

POLICY RECOMMENDATIONS:

STATE SOLUTIONS AND THE IMPACT OF COVID-19

- A. State Debt Relief Initiatives
- B. Increased Investment in Higher Education
- C. Center Low-Income Students in Pandemic Response and Recovery
- D. Consumer Protections

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Student Debt in Texas: Why It's Time to Collect on the Best Interests of Texas Borrowers



States play a pivotal role in directly addressing student debt and protecting borrowers.⁷⁵ Texas can create a path for borrowers to navigate economic hardship and unemployment amidst student debt, so that student loan payments do not interfere with Texans' ability to receive health care, put food on the table, and seek housing.

As many components drive the debt crisis, multiple avenues are needed to address it. We recommend policy action in four core areas:

1 Debt relief initiatives	2 Increased investment in higher education
3 Centering low-income borrowers and borrowers of color in pandemic response and recovery	4 Statewide consumer protections

We call upon lawmakers to enact systemic policy change that directly supports communities of color, addresses the racial wealth gap, and promotes equitable higher education opportunities for Texans.

75 Tim Shaw and Kiese Hansen, "How States Can Solve the Student Debt Crisis: A Framework for Reducing Student Debt Burdens for Present and Future Borrowers", *Aspen Institute*, March 23, 2020. <https://www.aspeninstitute.org/publications/how-states-can-solve-the-student-debt-crisis-a-framework-for-reducing-student-debt-burdens-for-present-and-future-borrowers/>.



STATE DEBT RELIEF INITIATIVES

Young Invincibles supports broad-based and immediate federal student loan debt cancellation.⁷⁶ Clearing student loan debt balances would lift a substantial financial weight from the shoulders of young people, helping them participate more fully in an equitable economic recovery. As the state with the collective second-highest student loan debt burden in the nation, a program of federal student debt cancellation would put young Texans on more solid financial footing.

States can also create opportunities for debt relief. Numerous roadblocks abound for Texans in default. While Senate Bill 37 (passed during the 86th Texas Legislative Session) successfully enabled those in student loan default to keep their professional license, more needs to be done to ensure that those navigating this financial hardship are set up to move forward. We recommend that lawmakers pursue policies that build prosperity for those with debt, including:

Make transcripts accessible to support re-enrollment. Allow students in default to receive transcripts from any institution that they have formerly attended. Default is more likely for those who never finished their postsecondary education--but going into default also makes returning to school to finish a degree more challenging. It is of particular concern that transcripts can be blocked due to financial debt- institutional or otherwise. Students who need to get a hold of their transcript should be able to do so, in order to move forward and make plans.

Explore state-level debt forgiveness opportunities, such as public service debt forgiveness. Texas has an opportunity to creatively find solutions both to debt and workforce problems. Given the impact of unemployment on Texans- and on student loan debt- there is incentive to build workforce programs and pathways which support debt forgiveness. For example, Texas might expand public service loan forgiveness options for Texans who enter in-demand public service roles, such as health care or counseling.

Pause student loan debt collections until January 2022. There is no way to expect Texans - especially those who are unemployed or recently laid off- to continue making student loan payments. We call on Texas lawmakers to make clear that loan servicers should pause student loan payments, including private student loan payments, and also to pause court cases related to student loan debt collection. Those who are unable to pay their loans should not answer in collections during the pandemic, but rather should be connected to an ombudsman or debt resources to create a long-term plan.

76 Morgan Diamond, Erin Hemlin, and Kyle Southern, "The Path Forward: A Bold Policy Agenda for Young People," (Young Invincibles, 2020). Retrieved from <https://younginvincibles.org/wp-content/uploads/2020/11/The-Path-Forward.pdf>.

2 INCREASED INVESTMENT IN HIGHER EDUCATION

Addressing debt means addressing the actual cost of higher education for students. Our recommendations for state investment are rooted in a vision in which states partner with the federal government to drive down costs for students, commit to state-level debt goals, and ensure that state dollars pursue equity in decision-making.

