Governor's Task Force on Student Debt Final Report

AUGUST 18, 2020

GOVERNOR
TONY EVERS

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After months of research, listening sessions, consultation with external experts and colleagues in other states, I present this report, which includes the recommendations of the task force on how Wisconsin can provide relief, education, and protection to its student debtholders now and in the future. An electronic copy of this report can be found at: https://lookforwardwi.gov/student-debt-task-force/.

Sincerely,

Kathy Blumenfeld

Kathy Blumenfeld
Chair, Governor's Task Force on Student Debt
Secretary, Wisconsin Department of Financial Institutions

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Executive Summary

Nationally, it's widely reported that there are 45 million students who owe approximately $1.7 trillion in student loan debt.[1] In Wisconsin, we have more than $24 billion in outstanding student loan debt, according to the Consumer Financial Protection Bureau.[2]

Making matters worse, is the fact that the Financial Industry Regulatory Authority (FINRA) reports 53% of Wisconsinites live paycheck-to-paycheck each month.[3] This puts many students and families in a very precarious position, and even more susceptible to default on outstanding debt, especially if an emergency or illness should arise. While student loan debt is a serious concern, it's not the only type of student debt that impacts students and families.

More families are taking on more debt to help their kids pay for school. A recent report from AIG shows that 36% of college students in the United States say that they have more than $1,000 in credit card debt.[4] This is not a sustainable situation.

We heard this message loud and clear over the course of our listening sessions in La Crosse, Milwaukee, Wausau, and Green Bay during the summer of 2019 and in our task force meetings earlier this spring and summer. We heard many borrowers tell us stories of beginning their professional lives burdened by financial anxiety and soaring debt. We also heard from parents and grandparents about the multigenerational aspects of this problem. Several said they felt they will never see the day their debt is paid-off. And many spoke of being saddled with such large debt burdens that they're only able to repay just enough to avoid default, which often leads to owing significantly more than their original balance down the road.

In addition, there is a lot of confusion around how different repayment plans work and if consolidating or refinancing is the right move. Countless presenters and attendees also said they didn't know who to turn to for trusted advice. Deciding how much debt to take on to go to college is perhaps the first serious financial decision a lot of students make. Unfortunately, many don't fully consider the ramifications of that debt until it's too late – when they must start paying it back. This results in students and families having to choose between paying their bills and defaulting on their loans.

The stories that we heard informed the task force as we listened to presentations from experts in government, industry, and academia. These presentations contained various solutions to the student debt problem. Overall, the task force examined 37 proposed solutions and narrowed

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[1] "Consumer Credit – G.19," Board of Governors of the Federal Reserve System, July 8, 2020. Accessed: August 5, 2020.
[2] "50 state snapshot of student debt," Consumer Financial Protection Bureau, October 2017, Pg. 52. Accessed: August 5, 2020.
[3] "National Financial Capability Study," FINRA, July 2018. Accessed: January 29, 2020.
[4] Leonhardt, Megan, "Over a third of college students already have credit card debt," CNBC Make It, June 3, 2019. Accessed: August 5, 2020.

these solutions to eight recommendations. In developing these eight recommendations, the task force worked to look at student debt from many angles and viewpoints, hear from all task force members and seek their input and ideas, research proposed solutions to address the issues outlined in the executive order, develop sound recommendations for how Wisconsin can tackle its student debt problem, and produce a body of knowledge for Governor Tony Evers and others to consider and use to address student debt in Wisconsin.

The eight recommendations the task force submits to Governor Tony Evers are as follows:

- Create a Borrower Bill of Rights and Student Loan Ombudsman
- Enhance proprietary school regulations and reinstate the Educational Approval Board
- Financial literacy education
- Increase need-based, targeted aid and create a statewide promise program
- Loan counseling
- Loan forgiveness
- Refinancing
- State student debt relief tax credit

Thank you for considering these recommendations on how Wisconsin can provide relief, education, and protection to its student debtholders now and in the future.

