ITHAKA S+R

Solving Stranded Credits

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Ithaka S+R is a non-profit research and advisory service dedicated to expanding access to knowledge and increasing educational attainment. Read more about us at https://sr.ithaka.org/.

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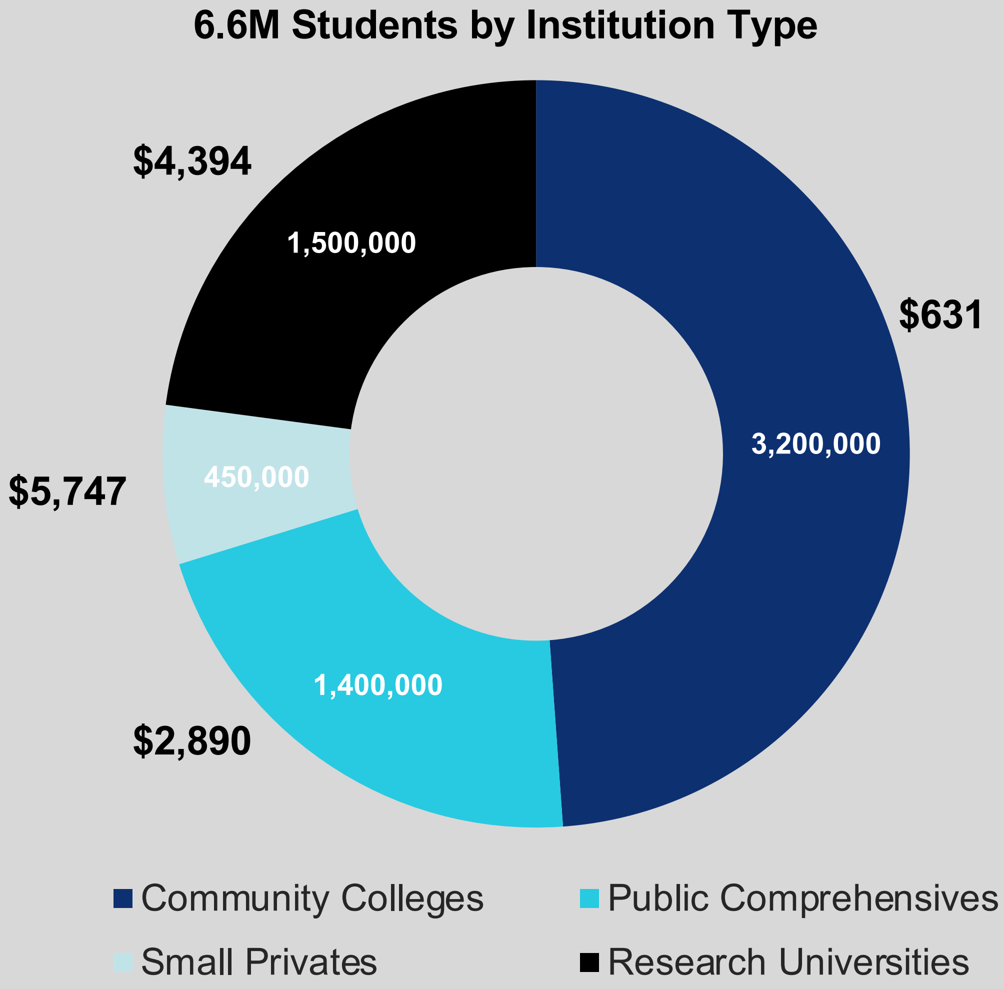
What are stranded credits, and why do they matter?

"Stranded credits" *are credits that students have earned but can't access because their former institution is holding their transcript as collateral for an unpaid balance to the institution.*