State and federal higher education partnership. Congress should move to make a long-overdue commitment to public higher education, partnering with states to ensure that the cost of college is decreased for students.⁷⁷ This partnership would infuse public institutions with revenue that enables them to control the cost of two- and four-year higher education. Further, a federal-state partnership should invest in historically Black colleges and universities and other minority-serving institutions to strengthen their infrastructure and bolster equity across the higher education landscape. This partnership with states would ensure financial burdens from this present crisis do not saddle students with unbearable debt loads for decades ahead. We envision a future where our budget reflects our moral priorities, and Congress moves to invest deeply in higher education, while disinvesting in military, policing, and funds that detract from an equitable future.

Significant investment of federal funds in public institutions of higher education should come with rigorous expectations for improved student outcomes—both in terms of degree and credential completion and closure of opportunity gaps associated with race, ethnicity, and income. Such investment should also be paired with the ability of students to use any other aid sources to address the costs of attendance beyond tuition that become significant hurdles to clear toward completion for many students.⁷⁸

Increase need-based state financial aid with a focus on equity. Texas must keep and increase need-based financial aid and grant opportunities. Programs that provide free college opportunities for students should ensure they are designed for students most marginalized by the student debt system—specifically students of color and first-generation college students. To fully meet the needs of students, these programs should include comprehensive aid that goes beyond tuition to include living expenses such as room and board, books, school supplies, transportation, and access to food.⁷⁹ Programs should also ensure inclusion of DACAmented and undocumented students, part-time students, full-time workers, student parents, justice system impacted students, and those returning to school.

77 Morgan Diamond, Erin Hemlin, and Kyle Southern, “The Path Forward: A Bold Policy Agenda for Young People,” (Young Invincibles, 2020). Retrieved from <https://younginvincibles.org/wp-content/uploads/2020/11/The-Path-Forward.pdf>.

78 The Institute for College Access and Success, “2021 & Beyond: How the Biden Administration and Congress Can Ensure Higher Education Emerges From the COVID Crisis Stronger Than Ever”, November 2020. https://ticas.org/wp-content/uploads/2020/11/2021-Transition-Memo_TICAS.pdf

79 Tiffany Jones and Katie Berger, “A Promise Fulfilled,” The Education Trust, October 27, 2020, <https://edtrust.org/resource/a-promise-fulfilled/>.

POLICY RECOMMENDATIONS

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Equity-driven statewide debt goals. 60x30TX, the Texas state initiative to increase college attendance and completion in Texas, includes the long-term goal that undergraduate student loan debt will not exceed 60 percent of first-year wages for Texas public institution graduates.⁸⁰ Given the known disparities in Texas student loan debt levels, we believe that future state goals should include specific racial and gender outcomes⁸¹ that focus not just on average wages and debt, but lowering debt for communities carrying the most debt--especially Black and Latino borrowers in Texas.

Lower tuition rates for online courses, or involve students in setting tuition rates, particularly as colleges rework courses into virtual learning. Students have found themselves receiving an education dominated by virtual classes. Many students find this frustrating as the education experience--including the many kinds of activities and on campus supports--are vastly different than prior to the pandemic. In August 2020, the Partners for College Affordability and Public Trust released its Tuition Payer Bill of Rights, which affirms the need to involve students in critical decisions that affect their and their family's finances.⁸² Institutions have also explored ways to reduce cost and meet student educational needs in today's challenging environment. Dallas-based Paul Quinn College has used its shift to an online-only approach during the pandemic as a time to both charge lower tuition and launch an innovative new bachelor's degree program.⁸³

Expand apprenticeship and work-based learning opportunities, particularly for women and people of color. High rates of unemployment have increased the need even more for work-based learning opportunities that connect graduates and Texans with in-demand careers. Now more than ever, Texans are seeking opportunities to upskill or shift employment sectors. Equitable opportunity is critical to larger efforts at increasing work-based learning across the state. We raise two solutions toward ensuring equitable apprenticeship and work-based learning opportunities.

