

Why Pennsylvania Needs Student Debt Relief: A Look at our State's Student Debt Crisis

by Diana Polson
September 2022



KEYSTONE RESEARCH CENTER
AND
PA BUDGET AND POLICY CENTER

EXECUTIVE SUMMARY

President Biden's recent announcement regarding student debt relief has brought the issue to center stage across Pennsylvania and the U.S. Access to quality higher education is so important to Pennsylvania's individuals and families, yet the high cost of college in the state has both limited who has access to a good education and, for those attending college, weighed down students with crushing amounts of debt. Carrying such a debt burden at the start of one's career hinders Pennsylvanians' choices, careers, and life decisions and holds back our economy. With this research, we examine the student debt crisis in Pennsylvania. We analyze publicly available data on Pennsylvania and look at the financial and economic implications of student debt for Pennsylvania families, students, and regions.

We found:

Low state funding and the high cost of college sets Pennsylvania up for a statewide student loan crisis.

- Pennsylvania is a leader in the nation in underfunding higher education. Our state ranks 47th for per capita investment in higher education. We spend \$143 per capita, half the national average of \$288 per capita.
- While Pennsylvania has long short-changed its students compared to other states, the state has also decreased its funding for public higher education over the last 13 years. Funding dropped from \$2.5 billion in 2008-09 (in inflation-adjusted 2021 dollars) to \$1.9 billion in 2011-12 and has remained stable since then.
- The change in the price of college for both public and private 4-year colleges in Pennsylvania has increased at a greater rate than the median household income in Pennsylvania. While the state household median income has grown by only 13% since 2002-03, the cost of public college has increased by 47% and the cost of private college has increased by 43%, which makes higher education a growing financial strain for families across the Commonwealth.
- In 2020-21, the cost of one year of college represents a significant portion of the average Pennsylvania household's income—for public 4-year colleges it is 41%, and for private 4-year colleges it is more than three-quarters (77%) of the median household income in PA.

Outstanding student loan debt has skyrocketed in the last two decades, and Pennsylvania graduates have high amounts of debt compared to other states.

- More than 2 million students/former students currently have outstanding college loans in the state of Pennsylvania.
- In PA, total student loan debt has increased 4 times what was owed in 2003—from \$19 billion to \$76 billion (inflation-adjusted).
- Pennsylvania ranks sixth highest in the nation for the percentage of 2020 college graduates graduating with debt (64%).
- Because of our state's high tuition costs, in 2020 Pennsylvania graduates had the third-highest student loan debt in the nation, behind only New Hampshire and Delaware. Graduates in 2020 left college with an average debt of \$39,375.
- A greater share of young people are student-debt-burdened than middle age or older people, but all age cohorts are impacted. Fifty-four percent of younger people (aged 18-34) in Pennsylvania with a credit record had student loan debt in March of 2021, compared to the national average of 42%.

- In Pennsylvania, the average student debt (inflation-adjusted) owed by all age groups has increased since 2005. Those aged 35-54 with student debt have the highest average amount of student debt (\$42,914 in March 2021), nearly double the amount in March 2005.

Some communities are hit harder by the student loan crisis.

Communities of color:

- While our student debt crisis impacts Pennsylvanians across race and ethnicity, it is disproportionately affecting communities of color due to, and exacerbated by, racial income and wealth inequities. Higher shares of Black and Latino students receive no financial support from their families and tend to take out larger Pell grants than white students do.
- Student loan borrowers who live in communities of color are more likely to have student loans in collection (20%) than those living in majority white communities (8%). In 2021, in nearly all counties where data was available in Pennsylvania, those in communities of color had higher rates of loans in collection than those in white communities.

Urban and rural communities are hard hit, but in different ways:

- Due in part to lower college attendance in Pennsylvania’s higher education deserts in rural areas, a smaller share of individuals in our rural communities have student loan debt than those in the state’s largest metropolitan areas, and rural residents carry less debt. But student loan holders in Pennsylvania’s rural areas have a harder time paying off their loans—as evidenced by higher “severe delinquency” rates—than those in Pennsylvania’s largest urban areas.

Women:

- According to the most recent data, women made up 56% of undergraduate students in Pennsylvania but make up 65% of students who have zero expected family contribution to college. Nationally, women hold nearly two-thirds of all outstanding student debt.
- Nationally, women graduate with, on average, around \$4,000 more in student debt than men. And women’s ability to pay off student loans is more difficult due to the male-female pay gap. Women college graduates in every race category in Pennsylvania earn significantly less per week than men.

For-profit colleges have poor student outcomes.

- Students who attend for-profit college in Pennsylvania are less likely to graduate, more likely to have student loans, more indebted, and have more trouble paying back loans. While private and public universities have a graduation rate after six years of 68% and 55% respectively, the graduation rate at for-profit 4-year colleges is only 26%. A greater share of students at for-profit colleges borrow money (78%) compared to public school students (68%) and private school students (61%).
- For-profit college students pay off less of their debt 10 years after they leave school, with 92% of loans unpaid compared to 55% for public college attendees and 50% for private university students.

Pennsylvania students are using nonfederal loans at higher rates than much of the nation.

- Private loans tend to be the riskiest loans because they cost more and don't come with the kind of protections or repayment options that federal loans do. In 2019, private loans had an annual fixed rate of 10.2% compared to 3.7% for an undergraduate federal loan interest rate.
- Pennsylvanians are using private loans at higher rates than students in many other states. In 2019-20, 22% of Pennsylvania college graduates finished school with private loans, ranking PA third in the nation.
- Pennsylvania ranked #8 in the United States for highest average private loan debt at \$42,361 for class of 2020 graduates.

Student loan debt is dragging down the economy.

- Rising student loan debt has led to individuals holding off major life decisions and investments such as buying a home or a car. Student loan defaults also hinder individuals' ability to borrow money and build wealth over time.

Policy solutions for Pennsylvania: In August 2022, President Biden announced \$10,000 in loan forgiveness for individuals making less than \$125,000 per year (or a family income less than \$250,000 per year) and \$20,000 for Pell grant recipients. Pennsylvanians should support national efforts at forgiving additional student loan debt and making public college free. At the same time, there are things that should be pursued at the state level, including the following:

- Create a statewide office related to student debt and/or create a new student loan ombudsman position in state government.
- Create a student debt refinancing program.
- Provide tax credits for those with outstanding loans.
- Incentivize employers to help their employees pay down their student loans.
- Protect current and potential students from for-profit colleges.
- Rein in abuses by student loan servicers: set standards and create a robust enforcement mechanism.
- Mandate pre-loan counseling before people take on debt. Require institutions of higher education to be transparent with students about the costs.
- Require all post-secondary educational institutions to compile information on student loan debt each year and submit this info to the Pennsylvania Department of Education.
- For private student loans, require the Pennsylvania Department of Banking and Securities to compile information on interest rates, loan terms, and repayment plans so potential borrowers can understand the terms and possible results of potential loans, including which have the most favorable interest rates, etc.
- Invest in public higher education and expand grants in Pennsylvania.
 - Create a "last-dollar scholarship" program that would, among other benefits, lead more students in Pennsylvania to seek and receive federal Pell grants. Currently, because of the lack of affordable college access (i.e., Pennsylvania's community colleges and higher education deserts and the high cost of all our public colleges), Pennsylvania students at public colleges draw down a stunning \$271 million less in federal Pell grants than they should based on our population.

- Pass and fund a comprehensive college affordability program—the Pennsylvania Promise.

INTRODUCTION

Access to quality higher education is key to a thriving population, economic mobility and a strong state economy. So, what happens when, due to the high cost of college, this access is cut off for some and for others results in starting one’s career already weighed down by staggering amounts of debt? Promises and dreams of a prosperous future begin to wane. Money that would otherwise fuel our economy as young people graduate college and seek to buy homes, cars, food, and other necessities instead are funneled into loan payments. Currently in the United States, more than 44 million borrowers owe a staggering \$1.7 trillion in student loan debt.¹

President Biden’s announcement on student debt relief is a welcome policy change. Forgiving \$10,000 in student debt for federal loan holders and \$20,000 for those receiving Pell grants will lift a tremendous load off the backs of many Pennsylvanians. But this debt relief policy will not erase our student debt crisis in Pennsylvania. Additional federal and state solutions must be pursued to address the debt crisis now and in the future, a significant part of which is getting a handle on skyrocketing college costs. This report examines the student debt crisis in Pennsylvania—what it looks like, why this crisis has grown, who it impacts, and how we stack up against other states.²

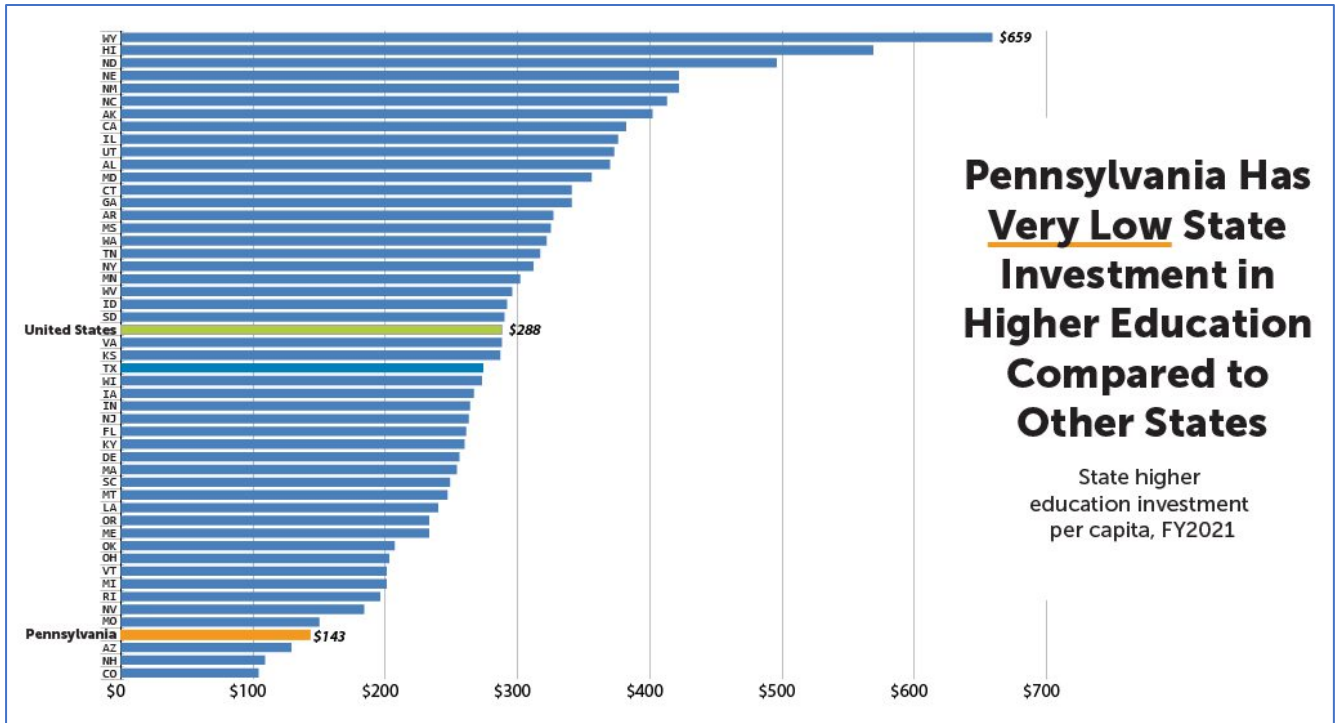
Low state funding, high college costs, and flat wages set the stage for Pennsylvania’s student loan crisis

Pennsylvania is a leader in the nation in underfunding higher education. As figure 1 below shows, Pennsylvania ranks 47th in the nation for per capita investment in higher education. Pennsylvania spends \$143 per capita, much below the national average of \$288 per capita. Wyoming, the state that spends the most on higher education per capita, spends about 4.5 times what Pennsylvania invests.

¹ Jessica Dickler and Annie Nova, “This is how student debt became a \$17 trillion crisis,” [cnbc.com](https://www.cnbc.com/2022/05/06/this-is-how-student-loan-debt-became-a-1point7-trillion-crisis.html), May 6, 2022, <https://www.cnbc.com/2022/05/06/this-is-how-student-loan-debt-became-a-1point7-trillion-crisis.html>.

² We took inspiration and advice from staff at the Center for Responsible Lending (CRL) and modeled much of this report on a 2019 CRL report by Julia Barnard and Robin Howarth called “North Carolina’s Student Debt,” <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-nc-fsl-studentloans-sep2019.pdf>.

Figure 1

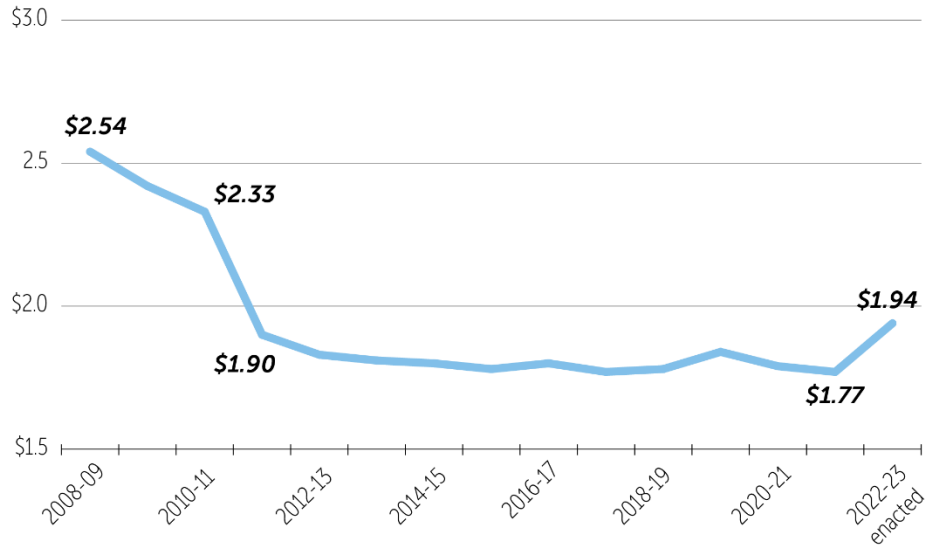


While Pennsylvania has long short-changed its students compared to other states, the state has also decreased its funding for higher education over the last 13 years. While funding in 2008-09 was \$2.5 billion (in inflation-adjusted 2021 dollars), this funding tanked in three years' time, dropping to \$1.9 billion in 2011-12 where it has held relatively stable, with a slight uptick in 2022-23 (to \$1.9 billion).

Figure 2

Pennsylvania State Budget Allocation for Higher Education, 2008-09 to 2022-23

Billions of inflation adjusted 2021 dollars.



Source: Keystone Research Center analysis of multiple Pennsylvania state budgets.