Sincerely,

Kathy Blumenfeld

Kathy Blumenfeld
Chair, Governor's Task Force on Student Debt
Secretary, Wisconsin Department of Financial Institutions

BACKGROUND

Student debt is an issue that impacts hundreds of thousands of Wisconsinites. The Governor's Task Force on Student Debt listened to experts from government, industry, academia, and student loan borrowers to understand how student debt affects Wisconsin.

Overview

Nearly half of Americans say that if they had it to do all over again, they would not take out a student loan to pay for their college education, according to Northwestern Mutual's latest 2020 "Planning & Progress" study.[5] While it is possible for students to save money to put towards their higher education, the rising prices of many educational institutions increasingly narrows the likelihood of students covering such costs without some form of financial assistance. The upside of student loans is that borrowers who complete their program on average earn more throughout their lifetime than those who do not. The downside of student debt is that some students incur debt but don't graduate, and some students take on more debt than they can comfortably pay back given their career choice. Another downside of student debt is that most people incur it at a young age and oftentimes before they fully understand the ramifications of their decision. In addition, student debt differs from other types of debt in that it typically cannot be discharged in bankruptcy, except in cases of undue hardship.[6]

Breaking Down the $1.7 Trillion of Student Loan Debt

In the second quarter of 2020, student loan debt in the United States rose to nearly $1.7 trillion.[7] A figure that catches headlines and dominates conversations surrounding student debt. The task force believes that breaking down this figure is crucial to finding solutions for Wisconsinites with student debt.

A 2017 report by the Consumer Financial Protection Bureau (CFPB) found that Wisconsin had an outstanding student loan debt balance of $24.4 billion.[8] In Wisconsin, there are 710,000 borrowers of federal student loans.[9] Median student loan debt in the state is $17,323.[10] The task force looked closely at these statistics to find solutions for the most vulnerable borrowers in Wisconsin.

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[5] "Planning & Progress Study 2020," Northwestern Mutual, 2020. Accessed: August 5, 2020.
[6] "Discharge in bankruptcy," Federal Student Aid. Accessed: August 7, 2020.
[7] "Consumer Credit – G.19," Board of Governors of the Federal Reserve System, July 8, 2020.
[8] "50 state snapshot of student debt," Consumer Financial Protection Bureau, October 2017, Pg. 52. Accessed: August 5, 2020.
[9] Hillman, Nick, "Student Debt Overview," Presentation to the Governor's Task Force on Student Debt, May 13, 2020, Pg. 24. Accessed: August 6, 2020.
[10] Hillman, Nick, "Student Debt Overview," Presentation to the Governor's Task Force on Student Debt, May 13, 2020, Pg. 24. Accessed: August 6, 2020.

From 1996 to 2016, the average debt among college seniors who took out a loan rose 133%, from $12,750 to $29,650.[11] Student loans have become a large part of how students access higher education, and as a result, student loan debt continues to grow. Student debt has outgrown auto loan and credit card debt and is currently the second largest form of consumer debt behind mortgages.[12]

When examining student debt, it is important to understand where debt is held and identify those who are struggling most with repayment. As of the fourth quarter of 2017, 63.2% of the total student debt balance was held by borrowers with less than $25,000 of debt.[13] This shows that most borrowers do not hold the massive debt figures that are often covered in newspaper headlines regarding student debt. In fact, default rates are lower among borrowers who borrow more money than those who borrow less.[14] Sixty-four percent of these borrowers have a balance of less than $10,000, and more than a third owe less than $5,000.[15]

Higher debt balances are often incurred by borrowers who complete advanced degrees. While only 19% of student loan borrowers are graduate students, 40% of federal student loans in the 2017-18 school year were borrowed by graduate students.[16] Interest rates for graduate students are also higher than undergraduate students. Thus, while most borrowers hold balances of $25,000 or less, graduate student loan borrowers carry a disproportionate amount of the national debt load as they can, and often need to, borrow more to afford their graduate degree.

Exploring the impact of borrowers with the highest outstanding loan balances also makes clear two key components of the student debt problem: intergenerational impacts and racial and ethnic inequity. Student debt is not simply an issue that is faced by young people. Thirty-five percent of total student loan balances are held by borrowers over the age of 40.[17] Many of these borrowers are borrowers with advanced degrees or parents who helped their children afford a postsecondary education through Parent PLUS loans. During the task force listening sessions, some borrowers mentioned having their own student loan debt while needing to support their children currently going through school. This intergenerational impact is key in understanding the long-term challenges faced by many with student loans.