1. Apprenticeship navigators: Navigators serve as key points of regional contact for apprenticeship programs. They can help to identify apprenticeship sponsors, create outreach for apprenticeships, and strengthen partnerships.⁸⁴
2. Young adult voice: We recommend that future committees and work groups on this issue include young adult voices, students and/or organizations representing young adults.

80 "60x30: EDUCATED POPULATION," 60x30TX.com (Texas Higher Education Coordinating Board, 2020), <http://www.60x30tx.com/>.

81 Tiffany Jones and Andrew Howard Nichols, "Hard Truths: Why Only Race Conscious Policies Can Fix Racism in Higher Education" (2019). <https://edtrust.org/resource/hard-truths/>.

82 "Tuition Payer Bill of Rights", *Partners for College Affordability and Public Trust*, <https://www.tuitionrights.org/>.

83 Lindsay McKenzie, "Paul Quinn Launches Accelerated Online Degree," *Inside Higher Ed*, July 13, 2020, <https://www.insidehighered.com/quicktakes/2020/07/13/paul-quinn-launches-accelerated-online-degree>.

84 Morgan Diamond, "Pathway to Opportunity: Apprenticeships and Breaking the Cycles of Poverty for Young People Experiencing Homelessness," *Young Invincibles*, July 2020,



CENTER LOW-INCOME STUDENTS AND STUDENTS OF COLOR IN PANDEMIC RESPONSE AND RECOVERY

Our survey reinforces the close intersection between health care and financial wellbeing. Communities of color have been especially impacted by the COVID-19 pandemic, both in regards to health and economic impacts of the virus. Addressing the financial stress caused by student loan debt also requires addressing the systemic problems that plagued Texas long before COVID-19 and continue today, including significant disparities in health care coverage. As Texas takes continued efforts in recovery from the pandemic, low-income students and students of color must be centered in policy decisions.

Expand Medicaid. Prior to COVID-19, one third of young adults in Texas already lacked health coverage.⁸⁵ Many young adults are part of the Texas Medicaid gap, and are unable to get affordable health coverage. Our survey showed that those with current debt are especially stressed about health care premiums, and those who are unemployed are in great stress. Now, those who lose employment due to the pandemic are at risk of losing job-based health coverage. By expanding Medicaid, Texas will increase the number of insured Texans.

Ensure emergency aid centers low-income students and communities of color. Emergency aid opportunities must be continued as the impacts of the pandemic continue to impact students, particularly students whose jobs and housing are directly impacted by the pandemic. We encourage decision-makers in Texas to communicate the need for both federal and state support to help students thrive amidst the many changes to coursework, housing, transportation, and student life. Emergency aid should include undocumented and DACAmented Texans who have been left out of prior federal emergency aid funds.

Increase postsecondary mental health access. Given the rise in mental health risk due to the pandemic, alongside the mental health impacts of student loan debt, more counselors and access to mental health opportunities are needed. We recommend Texas consider a range of policy initiatives to support college student mental health, such as telehealth services, workforce incentives for counseling and social work careers, and suicide prevention and mental health awareness education for post secondary instructors and staff.



85 Matthew Buettgens, Linda J. Blumberg, and Clare Pan, “The Uninsured in Texas: Statewide and Local Area Views,” *Episcopal Health* (Urban Institute, December 2018), https://www.urban.org/sites/default/files/publication/99498/uninsured_in_texas_2.pdf.

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CONSUMER PROTECTIONS

The repayment process is a significant barrier reported on both our focus groups and survey.

When considering repayment, it is imperative to consider the role of student loan servicers. Student loan servicers manage debt by receiving scheduled payments, applying payments to borrowers' accounts, maintaining records, and communicating directly with borrowers about their loans.⁸⁶ As such, student loan servicing is an integral component of student loan repayment and default prevention. Servicers can and should do more to provide information and instill confidence that borrowers are on track.

