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Testimony of American Student Assistance on H.43 and H.1210 (an Act relative to student debt), and H.1224 (an Act relative to higher education financial literacy counseling)

American Student Assistance (ASA), a Massachusetts non-profit committed to helping kids know themselves, know their options, and make informed choices to achieve their education and career goals, would like to offer strong support of H.43 and H.1210 (an Act relative to student debt), and H.1224 (an Act relative to higher education financial literacy counseling). Together, these bills would help thousands of college students across the Commonwealth get a better handle on student loan debt and plan for a successful financial future.

ASA is an organization with a long history in the student loan industry. For years we counseled students on the best ways to manage their student loan debt and helped mitigate many issues through a proactive approach to debt management we called student loan wellness. This was based on the idea that if we could provide information to borrowers at a time and in a manner that was immediately actionable, we could prevent many student loan missteps before they occurred. We expanded our efforts in 2009 to include financial education for college students, and aimed to teach students the financial competencies they would need to help decrease borrowing and stay in good standing on their loans. But time and time again we saw students who were coming to us too late to mitigate the debt situation they found themselves in, and we had too many conversations that included phrases like—“I wish I had known,” or “I wish I hadn’t borrowed so much.” As a result of statements like these and other factors, ASA has recently expanded our mission to reach kids earlier in their educational journey and to focus time and resources on helping young people, as early as middle school, make more informed choices about their higher education path and the career journey they may want to pursue. Our belief is that by starting conversations about college and career earlier and ensuring students are making a more deliberate choice around higher education, we will help kids to prepare more fully for any path they would like to pursue and limit excessive borrowing and loan defaults.

In addition, in the 21st century, developing and executing a deliberate, successful plan for college and career must entail a responsible method of financing post-secondary education. According to the New England Board of Higher Education, Massachusetts has the dubious distinction of the fastest-growing public college costs in the nation. Annual tuition and fees at a public four-year college in Massachusetts are on average \$11,420, an increase of 19 percent since 2012.ⁱ Many students and families must take on education loans to cover costs; the average graduate of Massachusetts' public state universities left school with \$30,200 in student loan debt in 2016.ⁱⁱ

H.43 and H.1210 (an Act relative to student debt)

Through our years of working with student borrowers to help them manage debt, we learned that it’s not always the amount of debt students take on that is the problem. It’s the fact that they borrow without a plan for how to manage repayment in the future. Students – and parents - often borrow from year to year without a firm understanding of how much they’re borrowing for the total four (or more) years, or whether they’re borrowing more or less than their peers. Most importantly, they frequently don’t have any idea how their total loan balance will translate into a monthly payment amount, or how to estimate a realistic post-graduation budget based on average incomes for their chosen career. H. 43 and H.1210 represent a good first step toward empowering enrolled students with more information earlier on so they can see more clearly their financial investment in higher education, understand the long-term implications, and make any changes in their plans as needed. Similar pilot programs as the one proposed in this legislation have been proven to impact student behavior. We would urge policymakers to look to the example of Indiana University, where annual student debt letters cut federal student loan borrowing by 11 percent.ⁱⁱⁱ We believe the proposed experiment will bring forth positive results and hope future legislation expands benefits to all public higher education institutions in Massachusetts.

H.1224 (an Act relative to higher education financial literacy counseling)

ASA has long believed that every college student deserves access to high-quality financial literacy counseling and transparency around college costs. College represents one of the largest financial investments an individual will make over his or her lifetime. It is essential that students and families understand all the associated costs of higher education over the student's entire college career, not just the first year. This includes tuition, fees, room and board, books, supplies, transportation and more. Students and parents need a clear picture of the net cost of a school (the cost once financial aid is factored in), as well as a firm understanding of how much of their aid package is "free" money, like grants and scholarships, vs. loans that must be repaid. A uniform financial aid shopping sheet will allow families to make better comparisons of financial aid awards from various colleges and better factor financial concerns into their college attendance decisions. Additionally, financial literacy counseling for students still in school can help them learn the good habits and techniques of budgeting and money management that will put them on firmer financial ground as they begin their adult lives.

Combined, H.43, H.1210 and H.1224 will help ensure Massachusetts students and families are more knowledgeable about their financial investment in higher education, better prepared to navigate student loan repayment, and all around financially savvier. Massachusetts lawmakers should embrace this opportunity to make our public higher education students wiser borrowers. We urge you to vote these bills out of committee.

ⁱ Schoenberg, Shira. (2018, December 12). Massachusetts Has Fastest Growing Public College Costs In U.S., Study Finds. *MassLive*. Retrieved from <https://www.masslive.com/news/2018/12/report-massachusetts-has-fastest-growing-public-college-costs-in-us.html>

ⁱⁱ Schoenberg, Shira. (2018, March 1). Massbudget Student Debt Rising At Public Universities. *MassLive*. Retrieved from https://www.masslive.com/politics/2018/03/massbudget_report_student_debt.html

ⁱⁱⁱ Nelson, Libby. (2015, July 26). Indiana University Used This One Weird Trick To Cut Student Debt. *Vox*. Retrieved from <https://www.vox.com/2015/7/26/9041283/indiana-university-debt-letters>