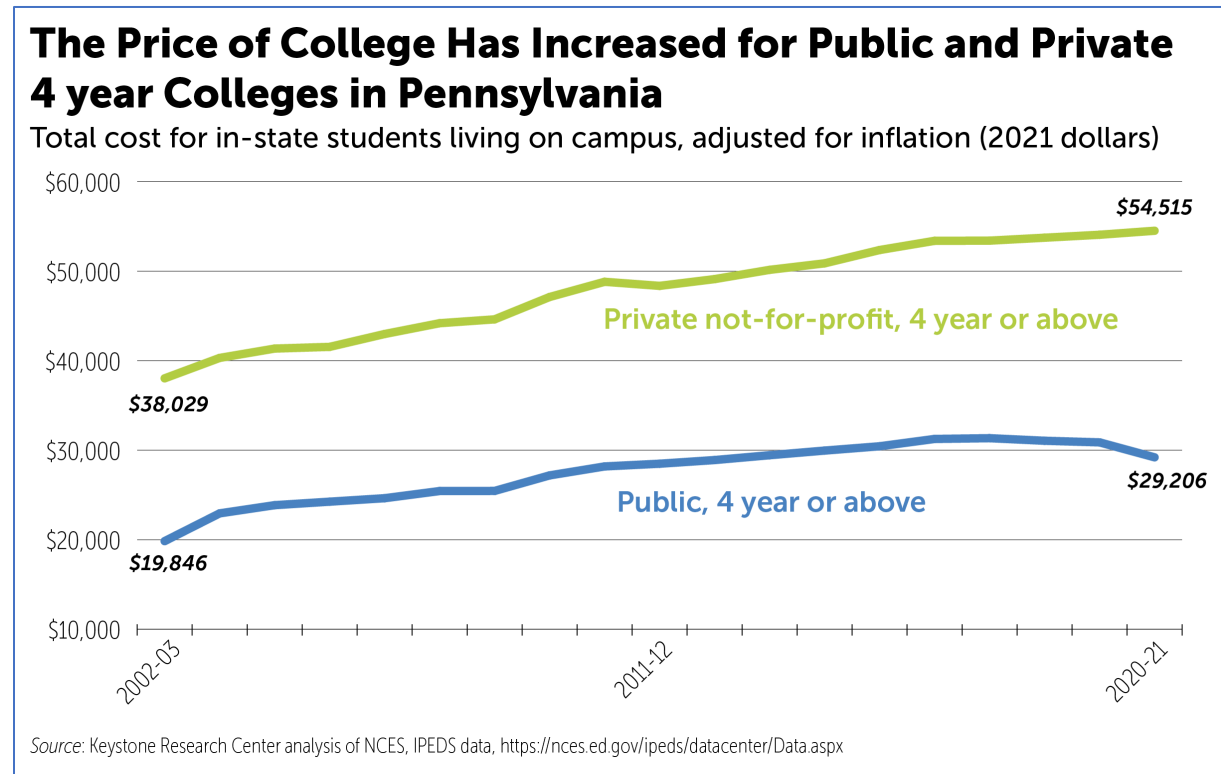
Research shows that perceptions of affordability matter to high school students as they determine whether to pursue higher education. Thirty-two percent of high school juniors in 2012 said that even if they were accepted into college, their family would not be able to afford to send them. Of this group, 59% had never attended college compared to 80% of high school students who thought their

families could afford it. The high cost of college in Pennsylvania clearly limits the decisions of low-income students to attend college in the first place.³

For those who do make it to college, costs have been rising. While public funding is low, the price of college has increased since 2002-03 for both public 4-year colleges and private 4-year colleges. After adjusting for inflation (set to 2021 dollars), figure 3 below shows that the cost of public education increased from \$19,846 in 2002-03 to \$29,206 in 2020-21. The cost of private, not-for-profit 4-year colleges increased as well, from \$38,029 to \$54,515 during the same period. These high costs put a strain on students and families and act as a deterrent against many of Pennsylvania's young people entering college.

³ Elizabeth Redden, "Study: High Schoolers' Perceptions of Affordability Matter," InsideHigherEd.com, January 12, 2022, https://www.insidehighered.com/news/2022/01/12/study-high-schoolers-perceptions-affordability-matter?fbclid=IwAR2g216yh0JEZBsakchkcw1yMxfcVe6DSZ5-001-huNMJk8H_tUfP4d7Vto.

Figure 3

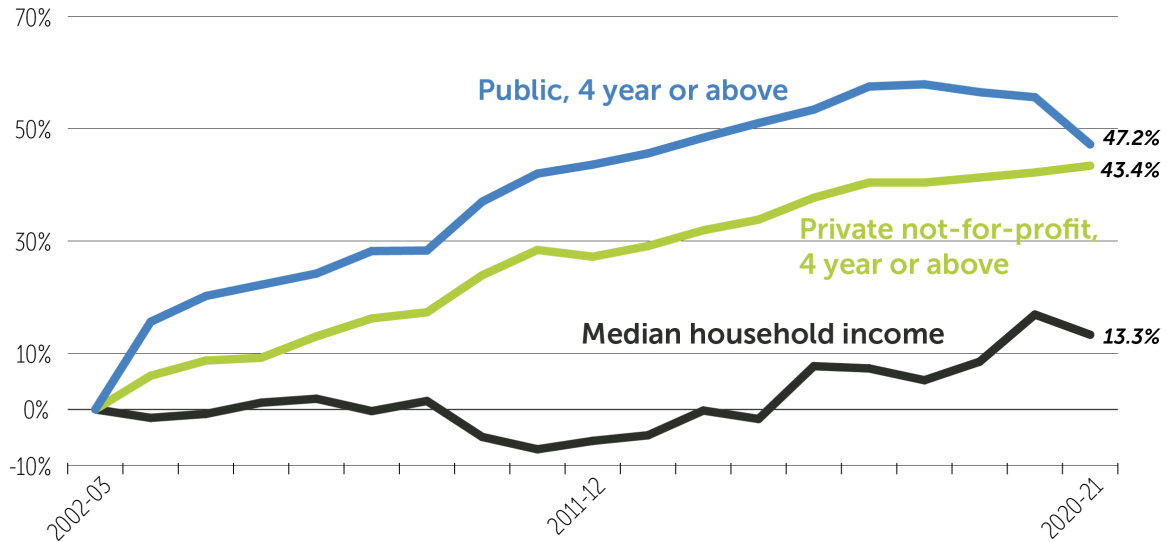


As figure 4 below shows, the prices of college for both public and private 4-year colleges in Pennsylvania have increased at a greater rate than the median household income in Pennsylvania. While the state household median income grew by only 13% between 2002-03 and 2020-21, the cost of public college increased by 47% and the cost of private collage increased by 43%, making it more of a financial strain for families across the Commonwealth.

Figure 4

The Price of College Has Outpaced the Change in Median Income in Pennsylvania

Relative change in price of college* by institution type compared to median household income (inflation adjusted 2021 dollars), 2002-2020



*This is the price of college for in-state students living on campus, which includes in-state tuition and fees, books and supplies, on campus room and board, and other on-campus expenses.

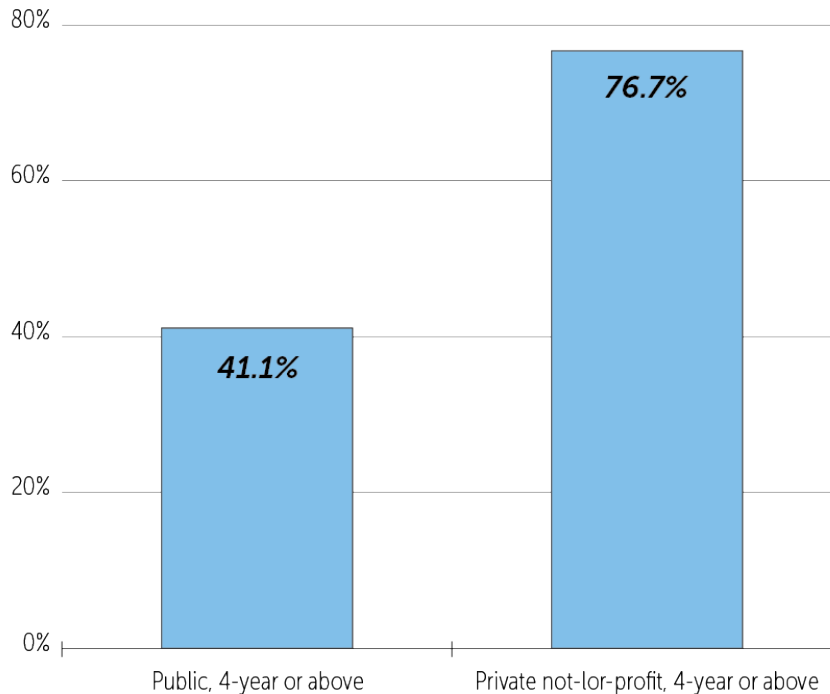
Source: Keystone Research Center analysis of NCES, IPEDS data, <https://nces.ed.gov/ipeds/datacenter/Data.aspx>, and FRED economic data and inflation adjusted to 2021\$, <https://fred.stlouisfed.org/series/MEHOINUSPAA646N>

In 2020-21, costs for a year of college represented a significant portion of the average Pennsylvania household's income. With a yearly household median income of \$70,117 per year, one year of a public four-year college is 41.1% of the typical Pennsylvanian's household income. The cost of private 4-year colleges is more than three-quarters (76.7%) of the median household income in Pennsylvania. Low state funding, the high costs of college, and relatively stagnant incomes have created the perfect storm, setting the stage for a student debt crisis in our state.

Figure 5

Costs for a Year of College Are a Significant Portion of the Average Pennsylvania Household's Income

Percent that yearly cost of college is of yearly median household income in Pennsylvania (\$70,117), by institution type, 2020-2021



Note: This is the price of college for in-state students living on campus, which includes in-state tuition and fees, books and supplies, on-campus room and board, and other on-campus expenses.
Source: Keystone Research Center analysis of National Center for Education Statistics, IPEDS data (<https://nces.ed.gov/ipeds/use-the-date>) and FRED economic data, adjusted to 2021, <https://fred.stlouisfed.org/series/MEHOINUSPAA646N>

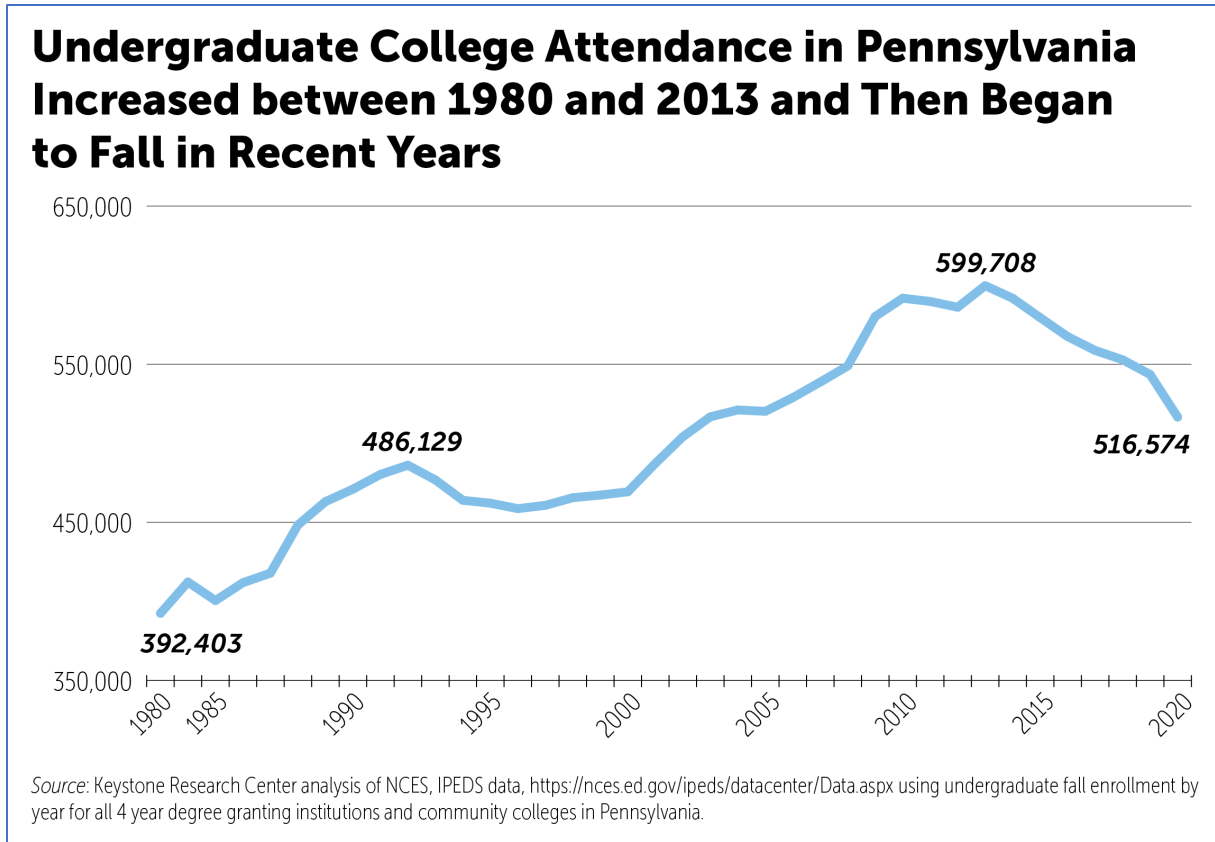
A note on college attendance over time

Undergraduate college enrollment in Pennsylvania's 4-year colleges and community colleges had an upward trend between 1980 and 2013 at which point college attendance began to decline. This is partially a demographic trend seen across the United States. Nationally, the number of high school graduates fell after 2009 once most of the children of baby boomers—also known as the “echo boom”—left high school. Pennsylvania experienced a sharper fall in the number of high school graduates than the rest of the nation, especially in western and rural parts of the state. Some 25 years earlier these regions experienced a deep recession leading to some income loss and

depopulation among younger adults. These economic difficulties made Pennsylvania's “baby bust” after the end of the “echo boom” bigger than in other states.⁴ Together with Pennsylvania's high absolute and relative cost of college, our economic history and resulting demographics contributed to a big enrollment decline at undergraduate colleges.

⁴ Eugene Henninger-Voss and Stephen Herzenberg, “Pennsylvania Higher Education at a Crossroads: To Boost Opportunity and Growth, Pennsylvania Needs to Invest in Higher Education,” Keystone Research Center, August 2017, https://krc-pbpc.org/wp-content/uploads/PA_Higher_Education_at_a_CrossroadsFINAL.pdf.

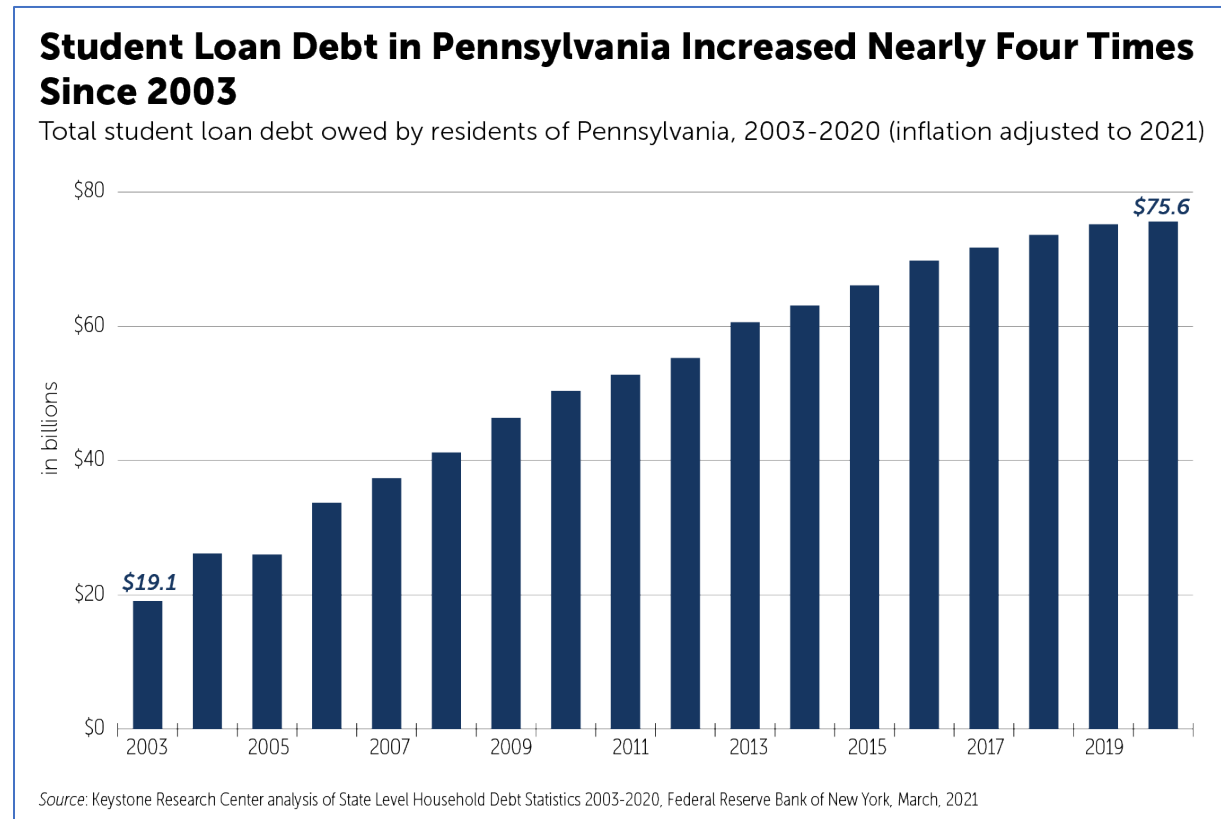
Figure 6



STUDENT LOAN DEBT IS GROWING IN PENNSYLVANIA AND IS SOME OF THE WORST IN THE NATION

Outstanding student loan debt has skyrocketed in the last two decades in Pennsylvania. Total student loan debt (inflation-adjusted to 2021 dollars) increased nearly four times what was owed in 2003—from \$19 billion to \$76 billion.

