



Student Loan Advocate

2021 Legislative Report

Student Loan Advocate 2021 Legislative Report

Key Takeaways

More outreach is needed to communities of color

- Of the 119 borrowers who requested assistance from the Student Loan Advocate, only 43 identified as Black, Indigenous, and People of Color (BIPOC), mixed race, or mixed ethnicity.
- Outreach should be conducted with students and community organizations working with BIPOC borrowers to ensure they are aware of and feel comfortable reaching out to the Advocate.

Issues obtaining loan forgiveness is top complaint for WA borrowers

- Problems with Public Service Loan Forgiveness (PSLF) and Temporary Expanded Public Service Loan Forgiveness (TEPSLF) persist and prevent public service employees in WA from getting the loan forgiveness they were promised.

81 percent of student loan servicing in WA is for federal student loans

- Yet, Federal Student Aid has instructed these servicers not to provide our state with any information on the federal loan portfolio.
- State implementation of the Student Loan Bill of Rights is hindered by lack of cooperation by the U.S. Department of Education (ED).

More accountability is needed for federally contracted student loan collection agencies

- Borrowers struggle to receive adequate assistance from collection companies contracted by the ED and the SLA lacks contacts with the various collectors.
- This is a problem that will require assistance from ED to resolve.
- These are third party service providers to ED and there is not currently a state law that allows a state agency to supervise that activity.

Introduction

Nationally, student debt has doubled between 2009 and 2019 and is now hovering around \$1.7 trillion. According to the office of Federal Student Aid, there are over 770,000 borrowers in Washington state that hold a combined \$27.1 billion in federal student debt as of September 2020 (FSA 2020)¹. This outstanding debt has more than tripled since 2006 and student loans continue to be a necessity for families to afford higher education.²

¹ Office of Federal Student Aid, "Portfolio by Location," Office of Federal Student Aid, accessed December 11, 2020, <https://studentaid.gov/data-center/student/portfolio>.

² Oksana Leukhina. *On the Economy Blog* (blog) (Federal Reserve Bank of St. Louis, January 2020), <https://www.stlouisfed.org/on-the-economy/2020/january/rising-student-debt-great-recession>.

Student loan borrowers are struggling, and their debt presents an increasingly difficult barrier to their success and well-being. It is a costly burden to bear in pursuit of higher education, likely to worsen as a result of the economic depression from the pandemic, and as much research has pointed out, it is highly inequitable and punishing to communities of color.

As a report last year from the Institute on Assets and Social Policy pointed out, “Black students are more likely than their White peers to take on student debt, to take larger amount of loans”, and about half of all Black borrowers and a third of all Latinx borrowers default on their loans within 20 years of borrowing.³ It is a significant burden for Black borrowers to repay this debt. A report by Demos, found that the repayment disparity is severe for White and Black borrowers stating “the typical White male borrower has paid off 44 percent of his loan balance 12 years after beginning college, while the typical Black female borrower has seen her balance grow by an additional 13 percent”.⁴ The weight that student loan debt places on Black borrowers is at a crisis level and requires urgent attention.

The impact that student debt financing is having on borrowers of color is harmful and unsustainable. It is also widening the already significant racial wealth gap. The status quo of having students borrow tens of thousands of dollars to attain a degree is “creating a cumulative disadvantage for young student loan borrowers of color and sedimenting racial inequality into the next generation”.⁵ While student loans remain a necessity for many BIPOC families in the short term, we must continue to work to make college more affordable for these families. If BIPOC students borrow less because college is made more affordable to them, then the debt burden they experience will be less crushing and will decrease default rates and improve repayment.

The pandemic is likely to only exacerbate these inequities as people of color and working-class Americans have been the hardest hit by COVID-19 as well as the corresponding economic depression. Parent PLUS borrowers will also likely struggle to repay their debt as many Americans have lost income or jobs and there is no limit to what these parents can borrow. While the CARES Act provided much needed relief to some (but not all) student loan borrowers, when it expires at the end of January it will throw borrowers into deeper financial insecurity. A recent poll by the Pew Charitable Trusts estimates that in January as many as 9 million borrowers may reach out to their servicers for assistance. This comes at a time when these student loan servicing companies have faced challenges in operating support centers due to the pandemic and may have difficulty meeting this high demand.⁶

While federal policy action would be the quickest and most effective way to solve these massive issues with student debt, there are actions our state can take to influence the student loan servicing industry, reform higher education financing, and further protect borrowers in Washington.

³ Laura Sullivan et al., “Stalling Dreams: How Student Debt Is Disrupting Life Chances and Widening the Racial Wealth Gap,” September 2019, <https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/racial-wealth-gap/stallingdreams-how-student-debt-is-disrupting-lifechances.pdf>, 3.

⁴ Mark Huelsman, “Debt to Society: The Case for Bold, Equitable Student Loan Cancellation and Reform” (Demos, June 6, 2019), 2. <https://www.demos.org/sites/default/files/2019-06/Debt%20to%20Society.pdf>.

⁵ Sullivan, “Stalling Dreams”, 8.

⁶ Sarah Sattelmeyer, “Outreach From Borrowers Could Overwhelm Student Loan System When Pandemic Pauses End” (Pew Charitable Trusts, November 3, 2020), <https://www.pewtrusts.org/en/research-and-analysis/articles/2020/11/03/outreach-from-borrowers-could-overwhelm-student-loan-system-when-pandemic-pauses-end>.

