- Lists average debt for bachelor’s degree
  - Suggests borrowing half of that

- Chart of borrowing & repayment scenarios
  - Lists salaries w/standard repayment

- Guides students to NSLDS
  - Assists w/ projecting future borrowing

- NEVER used as a mechanism to deny loans

- Reduced unsub borrowing by 49% in year one!
<table>
<thead>
<tr>
<th>Understand struggling borrowers</th>
<th>Provide support accordingly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographics</td>
<td>Spread awareness on campus</td>
</tr>
<tr>
<td>Program of study</td>
<td>When do you need a high-touch approach?</td>
</tr>
<tr>
<td>Part-time or full-time</td>
<td>Automate where it’s most effective</td>
</tr>
<tr>
<td>Completers vs. non-completers</td>
<td>Redesign processes from a decision architecture perspective</td>
</tr>
<tr>
<td>First-generation</td>
<td>Outsource as appropriate</td>
</tr>
<tr>
<td>Language barriers</td>
<td></td>
</tr>
</tbody>
</table>
WAYNE STATE UNIVERSITY – DETROIT, MI

- Created the Warrior Way Back program in 2018
  - Debt forgiveness program for students who have stopped out & have an institutional debt
  - Offers students an opportunity to “learn” their way out of debt owed to WSU
  - Addresses the inability to use future financial aid for past due balances
  - Transcripts are no longer held

- Qualifications
  - Undergrads who stopped out for two or more years
  - Cumulative GPA of 2.0 of higher
  - Owe $1,500 or less
  - Complete the FAFSA
WARRIOR WAY BACK PROGRAM REQUIREMENTS

“C” or better in each class

2.5 semester GPA

Continuously enroll in three out of four semesters

Take coursework required for graduation

Meet all account balance and financial aid requirements

Must meet with an academic advisor to create graduation plan & meet with the advisor 2x per term

Must sign a program term and conditions document
WARRIOR WAY BACK OUTCOMES

Total enrollment = 142 students
- Students can start with any semester
- 20 students have graduated & 10 more will graduate in December

ROI over $300,000
- Used the Institute for Higher Education Policy ROI calculator

Majority of students have high financial need, are students of color & adults

Students pay down debt to become eligible

Students are referring friends and family to WWB
- Has generated organic, positive press in the community

Serves as a model to other schools
OPPORTUNITIES TO HELP STUDENT BORROWERS
CONSIDER RE-EXAMINING AWARD LETTERS

- **Separate loans**
  - Make it clear that they are borrowing
  - Ensure you’re using the same language for loans
  - Differentiate Parent PLUS loans from student aid

- **Make it easy to borrow less**
  - Consider not awarding unsub loan up front – depending on your school

- **Include info about current debt**
  - Help student make more informed decisions

- **Give info at relevant time**
  - Not too early
  - Repeat information
  - Not after they’ve made a decision

- **Target support & resources**
  - Determine which student populations are the most at-risk and provide more resources and supports to them
STUDENT LOAN/DEBT AWARENESS

- Federal aid vs. private loans
  - Are students exhausting all aid options before private loans?

- Scams vs. federal servicers
  - Third party modification is a growing industry
  - Send notification to students who are scheduled to graduate/transfer

- Getting out of default
  - Can be a barrier for returning students
  - Provide a resource for students & a space for them to contact the collection company

- Work with the ROTC/veterans office on your campus
  - Veterans have specific benefits when it comes to student loans
  - Students who enter active service after borrowing have benefits
TALK TO YOUR CAMPUS ABOUT STUDENTS & DEBT

- Student debt affects a student’s education – collaborate with other departments on campus to education borrowers
  - Education – PSLF & TLF
    - Other departments where graduates may work in the public sector
  - Health Sciences – PSLF & Health Professional Loan Repayment Program
  - Math – Examples of calculating repayment of student loans, interest capitalization, deferment, IDR plans, forgiveness over time, etc.
  - Business/Personal Finance - Incorporate lessons about student debt repayment options

- When a school closes, see what your school can do to accommodate those students
  - Waiving residency requirements
  - Leveraging scholarship dollars
  - Tuition waivers opportunities
RESOURCES FOR FURTHER LEARNING
RESOURCES

- Repaying Student Loan Debt online presentation
- AG Student Loan Survival Guide
- CFPB (English/Español)
  - Choosing your loan
  - Borrower’s guide for public service employees
  - PSLF guide for employers
  - Your Money Your Goals
  - For Servicemembers: tackling student loan debt
COMPLAINTS

Make a complaint if servicer has done something unlawful

- WSAC: loanadvocate@wsac.wa.gov
- Attorney General’s office
- Department of Financial Institutions
- Consumer Financial Protection Bureau: consumerfinance.gov
- FSA Ombudsman: feedback.studentaid.ed.gov
- FTC: ftccomplaintassistant.gov/#crnt&panel1-1
- Servicer Ombudsman: Contact appropriate servicer
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