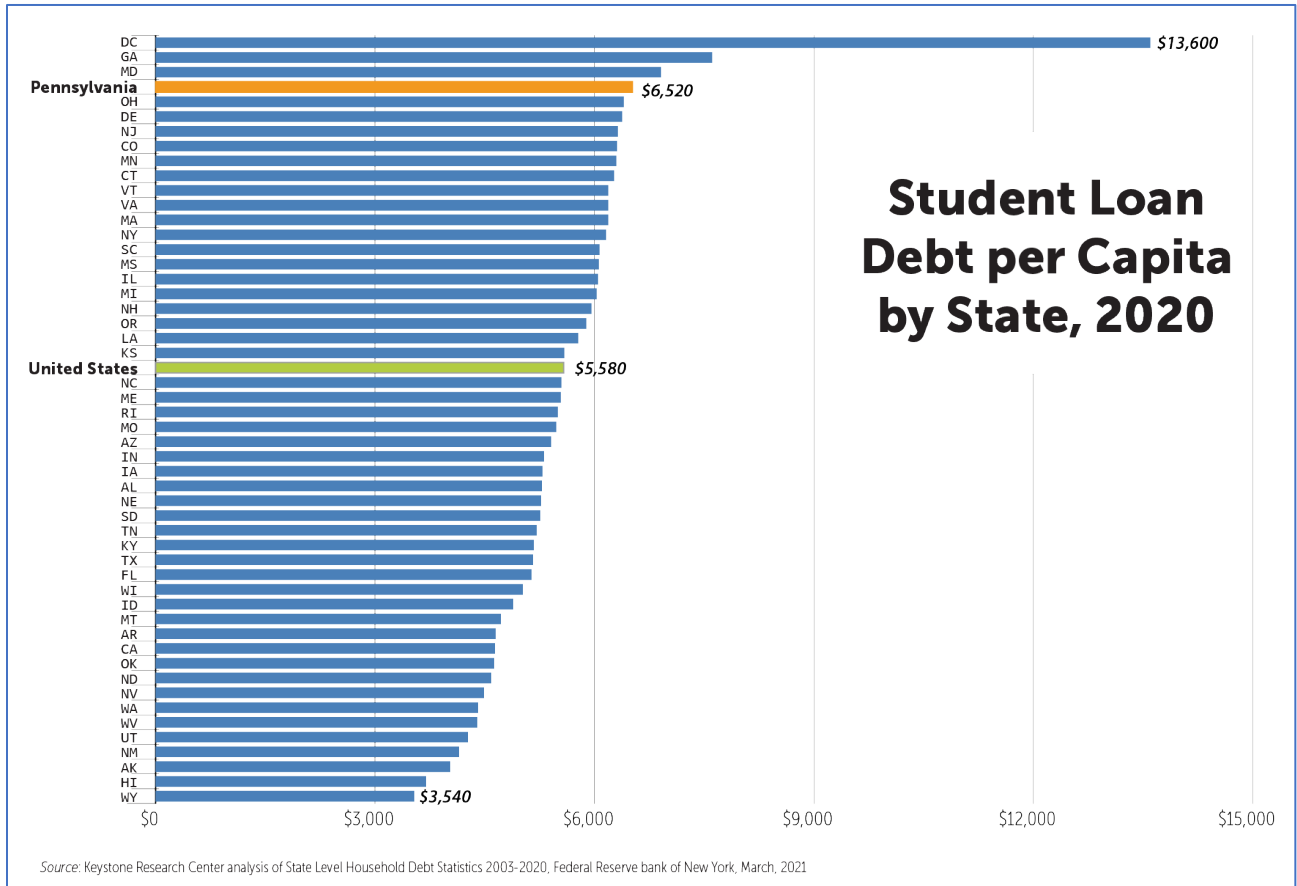
Figure 7



Pennsylvania ranks 4th out of all states plus the District of Columbia for the amount of per capita student loan debt outstanding in the state.⁵

⁵ This is aggregate student loan debt divided by total population in each state.

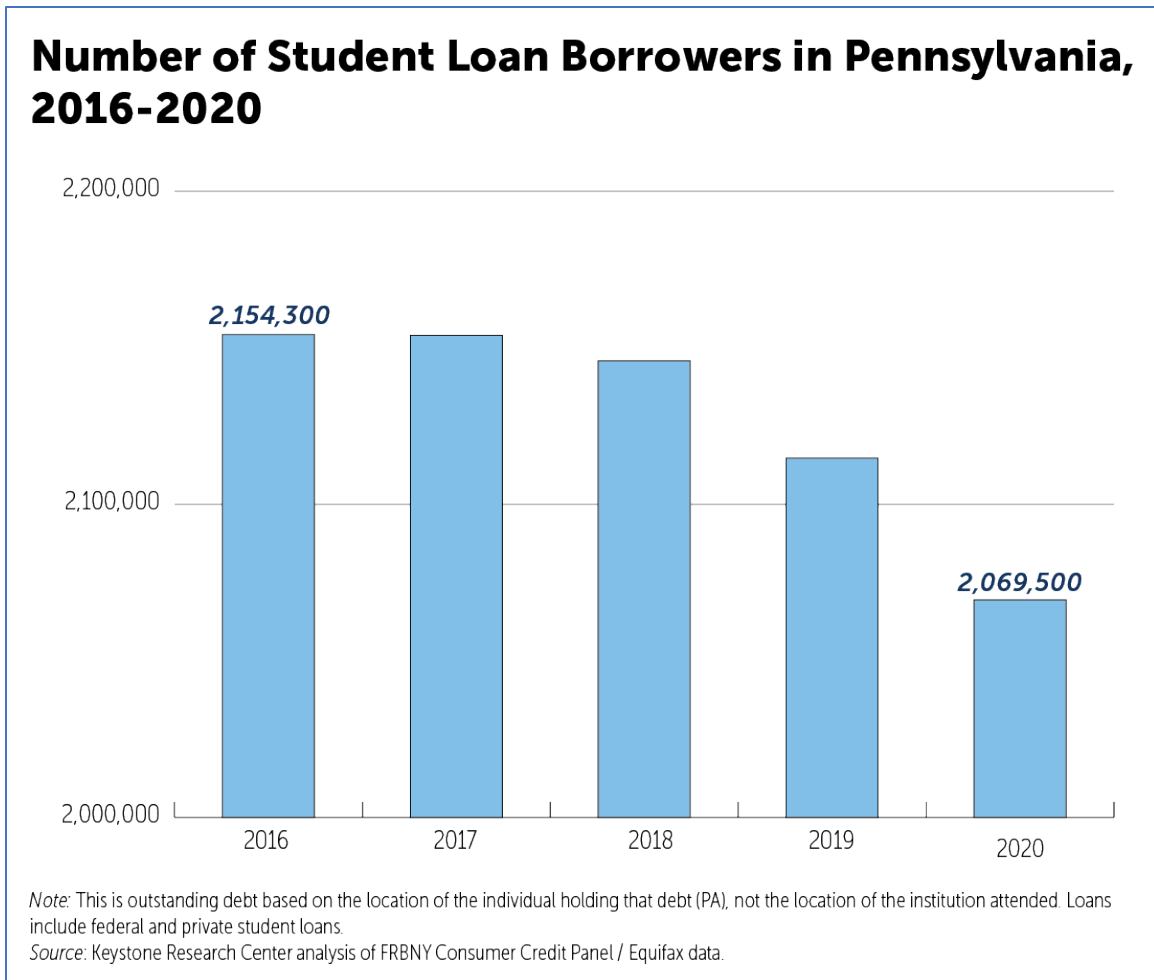
Figure 8



There are more than 2 million student loan borrowers in the state of Pennsylvania. The number of students with student loan debt has decreased in recent years, following national trends. This is likely due to coinciding decreases in college attendance beginning in 2013.⁶ (See figure 6 on PA college attendance over time.)

⁶ Another source puts the number of student borrowers in Pennsylvania at 1,822,800, which only includes student borrowers with federal debt—Figure 9 includes student borrowers with federal and private debt. See Melanie Hanson, “Student Loan Debt by State,” EducationData.org, April 3, 2022, <https://educationdata.org/student-loan-debt-by-state>.

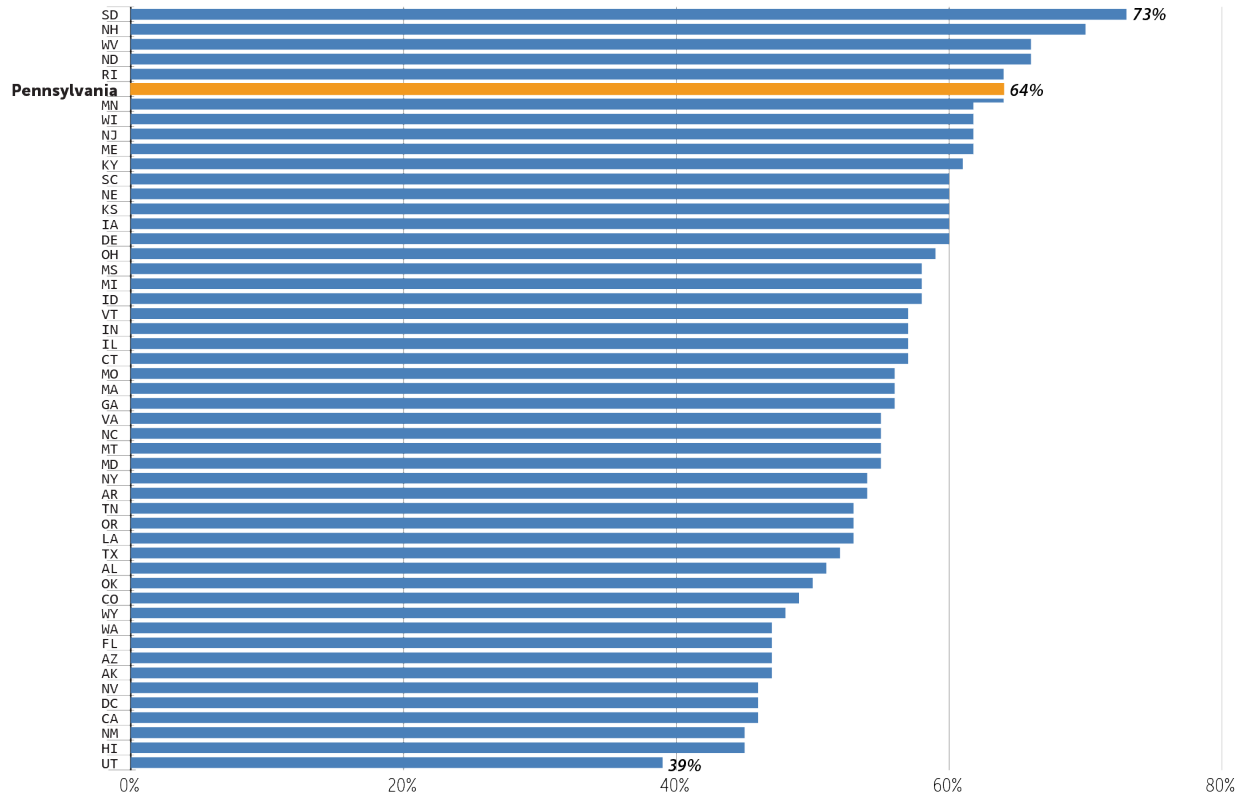
Figure 9



Compared to other states, Pennsylvania ranks 6th in the nation with the highest percentage of 2020 college graduates in public and private nonprofit colleges graduating with debt (64%).

Figure 10

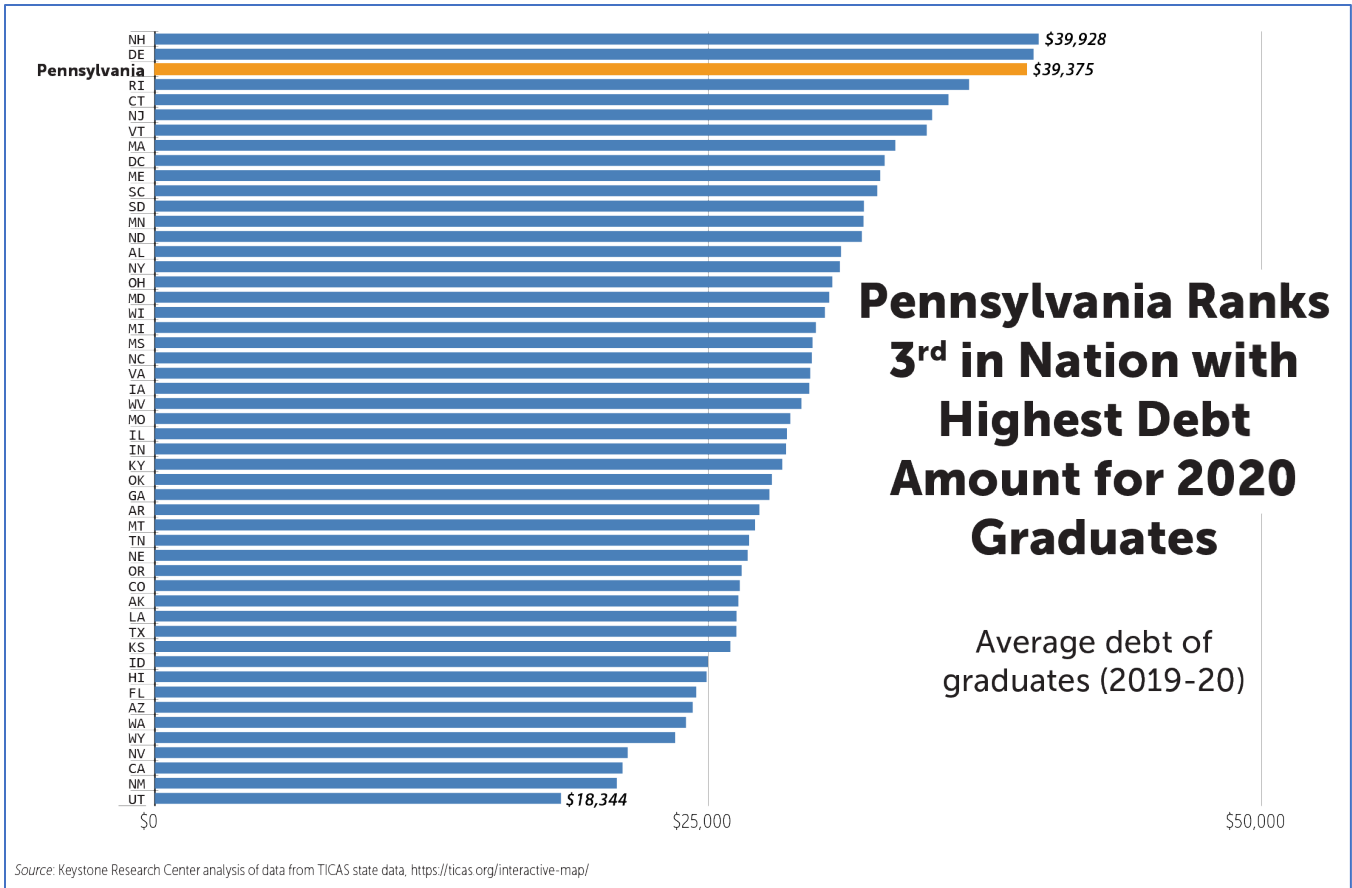
Pennsylvania Has a High Percentage of 2020 Graduates with Student Debt, Ranking 6th in the Nation



Source: Keystone Research Center analysis of data from TICAS state data, <https://ticas.org/interactive-map/>

