

Bans, Compacts, and Collections... Oh My!

State Approaches to Addressing Stranded Credits

SHEEO Higher Education Policy Conference
August 8, 2023

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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 imposing transcript and/or registration holds for an unpaid balance to the institution.*

- **The number of people impacted is significant.** At least 6.6 million former students with institutional debts subject to a hold.
- **Students of color and low-income students are far more likely to have stranded credits.**
- **The average amount owed is not de minimis.** Nationally, the average is about \$2,400, ranging from \$630 at community colleges to about \$5,800 at small private colleges.
- **The hold and the underlying debt are both problematic for the individuals affected.**
- **Colleges generally do not collect much of the money owed.** It is a lose-lose situation.

Institutional Debt Owed by Ohio Students

1.6M	Ohioans with some college but no degree
341,049	Total public IHE accounts in collection with Ohio Attorney General
\$749M	Total outstanding IHE debt (state only, non-federal)
\$47.4M	Average collection per year
6.32%	Yield on annual collection (annual collection/total outstanding)
\$336k	NE Ohio Compact inventory (Summer 2023) across 181 accounts (average ~ \$1,850 per participant)

Debt Policy in Ohio –Recent Changes

Transcript Withholding – October 2021 guidance notifying public IHEs that transcripts cannot be withheld if necessary for employment.

https://highered.ohio.gov/static/files/uploads/students/Transcript-Withholding_guidance_FINAL.pdf

College Trustee Resolution on Transcript Withholding - IHEs must consider and adopt position by December 1, 2023. Required in HB 33 (signed July 2023)

IHE Debt Certification – AGO authority granted two years ago (HB 110) to negotiate when debt is certified with AGO, rather than statutory requirement of 45 days after debt due. ORC 131.02(A)(9).

IHE Debt Expiration – AGO proposal (pending) to change expiration of student debt in Ohio from 40 years to 15 years, regardless of collection or not.

Ohio College Comeback – Policy Response

Student debt at state level (not federal).

Demand for debt relief

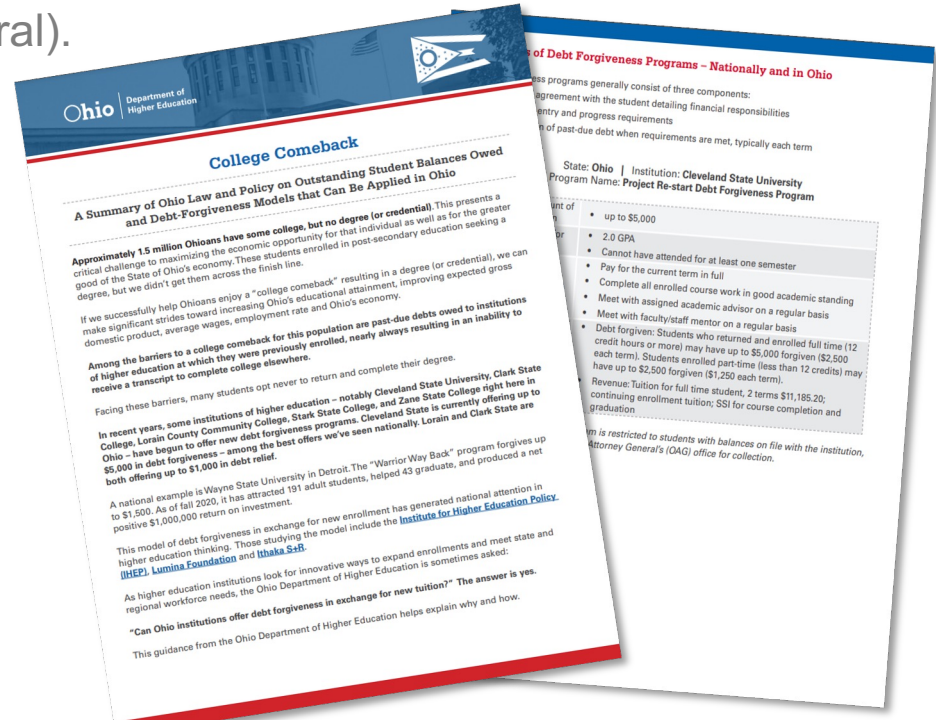
Policy that is sustainable

Voluntary collaboration

Governor supported

Sustainable market logic

Re-enroll in exchange for IHE debt forgiveness





Ohio College Comeback Compact

<https://ohiocollegecomeback.org/>

1. Compact institutions agree to relax registration and transcript holds for former students who re-enroll in their own or any other participating institution
2. Upon completion of qualifying activities, institutions settle institutional debts, up to \$5,000
3. Throughout the process, institutions and a third party partner provide proactive outreach and advising to eligible students, centering student success
4. Compact institutions engage in modest revenue share (up to \$750) to account for students who enroll somewhere other than their previous institution that cancels the debt

4 Community Colleges

- Cuyahoga Community College
- Lakeland Community College
- Lorain County Community College
- Stark State College

4 Universities

- Cleveland State University
- Kent State University
- The University of Akron
- Youngstown State University

Supported by:

- Ithaka S+R
- Ohio Department of Higher Education
- Ohio Attorney General's Office
- College Now Greater Cleveland
- ReUp Education

Funders:

- Lumina Foundation
- The Kresge Foundation
- The Joyce Foundation

Minnesota Unpaid Balances

Minnesota collects data on “transcript holds” - however, a “transcript hold” at a Minnesota college is unpaid balance hold that prevents not only access to official transcripts but also to registration, student services, graduations, etc

Prevalence of Unpaid Balances

- 15,340 undergraduates enrolled had an unpaid balance; 11% of undergraduates enrolled
- 75-80% of those with a balance owe more than \$250
- Average balance owed \$1,694 (Fall 2021), \$2564 (Spring, Summer, Fall 2022)
- Total owed \$39 million (Spring, Summer, Fall 2022)

- BIPOC students owe a balance at twice the rate of white students
- Female and FAFSA filers not receiving Pell owe a balance at rates higher than peers

- 44% of students owing a balance over \$250 at the end of Fall 2021 were not retained

MN policies

Minnesota Laws 2021 1st Special Session Chapter 2 Article 2 Sec. 44. TRANSCRIPT ACCESS.
Law sunsets on June 20, 2024

Prohibited practices.