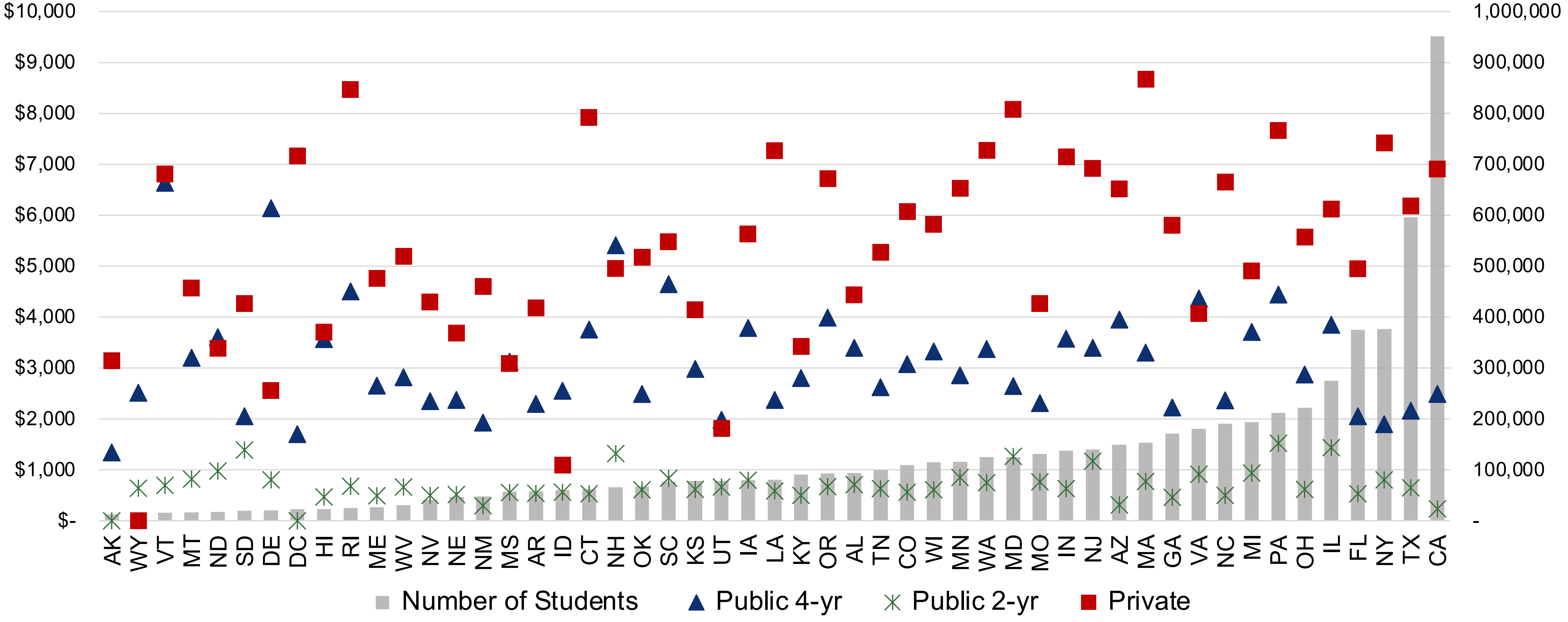
- **Students** are unable to confirm their degree/credential or transfer credits to continue their education or seek employment.
- **Institutions** typically only recoup pennies on the dollar when balances are sent to collections.
- **Cities and states** lack an educated workforce which hinders economic development.

The national scope

- **95% of institutions** withhold transcripts, many for **balances as low as $25**
- We estimate that **6.6 million students** nationally have stranded credits
- We estimate these students collectively owe **$15.4 billion in unpaid debts**
- Institutions with higher shares of **Black, Latinx, Indigenous, and Pell students** have more former students with stranded credits



There is considerable variability in the number of students affected and the average balances across states



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Stranded Credits: A Qualitative Study

Dr. Sosanya Jones

Research Questions

1. What experiences do students and administrators have with stranded credits?

2. How do stranded credits shape the way students of color matriculate through higher education and beyond?

3. What are some proposed alternatives to stranded credits?

The Study

- In-depth qualitative study
- 13 participants
- Interviews (5) & focus groups (2), and content analysis (Twitter & Reddit)
- A priori, thematic & axial coding
- Interrater reliability checks

Findings

- Disproportionately affects students of color and those from low socio-economic backgrounds

- Impact students' academic and career trajectories:
  - can mean the difference between stopping out and dropping out
  - affects financial aid eligibility
  - Has a detrimental impact on students' psychological well being

- Prevent students from taking advantage of financial and career opportunities

- Institutional bureaucracy sometimes contributes to the accumulation of institutional debt, particularly for first generation students who are unfamiliar with how to navigate the collegiate environment

Findings

- Intersecting identities such as first generation and socioeconomic status can increase a student’s risk for accruing institutional debt they cannot resolve