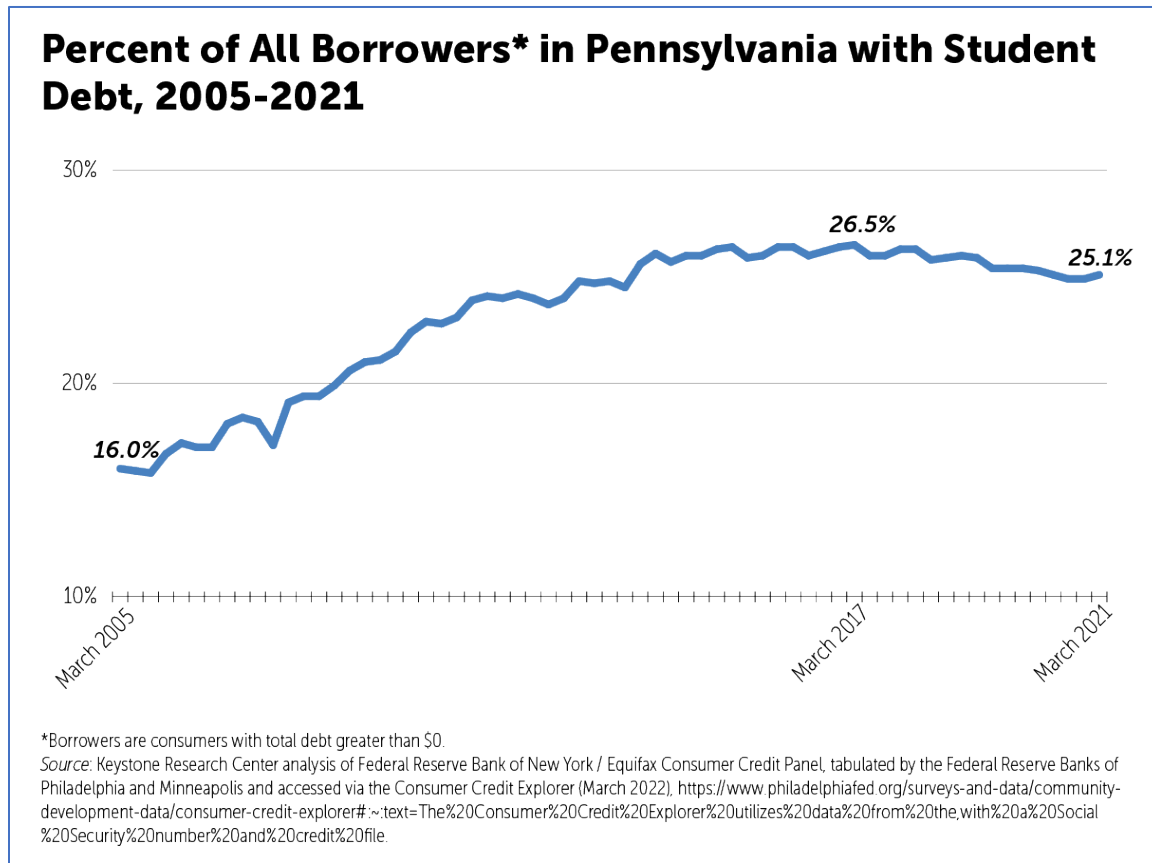
Because of our state’s high tuition costs, Pennsylvania’s 2020 graduates left college with an average debt of \$39,375, the third-highest student loan debt in the nation, behind only New Hampshire and Delaware.

Figure 11



In March of 2005, 16% of borrowers (consumers with debt greater than \$0) in Pennsylvania had student loan debt, compared to 13% nationally. This rose to more than 25% in 2013 and has stayed above 25% since then. In March of 2021, 25.1% of all Pennsylvania borrowers had student loan debt, compared to 21.2% nationally.

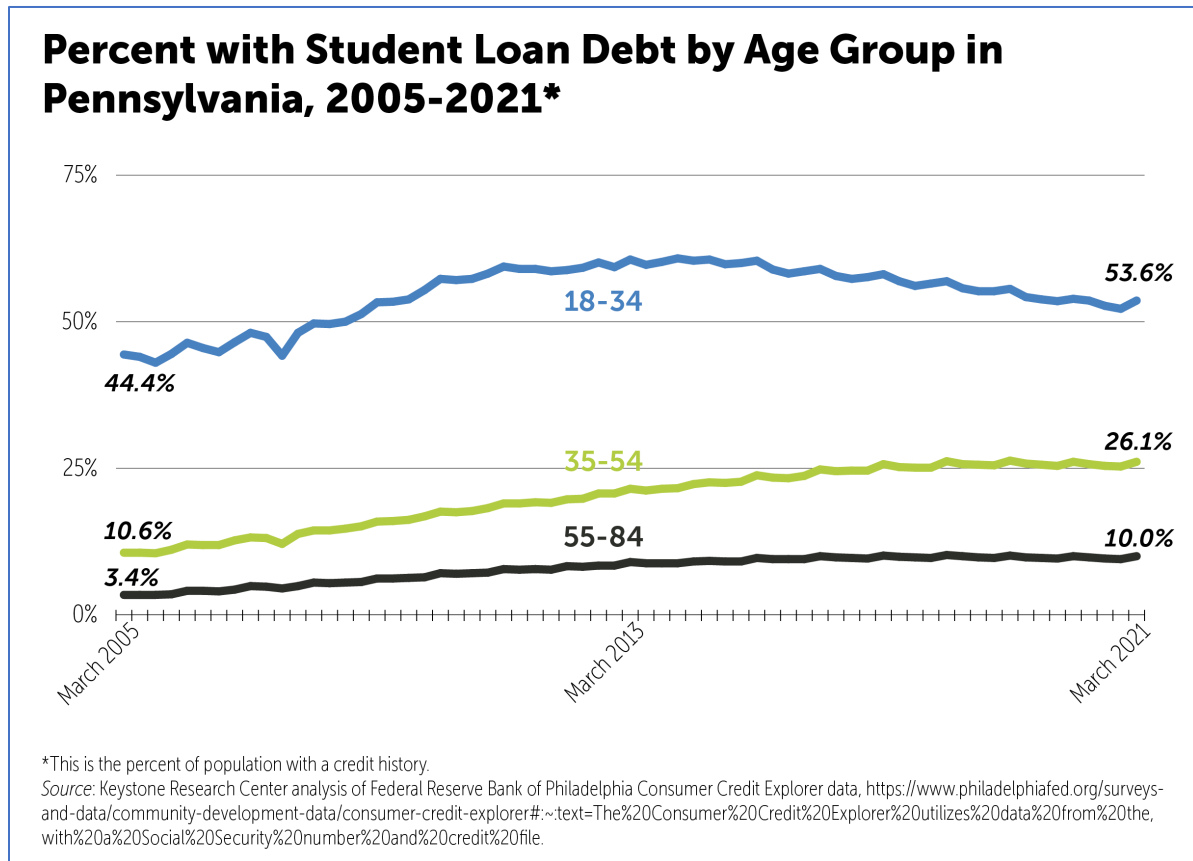
Figure 12



Student loan debt is a major problem facing our state’s young adults—but all age-cohorts are impacted by the crisis. Between 2005 and 2021, all age-cohorts have seen an increase in the percent of people who have taken on student loans. In March of 2021, more than half (54%) of Pennsylvania’s 18- to 34-year-olds with a credit record had student loan debt (up from 44% in 2005). This is significantly higher than the national average—nationally, 42% of 18- to 35-year-olds held student debt in March 2021.

More than a quarter (26%) of Pennsylvanians, aged 35-54 with a credit history had student loan debt in March of 2021—up from 11% in 2005. Even Pennsylvania’s oldest cohort (aged 55 to 84) has seen an increase in student loan debt.

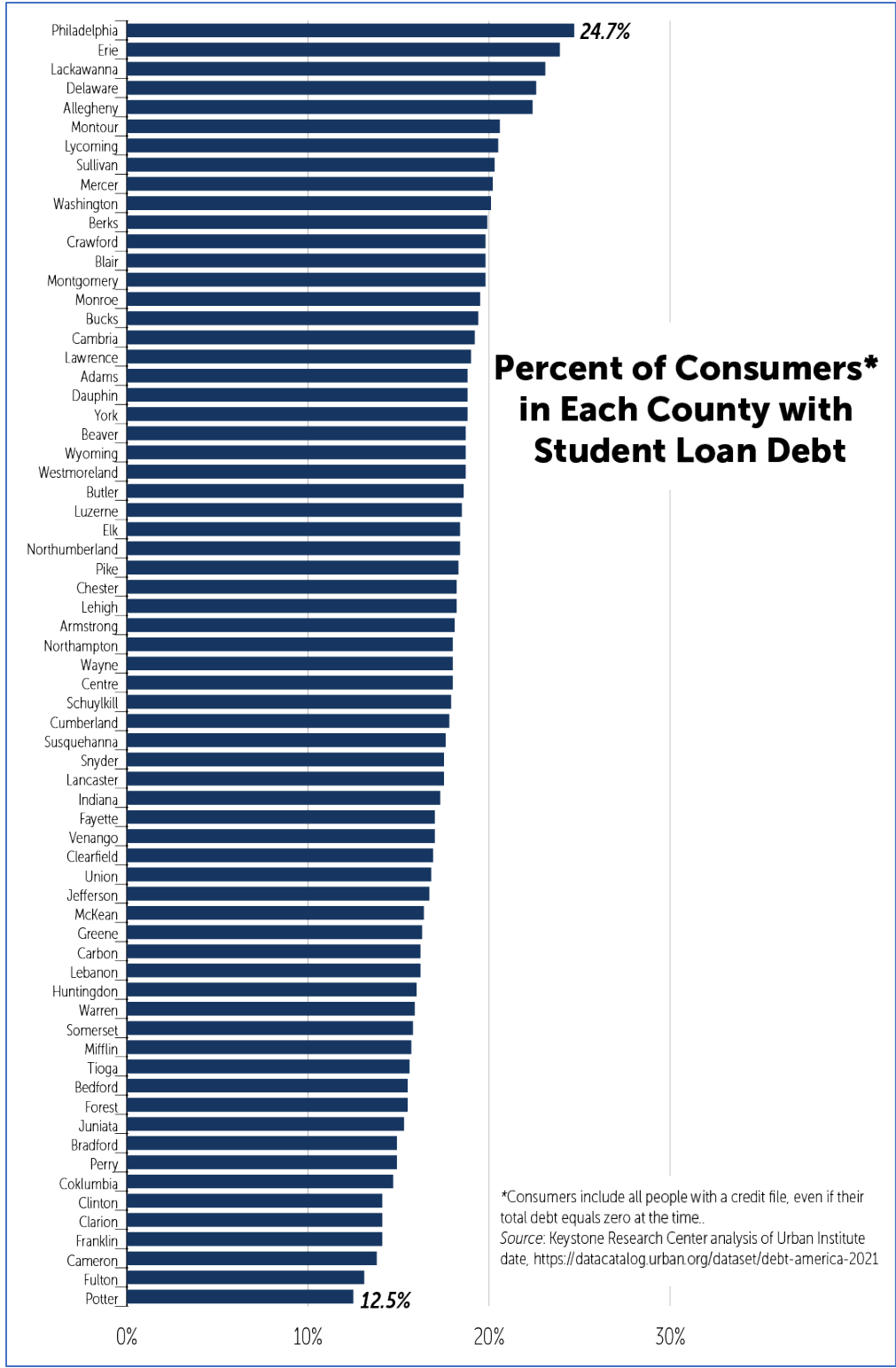
Figure 13



In 2020, the percent of Pennsylvanians with a credit bureau record with student loan debt varies greatly by county—from 25% in Philadelphia to 13% in Potter County.⁷

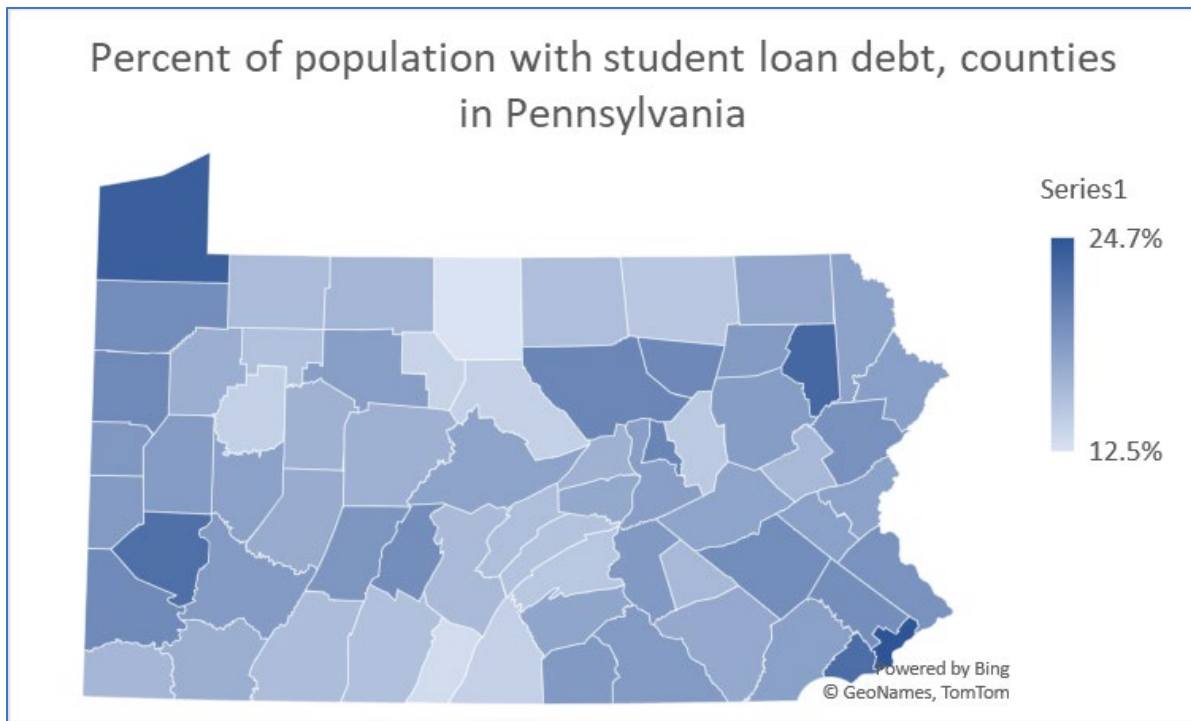
⁷ Breno Braga, Alexander Carther, Cassandra Martinchek, Signe-Mary McKernan, and Caleb Quakenbush, “Debt in America: An Interactive Map – Technical Appendix,” Urban Institute, (updated March 31, 2021), https://apps.urban.org/features/debt-interactive-map/downloadable-docs/debt_interactive_technical_appendix_2021.pdf.

Figure 14



Map

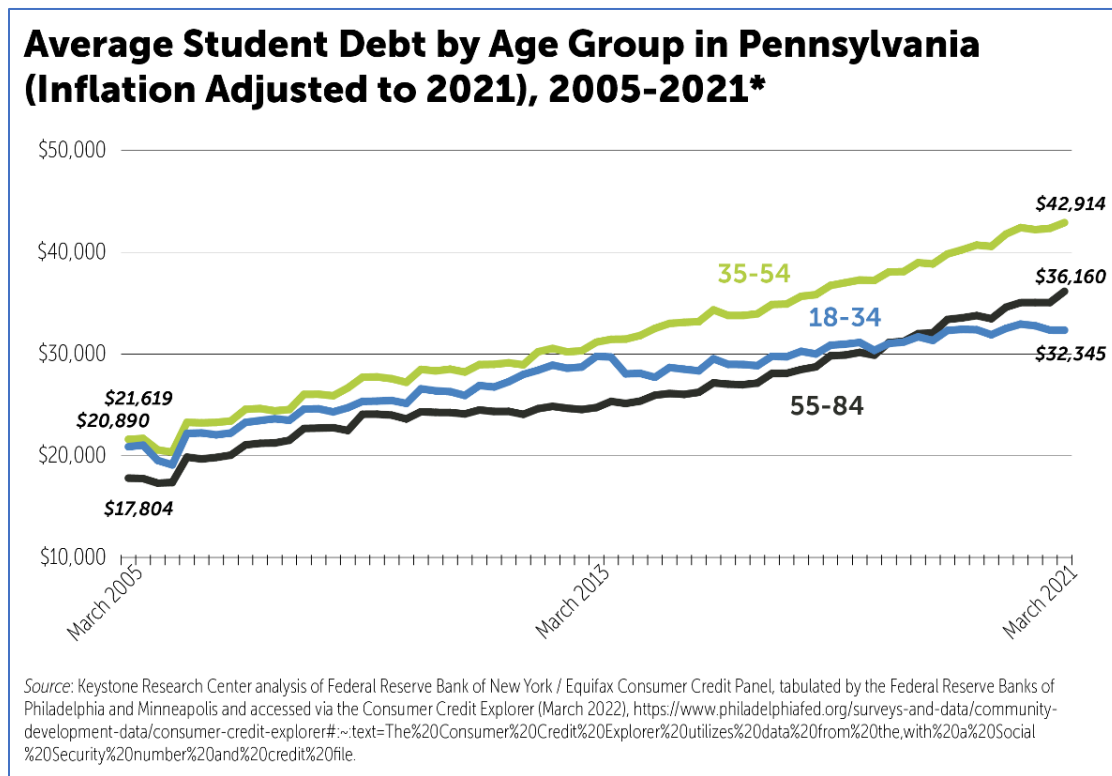
Figure 15



Students are borrowing more often and are also borrowing in greater amounts than they have in the past (figure 16). In Pennsylvania, the average student debt (inflation-adjusted to 2021 dollars) owed by all age groups has increased since 2005. Those aged 35-54 with student debt have the highest average amount of student debt (\$42,914 in March 2021), which has nearly doubled since March 2005. Accrued interest on unpaid amounts can increase student debt for any borrower— though this is more common among those middle-aged and older borrowers who have made little to no progress on repayment over the years.⁸

⁸ Julia Barnard & Robin Howarth, “North Carolina’s Student Debt: Dimensions of a Crisis,” <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-nc-fsl-studentloans-sep2019.pdf>.

