



ATTORNEY GENERAL MAURA HEALEY &
THE GREATER BOSTON CHAMBER OF COMMERCE

STUDENT DEBT WORKING GROUP REPORT

OCTOBER 2017



INTRODUCTION

Nearly 45 million Americans have student loan debt. Collectively, students and their families owe more than \$1.4 trillion in loans taken out to finance higher education. Student loan debt is the biggest source of American debt behind home mortgages—more than the total debt burden from both auto loans and credit cards.

Here in Massachusetts, 66% of the graduating class of 2015 began their career with student debt, averaging \$31,466 per student.¹ This is not just a problem for recent graduates – 43% of those with student loan debt are over the age of 45. For younger people, debt affects their ability to buy a home, get married, and have children. For older people, it creates additional challenges for planning for retirement.

Over the past several years, increasing access to affordable higher education and combatting fraud and abuse in student lending have become top priorities for the Attorney General's Office. The office has obtained judgments against predatory for-profit schools, reached settlements with student loan servicers, pursued claims against unlawful student debt relief companies, actively participated in the U.S. Department of Education's federal loan discharge rule-making, and helped thousands of struggling Massachusetts student borrowers secure relief. The Attorney General's first-in-the-nation Student Loan Assistance Unit has helped student borrowers understand their repayment options, resolve defaulted loans, apply for discharges, and mediate billing disputes with loan servicers. Each year, the Unit receives hundreds of calls from students and parents who are struggling with student loan debt.

Increasingly, student debt is becoming a top concern for leaders of the business community as well. Employers report that time and time again they are hearing from their employees that student loans are what is keeping them up at night. Not only are student loans affecting the choices employees make to plan for their financial future, but they are also playing a role in where they live and work, impacting the ability for employers to attract and retain talent in a region with a high cost of living. Understanding the importance of a strong talent pool to the region's long-term competitiveness, the Greater Boston Chamber of Commerce recognized this as a relevant issue for members. In fact, some members have begun to develop creative benefit programs to help their employees shoulder their student loan debt burden.

We are fortunate in Massachusetts to be home to many of the best public and private institutions of higher education in the country. We educate students from all over the world, and they are one of our greatest resources. But what we are seeing and hearing across the state—both in government and in the business community—is that student loan debt is affecting the decisions people make in their personal and professional lives, and increasingly impacting our economy. Massachusetts must lead the way.

Student debt is a problem we must all continue to work together to address—the business community, government officials, institutions of higher education and non-profits. We cannot secure our economic future or build a competitive advantage for Massachusetts if our residents are burdened by debt.

¹ The Institute for College Access and Success, *Student Debt & the Class of 2015* (October 2016), available at https://ticas.org/sites/default/files/pub_files/classof2015.pdf.

Last year, Attorney General Maura Healey and Greater Boston Chamber of Commerce CEO Jim Rooney jointly launched the Student Debt Working Group to bring together leaders from the business community and government to exchange ideas and develop concrete proposals for improving the state of student debt and access to higher education in Massachusetts.

The Student Debt Working Group first met in the fall of 2016. One year later, we issue this report to highlight the work that we have done, our recommendations, and the initiatives already underway to help student borrowers and address the student loan debt crisis.

WORKING GROUP MEMBERS

The Working Group consists of members from a variety of backgrounds who have come forward to work together on issues relating to student debt. Led by the Attorney General's Office and the Greater Boston Chamber of Commerce, the group includes representatives from the business community, public and private institutions of higher education, and various branches of government, non-profits and other organizations dedicated to providing assistance to students. The group includes representatives from:

- The Office of Attorney General Maura Healey
- The Greater Boston Chamber of Commerce
- American Student Assistance
- Babson College
- Boston University
- Bright Horizons
- Bunker Hill Community College
- Casner & Edwards, LLP
- Citizens Bank
- EdAssist
- Fast Forward
- Fidelity
- Harvard University
- Inversant
- John Hancock
- Lesley University
- Locke Lord LLP
- Massachusetts Community Colleges
- MassMutual
- Morrissey, Wilson, and Zafiroopoulos, LLP
- Northeastern University
- Roxbury Community College
- Service Employees International Union, 509
- Staples
- Association of Independent Colleges and Universities in Massachusetts
- Massachusetts Bar Association
- Massachusetts Department of Higher Education
- Massachusetts Educational Financing Authority
- Massachusetts League of Community Health Centers
- Office of State Senator Eileen Donoghue
- Office of Treasurer Deborah Goldberg
- Providers' Council
- University of Massachusetts
- Chambers of Hon. Frank J. Bailey, United States Bankruptcy Court, District of Massachusetts
- uAspire

The Working Group considered a broad range of topics. The findings and recommendations presented in this report reflect the general consensus of the Working Group members, however, it does not necessarily reflect the positions of each of the individual entities represented.