Student Loan Bill of Rights Implementation

Three state agencies have been tasked with implementing this new law: the Washington Student Achievement Council (WSAC), the Department of Financial Institutions (DFI), and the Office of the Attorney General (ATG). These agencies meet quarterly to discuss ongoing borrower issues, emerging trends, and changes to federal and state laws. While these agencies work collaboratively to serve borrowers, where appropriate, their individual approach and implementation is described separately.

ATG

To date, the ATG's Consumer Protection Division received a total of 387 complaints involving student loan issues since June of 2018. Of these, 121 were filed in the second half of 2018; 177 were filed in 2019 and 89 complaints have been received so far this year. Of these student loan complaints, 28 concerned third party debt relief companies and the remainder involved student loan servicers. Thirty-three complaints have seen some level of resolution, 382 of the complaints were closed and there are currently five open and ongoing complaints. Eighty-five complaints were considered unresolved at the time of their closure, meaning the respondent, or servicer did not take the action request by the complainant that would serve to resolve the matter.

DFI

DFI has 25 licensed Student Education Loan Servicers (SELS) as of November 16, 2020, with one license application in process. DFI conducted its first SELS compliance examination in July 2019. That examination was concurrent with the state of California. The department has started a total of eight SELS examinations as of November 16, 2020. Seven completed Reports of Examination have been issued to the licensees. Five of the nine Title IV Additional Servicers (TIVAS) employed by the U.S. Department of Education (ED) have been issued Reports of Examination, as well as two non-federal SELS licensees. DFI plans to complete examinations of the remaining four TIVAS before moving on to the remaining non-federal servicers.

Pursuant to direction from Federal Student Aid (FSA) the TIVAS have not provided any information on their federal loan servicing. Through a Freedom of Information Act filing to ED, DFI learned that 81 percent of student loan servicing for Washington State residents is for federally owned loans while the remaining 19 percent is for commercial/private student loans.

WSAC

Beginning in December 2018, the Student Loan Advocate (SLA) has provided guidance and assistance to over 900 borrowers. The Advocate received 532 complaints and questions in 2019 and, as of December 4, 2020, 369 complaints and questions in 2020. The SLA has received 149 requests for assistance from borrowers residing outside of Washington state. The SLA directs these borrowers to resources in their home state, at the federal government, their loan servicer, or any other entity that may be able to assist them.

Fifty-four percent of borrowers contacted the SLA wanting to make a complaint, while forty-six percent were looking to get a quick question answered.

The SLA was successful in assisting borrowers affected by the Art Institute of Seattle (AIS) closure in 2019 by helping them apply for loan discharge as well as navigate private loan resolutions. The SLA received a total of 72 complaints in the aftermath of the AIS closure – 62 complaints in 2019 and 10 complaints in 2020. Of these, 24 complaints were received regarding the servicer Tuition Options, who serviced private loans as well as payment plans for AIS. Upon the school’s closure Tuition Options began contacting borrowers and requesting payment for these debts. Many borrowers were unaware that they had borrowed any private loans and were therefore unfamiliar with Tuition Options.

In response to these complaints, DFI opened an investigation into the validity of these debts. This investigation led to the discharge of over \$220,000 of debt held by 12 of the 24 complainants and a total of \$2.3 million forgiven for Washington students at the AIS.

In 2020, the SLA has counseled numerous borrowers struggling to understand how their loans were affected by the COVID-19 pandemic and corresponding economic depression. If the CARES Act expires on January 31, 2020, there will be much more support needed by borrowers. Automatic payments and involuntary collections will be simultaneously turned on for all 40.7 million borrowers without enough capacity at the servicing companies to assist these borrowers.⁷

The SLA’s role consists of three main areas: receiving and responding to complaints, educating borrowers, and advocacy.

Complaints

While WSAC, DFI, and the ATG share information about Washington student loan complaints with each other, they all receive complaints directly from the public as well. Below is an accounting of the number of complaints that each agency has received in 2018 – 2020.

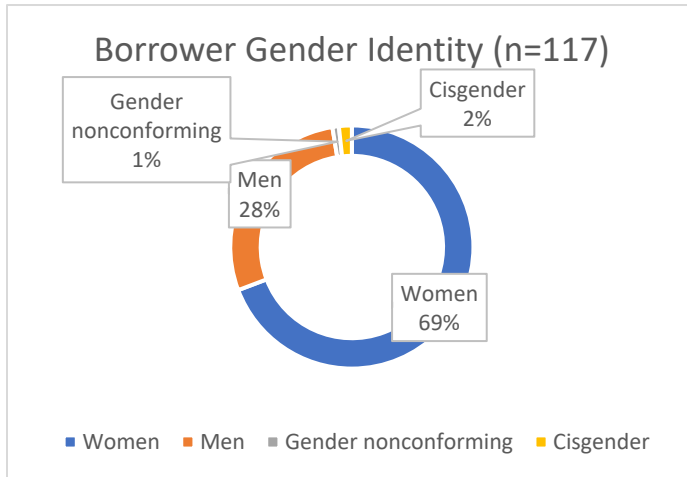
Agency	2018	2019	2020	TOTAL
ATG	121	177	89	387
DFI	7	158	74	239
WSAC	0	532	369	901

As of late 2019, Washington student borrowers can make a complaint to the SLA through the Washington Student Complaint portal. This portal is a shared tool by four state agencies and allows students and borrowers to make a complaint about their school, training program, or their student loans. The portal also enables students and borrowers to ask a quick question about their student loans.