Figure 16



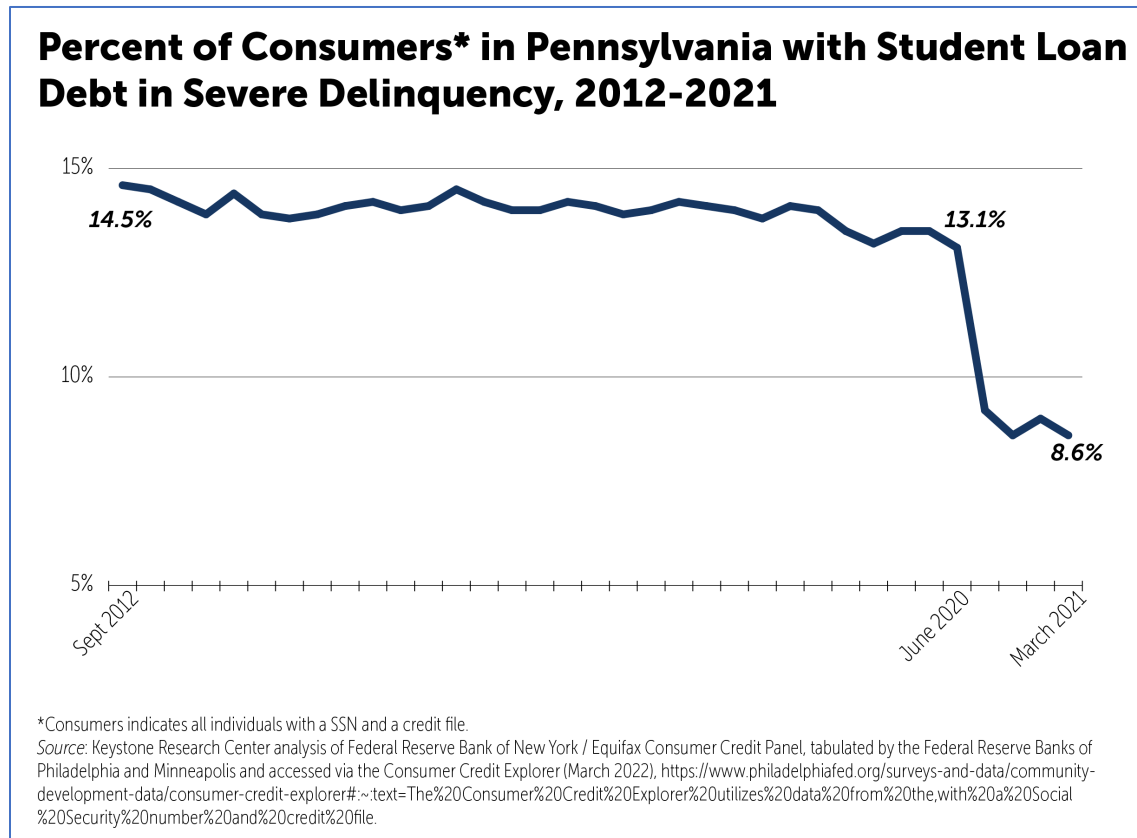
Many Pennsylvanians struggle to repay student loans

Many Pennsylvanians are unable to keep up with their student loan payments. The percent of Pennsylvania consumers who are severely delinquent on paying student loan debt, defined as making no payments for 90 days or more, hovered around 14% between 2012 and 2020. Those in severe delinquency dipped after March 2020 during the pandemic, because, until December 2022 (after extensions), the Department of Education put student loan payments on pause and treated all loans on pause to be current except those already in default.⁹ We can expect that without further federal action, the number of those in severe student loan delinquency will rise once again. In general (not just in the pandemic), the Federal Reserve estimates that delinquency rates underestimates student distress by as much as 50% since only about half of all student debt holders are in active repayment status at any given time—others are in some state of deferment or forbearance.¹⁰

⁹ When student loans become 270 days past due, the Department of Education considers loans to be in default and they are sent to student loan debt collectors at 365 days past due. <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-nc-fsl-studentloans-sep2019.pdf>

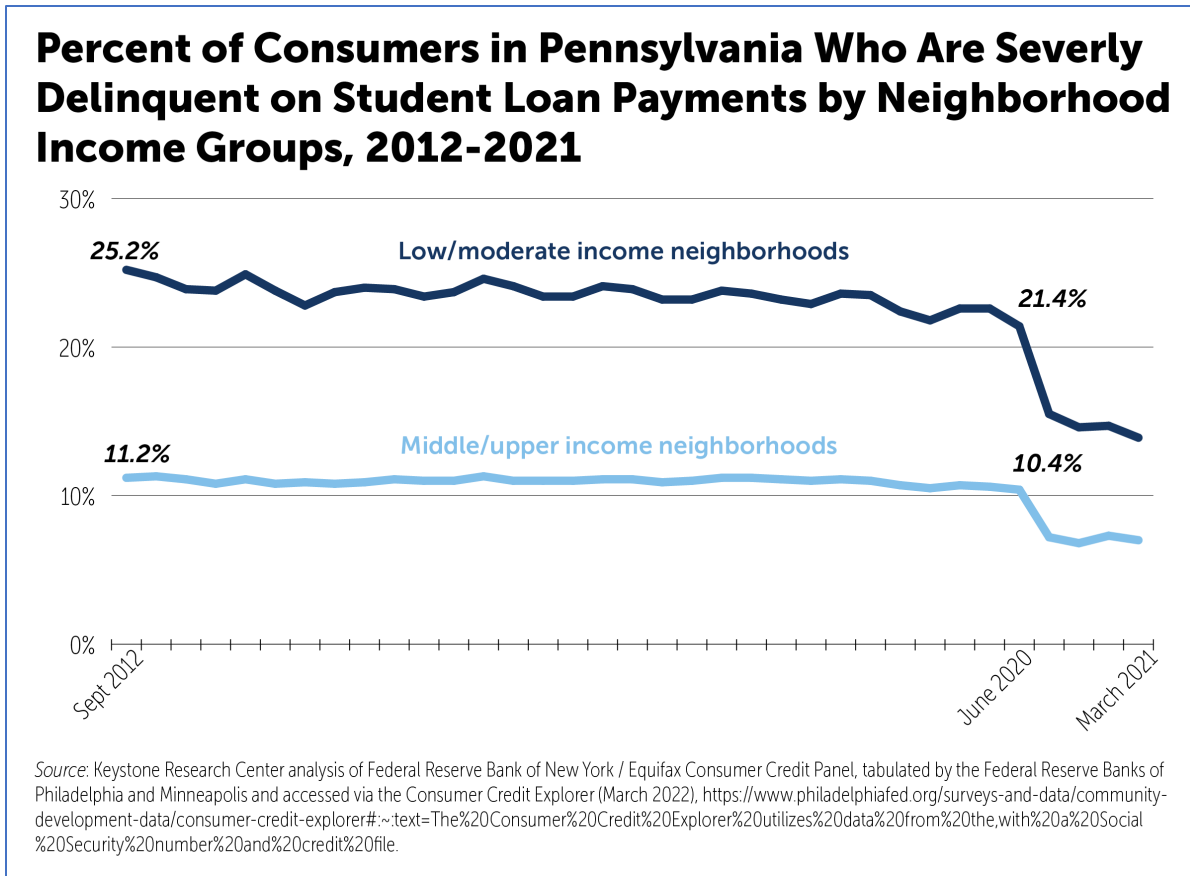
¹⁰ Julia Barnard & Robin Howarth, “North Carolina’s Student Debt: Dimensions of a Crisis,” <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-nc-fsl-studentloans-sep2019.pdf>.

Figure 17



Those struggling most to pay their student loans (those in severe delinquency) live in both low/moderate income neighborhoods and middle/upper income neighborhoods. But, as one would expect, those in low/moderate income neighborhoods face severe delinquency at much higher rates than those living in middle/upper income neighborhoods.

Figure 18

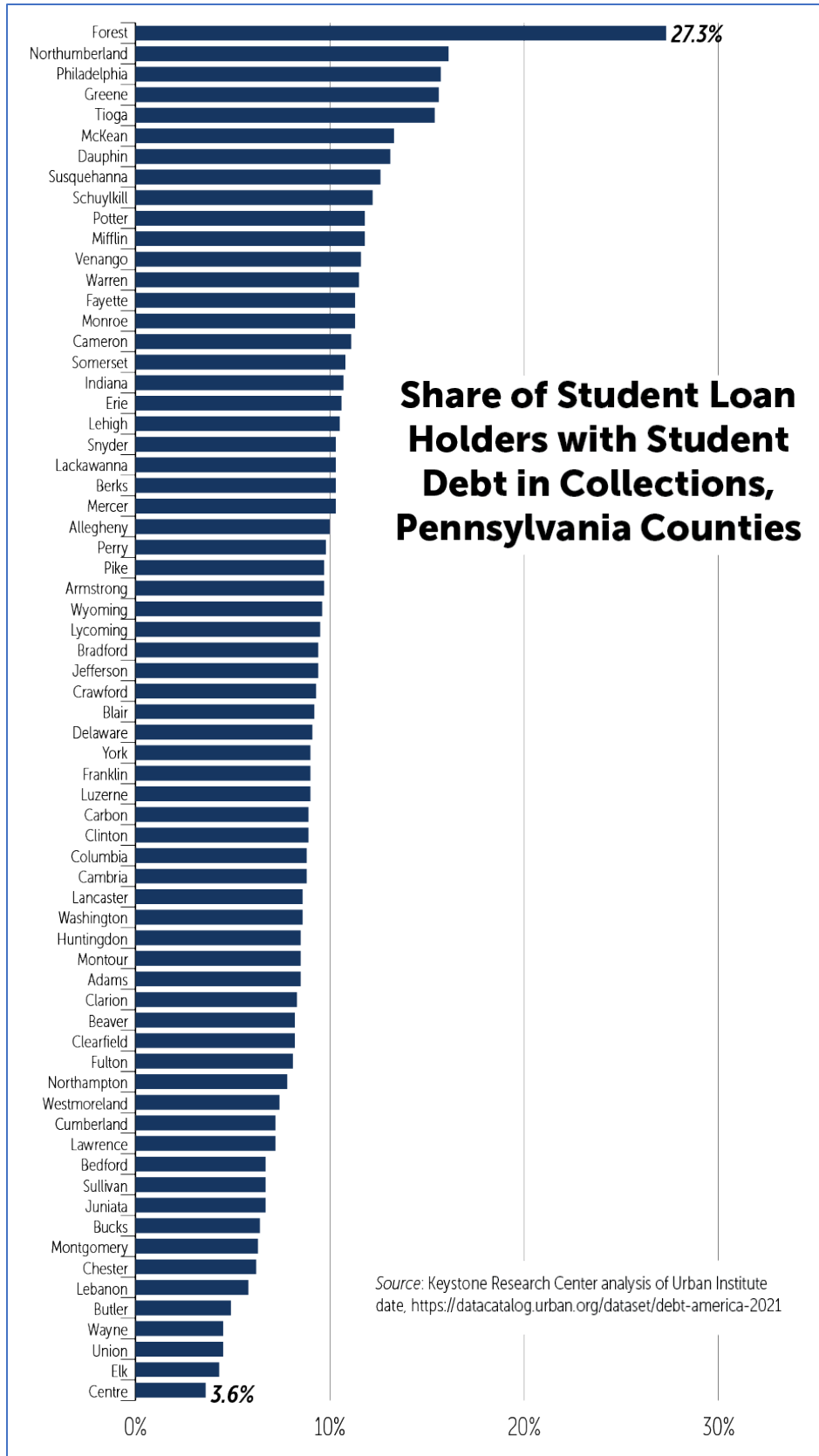


The share of student loan holders who have student loan debt in collection varies greatly across Pennsylvania counties. As the figure below shows, five counties in Pennsylvania have more than 15% of student loan holders whose loans are in collection—this is much higher than other counties, like Centre County where only 3.5% of loan holders are. Federal student loans go into default after not making payments for 270 days and go to collections after 365 days past due. Private student loans vary, but can go into default after one or two missed payments. After defaulting on student loans, these loans can be sent to collections. Once in collections, individuals are responsible not just for making their payments but also for the fees that collection agencies have. If establishing and following through on a repayment plan does not work, collections agencies can garnish your wages to recoup the money. Lenders for federal student loans are not required to take the borrower to court before garnishing wages. Private lenders must follow garnishment rules laid out for private debt which requires the lender to bring the borrower to court, and get a judgement in their favor, before garnishing wages. Once defaulted on federal student loans, individuals may no longer be eligible for deferment of loans. This can also negatively impact credit scores which impact the ability to borrow money or to borrow at a reasonable interest rate.¹¹ Federal loans provide more opportunity to rehabilitate one’s student loans, which can

¹¹ Jamie Cattanaach. “What happened when your student loans go to collections?” SoFi Learn, Oct. 13, 2021. <https://www.sofi.com/learn/content/student-loan-collections/>

result in removal of a default from a credit history. Private lenders, however, might not offer such options.

Figure 19

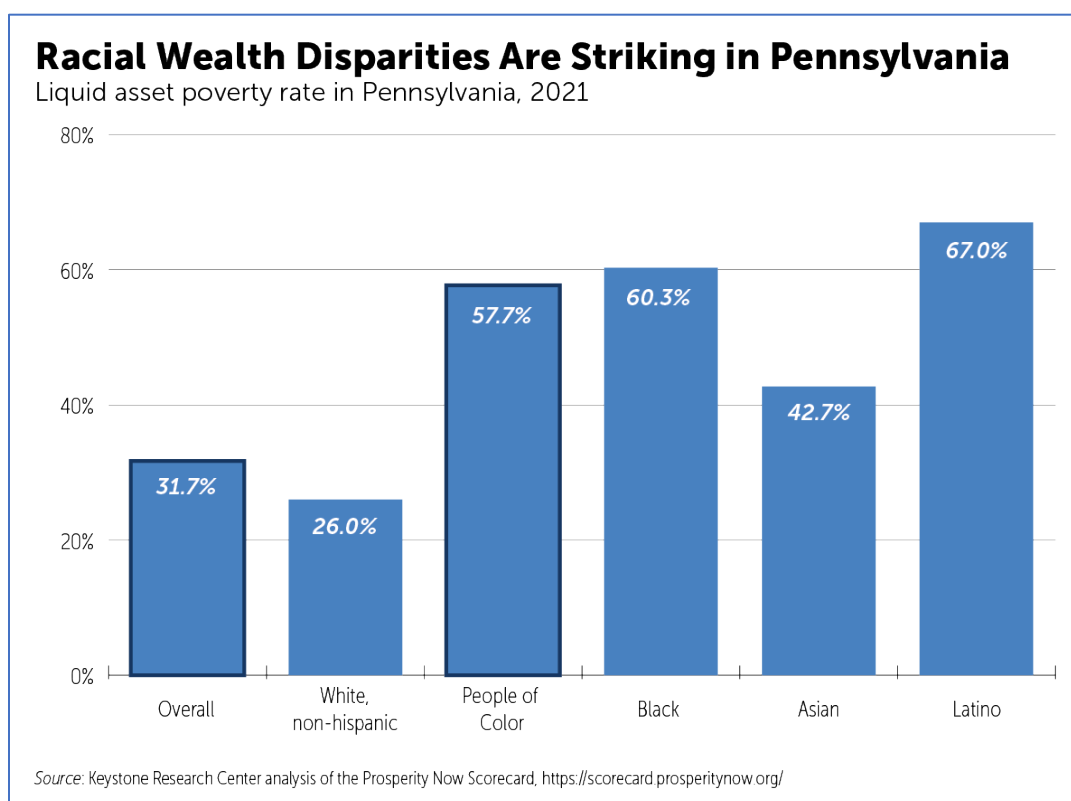


HARDEST HIT COMMUNITIES IN PENNSYLVANIA

Communities of Color

The student loan crisis is disproportionately impacting communities of color due to and exacerbated by racial income and wealth inequities.¹² Non-white and/or Latino households make, on average, \$24,976 less than white, non-Latino households in Pennsylvania.¹³ And according to the Prosperity Now Scorecard, Pennsylvania has great racial wealth disparities. The figure below shows significant racial disparities in the liquid asset poverty rate, which includes households without the liquid savings needed to cover basic expenses for three months if there is an emergency of some kind — such as a job loss, medical emergency or other financial crisis. In Pennsylvania, 26% of white, non-Hispanic households are considered liquid-asset poor, compared to 67% Latino households, 60% Black households and 43% Asian households. These disparities make it more difficult to pay for college in the first place and once having attended, more difficult to pay off student loans.