The task force made an effort to consider student debt solutions to help borrowers before they borrow, while they are enrolled in a postsecondary program, and after they graduate or leave their

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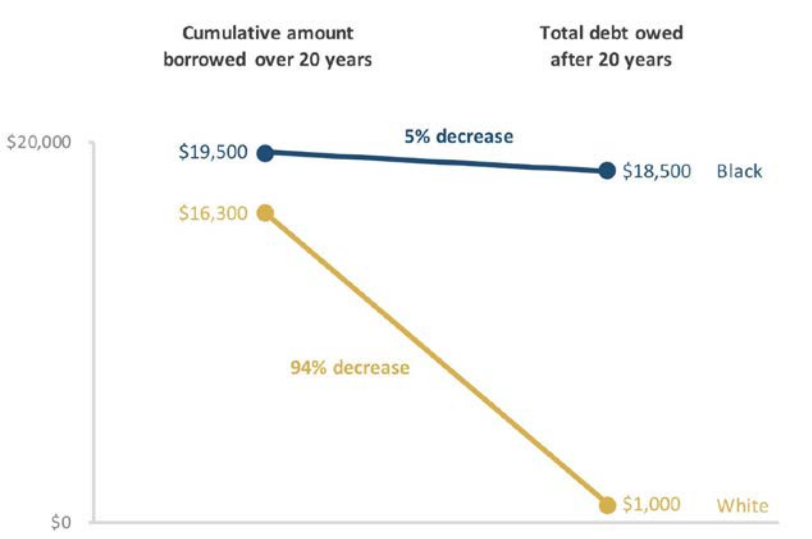
[11] "14th Annual Report, Student Debt and the Class of 2018," The Institute for College Access and Success (TICAS), September 2019, Pg. 6. [Note: TICAS includes data from public and non-profit four colleges and no data from for-profit colleges]. Accessed: June 15, 2020.
[12] "Student Debt by Age Group," Federal Reserve Bank of New York, March 29, 2013. Accessed: August 5, 2020.
[13] Scally, Joelle, Lee, Donghoon, "2018 Student Loan Update," Federal Reserve Bank of New York Consumer Credit Panel, 2018. Accessed: August 5, 2020.
[14] Scott-Clayton, Judith, "The looming student loan default crisis is worse than we thought," Brookings Institution, 2018. Accessed August 7, 2020.
[15] Miller, Ben, Campbell, Colleen, Cohen, Brent J., Hancock, Charlotte, "Addressing the $1.5 Trillion in Federal Student Loan Debt," Center for American Progress, June 12, 2019. Accessed: August 6, 2020.
[16] Miller, Ben, "Graduate School Debt," Center for American Progress. 2020. Accessed: August 5, 2020.
[17] Scally, Joelle, Lee, Donghoon, "2018 Student Loan Update," Federal Reserve Bank of New York Consumer Credit Panel, 2018. Accessed: August 5, 2020.

program. For instance, 14% of parents with students in the class of 2018 borrowed an average of $35,600 in federal Parent PLUS loans.[18] Additionally, 80% of borrowers between the ages of 25-39 report that their student loans are making it difficult to meet their financial goals.[19] Lastly, 31% of borrowers between the ages of 55-74 reported that they have stopped saving for retirement to focus on paying off student loans.[20] Taking a multi-faceted approach to alleviating the intergenerational impact of student debt by focusing on helping borrowers before they borrow, while they are enrolled in a postsecondary program, and after they graduate or leave their program will support Wisconsin borrowers of all ages.

Racial and ethnic inequity is a crucial component to understanding the student debt problem. As shown below, a study from the Institute on Assets and Social Policy at Brandeis University found that while the median white borrower from 1996 experienced a 94% decrease in their student loan balance over 20 years, the median Black borrower saw a 5% decrease in the same time frame.[21] Racial and ethnic inequities in student debt are key to the student debt problem in Wisconsin. While 9% of people with student loan debt who default in Wisconsin are in white communities, 25% are in communities of color.[22] Finding solutions to tackle racial and ethnic inequity in student debt is a critical aspect of finding solutions for Wisconsin's student loan borrowers. Further examination of disparate impacts among borrowers can be found in the next section of the report.