- Students usually settle outstanding debt with personal funding because there are very few financing options

- Payment plans are limited in their ability to assist students

- Debt relief programs help

- Institutions need to be more flexible and compassionate to help students resolve stranded credits

Impacting Change

Kirk Carapezza

WGBH Stories

A Major Obstacle To Graduating On Time: Colleges Hold Student Transcripts For Small Debts

https://www.wgbh.org/news/education/2021/02/10/a-major-obstacle-to-graduating-on-time-colleges-hold-student-transcripts-for-small-debts

States Step In To Stop Colleges Holding Transcripts Ransom For Unpaid Bills

https://www.npr.org/2021/04/03/982676353/states-step-in-to-stop-colleges-holding-transcripts-ransom-for-unpaid-bills

Colleges Fight Attempts To Stop Them From Withholding Transcripts Over Unpaid Bills

https://www.wgbh.org/news/education/2021/06/17/colleges-fight-attempts-to-stop-them-from-withholding-transcripts-over-unpaid-bills

Preliminary Analysis of Debt Forgiveness Programs

James Dean Ward

Program Characteristics

- 65 institutions have a total of 34 HEERF-funded forgiveness programs (including system-level programs)

- NY is currently the only state that has allocated HEERF funds to forgive student debt across its entire system (CUNY)

- Debt forgiveness applies to students who were enrolled in the institution from Spring 2020 to Spring 2021
    - Eight HEERF funded programs provide debt forgiveness prior to Spring 2020 or beyond Spring 2021

- 60 institutions have used funds to forgive all outstanding debt, while five institutions have used a combination of several methods such as grants, partial refunds, or vouchers for related expenses (i.e. textbooks), along with debt forgiveness

- Most institutions that have used HEERF funding do not have any restrictions around eligibility (other than their enrollment status during a specified time)
    - Out of the 34 HEERF funded programs, 7 have eligibility requirements
        - For example, eligible students for debt forgiveness at La Salle University must have tuition debt of $500 or more during their Spring 2021 semester

Institution Characteristics

- Majority of institutions are public and in urban-centric areas
    - 90% are public institutions
    - 68% are in urban areas/cities

- Many of these institutions serve a relatively large proportion of low-income students and students of color
    - The average Pell share across institutions is 66%
    - 25% (16 institutions) of the institutions are HBCUs and 56% (35 institutions) are classified as Minority Serving Institutions, which are mostly HSIs

- Institutions tend to be less resourced and have lower completion rates than the average institution
    - The average completions per 100 FTE across institutions is 20
    - The average revenue per FTE is around $26,000

- Highest dollar amount of funds used is within the CUNY system
    - CUNY has dedicated $125,000,000 towards debt forgiveness and targets 50,000 students
    - CUNY received a total of $236,955,656.00 from the CARES Act and has applied 53% of their funds to relieving student debt

Solving Stranded Credits

James Dean Ward

Existing solutions

State Policy

- States like California and Washington have passed laws explicitly banning the practice of transcript withholding
- Unclear how institutions will respond to policies that challenge their ability to collect on debt
- Other states have proposed legislation to collect data on the scope of the problem

Forgiveness Programs

- Institutions such as Wayne State University have developed programs to forgive past due debt and encourage re-enrollment
- Debt often forgiven over a period of time and up to a certain amount, with programs typically funded internally
- Regional debt forgiveness offers opportunity for scale
- Programs are relatively new and have yet to be evaluated

Gap Loans

- Local financial organizations offering loans to students to help them repay their past debts
- Lenders operate as nonprofits, with one receiving funding through a Treasury Department grant program
- Lenders limited based on location and nature of their operation

Inter-institutional compact concept

Establish agreement between IHEs in a region

Participating institutions agree to settle debts and release transcripts for students who re-enroll in their own or any other participating institution.

- Majority of returning adults enroll in a different IHE
- But, they tend to stay in the region

Identify and advise students

Conduct proactive outreach to eligible students about the opportunity; ensure they know their options and have the support they need to make smart choices about re-enrollment.

- Student-centered, career-aware
- Coordinated outreach by IHEs and CBOs
- Expand the pipeline

Account for cross-enrollment

Participating institutions engage in periodic transactions to account for students who enroll somewhere other than their previous institution.

- A fraction of nominal debt, but more than expected from collections
- Motivate continued participation

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Thank You