Figure 20



As table 1 below shows, higher shares of Black and Latino students receive zero financial support from their families and tend to take out larger Pell grants compared to their share of undergraduate attendance than white students do. A greater share of Black and Latino students have an expected

¹² Julia Barnard & Robin Howarth, “North Carolina’s Student Debt: Dimensions of a Crisis,” <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-nc-fsl-studentloans-sep2019.pdf>.

¹³ From Urban Institute data (see state-level data excel).

family contribution of \$0 and Black students are more likely to take out the maximum Federal Pell grant (over \$5,700)—making up 22% of students taking out the maximum despite only making up 13% of all students.

Table 1

Black and Latino students in Pennsylvania receive less financial support from their families and larger Pell grants than white students (rows sum to 100%)				
	White	Black or African American	Hispanic or Latino	Other
Total undergraduate attendance	71.5%	13.3%	8.4%	6.9%
Expected family contribution of \$0	52.6%	24.8%	12.6%	10.0%
Federal Pell grant between \$5,700 and \$5,755 (max)	52.9%	22.2%	12.8%	12.10%
NOTE: This data represents all students enrolled in an undergraduate program in school year 2015-16. Includes students whose legal residence is Pennsylvania and who attended college in their state of legal residence.				
Source: Keystone Research Center analysis of National Postsecondary Student Aid Study (2016) accessed at: https://nces.ed.gov/datalab/				

Using data compiled by the Urban Institute, table 2 below shows differences in student loan debt by community.¹⁴ There are significant differences between those that live in majority-white communities and majority communities of color. A little over 19% of those in majority white communities have student loans while 24% of those in communities of color do. The median student loan debt is higher in majority white communities (over \$22,000 compared to \$19,745 in majority communities of color). But those with student loan debt in collections is much higher in communities of color (20% compared to 8% in majority white communities).

Table 2

Differences in Student Loan Debt by Community, 2020			
	All	Communities of Color	Majority White Communities
Share with student loan debt*	19.9%	23.9%	19.2%
Median student loan debt	\$21,722	\$19,745	\$22,056
Share of student loan holders with debt in collection	9.8%	20.0%	8.1%
Share without a Bachelor's Degree	68.1%	73.9%	66.7%
*Share with student loan debt includes the share of people with a credit bureau record who have any student loan debt; includes student accounts that are open, deferred and in collections.			
Data from the Urban Institute, December 2020. Online at: https://datacatalog.urban.org/dataset/debt-america-2021			

With counties, the disparity in the share of student loan borrowers in communities of color with student loan debt compared to majority-white communities is greatest in Dauphin County. In Dauphin, student loan holders in communities of color are more than six times as likely to have student loans in collections than those in majority white communities. In all counties where data is available in

¹⁴ The Urban Institute shared data on student debt in the U.S. Because the credit bureau data they use does not provide information about race, they break down the data by geographic area—those living in majority-white communities where at least 60% of the population is white and those living in majority-community of color communities where at least 60% of the population are African American, Hispanic, Asian or Pacific Islander.

Pennsylvania except Monroe County, those in communities of color had higher rates of loans in collection than those in white communities.

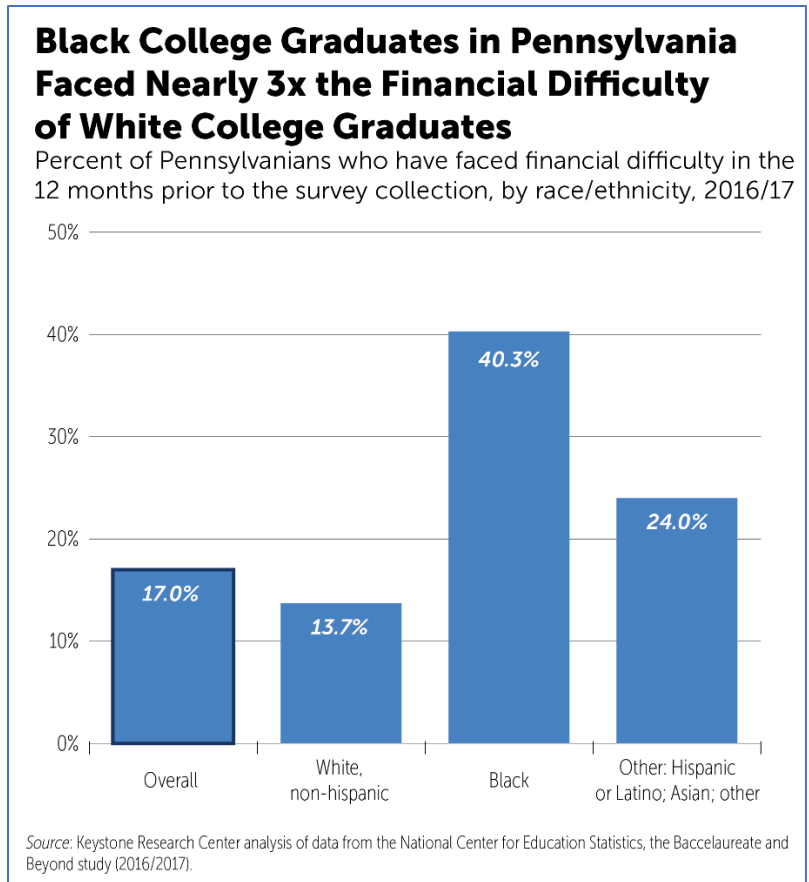
Table 3

Student loan holders in communities of color have student loans in collection at much higher rates than loan holders in majority white communities, Pennsylvania				
	All	Communities of Color	Majority white Communities	Difference between communities of color and majority white communities
Dauphin County	13.1%	37.9%	6.2%	31.7%
Allegheny County	10.0%	30.4%	8.3%	22.1%
Lehigh County	10.5%	27.2%	7.5%	19.7%
York County	9.0%	20.6%	8.8%	11.8%
Philadelphia County	15.7%	20.0%	8.9%	11.1%
Berks County	10.3%	19.0%	8.8%	10.2%
Delaware County	9.1%	15.6%	6.7%	8.9%
Montgomery County	6.3%	14.0%	5.7%	8.4%
Monroe County	11.3%	8.6%	11.7%	-3.1%

Note: These counties are the only counties for which data was available for communities of color and majority white communities.
 Source: Keystone Research Center analysis of Urban Institute data: <https://datacatalog.urban.org/dataset/debt-america-2021>

Figure 21

Other data shows that graduates of color have higher rates of financial difficulty. The Baccalaureate and Beyond Study project surveys college graduates post-graduation. According to the latest data from this survey (2016-17), Black college graduates in Pennsylvania reported facing much higher rates of financial difficulty (40%) compared to white Pennsylvania college grads (14%). Facing greater financial insecurity means that Black, Latino, and other graduates of color will have a harder time paying outstanding student loan debt and such debt makes it harder to become more financially secure.



Urban/Rural:

A greater share of people in urban communities take on debt and have more debt than those in rural areas. But, those in rural communities have a harder time paying off loans.

A smaller share of individuals in Pennsylvania’s rural communities (these are the non-MSA’s listed in the table below) have student loan debt than those in PA’s largest metropolitan areas, and they carry less student loan debt. National trends show that fewer rural students enroll in colleges or universities than those in cities, suburban areas, and towns. In what is sometimes referred to as Pennsylvania’s “rural T” —the area of Pennsylvania going up through the middle of the state and across the top—there is a higher education desert, where residents have to travel far distances to reach the nearest state college, state-related college or university, or community college.¹⁵

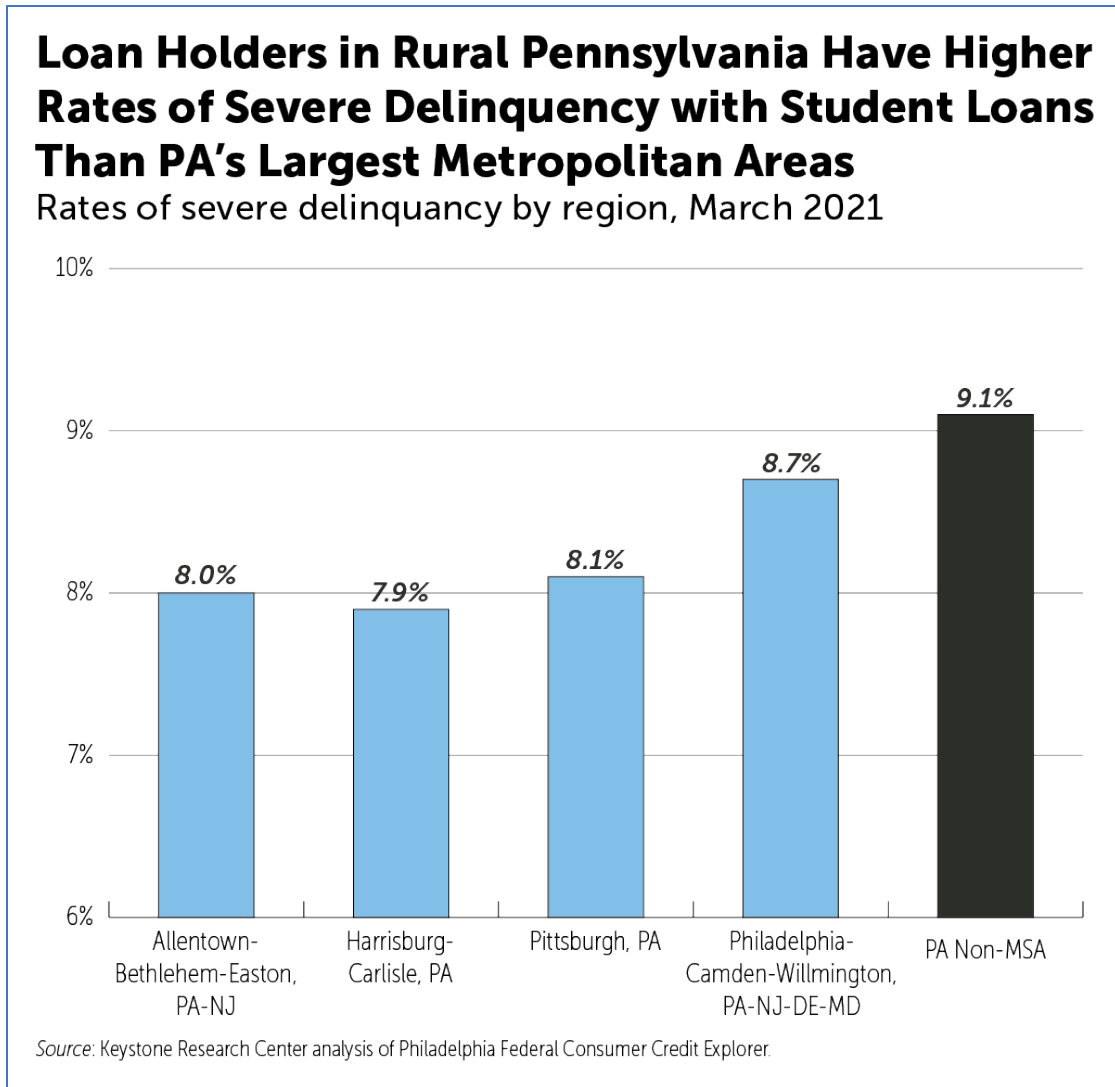
Table 4

Percent with student loan debt and average loan debt in Pennsylvania's largest urban areas compared to rural areas (Non-MSA)		
	% with student loan debt	Average debt
Allentown-Bethlehem-Easton, PA-NJ	23.30%	\$34,561
Harrisburg-Carlisle, PA	23.20%	\$39,335
Pittsburgh, PA	25.20%	\$37,315
Philadelphia, Camden, Wilmington PA-NJ-DE-MD	27.10%	\$39,385
PA Non-MSA	21.80%	\$30,482
PA	25.10%	\$36,469

Student loan holders in Pennsylvania’s rural areas are having a harder time paying off their loans—those with student loans are in severe delinquency at higher rates—compared to those in Pennsylvania’s largest urban areas. As you can see in the figure below, those living in rural areas (PA Non-MSA) face the highest rates of severe delinquency.

¹⁵ For an online interactive map showing the paucity of higher education institutions in the rural T, see Min Xian. “Challenged by college cost and access, students in rural Pa. find tech-based alternative.” WHYY-PBS. March 11, 2019. <https://whyy.org/articles/challenged-by-college-cost-and-access-rural-pa-students-find-new-technology-based-option/>. For a map showing the lack of community college coverage in Pennsylvania rural areas, see Stephen Herzenberg, “Pathway to the PA Promise of Affordable College & Good Paying Careers—With Federal Dollars,” June 24, 2022, https://krc-pbpc.org/research_publication/pathway-to-the-pa-promise-of-free-college-tuition-good-paying-careers-with-federal-dollars/.

Figure 22



Women

Female students tend to take on more student debt than male students. Table 6 shows that of undergraduate students in 2015-16 in Pennsylvania, women made up 56% of undergraduate students attending (in-state) that year but made up a disproportionate share of students who had zero expected family contribution (65%) and borrowed the max Pell grants for college (64%). In fact, according to the American Association of University Women, women hold nearly two-thirds of all outstanding student debt nationally.¹⁶

¹⁶ Katie Kindelan. "The student debt gender gap: Women burdened more by debt call for systemic changes." ABC News, May 23, 2022. https://abcnews.go.com/GMA/Living/student-debt-gender-gap-women-burdened-debt-call/story?id=84823475&fbclid=IwAR0Za_s7Hilrns5CC0Dy5tNsSjAxyKl_8kzZF4MQkfBmvUO3iQD4uD6YOn0&fs=e&s=cl

Table 5

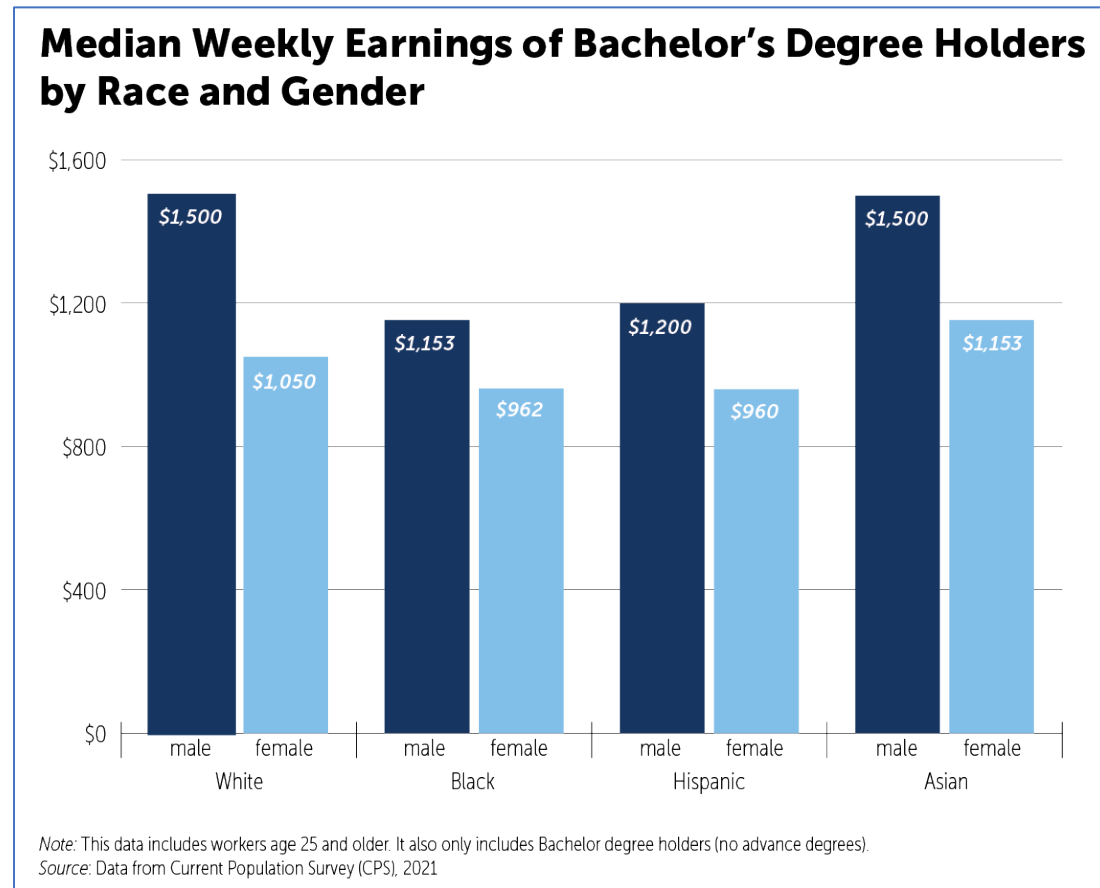
Female students receive less financial support from their families and larger Pell grants than male students (rows sum to 100%)		
	Male	Female
Total undergraduate attendance	43.6%	56.4%
Expected family contribution of \$0	35.3%	64.7%
Federal Pell grant between \$5,700 and \$5,755 (max)	35.8%	64.2%

NOTE: This data represents all students enrolled in an undergraduate program in school year 2015-16. Includes students whose legal residence is Pennsylvania and who attended college in their state of legal residence.