Data Source: Authors' calculations of Beginning Postsecondary Students (BPS) survey, BPS: 96/2001 cohort.

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[18] "The real costs of student loan debt – for employees and employers," Voya Financial, 2020, Pg. 7. Accessed: August 5, 2020.
[19] "The real costs of student loan debt – for employees and employers," Voya Financial, 2020, Pg. 7. Accessed: August 5, 2020.
[20] "The real costs of student loan debt – for employees and employers," Voya Financial, 2020, Pg. 7. Accessed: August 5, 2020.
[21] Sullivan, Laura, Meschede, Tatjana, Shapiro, Thomas, Escobar, Fernanda, "Stalling Dreams: How Student Debt is Disrupting Life Chances and Widening the Racial Wealth Gap," September 2019, Pg. 4. Accessed: August 6, 2020.
[22] "Debt in America: An Interactive Map," Debt Delinquency, Wisconsin, Urban Institute. Accessed: August 6, 2020.

FOUNDATIONAL ISSUES

The foundational issues at the core of the solutions to the student debt problem are advocacy, addressing disparate impact, and data collection and sharing.

Advocacy

Most of the issues related to student debt are governed at the federal level, and because of this, it is critical to be informed of regulatory and legislative changes that impact student debt, and to then have a say on the solutions. Advocacy at the federal level is necessary to see improvement in these programs. A coordinated effort to understand current student debt federal policies, recommend changes to these policies, and support legislation that improves these policies could significantly benefit the people of Wisconsin that are dealing with student debt.

Identifying key opportunities and promoting solutions with the federal government needs to be a top priority in resolving this problem. The task force recommends an advocacy plan in which key stakeholders on the state level work together to understand federal issues, and then communicate and engage with federal policy makers in both the Executive and Legislative branches.

Federal issues related to student debt are constantly evolving, so having a Student Loan Ombudsman to monitor and analyze their impact on Wisconsin student debtholders is critical for effective advocacy. Several of the federal issues Wisconsin should advocate on include:

- Eliminating origination fees for federal student loans
- Addressing compound and capitalized interest
- Simplifying repayment programs
- Allowing refinancing while keeping benefits of federal loans
- Addressing current issues related to COVID-19 relief legislation that provides relief to student debtholders

Addressing Disparate Impact

The student debt problem is disproportionally felt by vulnerable populations including Black borrowers, first-generation students, former foster youth, Latinx borrowers, low-income borrowers, Native Americans, seniors, students with disabilities, veterans, and women.

Racial and ethnic inequity is at the core of the student debt problem. As shown below, Black and Latinx borrowers who did not finish their higher education programs have much higher default rates than their white peers.[23]

[23] Miller, Ben, "New Federal Data Show a Student Loan Crisis for African American Borrowers," Center for American Progress, October 16, 2017. Accessed: August 6, 2020.

TABLE 5

Default rates within 12 years of entry of undergraduate borrowers who dropped out

Students who entered college in 2003-04, by race and ethnicity

	Public four-year institution	Private nonprofit four-year institution	Public two-year institution	Private for-profit institution
White	39	33	32	50
Black or African American	64	65	54	75
Hispanic or Latino	50	*	29	63
Overall	44	40	36	62

* Standard error is too high to report an estimate.

Source: Author's analysis of data from National Center for Education Statistics, "2003-04 Beginning Postsecondary Students Longitudinal Study, Second Follow-up (BPS:04/09)," Tables gmbhmkn38, gmbhmpe2, gmbhm4d, and gmbha47, available at https://nces.ed.gov/datalab/powerstats/default.aspx (last accessed October 2017).