AREAS OF FOCUS

At initial meetings, Working Group members shared insight from their diverse perspectives and discussed initiatives already underway to address college affordability and the student debt crisis. We learned about innovative programs undertaken by colleges and universities, efforts made by employers to help their employees shoulder their debt burden, and public-private partnerships collaborating to create more affordable paths through college and into the workforce. Based on those discussions, the Working Group identified five key issue areas for more in-depth examination: financial education and transparency, college affordability, degree completion, debt repayment, and bankruptcy relief. The Working Group broke into subcommittees to address each of these topics.

FINANCIAL EDUCATION & TRANSPARENCY

Members of the Working Group discussed the need for students and their families to fully understand the cost of higher education, and how they will pay for it, so that they can make an informed decision about their future. Too often, the Attorney General's Office hears from students and their families that they did not realize how much money they would owe until they finished school and received their first bill.

The Financial Education and Transparency subcommittee focused its attention on one of the most critical factors in that decision: **the financial aid award letter**. Schools send a financial aid award letter to a prospective student after the student has been informed they have been accepted for admission. The letter provides information about the financial aid package available to the prospective student. This package may include scholarships and grants, subsidized and unsubsidized federal loans, other loan options and work-study job placements.

Working Group members reviewed samples of award letters from dozens of public and private institutions and discovered a startling lack of clarity and consistency from school to school. Some award letters lump together scholarships, grants and loans—making it difficult to understand which is a scholarship or grant that does not need to be paid back, and which is a loan that must be paid back with interest. Others fail to disclose important information about whether or not the same financial aid will be available in later years. Some letters include Parent PLUS loans, without fully explaining that a parent must apply and be approved for such a loan. There is no consistency in the terms or the format used.

In the spring of 2017, the Attorney General's Office worked with uAspire, the Greater Boston Chamber of Commerce, and other members of the Student Debt Working Group to launch an initiative providing resources to students and their families to help them understand and compare award letters. The Attorney General's Office created an [Understanding Your Financial Aid Award Letter](#) page on its [website](#) and distributed information through networks of high school guidance counselors, social media and other channels to help students and their families decode and compare the financial aid packages offered. The Attorney General's Student Loan Assistance Unit received training from uAspire counselors and a hotline was available for students seeking help in understanding their award letters. **We look forward to continuing this partnership during the 2018 award letter season and beyond to provide students and their families with counseling and tools to help them find an affordable path to and through college.**

In addition, the Working Group will continue to explore ways to promote uniformity and transparency in financial aid award letters. Members discussed key elements that should be consistently defined and included in all financial aid award letters, such as: (1) the cost of attendance; (2) each type of aid (gift aid, loan options, and work study) clearly separated; (3) whether the aid is automatically renewable for subsequent years or what conditions must be met; and (4) what next steps the student must take to access the aid. **The Attorney General's office and members of the Working Group plan to work with colleges and universities to develop best practices, and may consider legislative solutions to ensure that all schools are providing clear and complete financial aid information in a way that will enable students and their families to make informed decisions about their future.**

COLLEGE AFFORDABILITY

The College Affordability subcommittee explored a variety of initiatives to assist students and their families in finding affordable paths to a college degree.

In particular, members discussed the need for an increased and sustained investment in state-funded need-based aid. Massachusetts provides financial aid to undergraduate students through a number of largely need-based scholarship programs including the MassGrant program. As the cost of post-secondary education continues to rise, students in Massachusetts have been less able to rely on this financial assistance to defray the cost of college. Whereas in 1988 the average MassGrant award covered 80% of a student's average tuition and fees at a Massachusetts public college or university, today it covers less than 8% of a student's average expenses.