Source: Keystone Research Center analysis of National Postsecondary Student Aid Study (2016) accessed at: <https://nces.ed.gov/datalab/>

Nationally women graduate with, on average around \$4,000 in student debt more than men. But women’s ability to pay off student loans is more difficult due to the gender pay gap.¹⁷ As figure 23 below shows, women college graduates in every race category earn significantly less per week than men.

Figure 23



¹⁷ AAUW. “Deeper in Debt, 2021 Update.” https://www.aauw.org/app/uploads/2021/05/Deeper_In_Debt_2021.pdf

For-profit colleges have worse student outcomes

For-profit institutions tend to spend less of their revenue on actual instruction. In fact, a congressional investigation into the largest 30 for-profit schools in the U.S. showed that these institutions spent little (17%) of their revenue on actual instruction, while spending more (23%) on marketing, advertising and recruiting.¹⁸ In Pennsylvania, nearly 20,000 students attend for profit higher education institutions, which is about 3.7% of undergraduates (19,530 out of 529,120 total students). The top three for-profit schools by enrollment are Strayer University—Pennsylvania, Central Penn College and Universal Technical Institute of Pennsylvania Inc.¹⁹

Students who attend for-profit college in Pennsylvania are less likely to graduate, more likely to have student loans, more indebted and have more trouble paying back loans. While private and public universities have a graduation rate after six years of 68% and 55% respectively, for-profit 4 year colleges graduation rate is only 26%. A greater share of students at for-profit colleges borrow money (78%) compared to public school students (68%) and private school students (61%).

Data from the Center for Responsible Lending shows that students attending for-profit universities have higher debt (\$30,785) than those at public and private schools. For-profit college students also pay off less of their debt 10 years after they leave school, with 92% of loans not paid off compared to 55% for public college attendees and 50% for private university students. Women, Black and Hispanic people, older students, single mothers and veterans tend to be overrepresented at for-profit schools compared to public and nonprofit colleges.²⁰

Table 6

For-profit institutions have worse outcomes for students in Pennsylvania			
	Public	Private	For-profit
PA completion rate after 6 years	55.1%	67.6%	25.8%
PA percent of students borrowing \$	67.5%	61.3%	77.9%
PA median debt at graduation	\$25,760	\$25,560	\$30,785
PA 10-year remaining balance (%)	55.4%	50.3%	91.6%

Source: The Center for Responsible Lending, "State of For-Profit Colleges." Online at: <https://www.responsiblelending.org/map/pdf/pa.pdf>

Due to the poor outcomes of for-profit colleges, the Obama administration strengthened regulations of these institutions. The Trump administration then rolled back these regulations which reduced these institutions' accountability for predatory behavior.²¹ Nationally for-profit schools enroll about 8% of

¹⁸ United State Senate, Health Education, Labor and Pensions Committee. "For Profit Higher Education: The Failure to Safeguard the Federal Investemnt and Ensure Student Success." July 30, 2012.

https://www.help.senate.gov/imo/media/for_profit_report/PartI.pdf

¹⁹ Center for Responsible Lending. "The State of For-Profit Colleges." December 2, 2021.

<https://www.responsiblelending.org/research-publication/state-profit-colleges>

²⁰ Stephanie Hall, Ramond Curtis, Carrie Wofford. "What States Can Do to Protect Students from Predatory For-Profit Colleges." The Century Foundation, May 26, 2020. <https://tcf.org/content/report/states-can-protect-students-predatory-profit-colleges/?session=1>

²¹ Victoria Jackson. "Greater State Scrutiny Needed for For-Profit Colleges." Center on Budget and Policy Priorities, February 24, 2021. <https://www.cbpp.org/sites/default/files/2-24-21sfp.pdf>; Ashlee Kieler. "Education Secretary

students but they receive 12% of all federal financial aid, almost 33% of GI Bill funds and 40% of other military aid to students. For-profits seek GI Bill money since it doesn't count towards the 90-10 rule.²² For-profit colleges nationally have heavily recruited veterans because of a loophole that exists in federal law. The 90/10 rule, meant to limit the amount of revenue for-profit schools can take from federal student aid, prohibits these for-profit schools from receiving more than 90% of their revenue from federal financial aid. This loophole allows for GI Bill funding to be counted on the 10% side—which leads for-profit colleges to heavily recruit veterans and receive as much GI Bill funding as possible.²³ The Biden administration intends to close this loophole by 2023.²⁴ Pennsylvania is one of 26 states nationally that allow the use of need-based aid at for-profit colleges, which signals to students that these colleges are on par with other higher education institutions, despite strong evidence otherwise.²⁵

Pennsylvanians use non-federal loans, including private debt, at higher rates than elsewhere in the nation

Nationally, federal loans make up 90% of outstanding loans. But in 2020, there were more than six million borrowers with nonfederal loans across the United States. Nonfederal student loans include private loans—those that are made by private banks and lenders—as well as loans from states and institutions. Private loans tend to be the riskiest loans because they cost more and don't come with the kind of protections or repayment options that federal loans do. Private loans in 2019 had an annual fixed rate of 10.2% compared to 3.73% for an undergraduate federal loan interest rate.

Twenty-two percent of 2020 graduates in Pennsylvania finished school with private loans, behind only North Dakota (27%) and New Hampshire (25%). Utah and Nevada have very low percentages of graduates with private debt (3% and 4% respectively).²⁶ Pennsylvania ranked #8 in the U.S. for highest average private loan debt at \$42,361 for 2020 graduates.²⁷

As The Institute for College Access and Success (TICAS) reports, states with higher college costs tend to have higher use of private debt. They found that Pennsylvania really stands out among other states for having much higher average private borrowing for use at public colleges (more than \$42,000) than other

Betsy DeVos "Resets" Rules on For-Profit Colleges." Consumer Reports, June 14, 2017.

<https://www.consumerreports.org/consumerist/education-secretary-betsy-devos-resets-rules-on-for-profit-colleges/>

²² Stephanie Hall, Ramond Curtis, Carrie Wofford. "What States Can Do to Protect Students from Predatory For-Profit Colleges." The Century Foundation, May 26, 2020. <https://tcf.org/content/report/states-can-protect-students-predatory-profit-colleges/?session=1>

²³ Julia Barnard & Robin Howarth, "North Carolina's Student Debt: Dimensions of a Crisis," <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-nc-fsl-studentloans-sep2019.pdf>.

²⁴ Matthew Arrojas. "For-Profit Colleges Used Loophole to Get Federal Funds. It will Soon Close." Best Colleges, March 22, 2022. <https://www.bestcolleges.com/news/2022/03/22/for-profit-colleges-90-10-loophole-closed/#:~:text=The%2090%2F10%20rule%20prohibits%20for-profit%20institutions%20from%20receiving,%E2%80%94%20on%20the%2010%25%20side%20of%20the%20ledger>

²⁵ Victoria Jackson. "Greater State Scrutiny Needed for For-Profit Colleges." Center on Budget and Policy Priorities, February 24, 2021. <https://www.cbpp.org/sites/default/files/2-24-21sfp.pdf>.

²⁶ TICAS. "Student Debt for College Graduates in Pennsylvania." Online at: <https://ticas.org/wp-content/uploads/2021/11/Student-Debt-for-College-Graduates-in-Pennsylvania.pdf>

²⁷ Ibid, <https://ticas.org/wp-content/uploads/2021/11/classof2020.pdf>

states (average of \$30,800), due to our high tuition costs at our public colleges and universities. As TICAS points out, not only do public college students in Pennsylvania receive fewer grants per capita than their peers nationally, they also face over 50% more in tuition and fees than national averages.²⁸

Individuals paying back private student loans were not eligible for the payment pause on federal student debt implemented by President Biden, nor are they eligible for federal student debt relief announced in August of 2022. The Coronavirus Aid, Relief and Economic Security (CARES) Act in March 2020 paused most federal student loan payments and set the interest rate to 0%. This pause was extended, most recently, until the end of 2022. This has resulted in protection of borrowers from falling behind on payments, becoming delinquent and seeing a negative impact on credit scores.²⁹ This payment pause only applied to federal loans, however, so many private loan holders had to continue to make payments during this difficult economic time.

Student loan servicers in PA have played a problematic role

Student loan servicers play an important role and act as the entity that processes one's student loan payments, helps borrowers enroll in a repayment plan and reviews eligibility for loan forgiveness and other programs. Even though the federal government is the lender for most loans in the United States, it has outsourced the role of student loan servicer to private or semi-private entities. In Pennsylvania, the Pennsylvania Higher Education Assistance Agency (PHEAA) has become one of the largest servicers for federal student loans, under the name FedLoan Servicing (although PHEAA just announced they will not be renewing this contract). PHEAA's budget primarily comes out of its work as a loan servicer, but PHEAA also gets money from the state budget to administer state grant programs. In 2009, PHEAA received a 10-year \$1.3 billion contract to service federal loan forgiveness applications for the U.S. Department of Education.

In recent years, PHEAA has been criticized for failing to accurately track loan payments making individuals ineligible for Public Service Loan Forgiveness.³⁰ A report by a U.S. Department of Education watchdog found that PHEAA provides some of the worst customer service among all of its private contractors, with the highest call fail rate (failing to give good information on repayment options to borrowers) of 10.6% compared to the average of all servicers which was 4.3%.³¹ PHEAA has decided not to renew its contract with the federal government and is in the process of transitioning servicing to another player.

²⁸ TICAS. "Student Debt and the Class of 2020: 16th Annual Report." TICAS, November 2021. <https://ticas.org/wp-content/uploads/2021/11/classof2020.pdf>; and TICAS. "Student Debt for College Graduates in Pennsylvania." TICAS. <https://ticas.org/wp-content/uploads/2021/11/Student-Debt-for-College-Graduates-in-Pennsylvania.pdf>

²⁹ Chris Horymski. "Student Loan Balances Barely Budget in 2021." Experian, August 23, 2022.

<https://www.experian.com/blogs/ask-experian/state-of-student-loan-debt/>

³⁰ Elizabeth Hardison. "PHEAA, explained. How an obscure Pa. state agency became one of the nation's biggest student loan servicers." Pennsylvania Capital-Star, December 13, 2019. <https://www.penncapital-star.com/education/pheaa-explained-how-an-obscure-pa-state-agency-became-one-of-the-nations-biggest-student-loan-services/>

³¹ Bob Fernandez and Erin Arvedlund. "Pa.'s FedLoan cited for 'failed-call rate' for student loans. U.S. Education Dept. 'asleep at the wheel,' report says." The Inquirer, February 14, 2019. <https://www.inquirer.com/news/pheaa-navient-inspector-general-doe-josh-shapiro-student-loans-20190214.html>

In 2017, PA Attorney General Josh Shapiro brought a complaint via federal court that Navient Corporation and its subsidiary Navient Solutions LLC sold “risky and expensive” subprime loans. The claim also asserted that this damaged borrowers and co-signers because Navient did not conduct core loan servicing duties.³²

In the last 5 years (2017 to today), the Consumer Financial Protection Bureau (CFPB) received 1,342 complaints from borrowers in Pennsylvania about their student loans. Of those complaints, 858 (64%) involved issues with borrowers’ servicer or lender. The two largest complaint reasons for servicers or lenders were “trouble with how payments are being handled” (36.5%) and “received bad information about your loan (33.1%).³³ Appendix 1 shows some of the specific complaints that borrowers have made in recent years that span from servicers providing poor or misleading information, not tracking loan payments accurately and therefore making borrower appear not to qualify for Public Service Loan Forgiveness, pestering borrowers and their family members with repeated phone calls, sometimes 10x a day, even though borrowers have provided information to loan servicing companies, etc. These types of complaints are widespread and are impacting borrowers’ quality of life, life choices and ability to make sound financial decisions due to inaccurate and sometimes misleading information. Student loan borrowers must be protected from abusive behavior on the part of loan servicers.

Student Loan Debt is a drag on our economy

Not only is the student debt crisis impacting individuals, it has a negative effect on the economy. The New York Federal Reserve Bank published a report in 2013 showing that after the Great Recession, those with student debt were less likely to buy cars or homes. While homeownership has historically been greater with holders of student debt due to higher levels of education and earnings, post-Great Recession this changed. Homeownership rates fell across the board after 2008 but did so more dramatically for student debt holders. By 2012, homeownership rates for student debt holders were nearly 2 percentage points lower than homeownership rates for non-student debt holders. Similar trends can be seen with car ownership.³⁴ One study found that homeownership rates among young

³² Mark Scolforo. “Pennsylvania sues student loan firm over abusive practices.” Philadelphia Tribune, Oct.6, 2017. https://www.phillytrib.com/news/pennsylvania-sues-student-loan-firm-over-abusive-practices/article_6b72b9da-b015-5208-ba0e-81a313ec79d0.html#:~:text=HARRISBURG%20%E2%80%94%20Pennsylvania%E2%80%99s%20attorney%20general%20accused%20the%20nation%E2%80%99s,added%20billions%20of%20dollars%20in%20costs%20for%20borrowers.

³³ Data for Pennsylvania from: https://www.consumerfinance.gov/data-research/consumer-complaints/search/?date_received_max=2022-06-09&date_received_min=2017-12-01&issue=Dealing%20with%20your%20lender%20or%20servicer&issue=Struggling%20to%20repay%20your%20loan&issue=Incorrect%20information%20on%20your%20report&issue=Problem%20with%20a%20credit%20reporting%20company%27s%20investigation%20into%20an%20existing%20problem&issue=Getting%20a%20loan&issue=Improper%20use%20of%20your%20report&issue=Credit%20monitoring%20or%20identity%20theft%20protection%20services&issue=Problem%20with%20fraud%20alerts%20or%20security%20freezes&issue=Unable%20to%20get%20your%20credit%20report%20or%20credit%20score&issue=Problem%20with%20credit%20report%20or%20credit%20score&page=1&product=Student%20loan&searchField=all&size=25&sort=created_date_desc&state=PA&tab=List

³⁴ Meta Brown and Sydnee Caldwell. “Young Student Loan Borrowers Retreat from Housing and Auto Markets.” Federal Reserve Bank of New York, April 17, 2013. <https://libertystreeteconomics.newyorkfed.org/2013/04/young-student-loan-borrowers-retreat-from-housing-and-auto-markets/>

Pennsylvania should take the following steps to protect student borrowers and curb the student debt crisis.