This tool allows the SLA to collect useful information from the borrowers and to track the progress of a request for assistance from receipt to resolution. Below is some of what we have learned about the borrowers who have made complaints to the SLA. Borrower demographic information is optional to answer on the complaint form; therefore, the following information only reflects those data that was willingly shared. (The majority of this data is from 2020 as the complaint portal was not fully functional

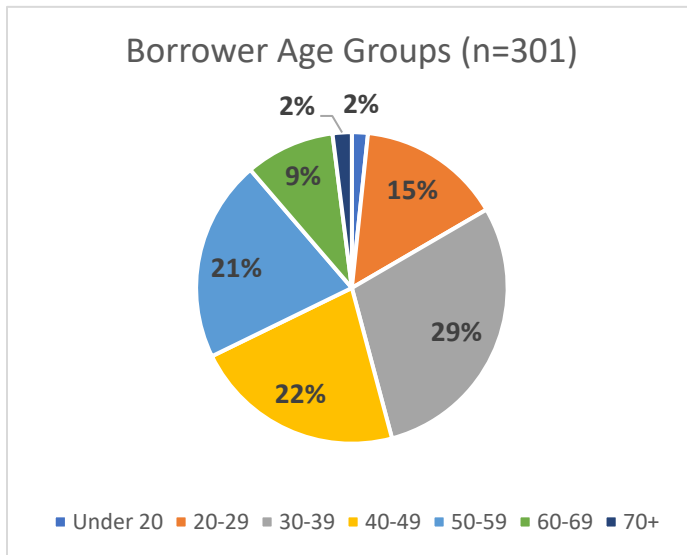
⁷ “COVID-19: Opportunities to Improve Federal Response and Recovery Efforts,” COVID-19: Opportunities to Improve Federal Response and Recovery Efforts § (2020), <https://www.gao.gov/reports/GAO-20-625/#top>.

until the end of 2019)



○ The majority of those that requested assistance identified as women. This is not surprising, as nationwide, women hold about two-thirds of all student loan debt.⁸

○ Of those that provided their racial identity, most complainants were White (76). 13 identified as Black, 5 as Asian, 5 as African and 10 identified as Latinx. This demonstrates that more outreach is needed to communities of color to ensure they are aware of their rights and the availability of the SLA and are getting their student loan issues resolved.



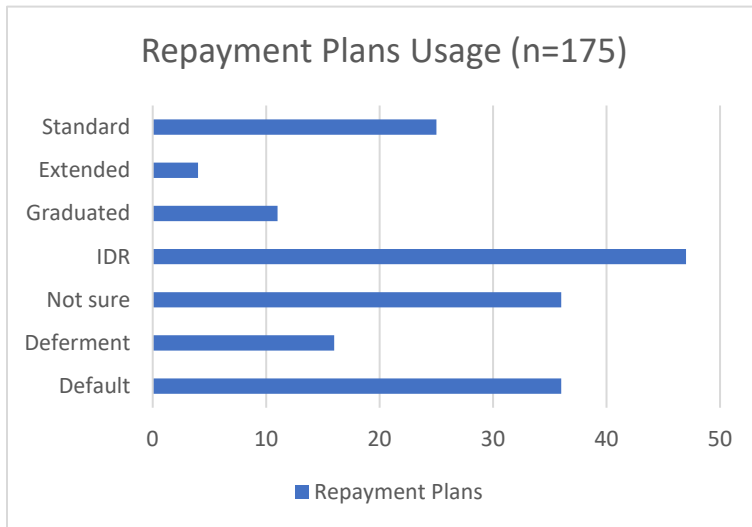
○ The majority were in the 30-39 age range (88), with the second largest age range from 40-49 (66). However, this chart illustrates that student debt has an even distribution across age groups making it an issue that affects not only young people, but increasingly Americans age 50 and above.

○ The overwhelming majority of borrowers who made requests for assistance have not identified as veterans or active service members. More relationship building with service-affiliated organizations is needed.

○ Most borrowers said their debt is from their own education as opposed to borrowing for a dependent student. This matches larger borrowing trends.

○ The servicers that were named most frequently were Nelnet (94), Navient (82), and FedLoan Servicing (66). This is to be expected as these three companies have some of the largest federal student loan portfolios.

⁸ "Deeper in Debt: Women and Student Loans in the Time of COVID" (American Association of University Women, May 2020), https://www.aauw.org/app/uploads/2020/05/Deeper_In_Debt_FINAL.pdf, 1.



- Most borrowers stated that they were either on an Income Driven Repayment (IDR) plan, were not sure of their repayment plan, or were in default. This indicates that while many borrowers are aware of IDR plans, there remains considerable work to be done to inform the public of how to identify their repayment plan and of the availability of IDR plans.
- About 60% of borrowers said that they had graduated from their program of study.

- About three quarters of respondents reported that their student loans are federal only. This makes sense given that the majority of all student loans at the state and national level are federal.
- The SLA has received 149 requests for assistance from borrowers across 38 states.

Loan Forgiveness Data

The federal student loan system offers about nine forgiveness, discharge, and cancellation programs. The most widely known and applied for are Public Service Loan Forgiveness (PSLF), Borrower Defense to Repayment (BDR), Total and Permanent Disability Discharge (TPD), and Teacher Loan Forgiveness (TLF). Each of these programs has specific eligibility requirements based on profession, disability, school actions, or other issues.

A complete understanding of the number of federal student loan borrowers in Washington state who have applied for and are awaiting student loan forgiveness is difficult to determine because ED does not regularly publish this data by state. According to a Senate report from Senator Patty Murray’s office, 1,573 Washington state borrowers had submitted 2,045 applications for PSLF as of April 2019. Of these complaints, 41 had been approved (2%), 1,632 denied (80%), and 372 were still pending (18%)⁹.