Providing consistent and meaningful need-based aid is a critical component in addressing the problem of college affordability in Massachusetts for the largest number of low- and middle-income students. **Members of the Working Group encourage the Legislature to review its funding of need-based aid and work with the Board of Higher Education to develop a multiyear effort to increase the state's investment in financial aid for Massachusetts students.** At the same time, the Working Group recognizes the important role of our public institutions in providing more affordable higher education options. **Continued direct financial investment in our community colleges, state universities, and the University of Massachusetts is critical to their ability to provide a quality education at a lower cost.**

Working Group members also learned about the role dual enrollment partnerships and other early college programs can play in helping reduce the cost of higher education. The Commonwealth Dual Enrollment Partnership ("CDEP") is a program managed by the Department of Higher Education that enables high school students to take college courses for free or at a reduced cost. Participating high schools and postsecondary institutions form partnerships to provide these courses, and the course credits earned by participating students count towards both their high school and postsecondary degrees. In addition, the Board of Higher Education and the Board of Elementary and Secondary Education recently launched a new joint initiative, which seeks to establish a formal "Early College Designation." An Early College Designation will recognize high quality dual enrollment partnerships and other early college programs, and, if funded, will serve as a potential model for additional student cost savings.

The Working Group applauds these efforts. Members discussed ways the business community may be able to further engage and lend support by providing students with job opportunities,

mentoring and other hands on learning opportunities. A lot of this work is already underway within the business community, as the Greater Boston Chamber of Commerce, with a mission to redefine talent, is beginning to host a series of events to raise the importance of internships as a pathway to equity for human resources and hiring directors responsible for acquiring and retaining employees. High-quality, paid internships in high-demand industries create better pathways into the labor market, and the Chamber and partners are setting out to increase the number of these internships in the private sector.

The subcommittee also highlighted the ongoing work of the Department of Higher Education, the University of Massachusetts, our state universities and community colleges in developing and expanding the MassTransfer program, the Commonwealth Commitment program, and other transfer options to help create more affordable paths to a baccalaureate degree. The MassTransfer program was developed to make the transfer of credits between public higher education institutions in Massachusetts as seamless as possible and provide students with guaranteed admission to four-year institutions and tuition discounts. Students in a wide range of disciplines can now take advantage of significant cost savings by completing their first two years at a community college and then transferring to a baccalaureate degree-granting institution.

The Commonwealth Commitment program, currently in its pilot phase, enables full-time students to save substantially on the cost of a traditional bachelor's degree. Students who begin their studies at a community college and then transfer to a state university or a University of Massachusetts campus are eligible to receive a tuition and fee freeze, rebates at the end of every completed semester, and a full tuition waiver or credit in their junior and senior years. Similar transfer programs exist between many community colleges and independent colleges and universities in Massachusetts. **The Working Group commends these initiatives to facilitate more affordable pathways to a four-year degree. We encourage the Department, as well as public and private colleges and universities to continue to develop these transfer programs to ensure that as many Massachusetts students as possible are able to take advantage of lower cost college options.**

DEGREE COMPLETION

On-time degree completion is a critically important cost-savings component for students. The total cost of a higher education increases significantly when more than the expected period of time is required to complete a degree. Working Group members noted that while paying back loans can be difficult for graduates, repayment is even more challenging for students who do not complete their program of study. Among the calls received by the AG's Student Loan Assistance Unit, many of the most distressed borrowers are those who were unable to complete their degree. The Degree Completion Subcommittee focused on the role that non-completion plays in the growing problem of distressed student loan debt.

Nationally, only about 55% of those students who begin an undergraduate program earn their degree within six years.² While completion rates in Massachusetts are among the highest, a 2015 White House report found that still only 69% of students attending four-year institutions across all higher education sectors complete their degree within 6 years.³

²Shapiro, D., Dundar, A., Wakhungu, P., Yuan, X., Nathan, A & Hwang, Y., A. *Completing College: A State-Level View of Student Attainment Rates* (Signature Report No. 12a). Herndon, VA: National Student Clearinghouse Research Center (March 2017).

³U.S. Dept. of Higher Ed., *Fact Sheet: Focusing Higher Education on Student Success* (July 27, 2015) available at <https://www.ed.gov/news/press-releases/fact-sheet-focusing-higher-education-student-success>.