CAP

Native American students also face large disparities in both higher education attainment and student debt. Only 17% of Native American students attend an educational institution after high school compared to 60% of the U.S. population as a whole, and while 63% of white bachelor's degree-seeking students graduated within six years, only 41% of Native American students did the same.[24]

Students with disabilities also experience lower rates of higher education enrollment and completion and larger student debt burdens. To begin with, 37% of high school students with disabilities have annual household incomes less than $25,000, compared to 20% of their peers.[25] In addition to this baseline disparity, students with special needs often have increased costs associated with their disability. Meeting these needs with financial aid requires levels of self-advocacy and self-confidence that have not always been developed in secondary school in students with disabilities. In summary, students with disabilities often need more financial aid than is available or accessible, and traditional financial aid packages do not always fit the needs of these students.

Research indicates that while most former foster youth aspire to go on to postsecondary education, college retention and completion rates among former foster care youth are significantly lower than those among non-foster students who had low-income families. The Midwest Study – a landmark evaluation of early-adulthood outcomes among former foster youth from Illinois, Iowa and Wisconsin during the 2000s – determined that only 37% of participants had finished a year of postsecondary education by age 23 or 24.[26] Despite more than one-in-three foster youths entering college classrooms for at least a year, only 6% of all participants had attained either an associate's or bachelor's degree by age 23 or 24.[27] In the study, 40% of respondents reported

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[24] Lorelle L. Espinosa, Jonathan M. Turk, Morgan Taylor, and Hollie M. Chessman (2019), "Race and Ethnicity in Higher Education: A Status Report," Accessed: July 10, 2020.

[25] Wolanin, Thomas R., Steele, Patricia E., "Higher Education Opportunities for Students with Disabilities: A Primer for Policymakers," The Institute for Higher Education Policy, June 2004, Pg. 57. Accessed: August 5, 2020.

[26] Courtney, Mark E., Amy Lynn Dworsky, JoAnn S. Lee, and Melissa Raap. *Midwest evaluation of the adult functioning of former foster youth: Outcomes at ages 23 and 24*. Chicago: Chapin Hall at the University of Chicago, 2010. Accessed: July 3, 2020.

[27] Dworsky, Amy, and Mark Courtney. "Does extending foster care beyond age 18 promote postsecondary educational attainment?" Chapin Hall Issue Brief, 2010. Accessed: July 3, 2020.

that tuition was a significant burden preventing them from attending, while 20% reported that they could not afford to stop working fulltime to attend class.[28] In addition, many foster care students need increased academic, mental health and other supports, with alumni expressing frustration with housing insecurity, poverty wages and university personnel who are unaware of supports for foster youth.[29,30]

Furthermore, women hold almost two-thirds of the student debt in the United States.[31] On average, Black women graduate with $30,400 in debt, white women graduate with $22,000 in debt, and white men graduate with $19,500 in debt.[32] This disparity is exacerbated by the gender pay gap, which makes it more difficult for women with college degrees to pay off student loans. On average, women with college degrees who work full-time make 26% less than their male peers; compared to white men with bachelor's degrees, Black and Hispanic women with bachelor's degrees make 37% and 34% less, respectively.[33]

Additionally, the task force recommends Governor Tony Evers review two proposed solutions regarding veteran borrowers. The proposed solutions suggest adding a Veterans Affairs School Certification Official to the Wisconsin Department of Veterans Affairs (WDVA) Council on Veterans Programs and adding a student veteran to WDVA Board of Veterans Affairs. These solutions would help combat the disparate impacts faced by veteran student loan borrowers.

All recommendations should consider ways to target funding and policy to help reduce these disparities and promote equity in higher education and in the economy.

Improving Data Collection and Sharing

In order to effectively develop policy solutions to the student debt problem, it is essential to have thorough and rigorous data to help policymakers make evidence-based decisions. According to a proposed solution by Nicholas Hillman, an Associate Professor at the University of Wisconsin-Madison and the Director of UW-Madison's Student Success Through Applied Research (SSTAR) Lab, there are currently several holes in Wisconsin's data collection. These include a lack of public information on the amount of debt that bachelor's degree recipients take on at many Wisconsin schools.[34] In order to fill Wisconsin's gap in data collection, a method of sustained, disaggregated data collection must be implemented. Increased data collection is essential for policymakers, employers, and consumers to better address Wisconsin's student debt problem.