Create a statewide office related to student debt and/or create a new student loan ombudsman position in state government. There are at least ten states plus DC with a student loan ombudsman-type position within the state, including California; Colorado; Washington, DC; Illinois; Maine; Maryland; Minnesota, New York; Nevada; Virginia; and Washington state. Several of these states created such a position via a “Student Loan Bill of Rights” passed within their state.⁴⁰ Connecticut was the first state to pass a student loan bill of rights, which included the establishment of an Office of Student Loan Ombudsman aimed at regulating student loan servicers and educating student loan holders.⁴¹ In 2021, Oregon passed a Student Loan Borrowers Bill of Rights and part of this included the creation of a student loan ombudsperson to help educate and counsel student loan borrowers.⁴² An ombudsperson can play an important role in educating borrowers about their rights, including the right to bring private actions to enforce their rights. This person/office should analyze complaints and identify trends across the state in order to make recommendations for change to better protect borrowers.⁴³

Create a student debt refinancing program in PA: Create a bond that would allow students to refinance high interest student loan debt. Revenues from the bond would be placed into an account to assist individuals refinance their loans at a lower, fixed rate. SB400, sponsored by Senator Hughes, Senator Muth, and Senator Williams, is a comprehensive bill seeking to address the student loan crisis in Pennsylvania—the creation of a student debt refinancing program is one aspect of SB400.⁴⁴

Provide tax credits for those with outstanding loans: If passed, Pennsylvanians paying off student debt could apply for a \$500 tax credit against the Pennsylvania personal income tax for payments made on student loans during the tax year. SB400 would cap the tax credits at \$10 million. This would provide relief for an estimated 20,000 borrowers.⁴⁵

Incentivize employers to help their employees pay down their student loans: Encourage employers to help employees who are saving for college for a child or employees who are paying off their own student loans by allowing employers to make contributions to an employee’s 529 account, to help make

⁴⁰ Mark Kantrowitz. “How to Get Help from the Student Loan Ombudsman (and When).” The College Investor, July 21, 2022. <https://thecollegeinvestor.com/38095/student-loan-ombudsman/#:~:text=%20State-Based%20Student%20Loan%20Ombudsman%20%201%20California.,a%20satisfactory%20resolution%20to%20your%20student...%20More%20>

⁴¹ Morgan Crabtree. “Connecticut is the first state to implement Student Loan Bill of Rights.” News8, Jul. 14, 2015. <https://www.wtnh.com/news/connecticut-is-the-first-state-to-implement-student-loan-bill-of-rights/>

⁴² Oregon Department of Justice. “Spotlight: Student Loan Debt.” <https://www.doj.state.or.us/oregon-department-of-justice/office-of-the-attorney-general/spotlight-student-loan-debt/>

⁴³ Julia Barnard & Robin Howarth, “North Carolina’s Student Debt: Dimensions of a Crisis,” <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-nc-fsl-studentloans-sep2019.pdf>.

⁴⁴ PA State Senate: Senate Co-Sponsorship Memoranda. <https://www.legis.state.pa.us/cfdocs/Legis/CSM/showMemoPublic.cfm?chamber=S&SPick=20210&cosponId=34193>

⁴⁵ PA State Senate: Senate Co-Sponsorship Memoranda. <https://www.legis.state.pa.us/cfdocs/Legis/CSM/showMemoPublic.cfm?chamber=S&SPick=20210&cosponId=34193>

payments to outstanding student debt or apply a cash equivalent of unused carryover paid time off to an employee's outstanding student debt. With legislation (SB400), these payments would be exempt from state and local taxes on both the employee and employer side.⁴⁶

Protect students and potential students from for-profit colleges which are expensive, take tax-payer dollars, and tend to have worse outcomes for students. States can create oversight over these for-profit schools to prevent abuse and fraudulent behavior as well as ensure funds are being spent on instruction (requiring for-profit schools to devote at least 50% of spending on instruction). States can prohibit the use of state financial aid at for-profit colleges.⁴⁷

Rein in abuses by student loan servicers. Set standards and a robust enforcement mechanism: The state can and should make sure that student loan servicers are not allowed to mislead student loan borrowers or misrepresent their obligations, provide inaccurate information to credit bureaus and other fraudulent or harmful practices. Prior to putting borrowers into forbearance or default, servicers should be obligated to assess eligibility for income-driven repayment plans.⁴⁸

Mandate pre-loan counseling before incurring debt. Require institutions of higher education to be transparent with students about the costs. SB400 would require the following: "Students and borrowers would be provided with important information, including the total cost of attendance, an approximation of the actual amount of financial aid that a student would receive over the course of four years, and information about student loan rates, repayment plans, default rates, and actual monthly payments when an individual's student loans become due."⁴⁹

Require all post-secondary educational institutions to compile information on student loan debt each year and submit this info to the PA Department of Education: This will allow public officials and the

⁴⁶ PA State Senate: Senate Co-Sponsorship Memoranda.

<https://www.legis.state.pa.us/cfdocs/Legis/CSM/showMemoPublic.cfm?chamber=S&SPick=20210&cosponId=34193>

⁴⁷ Julia Barnard & Robin Howarth, "North Carolina's Student Debt: Dimensions of a Crisis,"

<https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-nc-fsl-studentloans-sep2019.pdf>.

; For more details on what states can do, see this Century Foundation report: Stephanie Hall, Ramond Curtis, Carrie Wofford. "What States Can Do to Protect Students from Predatory For-Profit Colleges." The Century Foundation, May 26, 2020. <https://tcf.org/content/report/states-can-protect-students-predatory-profit-colleges/?session=1>; Also see: Victoria Jackson. "Greater State Scrutiny Needed for For-Profit Colleges." Center on Budget and Policy Priorities, Feb 24, 2021. <https://www.cbpp.org/sites/default/files/2-24-21sfp.pdf>

⁴⁸

Julia Barnard & Robin Howarth, "North Carolina's Student Debt: Dimensions of a Crisis,"

<https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-nc-fsl-studentloans-sep2019.pdf>.

⁴⁹ PA State Senate: Senate Co-Sponsorship Memoranda.

<https://www.legis.state.pa.us/cfdocs/Legis/CSM/showMemoPublic.cfm?chamber=S&SPick=20210&cosponId=34193>

public to understand how student loan debt is changing from year to year and can help inform policy moving forward. This is also part of SB400.⁵⁰

*For private student loans, require the PA Department of Banking and Securities to compile information on interest rates, loan terms, repayment plans so potential borrowers can understand potential loans including what has the most favorable interest rates, etc.*⁵¹

Invest in public higher education and expand grants in PA. Pennsylvania's investment in higher education is one of the lowest in the country, making college more expensive and the reliance on loans more pervasive. One of the best things Pennsylvania can do for college students in the future, is to invest more public dollars into public higher education in the state. States that invest more dollars into higher education per capita tend to have a lower share of students graduating with student debt and lower student debt per capita.

Create a "last-dollar" scholarship program and help more Pennsylvania students access federal Pell grants: As part of the 2022-23 Executive Budget debt, the General Assembly considered, but did not adopt, a proposed \$200 million investment in a needs-based tuition program that would support students attending one of Pennsylvania's state system schools or one of our community colleges. The proposed program would fund full-time students pursuing an education in fields critical to Pennsylvania futures, like public service, health care, education, or manufacturing. State funds would be the "last dollar," filling the gap between available financial aid and the tuition, fees and other costs of college. The program would be a grant so long as the student stays in Pennsylvania for as many years as they benefited from the program. Grants would be converted into loans if a student were to move out of state before then.

One underappreciated benefit of this proposal is that it would bring more federal funding into Pennsylvania.⁵² Currently, because of the lack of affordable college access (i.e., the rural areas unserved by Pennsylvania's community colleges and sometimes by any higher education and the high cost of all our public colleges), Pennsylvania students at public colleges draw down a stunning \$271 million less in federal Pell grants that they should base on the size of our 19-34-year-old population. Making accessing Pell grants a condition of receiving a last-dollar scholarship could thus lead more Pennsylvanians to obtain the affordable federal support for attending college. To further increase the impact of last-dollar scholarships on Pennsylvania students' receipt of Pell grants, the state would need to increase affordable Pell eligible programs in rural areas with no community college access. This could be done with state funding to expand Pell-eligible programming in critical fields in demand; and also by encouraging high-quality apprenticeship programs (e.g., joint apprenticeships in the construction sector) to expand outreach and hybrid programming (e.g., on-the-job, virtual, and with periodic trips for weekend or summer classes to training center in more urban areas). Ideally, Pennsylvania would use last-dollar scholarships and seed funds for public college (and apprenticeship) programs in rural areas as

⁵⁰ PA State Senate: Senate Co-Sponsorship Memoranda.

<https://www.legis.state.pa.us/cfdocs/Legis/CSM/showMemoPublic.cfm?chamber=S&SPick=20210&cosponId=34193>

⁵¹ PA State Senate: Senate Co-Sponsorship Memoranda.

<https://www.legis.state.pa.us/cfdocs/Legis/CSM/showMemoPublic.cfm?chamber=S&SPick=20210&cosponId=34193>.

⁵² This paragraph summarizes Herzenberg, "Pathway to the PA Promise of Affordable College," June 24, 2022.

a stepping stone to a real statewide community college system articulated with the four-year State System of Higher Education.

Pass and fund a comprehensive college affordability program—the Pennsylvania Promise. The PA Promise would cover two years of tuition and fees for any recent high school graduate enrolled full-time at one of the state’s 14 public community colleges; provide four-years of tuition and fees, not to exceed the State System tuition rate, depending on family income, for students accepted into a state-related university; cover four years of tuition and fees for any recent high school graduate with a family income less than or equal to \$110,000 per year accepted into one of the PA State System of Higher Education schools; and finance the expansion of grant assistance to adults seeking in-demand skills and industry-recognized credentials, as well as college credit.⁵³ We estimate in 2018 that this investment in our future could be achieved with a little more than \$1 billion per year.

⁵³ Vincent Hughes. “Pennsylvania Promise: Free and Affordable Education for All.” [https://www.senatorhughes.com/papromise/#:~:text=The%20Pennsylvania%20Promise%20is%20available%20to%20students%20with,of%20Higher%20Education%20Schools%20and%20state%20related%20institutions.](https://www.senatorhughes.com/papromise/#:~:text=The%20Pennsylvania%20Promise%20is%20available%20to%20students%20with,of%20Higher%20Education%20Schools%20and%20state%20related%20institutions.;); Mark Price, Stephen Herzenberg, and Diana Polson. “The Pennsylvania Promise: Making College Affordable and Securing Pennsylvania’s Economic Future.” PBPC-KRC, Jan. 2018. https://krc-pbpc.org/wp-content/uploads/KRC_PBPC_PAPromise_Final.pdf.

APPENDIX 1:

Examples of complaints to the Consumer Financial Protection Bureau:

Borrower in March 2019, on federal student loans: “I graduated in XXXX with a BA in XXXX XXXX. After college I struggled for a few years to pay my student loans on time because I did not make enough money to cover the costs of my obligations and expenses. I turned my situation around by changing careers and have made regular monthly payments for over 10 years but my balance has barely moved and my estimated pay off date continues to change.

I have XXXX loans totaling: The original balance on my first loan was {\$26,000.00} as of XX/XX/XXXX. Today the unpaid balance is {\$24,000.00} with an interest rate of XXXX. The original balance on my second loan was XXXX as of XX/XX/XXXX. Today the unpaid balance is XXXX with an interest rate of XXXX. Both of the above loans have estimated pay-off schedules with a date of XXXX. What I do not understand is how each loan is reporting a 53% pay off when the balance has not moved and the dates are estimated. I have tried several times in the past 5 years to call and ask questions about my loans and even requested copies of the note so I could better understand but no one seems to be able to assist me or offer alternative solutions for my pay-off plan.

In XXXX, I sold my home and used the proceeds to pay off a larger private loan but I do not see as an option to pay off the remaining balance—but I also do not see the balance moving so I am concerned my payments are not being applied accurately and no alternative options have been provided. I paid off a car with a higher interest rate in less time than I have paid my student loan. I need someone to help advocate for me.”

ON 5/30/2019. A borrower had a complaint about a federal loan servicer, stating: “I have been making payments towards PSLF since XX/XX/XXXX. I have confirmed that I meet all of the mandatory specifications to be enrolled. I verified my employment and was told since XX/XX/XXXX-XX/XX/XXXX that I had only made 26 qualifying payments. This was a major surprise as I had been making payments every month on time with the exception of 2 times since XX/XX/XXXX. The problem lies in the transparency of Myfedloan in stating the “minimum balance” correctly. For example, on the screen in black and white text, it would say my minimum due was " {\$130.00}. “I would then make an ontime payment for” {\$130.00} and I would receive an email saying “my payment was accepted and received.” However, when I went to verify my employment with PSLF and have my payments credited toward my 120 qualifying payments, they claimed there have only been 26 qualifying payments since XX/XX/XXXX!! Without my knowledge and consent, they were applying the overage (since I was rounding up payments) to my principal, then the following month they would deduct that overage and say THAT was my minimum due ... Then I assumed, the minimum due was ALL I OWED to make a qualifying payment—but it wasn't! Why am I being jeopardized for making an on time payment ABOVE the minimum? This was VERY misleading and NOT transparent. For instance, if I make a payment to XXXX, and pay the minimum due (let's say min is XXXX and I pay XXXX), my payment is applied to my overall balance and the next month the minimum due STATES what I owe to make a qualifying minimum payment most likely still {\$100.00)—whatever I apply to the payment (as long as it meet the MINIMUM required—anything extra above and beyond the minimum still counts towards my payment!!!) I am asking for my previous on time payments to be applied towards the 120 qualifying payments. I am also asking for

there to be a change in myfedloan's system—where they are mandated to report the CORRECT minimum due according to “the persons 120 qualified payment amount” regardless of what the person pays over and above that minimum.”

On 6/22/2020, a borrower makes a complaint about their federal loan servicer: “On XX/XX/XXXX I received an updated payment count towards my public service loan forgiveness in the amount of XXXX payments—one month later I received an updated list and the servicer removed over 30 of my qualifying payments for no reason. I contacted them and they assured me they would review my account and my payments and yesterday I received an email with an update a payment count. They stole one year's worth of payments from me. No one will answer why these payments all the sudden don't qualify my employment has never changed in 12 years and I'm always current on payments and submit my recertification yearly. The servicer is abusing people and their accounts—you can't give me any excuse or reason as to why you stole a year's worth of my forgiveness from me.”

On 7/28/2018, a borrower makes a complaint about their federal loan servicer:

“For the second time in as many years, Navient failed to inform me that I needed to recertify my income, increased my payment from {\$0.00} to {\$230.00} without notice, and enrolled me in autopay without my permission. Last summer, I received an email that my “autopayment” would debit within a few days. Within fifteen minutes of receiving this email, I called them and told them not to debit my account. They explained it was too late, it was four days before the payment was to come due, and I should have notified them five days before it came due. In other words, they sent a single “reminder” email out of the blue when it was “too late” for them to stop the payment. I'm pretty sure I had to pay my bank a fee to refuse the debit. I unequivocally told them that I was not to be placed in auto pay status again.

This morning, I got an email that my bank account would be debited {\$230.00} on XXXX. I immediately logged in and unenrolled from autopay, but they said it was too late to stop the autopayment on XXXX. I work for a non-profit and should be paying only about {\$40.00}. It is completely shady and an absolute repeat of last year. Apparently, they have not respected any lawsuit the CFPB brought against them last year.”

On 11/9/2018, a borrower makes a complaint about their private loans.

“Navient began harassing me and my father on XX/XX/XXXX with phone calls.

Navient claimed that a payment for {\$92.00} was late. Payment actually arrived on XX/XX/XXXX and XXXX XXXX of Navient confirmed receipt at XXXX XXXX on XX/XX/XXXX.

Received another call on XXXX from Navient robot stating payment was still late.

Called staff at Navient and spoke with XXXX at XXXX XXXX onXX/XX/XXXX

He was not sure why me and my dad were still being harassed by Navient.

XXXX Stated that account should all be up to date by XX/XX/XXXX.

On XX/XX/XXXX My dad and I each received harassing phone calls and also email messages saying payment was late. Navient is completely incompetent.”

On 9/1/2020, a borrower makes a complaint about their private loans: “Daily harassment done on and my family multiple times a day while I'm at work or driving home. They say they're “here to help” but give me ridiculously unrealistic repayment options that I can't afford, which continues this harassing call loop.”