Those who begin—and take out loans to finance—a program of study that goes unfinished face significant hurdles in repaying the debt. Although non-completers typically have a smaller total amount of debt, they face repayment without the additional income a degree or certificate might provide. On average, full-time workers who hold a bachelor's degree earn about \$24,000 more per year than those with a high school diploma.⁴ Students who fail to complete their programs are three times more likely to default on their loans.⁵ Nationally, borrowers who failed to complete their program defaulted at a rate of 25% after three years, compared to just 9% for their peers who graduated.⁶

Working Group members reviewed and discussed research on the factors that most often contribute to a student's inability to complete his or her program of study. At the top of the list was the need to leave school to work and financially support themselves or their families. Students also cited transportation needs, lack of childcare, and health reasons as major contributors to their decision to leave their studies. Low-income students, first-generation college students, and minority students, in particular, often face the most significant challenges in completing their degree.⁷

The Working Group discussed a number of innovative programs and efforts that schools have undertaken to accelerate degree-completion and support students through to graduation. We recognize that the needs of students vary greatly from institution to institution. Of significant concern, however, are institutions where students and their families take on tens of thousands of dollars in debt each year, but only a small fraction of those students complete a degree within the expected four-year period. **We recommend further examination of what schools are and can be doing to improve completion rates. The Working Group may convene a panel discussion or other forum to learn more and share information about programs that have been successfully implemented to support students and help them achieve their educational goals.**

DEBT REPAYMENT

The Debt Repayment subcommittee explored innovative methods to assist student borrowers with their debt burdens. In particular, members of the Working Group examined the emergence of student loan repayment as an employee benefit.

For employers, student debt assistance can be an opportunity to attract and retain employees. In a 2016 survey, 47% respondents said they would look for student loan reimbursement in a new job.⁸ In another survey, 90% of respondents said they would commit to a job for five years in return for help

⁴ United States Department of Labor, Bureau of Labor Statistics, Unemployment rates and earnings by educational attainment (2016) available at https://www.bls.gov/emp/ep_chart_001.html.

⁵ Duncan, Arne, *Toward a New Focus on Outcomes in Higher Education*. Remarks given at the University of Maryland-Baltimore County (July 25, 2015) available at <https://www.ed.gov/news/speeches/toward-new-focus-outcomes-higher-education>.

⁶ U.S. Dept. of Higher Ed., *Fact Sheet: Focusing Higher Education on Student Success* (July 27, 2015) available at <https://www.ed.gov/news/press-releases/fact-sheet-focusing-higher-education-student-success>.

⁷ "Indicators of Higher Education Equity in the United States." The Pell Institute for the Study of Opportunity in Higher Education, Penn Ahead-Alliance for Higher Education and Democracy (2015).

⁸ EdAssist, *Student Loan Debt Survey* (May 2016) available at <https://www.edassist.com/resources/news-releases/2015/04/loanrepay-study-press>.

with their student loans.⁹ With only 4% of companies nationwide offering student loan reimbursement, employers have an opportunity to differentiate themselves from their competitors and make their organizations attractive to a large group of skilled employees entering the workforce.¹⁰

From the employee's perspective, this benefit can be especially attractive. While most student borrowers who are making their monthly payments are at least covering interest, they may or may not be reaching the principal amount on their loan. An additional payment directly to the servicer is more likely to reach the actual principal amount of the loan. These increased monthly payments most often mean that the loan will be paid off more quickly. This can result in lower total interest paid over the life of the loan.

The Working Group heard from members within the business community who have led the way in offering such a benefit. The programs vary in the amount of benefit paid, the requirements for employee participation, and the types of employees targeted. As a new employer benefit, many employers face a lack of information on how to best design a benefit program, estimate program cost and expected employee participation, and project results. **To assist employers considering whether to offer such a program, the Working Group, led by the Greater Boston Chamber of Commerce, will offer a report and guide addressing many common questions and important considerations for employers to keep in mind.**

The Working Group also reviewed legislation filed on the state and federal levels that would ease the tax burden on employees receiving student loan repayment assistance from employers, and encourage more employers to offer such benefit programs by providing tax incentives through tax deductions or credits up to specific amounts. While many employers currently offer tuition assistance with the help of both state and federal tax credits, the law has not yet addressed student loan repayment assistance. Specifically, Working Group members focused on HR 795 filed by Congressman Rodney Davis, and SB 1516, filed by State Senator Eileen Donoghue. HR 795, the *Employer Participation in Student Loan Assistance Act*, amends Internal Revenue Code Section 127 to allow an employee to exclude from income up to \$5,250 per year in student loan repayment assistance. At the state level, SB 1516, *An Act Encouraging Employer Student Loan Repayment*, permits not only a corporate tax deduction of up to \$2,000 per employee for employers making student loan repayment contributions but also allows for an individual income tax deduction of up to \$2,000 for employees receiving the student loan repayment assistance.

BANKRUPTCY RELIEF

Some of the most distressed borrowers burdened by student debt find themselves turning to bankruptcy for relief. However, it is very difficult for these borrowers to overcome the legal standard applied to a request for discharge of a student loan obligation in bankruptcy. The Bankruptcy Relief subcommittee assessed these challenges and considered ways to assist those most vulnerable and distressed borrowers who may be eligible for relief.