The outcomes are not much better for the Temporary Expanded Public Service Loan Forgiveness (TEPSLF) program. Of the 309 Washington borrowers who submitted 399 TEPSLF applications, 12 were approved (3%), 341 were denied (85%), and 46 were still pending (12%).¹⁰ These numbers for Washington mirror the national trend – it is very difficult for borrowers to qualify for and receive loan forgiveness for their public service. The programs are riddled with confusing eligibility requirements and servicing issues that have long term effects on a borrower’s debt and ability to receive forgiveness.

Forgiveness via IDR plans also yields low rates of success. Borrowers experience difficulties with applying for these repayment plans, recertifying them on time, and having their payments accurately calculated,

⁹ Senator Patty Murray, “Questions Submitted by Senator Patty Murray,” *Senate HELP Committee*, (2019):54-55, <https://www.help.senate.gov/imo/media/doc/SenMurrayQFRresponses32819LHHShearing.pdf>.

¹⁰ Murray, “Questions Submitted”, 49-51.

which makes it difficult to achieve forgiveness after 20-25 years of repayment. In fact, 2015 was the earliest that a borrower could have qualified for this type of forgiveness, but as of November 2019, fewer than 20 borrowers have had their loans cancelled.¹¹

The most recent Borrower Defense data from ED’s data center shows that as of September 30, 2020 10,485 Washington borrowers filed Borrower Defense to Repayment (BDR) applications with ED. Of these applications, they provide the following data¹²:

Status	September 2019	September 2020	Change
Applications received	9,673	10,485	812
Awaiting Adjudication	No data	1,773	
Pending Notification	6,701	1,923	4778
Approved	2,289	2,886	597
Ineligible/Denied	486	3,641	3155
Total closed	197	262	65
Amount discharged	\$18,933,760	\$20,731,464	\$1,797,704

This data demonstrates that while borrowers continued to file these claims of defense against their debt, ED denied many more borrowers than they approved. Many of these borrowers had been waiting years for a response to their application only to be denied with little explanation.

Lastly, of the requests for assistance that the SLA received, sixty-four percent stated that they had not applied for loan forgiveness. Twenty-one percent stated that they had applied for forgiveness and been denied while fourteen percent stated that they had applied for forgiveness of some type and had received it or were awaiting a decision from ED.

Borrower Complaint Process and Resolution

ATG

The Consumer Protection Division’s Consumer Resource Center (CRC) uses a dispute resolution process that is both informal and voluntary. In this process, the office acts as a neutral party to facilitate communication between consumers and businesses to assist in resolving complaints. Through this process the CRC cannot compel the business to respond or to resolve the complaint to the complainant’s satisfaction. While this informal process for facilitating resolution of complaints is often effective and results in a satisfactory resolution for both parties, the outcome of the informal process on an individual complaint does not determine whether or not the ATG will take more formal action regarding the business practices described in the complaint.

The ATG may open a formal investigation or take enforcement action under the Consumer Protection Act if the facts and circumstances indicate that further action is warranted. If no formal investigation or further action is warranted, the ATG will refer student loan complaints to DFI, the Consumer Financial

¹¹ Persis Yu, “Delivering on Debt Relief: Borrowers in Income Driven Repayment” (Student Borrower Protection Center, December 2020), <https://protectborrowers.org/wp-content/uploads/2020/12/Delivering-on-Debt-Relief.pdf#page=74,76>.

¹² “Borrower Defense to Repayment Loan Forgiveness Data,” Federal Student Aid, September 2020, <https://studentaid.gov/data-center/student/loan-forgiveness/borrower-defense-data>.

Protection Bureau, and the US Department of Education. To date, 113 complaints received were referred to these agencies.

DFI

DFI's Division of Consumer Services investigates all complaints by Washington residents against entities licensed under its authority, including student education loan servicers. DFI investigates and resolves complaints by first reviewing a complaint for completeness and entering it into its complaint database, STAR. DFI sends an authorization form to the borrower, which must be received by DFI before a student loan servicer can provide any of the borrower's financial records to DFI. Once the authorization is received, the complaint is assigned to a Financial Legal Examiner (FLE) who reviews the issues raised in the complaint and prepares a directive for the student education loan servicer. Response to the directive is mandatory and typically includes both documents from the borrower's loan file as well as a written response by the servicer.