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[28] Courtney, et. al. "Midwest evaluation".
[29] Dworsky, Amy, and Alfred Pérez. "Helping former foster youth graduate from college through campus support programs." Children and Youth Services Review 32, No. 2 (2010): 255-263. Accessed: July 3, 2020.
[30] Tobolowsky, Barbara F., Maria Scannapieco, Donna M. Aguiniga, and Elissa E. Madden. "Former foster youth experiences with higher education: Opportunities and challenges." *Children and Youth Services Review* 104 (2019): 104362. Accessed July 3, 2020.
[31] Analysis: Women Hold Two-Thirds of Country's $1.4-Trillion Student Debt," American Association of University Women (AAUW), May 21, 2018. Accessed: August 5, 2020.
[32] "Analysis: Women Hold Two-Thirds of Country's $1.4-Trillion Student Debt," American Association of University Women (AAUW), May 21, 2018. Accessed: August 5, 2020.
[33] "Women Hold Two-Thirds of Student Debt," AAUW, 2018. Accessed: August 5, 2020.
[34] "Accountability Dashboard: Cost & Efficiency," University of Wisconsin System, 2020. Accessed: August 5, 2020.

RECOMMENDATIONS

Governor Tony Evers' Executive Order #67 tasked the Governor's Task Force on Student Debt to provide recommendations regarding:

- How the State can best address the student debt crisis for Wisconsinites and their families;
- Improving the State's financial literacy education and academic and career planning offerings and requirements that could help reduce the amount of debt taken on by Wisconsinites and their families;
- Strategies for borrowers that could help reduce loan and education-related defaults and other negative consequences for Wisconsinites;
- Strategies aimed at our most vulnerable populations struggling with student debt, including students of color, low-income students, first-generation students, women, veterans, and seniors;
- The State's role in preventing abusive practices and ensuring that loan companies do not take unreasonable advantage of borrowers;
- Improving data collection and sharing on when and why student loan borrowers' default to help borrowers, regulators, and law enforcement officials spot emerging risks;
- The State's role in maintaining affordable and high-quality higher education institutions in the State that are financially accessible to Wisconsin families, including effective state support to higher education institutions and state-based financial aid;
- Other programmatic and budgetary recommendations for consideration by the Governor and Legislature; and
- Any other steps to address the student debt crisis in Wisconsin.

The Governor's Task Force on Student Debt submits the following recommendations to Governor Tony Evers for consideration:

- Create a Borrower Bill of Rights and Student Loan Ombudsman
- Enhance proprietary school regulations and reinstate the Educational Approval Board
- Financial literacy education
- Increase need-based, targeted aid and create a statewide promise program
- Loan counseling
- Loan forgiveness
- Refinancing
- State student debt relief tax credit

CREATE A BORROWER BILL OF RIGHTS AND STUDENT LOAN OMBUDSMAN

Wisconsin should adopt a Borrower Bill of Rights (BBOR) and create an Office of the Student Loan Ombudsman that licenses student loan servicers and creates loan servicing standards. The BBOR would create a legal mechanism to enforce those standards when not adhered to by the loan servicer. The Student Loan Ombudsman would act as an independent advocate for student borrowers, providing needed consumer protections to navigate the student loan repayment process and enforce the BBOR.

Overview

Even with the nation facing $1.7 trillion dollars in student debt, $24 billion here in Wisconsin, student borrowers continue to have significant difficulty getting accurate and timely information and meaningful guidance on how to repay their student loans. [35] [36] Indeed, task force presenter Seth Frotman of the Student Borrower Protection Center, explained how student borrowers are unable to access flexible repayment options, experience trouble with how payments are being handled, receive bad information about loan repayment and experience abusive collection practices from their loan servicers.[37] Simply put, students do not have access to consumer-friendly information or support services for repaying those loans and are unsure where to turn for help when they encounter potential illegal conduct related to their loans or by their loan servicer.

A Borrower Bill of Rights would address ineffective and deceptive practices in lending and servicing, by establishing the rights of student loan borrowers and advising them of the same. Clearly defining such protections can provide needed assistance to borrowers and allow them to take control of their finances. Doing so would not only improve repayment outcomes but also help borrowers build wealth and avoid the negative consequences of default and delinquency.