Because the legal standard for discharge of a student loan in bankruptcy is onerous, very few people — even of those who pursue bankruptcy to discharge other debt obligations — seek to discharge their

⁹ American Student Assistance, *Young Workers and Student* (2017 Edition) available at http://www.asa.org/wp-content/uploads/2017/06/feb_28_2017.pdf

¹⁰ Society for Human Resource Management, *Annual Employee Benefits Survey* (2016) available at <https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/Pages/2016-Employee-Benefits.aspx>.

student loans. In these cases, legal representation is a key factor.¹¹ However, the borrowers most likely to obtain a discharge are least likely to be able to afford representation to seek that discharge,¹² and *pro bono* programs addressing hardship discharges are presently rare.¹³

Members of the Working Group have teamed up with the Massachusetts Bar Association to develop a program to provide pro-bono legal assistance for those most distressed borrowers who may be eligible for discharge of student loans in bankruptcy. Similar such programs have been implemented in other jurisdictions, such as that run by the New York City Bar Association’s Consumer Bankruptcy Project.

The Student Loan Assistance Unit within the Attorney General’s Office regularly works with distressed borrowers who could potentially benefit from such a program. Area law firms, including Chamber members, have already expressed interest in lending support. Work is ongoing to develop eligibility criteria for the program, recruit interested attorneys willing to volunteer their time, and develop training and referral protocols. We plan to launch the program in the coming months.

NEXT STEPS

Based on the findings and recommendations of the Student Debt Working Group outlined throughout this report, the Attorney General’s Office and the Greater Boston Chamber of Commerce have identified three major initiatives that will leverage the collaboration of public and private sector leaders to improve the state of student debt in Massachusetts.

FINANCIAL AID AWARD LETTERS

We will promote transparency and uniformity in financial aid award letters. As a first step, we will work with institutions of higher education and other key stakeholders to develop award letter best practices. Looking forward, we may seek to advocate for legislation to ensure that all schools are providing clear and complete financial aid information in a way that will enable students and their families to make informed decisions about their future.

REPAYMENT ASSISTANCE AS AN EMPLOYEE BENEFIT

We will provide information and resources to employers considering student loan repayment programs. We will leverage the expertise and experience of Working Group members to develop and distribute a report on student loan repayment assistance as an employee benefit. This report will include answers to common questions and helpful information for employers to consider when deciding whether such a program is right for them.

The Greater Boston Chamber of Commerce, in partnership with other members of the Working Group, will also advocate for the passage of federal and state legislation to incentivize employers

¹¹ Rafael I. Pardo & Michelle R. Lacey, *The Real Student-Loan Scandal: Undue Hardship Discharge Litigation*, 83 Am. Bankr. L.J. 179, 227-228, table 9 (2009).

¹² Rafael I. Pardo, *The Undue Hardship Thicket: On Access to Justice, Procedural Noncompliance, and Pollutive Litigation in Bankruptcy*, 66 Fla. L. Rev. 2101, 2138 (2014).

¹³ Nat’l Consumer Law Ctr., *The Truth About Student Loans and the Undue Hardship Discharge* (2013), available at <http://www.studentloanborrowerassistance.org/wp-content/uploads/2007/03/iulianoresponse.pdf>.

to provide tax free student loan assistance to employees. In particular, the Chamber and members will support HR 795 filed by Congressman Rodney Davis, and SB 1516, filed by State Senator Eileen Donoghue.

BANKRUPTCY RELIEF

We will launch a program providing pro bono legal representation for distressed student borrowers. In partnership with the Massachusetts Bar Association, we will continue to develop this program to provide free legal services for those most distressed borrowers who may be eligible to discharge student loan debt in bankruptcy. This initiative will leverage the work of the Attorney General's Student Loan Assistance Unit, as well as the resources of Chamber law firm members willing to volunteer attorney time and resources, to make a significant impact in the lives of distressed borrowers in the most dire circumstances.

CONCLUSION

Throughout the course of our work over the past year, we have come to understand more than ever how multi-faceted and complex the student debt crisis really is. There is a great deal more work to be done. There are no easy answers. These recommendations and initiatives, however, are concrete ways that leaders from the business community, government, higher education and non-profits can come together to make progress towards improving the state of student debt in Massachusetts.

We thank all the members of the Working Group for their time and thoughtful participation and look forward to our continued partnership.