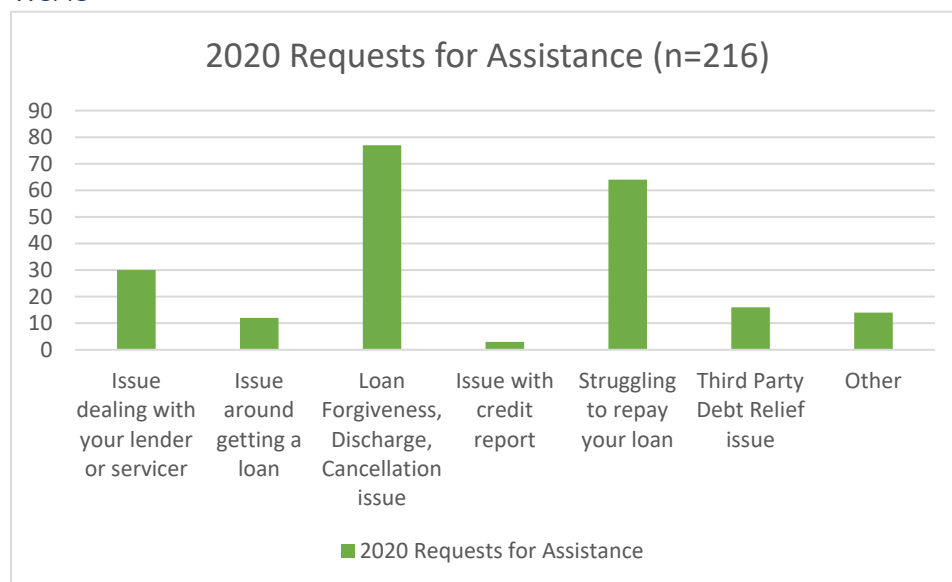
The FLE reviews the complaint and the response to determine whether the servicer has possibly violated any applicable Washington State or federal law or rule. Upon completion of the review, the FLE may either request, in writing, that the servicer take action to correct any violation or may close the complaint with a letter to the borrower and the servicer outlining whether or not there were any violations by the servicer. Either the borrower or the servicer may submit additional documents or explanation to DFI if they are unsatisfied with the outcome of the complaint. DFI may also open a formal investigation based on a complaint, a process that typically leads to expanded directives or subpoenas to the servicer and which may result in formal administrative enforcement action.

DFI has received 236 complaints since it began implementing the Student Loan Bill of Rights. Seven complaints were received in 2018. 158 complaints were received in 2019. 74 were received in 2020. DFI does not classify student loan complaints by any further subtype once they are received. Of these complaints, DFI has been able to take the following actions:

- a) Resolved 90 student loan complaints in total.
- b) Closed 222 other student loan complaints.
- c) Investigation is ongoing for 14 student loan complaints as of November 13, 2020.
- d) No complaints are unresolved other than those still under investigation.

Borrowers who do not return a signed authorization to view their student loan records are the primary reason for closing a complaint without resolving it. Student loan servicers are prevented by federal law from sharing most information with a third party, including state regulators, without explicit authorization by the borrower. This authorization must be in a form specified by ED. Borrowers often do not respond when sent this form by DFI, necessitating the closure of these complaints as the servicer cannot respond to DFI's inquiries without the borrower's authorization.

For complaints where DFI does not have oversight, DFI refers student loan complaints to WSAC, the ATG, the Consumer Financial Protection Bureau, and, where the borrower is not a Washington resident, other state financial services regulators.



Upon receiving a request for assistance from a borrower, the SLA takes the following steps to try and resolve the issue:

- Assess the complaint or question provided by the borrower to determine if more information is required.
- If more information is required, contact the borrower with questions and instructions on how to retrieve the information.
- Once all information is gathered, do one of the following:
 - A. Respond to the borrower with information on their options, provide resources for further research and understanding, and answer any follow up questions the borrower may have.
 - B. If the borrower has been victimized by a Third-Party Debt Relief company, refer the complainant to federal agencies that can act on these types of complaints.
 - C. Connect the borrower with an ombudsman at their student loan servicer if the complaint could be quickly resolved through direct communication.
 - D. If the complaint seems to indicate that further investigation is required to determine if state consumer protection laws have been violated, refer the complaint to DFI and/or the ATG.

Complaints are categorized as solved once they have been referred to DFI or the ATG, a servicer, or the borrower's question/concern has been resolved. However, the SLA always instructs the borrower to reach out in the future should they continue to have an issue, or a new issue arises.

Occasionally, a borrower may require more detailed assistance. The SLA has guided several borrowers through applying for various types of loan forgiveness due the lengthiness or confusing jargon of the applications. For many of these loan forgiveness applications, the borrower is required to submit

additional documentation which can be difficult to obtain. In these instances, the SLA will help the borrower gather information, print materials, appropriately complete forms, and mail the application to the servicer on behalf of the borrower.

One topic that borrowers continue to struggle with, and the SLA can offer very little help is resolving issues with collection companies for borrowers with defaulted loans. Borrowers in default continue to have a difficult time communicating with the Private Collection Agencies (PCAs) that are contracted with ED. This is a persistent and cumbersome issue because the SLA does not have an industry ombudsman contact at the PCAs which makes it difficult to advocate on the borrower's behalf. The PCAs do not willingly release borrower information and often do not provide third party authorization forms to the borrower or SLA. For borrowers with private student loans in collections, the SLA can do even less because these loans are not subject to the same rules as federal loans. When a borrower defaults on a private loan, they are best served by a private attorney who can help them navigate their legal rights and responsibilities.

Additionally, the Washington Student Loan Bill of Rights does not explicitly describe how these complaints should be handled. Specifically, it does not include the involvement of the Department of Licensing, the appropriate state agency to handle complaints about collection companies. Involving this state agency could improve borrower advocacy and ensure that the state is holding collection agencies to the same standards as student loan servicers.

Education

DFI

In addition to maintaining a robust website on this topic, DFI's Communication Division conducts numerous outreach events, which may include information about student education loan servicing.

WSAC

While many borrowers contact the SLA looking to file a complaint, they often primarily need education about their loans. Part of the SLA's assessment of each request for assistance is to determine if the borrower is more in need of education and resources or advocacy and enforcement. Many borrowers believe that their servicer has acted unlawfully and thus contact the SLA to seek resolution to their complaint. The SLA works with these borrowers to help them understand and navigate loan repayment so that if they have experienced an unlawful act or will in the future, they know their rights and responsibilities. This does sometimes include reviewing the borrower's detailed loan history to help them understand how it led to their current situation.