Given the challenges in communicating with servicers and making decisions about repayment plans, we recommend the development of a cost-effective Texas Student Borrower Bill of Rights. A Borrower Bill of Rights serves as a set of consumer protection standards that help guide the student loan process and protect borrowers while receiving and repaying student loan debt. **A Texas Student Borrower Bill of Rights is a low-cost solution that would help support current borrowers while also reducing the burdens of debt.**



86 Whitney Barkley-Denney and Yasmin Farahi, "States Move to Hold Student Loan Servicers Accountable," *Center for Responsible Lending*, October 2019, <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-steppingup-studentloans-oct2019.pdf>

Student Borrower Bill of Rights Protections:

1. Require student loan servicers to register themselves within the state.

Many states have moved to instill a registration or licensing process for servicers. Critically, registration or licensing would allow Texas to monitor servicer activities and communicate directly to servicers. Fees can be used to instill support needed to curb the debt crisis, such as a student debt ombudsman role and student debt consumer education initiatives.

2. Create student loan servicer guidelines that protect consumers and keep payments on track.

Require student loan servicers to contact borrowers about income-based repayment and loan forgiveness options. Borrowers in our study did not express high confidence in repayment plans, and this was even more true for borrowers who were first generation college students.

3. Appoint a student loan debt ombudsman who oversees consumer protections for student debt.

A student loan ombudsman would be responsible for compiling and analyzing student loan data, tracking and investigating consumer complaints, tracking student loan forgiveness requests, and policy oversight efforts.⁸⁷ Gathering and reporting on this critical information will ensure support for Texas borrowers, facilitate implementation of loan policies, and provide Texas with a roadmap of the current status of loan systems. Only until this information is clear can Texas truly tackle the debt problem.

4. Create and share consumer education about financial aid and student loan debt.

Our debt workshops revealed the power of sharing information in a clear, simple format and taking time to describe pros and cons of various repayment plans. While many Texas postsecondary institutions hold financial literacy workshops, we recommend Texas explore ways to expand financial education on student loan repayment. For example, a student loan debt ombudsman could explore opportunities for disseminating financial education opportunities to all Texas borrowers, including those who have graduated or are no longer enrolled.

5. Increase accountability of for-profit colleges in Texas, particularly in regards to student loan debt and workforce opportunities.

As public college enrollment during the pandemic declines, for-profit college enrollment during the pandemic is notably rising.⁸⁸ The reality is that for profit institutions do not equip students to economically thrive; for-profit college graduates have the most debt of any other borrowers in Texas.⁸⁹ Texas must prepare borrowers with information to make decisions about their financial and academic futures, and as such, we recommend that accountability measures are in place, such as requiring for-profit institutions to post workforce data on admissions materials.

87 "Students' Borrower Bill of Rights", *General Assembly of North Carolina*, April 22, 2019. <https://www.ncleg.gov/Sessions/2019/Bills/House/PDF/H875v1.pdf>

88 Stephany Riegg Cellini, "The alarming rise in for-profit college enrollment," *Brookings Institute*, November 2020. <https://www.brookings.edu/blog/brown-center-chalkboard/2020/11/02/the-alarming-rise-in-for-profit-college-enrollment/>

89 "For profit colleges: less favorable outcomes, deeper debt for students," *Center for Responsible Lending*, 2019. <https://www.responsiblelending.org/map/pdf/tx.pdf>.

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CONCLUSION

As Texas students seek education to build careers and livelihoods, debt insidiously holds them back. From preventing future goals and life milestones, to the sheer and ongoing stress of monthly payments, debt continues to fuel a cycle of economic oppression for borrowers of color and marginalized borrowers in Texas. Higher education must broaden opportunity for Texans, not limit it. Amidst national student loan debt discussions, Texas can and should intervene for Texans in order to lower debt burdens.

To the young adults we work alongside every day: We are committed to tackling the debt problem with you. We believe that as we collectively share our voice about the impacts of debt, we will create new opportunities for Texas student borrowers to move forward in their life and ambitions. Our Student Debt Advocacy Roadmap is meant to share with friends, teachers, postsecondary staff, administrators, and elected officials. We are determined to find solutions for Texas debt.

Student Debt Advocacy Roadmap [Toolkit](#)