The creation of a Student Loan Ombudsman could act as the authority to enforce a student Borrower Bill of Rights. In his support of this recommendation, task force Member Kevin McShane, VP of Financial Aid & Compliance for Herzing University, explains such an Ombudsman could ensure fairness by lenders and loan servicers in the processing and collection of loan debt. He further recommends the Ombudsman oversee a team of independent student loan advocates that could support borrowers throughout the entire lifecycle of managing their student debt.

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[35] "Consumer Credit - G.19," Board of Governors of the Federal Reserve System, July 8, 2020. Accessed: August 5, 2020.
[36] "50 state snapshot of student debt," Consumer Financial Protection Bureau, October 2017, Pg. 52. Accessed: August 5, 2020.
[37] Frotman, Seth, "COVID-19 & Student Debt," Presentation to the Wisconsin Governor's Task Force on Student Debt, May 13, 2020, Pg. 9. Accessed: August 7, 2020.

The task force's Consumer Protection work group was in full agreement that the lack of accurate loan repayment information and in some cases, the dissemination of misinformation about repayment options leads to borrowers missing important opportunities to pay their loans off faster, cheaper, more efficiently, or in the case of fraudulent schools, having the loans written off entirely. The creation of a BBOR, overseen by an Ombudsman, would lead to accurate information about repayment options for specific loan types, such as in-school deferment, grace periods, Income Driven Repayment, and Public Service Loan Forgiveness for federal loans, which would help to address students' difficulties managing debt. It could provide borrowers who find themselves behind in payments a second chance through loan rehabilitation or loan consolidation. It could ensure borrowers who experience a catastrophic event or attend a school that has since closed get information about relevant regulations and discharges of their loans. In short, this resolution would increase the ease of student loan management thereby lowering a student's debt burden overall and improve their economic outcomes post-graduation.

The Borrower Bill of Rights would contain three important components: requirement that loan servicers be licensed through the State's licensing authority; establishment of licensing requirements for servicers that set standards of practice; and the creation of regular reporting requirements for student loan data. Reporting requirements would generate crucial data that regulators can use to detect servicing issues. Reporting should include the number of borrowers, outstanding loan balances, loan type, enrollment in alternative repayment programs, and other key information. This data can also include demographic information to better understand how student loan debt impacts vulnerable borrowers. This information should be reported to and disseminated publicly by the Office of the Ombudsman.

The Ombudsman's office could also serve as a conduit for grant funding to other student loan advocates already in the community. For instance, task force member attorney Karen Bauer of Legal Aid Society of Milwaukee, explains Legal Aid Society of Milwaukee already has trained attorneys around the state who can offer needed legal assistance to borrowers who have been misled by their lenders or loan servicers. Wisconsin can leverage this resource and others like it, by providing funding and technical assistance to expand their reach and effectiveness.

Recommendation

A number of states have passed a Borrower Bill of Rights and put in place an office of an Ombudsman.[38] Wisconsin should follow in the footsteps of those other states and pass a version of a Borrower Bill of Rights that best suits the needs of Wisconsinites and provide an Office of the Ombudsman to enforce those rights.

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[38] Connecticut, Colorado, Maryland, Maine, Illinois, and New Jersey have Borrower Bills of Rights. "States Move to Hold Student Loan Servicers Accountable," Center for Responsible Lending, October 2019. Accessed: August 5, 2020.

ENHANCE PROPRIETARY SCHOOL REGULATIONS AND REINSTATE THE EDUCATIONAL APPROVAL BOARD

Wisconsin should strengthen its oversight of proprietary schools through enhanced regulations, robust involvement in NC-SARA, and the reinstatement of the Educational Approval Board.

Overview

Proprietary schools have a long history of documented predatory practices that exact a particularly negative impact on communities of color, women, and veterans.[39] Federal regulations of these schools have been significantly relaxed in recent years. With the economic downturn, these schools are once again intensifying their outreach – much like during the Great Recession[40] – and in doing so, increasing fears their practices will have a dilatory effect on our most vulnerable communities. Wisconsin, along with 48 other states, has joined the National Council for State Authorization Reciprocity Agreements (NC-SARA), and council charged with regulatory oversight of many of the public, non-profit, and for-profit institutions operating in the State of Wisconsin. This deferral regulatory authority has diluted Wisconsin's oversight of many of the institutions operating in the state.