To help promote the availability of the SLA to assist student borrowers and potential student loan borrowers, the SLA has employed various strategies. The SLA has made connections with various non-profit organizations throughout the state that work with students and/or consumers dealing with debt issues. The SLA has also worked with the Education Navigator program in our state's prison system to help them better serve incarcerated borrowers dealing with student debt issues.

Outreach to Financial Aid Administrators has proven to be very effective. In 2019, the SLA visited several college campuses across the state to offer free, in-person loan repayment workshops to graduating

seniors. These workshops were promoted by the colleges and universities and were attended by over 135 students. Some outcomes from these workshops include:

- 94% learned how to identify a student loan scam;
- 93% now understand their rights as a borrower;
- 93% have a better understanding of how repayment works; and,
- 91% know where to make a complaint about their student loans.

Attendees expressed fear about loan repayment but that the workshop was able to alleviate some of those fears. Some remarked that they knew “almost none of this” before attending and there were requests for more learning opportunities and SLAs in other parts of the state.

Lastly, in June of 2020, WSAC and the SLA completed the development of the online student loan borrower education course. The SLA partnered with staff and a student at the Center for Economic and Business Research at Western Washington University as well as the Student Financial Assistance team at WSAC to develop the course. There are fifteen total modules that encompass information for borrowers at every stage of the process from before they borrow their first loan to paying it off or applying for forgiveness. To make the site more intuitive and user friendly it is divided into four tracks:

- Preparing for school,
- Understanding my loans,
- Loan repayment, and
- Supporting my child’s education

The site can also be translated into over twenty languages, making it more accessible for non-native English speakers. WSAC promoted this new resource in October along with its FAFSA and WASFA promotion. The Student Loan Education Site can be viewed at studentloaned.wa.gov.

Advocacy

DFI

At the outset of COVID, DFI worked with two additional groups of state regulators. One group reached out to servicers to gain agreement that the servicers would offer the same options to borrowers that were being offered to ED’s federally owned loans. That agreement brought immediate consistency to the treatment of both federal and private student education loan borrowers. Our ability to implement the law in Washington has not otherwise been affected by COVID. We license, supervise, and take enforcement and administrative actions as the need arises, without any COVID-related delays or other impacts.

WSAC

Since 2018, at least five other states have passed legislation to create Student Loan Borrower Bills of Rights. Today, there are 10 states that have Student Loan Advocates or Ombudsmen, with California to establish this role in 2021. The SLA has assembled and led the small but growing coalition of State Student Loan Advocates and Ombudsman. This group has worked diligently in 2020 to advocate at the federal level for various borrower issues. Most notably, we collaborated on two letters that were sent to ED urging them to:

- Automatically discharge the debt for totally and permanently disabled borrowers and
- Expand and extend relief for borrowers under the CARES Act past December 31, 2020.

Based on the state and federal laws passed within the last two years, the SLA has compiled a list of policy recommendations to improve borrower protections and outcomes in Washington. Due to the difficult economic situation that our state is in, we realize that it will be difficult for the legislature to implement many of these recommendations. However, given the urgency and importance of the student debt crisis, we have included them here for consideration.

Policy Recommendations:

Short term recommendations

- I. **Study and publish disaggregated data on student loans.** The state already collects Washington student loan borrowing data disaggregated by race, ethnicity, and other available demographics on an annual basis. However, this data is not closely studied or published. Making this information public will enable our state to understand the landscape of borrowing and identify the severity of borrower disparities. Publishing this data will highlight the impacts of policy changes on borrowing and enable Washingtonians to make more informed decisions and understand the amount they can expect to borrow. This data will also help us understand how state financial aid decreases or otherwise impacts student borrowing across racial identity. Minnesota and Virginia currently do this, and New Jersey is considering a bill to do so next year.

- II. **Standardize terminology & provide useful information to borrowers.** Require all servicers to use standardized ED terminology in naming loans. All requests for information from a borrower about their loans shall disclose the following information, whether the borrower asked for it explicitly or not:
 - E. Loan Type – does the borrower have FFEL, Direct, or both types of loans
 - F. Current eligibility for PSLF
 - G. Date of consolidation(s) - If they consolidated their loans
 - H. Interest rate on all loans
 - I. Current repayment plan and the date that this repayment plan was effective

- III. **Strengthen borrower protections through servicer oversight.** Adopt the following provisions from the California Student Borrower Bill of Rights ([AB 376](#)):
 - A. Hold all licensees liable to ensure policy and procedure for all third-party service entities they contract with (such as call centers) comply with Washington consumer protection laws.
 - B. Application of partial payments must be done in a manner that minimizes late fees and negative reporting for the borrower.
 - C. Past due fees must be reasonable and proportional to the total costs incurred due to the late payment – not to exceed 6% of past due amount. No “minimum” flat rate fees.
 - D. Require that each state licensee has a minimum of three employees that are specifically trained and knowledgeable on specific types of borrowers and loan programs Including:
 - Public Service Loan Forgiveness and Temporary Expanded Public Service Loan Forgiveness
 - Veterans and Service Members