A school must not refuse to provide a transcript if:

- the debt owed is less than \$250;
- is in compliance with a payment plan with the school;
- the transcript request is made by a prospective employer for the student; or
- the school has sent the debt for repayment to the Department of Revenue or to a collection agency

The school cannot charge an additional or a higher fee for obtaining a transcript or provide less favorable treatment of a transcript request because a student owes a debt to the originating school.

Institutional policy on debt collection

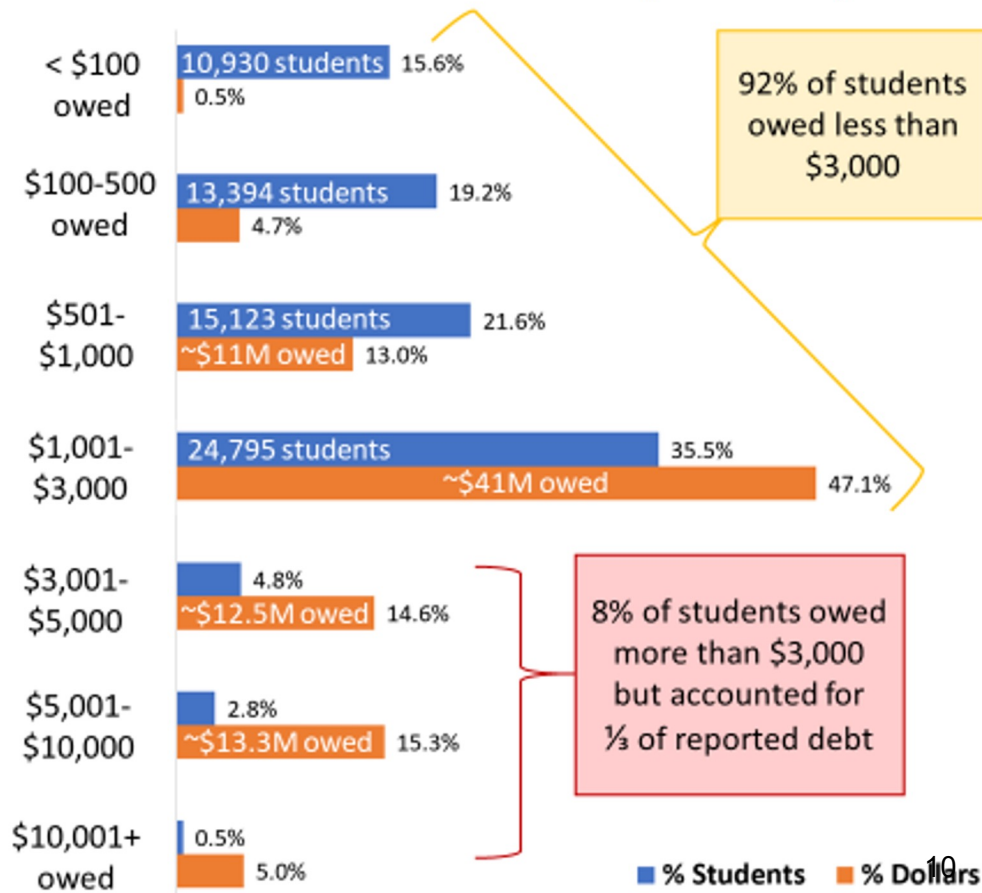
Policy must accessible to students; Institutions should use transcript issuance as a tool for debt collection for the fewest number of cases possible.

Data. Colleges must report # with unpaid balance, # with payment plan, total debt, #retained/graduated 1 year later, balances paid off 1 year later.



Alabama Institutional Student Debt and Policy Survey

- 10-question survey of IHE CFOs conducted Spring 2023.
- Initial responses represented 32 of 38 IHEs (2yr + 4yr).
- Nearly 70,000 students had outstanding debt at Alabama's public colleges and universities.
- Overall, nearly \$87 million was owed, with an average unpaid balance of \$1,242.
- All IHEs reported withholding transcripts until balance is paid.



Question 7: Briefly discuss your institution's policies and procedures regarding collection of outstanding balances.

“At our institution, all students with an outstanding balance at the end of the semester are placed in pre-collect. Balances are referred to a third-party service after we have attempted to reach three times. Debt that is returned by the third-party collection agency is remitted to the Attorney General’s Office to be written off for accounting purposes only. This debt is not forgiven by the institution.”

Question 10: What advice or comments do you have for state legislators as they consider policies related to Alabama's educational debt?

“Withholding transcripts is the equivalent of a car title for our product. It's the only real tool we have to collect outstanding balances. ...Additionally, the state's statute of limitations on debt is six years. Beyond that point, with no transcript hold, we will not be able to collect amounts owed for services provided. Every dollar we're able to collect reduces the need to increase tuition and fees.”

Questions?

Thank you

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Thank You



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