- Total and Permanent Disability Discharge
 - Teacher Loan Forgiveness
 - Closed school issues and related loan discharge programs including: Closed School Discharge, Borrower Defense to Repayment, False Certification Discharge
- E. Add the following language to Washington’s Student Loan Bill of Rights: “Licensees must do everything possible to protect borrowers from negative consequences between the sale, assignment, system conversion, or transfer of loans”.
- IV. **Income Driven Repayment as default prevention.** Require licensees to evaluate a borrower for an IDR plan and any loan forgiveness program eligibility prior to placing the borrower in forbearance. If the borrower is eligible for an IDR plan or forgiveness program, the licensee must notify the borrower of this before placing them on the forbearance. Licensees must also notify borrowers who are three months delinquent on their loans that they may be able to lower their payment if they are unable to pay the current amount.
- V. **Further protect borrowers who attend schools that abruptly close.** Add language to the Degree Granting Institutions Act that nullifies the enforceability of institutional debt obligations in the event of an abrupt closure or failure to offer an approved teach-out. WSAC intends to explore whether this change can be effectuated through a rule-making process in the absence of a legislative amendment. ([MD Senate Bill 446](#)).
- VI. **Expand the Student Loan Advocate role.** Create an Equity Advocate to work in collaboration with the SLA in the Office of Student Advocacy. These two roles would receive and respond to student/borrower complaints, develop relationships with community organizations serving BIPOC students, train advocates on a variety of higher education topics in communities across Washington, and advocate for changes at the state and institutional level.

Medium term recommendations

- I. **Protect undocumented borrowers.** Build consumer protections into the new state undocumented student loan program through collaboration with and feedback from students. These loans are not subject to federal law for qualified education loans as they are not for citizens, thus providing a strong argument for comprehensive consumer protections at the state level. Financial products marketed to students should be easy to understand but must also be paired with “carefully designed and implemented consumer protection regulation”.¹³ These recommendations may be adopted without legislative action.
- A. Eliminate origination fees or ensure that all funds received from origination fees are used to fund a scholarship for undocumented students
 - B. Create a disability discharge provision for borrowers who become totally and permanently disabled

¹³ Kate Sablosky Elengold, Jess Dorrance, and Robert Agans, “Debt, Doubt, and Dreams: Understanding the Latino College Completion Gap” (Unidos US, November 2020). <https://law.unc.edu/wp-content/uploads/2020/11/Debt-Doubt-and-Dreams-Report.pdf>, 28.

- C. Create a state Public Service Loan Forgiveness program for borrowers who pursue careers in the public sector as was originally outlined in [SB 6561](#) with the language "adopt program rules related to a public service loan forgiveness option"
 - D. Report all payments and positive activity on the loan to the credit bureaus
 - E. Give students a six-month grace period before beginning repayment once the borrower has dropped below half time or stopped attending. Interest should not accrue during this grace period
 - F. An Income Driven Repayment (IDR) plan should be instated for any student who misses three monthly payments to avoid borrower defaults
 - G. Create entrance and exit counseling modules to be added to the Student Loan Education site. All undocumented student loan participants must complete these modules.
- II. **Incentivize re-enrollment and completion.** Encourage re-enrollment in college for non-completers with institutional or state aid debts by offering incremental amount of debt forgiveness. A fact sheet from Federal Student Aid states that “student’s ability to repay their loans depends more strongly on whether they graduate than how much total debt they take on”. Student loan borrowers with debt but no degree are also three time more likely to default on their loans than those who graduate.¹⁴ Low-income students are hurt most by this with only nine percent of students from the lowest income quartile graduating by age 24. While this data is specifically referencing federal student loans, the idea that debt and no credential can leave students in a worse financial position and often creates a barrier to their return to school can be applied to non-federal student debt. The state cannot forgive federal student loan debt, but it could evaluate how forgiving institutional or state financial aid debt could enable more Washingtonians to return to school and complete a credential.

A noteworthy and successful model for this policy idea is the [Warrior Way Back](#) program at Wayne State University in Michigan which forgives debts up to \$1500. This type of program would help Washington reach its adult re-engagement and completion goals by alleviating a common barrier.

- III. **Establish the Student Borrower Peer Advocacy program.** This program will aim to create at least one Peer Advocate position at each institution in Washington to serve current student borrowers at their school. The SLA will provide support and training to these Peer Advocates so that they may provide student loan borrowers with a local, reliable resource for student loan information. The Peer Advocate positions should be paid and may be part of the State Work-Study program.

¹⁴ (U.S. Department of Education, July 2015), <https://www.ed.gov/news/press-releases/fact-sheet-focusing-higher-education-student-success>.

Long term recommendations

- I. **Scholarship fund to address racial inequities.** To impact racial inequities in student borrowing and to close the racial wealth gap, we must offer more alternatives to loans. As WSAC's Equity Landscape Report called out this year, "Providing students with financial aid, particularly in the form of grants, has been shown to boost college enrollment, persistence, and completion for low-income students and students of color".¹⁵ The Washington College Grant is a great step in this direction, but BIPOC students need more gift aid support in the longer term to assist their families in affording education. We should continue to move away from student loans.

WSAC shall partner with a private funder or non-profit organization to create a scholarship fund to support BIPOC in post-secondary education and training. This fund would work to directly address racial disparities in higher education attainment as well as decrease borrowing for BIPOC students and therefore decrease the racial wealth gap.

Conclusion

While WSAC, DFI and the ATG have been able to assist many Washington borrowers in the last two years, borrowers are still struggling and require further protections. More outreach is needed to reach BIPOC communities, veterans, and service members that are struggling with student debt to ensure they are aware of the availability of the SLA. Further, awareness of IDR plans could be expanded, especially considering the current economic depression. Based on feedback from the repayment workshops the SLA facilitated, we learned that students are experiencing a great deal of fear and uncertainty about their loans and are requesting more time, more learning opportunities, and an advocate in their region.

While education and resource delivery are helpful to many borrowers, it does not address the root issue: higher education is too costly for many families and asking both student and parent to take on a significant amount of debt to afford the investment is not a sustainable strategy. This is particularly harmful to students of color as "for young adults of color, who typically start out with little family wealth, the addition of student debt to their portfolios can be crushing".¹⁶ Financial education cannot fix the immense racial wealth disparity created by years of systemic racism.

It is widely thought that postsecondary education and training leads to economic and social mobility. However, the picture for BIPOC students is much more complicated. As we see college costs increase, support for higher education decline, and student debt rise at an alarming rate, Black students "start their careers at a disadvantage by virtue of the amount of money they owe for their education, take on far more financial risks, and reap fewer rewards from their education than do Whites".¹⁷ We must work to address this significant affordability and completion disparity and create solutions that do not further indebted Washington students.

¹⁵ Isaac Kwakye, Emma Kibort-Crocker, and Sarah Pasion, "Equity Landscape Report: Exploring Equity Gaps in Washington Postsecondary Education" (Washington Student Achievement Council, October 2020), <https://wsac.wa.gov/sites/default/files/2020-10-20-Report-Equity-Landscape.pdf>, 39.

¹⁶ Sullivan, "Stalling Dreams", 8.

¹⁷ Fenaba R. Addo, Jason N. Houle, and Daniel Simon, "Young, Black, and (Still) in the Red: Parental Wealth, Race, and Student Loan Debt," *Race and Social Problems* 8, no. 1 (August 2016): pp. 64-76, <https://doi.org/10.1007/s12552-016-9162-0>.

Bibliography

- AAUW. Publication. *Deeper in Debt: Women and Student Loans in the Time of COVID*. American Association of University Women, May 2020.
https://www.aauw.org/app/uploads/2020/05/Deeper_In_Debt_FINAL.pdf.
- Addo, Fenaba R., Jason N. Houle, and Daniel Simon. "Young, Black, and (Still) in the Red: Parental Wealth, Race, and Student Loan Debt." *Race and Social Problems* 8, no. 1 (2016): 64–76.
<https://doi.org/10.1007/s12552-016-9162-0>.
- Government Accountability Office, COVID-19: Opportunities to Improve Federal Response and Recovery Efforts § (2020). <https://www.gao.gov/reports/GAO-20-625/#top>.
- Huelsman, Mark. Publication. *Debt to Society: The Case for Bold, Equitable Student Loan Cancellation and Reform*. Demos, June 6, 2019. <https://www.demos.org/sites/default/files/2019-06/Debt%20to%20Society.pdf>.
- Kwakye, Isaac, Emma Kibort-Crocker, and Sarah Pasion. Rep. *Equity Landscape Report: Exploring Equity Gaps in Washington Postsecondary Education*. Washington Student Achievement Council, October 2020. <https://wsac.wa.gov/sites/default/files/2020-10-20-Report-Equity-Landscape.pdf>.
- Leukhina, Oksana. "Rising Student Debt and the Great Recession." Web log. *On the Economy Blog* (blog). Federal Reserve Bank of St. Louis, January 2020. <https://www.stlouisfed.org/on-the-economy/2020/january/rising-student-debt-great-recession>.
- Office of Federal Student Aid. "Borrower Defense to Repayment Loan Forgiveness Data." Federal Student Aid, September 2020. <https://studentaid.gov/data-center/student/loan-forgiveness/borrower-defense-data>.
- Office of Federal Student Aid. "Portfolio by Location." Federal Student Aid, Accessed December 11, 2020. <https://studentaid.gov/data-center/student/portfolio>.
- Sablosky Elengold, Kate, Jess Dorrance, and Robert Agans. Rep. *Debt, Doubt, and Dreams: Understanding the Latino College Completion Gap*. Unidos US, November 2020.
<https://law.unc.edu/wp-content/uploads/2020/11/Debt-Doubt-and-Dreams-Report.pdf>.
- Sattelmeyer, Sarah. Publication. *Outreach from Borrowers Could Overwhelm Student Loan System When Pandemic Pauses End*. Pew Charitable Trusts, November 3, 2020.
<https://www.pewtrusts.org/en/research-and-analysis/articles/2020/11/03/outreach-from-borrowers-could-overwhelm-student-loan-system-when-pandemic-pauses-end>.
- Senator Patty Murray, "Questions Submitted By Senator Patty Murray," *Senate HELP Committee*, (2019):54-55,
<https://www.help.senate.gov/imo/media/doc/SenMurrayQFRresponses32819LHHShearing.pdf>.

Sullivan, Laura, Tatjana Meschede, Thomas Shapiro, and Fernanda Escobar. Publication. *Stalling Dreams: How Student Debt Is Disrupting Life Chances and Widening the Racial Wealth Gap*. Institute on Assets and Social Policy, 2019. <https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/racial-wealth-gap/stallingdreams-how-student-debt-is-disrupting-lifechances.pdf>.

U.S. Department of Education. "Fact Sheet: Focusing Higher Education on Student Success." U.S. Department of Education, July 2015. <https://www.ed.gov/news/press-releases/fact-sheet-focusing-higher-education-student-success>.

Yu, Persis. Publication. *Delivering on Debt Relief: Borrowers in Income Driven Repayment*. Student Borrower Protection Center, December 2020. <https://protectborrowers.org/wp-content/uploads/2020/12/Delivering-on-Debt-Relief.pdf#page=74>.