The task force supports the recommendation of member Michael Rosen, Director of the Local 212/MATC Believe In Students Fast Fund, that Wisconsin utilize a monitoring toolkit designed by Veterans Education Success and The Century Foundation,[41] comprised of a package of policies for states to adopt to address some of the predatory practices of these institutions. The policies include:

- Heed the early warning signs at troubled or failing schools.
- Assure that funds are spent on education, not marketing.
- Protect the student's right to complain.
- Ensure oversight of the online college market.
- Provide consumers with better data about schools.

Significantly, many of these policies are "sector blind" which means they apply to all types of schools, creating an even playing field in all schools where students, particularly veterans and students of color, are treated justly.

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[39] Shireman, Robert, Miller, Kevin, "Student Debt Is Surging at For-Profit Colleges," The Century Foundation, May 28, 2020. Accessed: July 28, 2020.
[40] United States Senate Health, Education, Labor, and Pensions Committee, "For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success," July 30, 2012.
[41] Hall, Stephanie (The Century Foundation), Curtis, Ramond (Veterans Education Success), and Wofford, Carrie (Veterans Education Success). "Tool Kit for State Policy Makers," Veterans Education Success, The Century Foundation, May 2020. Accessed: July 28, 2020.

The task force further supports the recommendation of State Representative Dianne Hesselbein to reinstate the Educational Approval Board (EAB), noting it provided a variety of services and protections for Wisconsin students and institutions, such as:

1. Evaluating and approving institutions offering postsecondary training and education.
2. Supporting options for innovation and quality programs offered by institutions.
3. Collecting and disseminating student outcomes information.

While the Educational Approval Program currently exists under the Department of Safety and Professional Services, it lacks the necessary funding and authority to serve as an effective replacement for the EAB.[42]

Recommendation

Consider adoption of the following best practices for regulating proprietary schools and monitor the states that have adopted additional best practices for their effectiveness.

Best Practice 1: Intervene in future school closures by securing monetary relief in the form of debt cancellation from the federal government and tuition remission, ensuring that students have transfer options and access to their academic records, requiring teach-out plans be made public and transparent to students, and holding school owners responsible if their school goes out of business.

Best Practice 2: Become More Active in NC-SARA Oversight. Through that more active role in NC-SARA, request clear complaint procedures and refund policies, bar institutions from enrolling students in instances where graduates would not be qualified for location-specific licensure(s), and make it clear that the state has the authority to enforce all consumer protections.

Best Practice 3: Give students the information they need to pick the right institution by requiring colleges to provide the EAB data on program enrollment, cumulative student debt and repayment, employer characteristics, verified job placement and employment wage rates, and require robust disclosures of schools, including the aforementioned student outcomes as well as the transferability of earned credits.

Best Practice 4: Examine School Spending Priorities. Require reporting to the EAB, or similar regulator, on a variety of metrics including: how much money is spent on instruction versus marketing; retention, transfer, and graduation rates; loan repayment outcomes of graduates; employment status of graduates; and the design and implementation of student support services.

Reinstate the EAB along with the authority it had prior to the 2017-19 state budget.

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[42] "Educational Approval Program," Wisconsin Department of Safety and Professional Services. Accessed: August 5, 2020.

FINANCIAL LITERACY EDUCATION

Financial literacy education is designed to empower students to make sound financial decisions regarding how they pay for higher education and can help ensure that student borrowers fully understand the terms of their loans.

Overview

Student loans have increasingly become a major resource to help students afford higher education. From 1996 to 2016, the number of loan dollars per student rose 133% from $12,750 to $29,650.[43] With this dramatic increase, it is important for students to understand higher education financing before borrowing. Financial literacy education aims to reach future borrowers and inform them of loans, grants, and scholarships available to them when they complete the Free Application for Federal Student Aid (FAFSA). It also helps students learn and understand obligations for repayment, how interest works, and the consequences of missing payments or defaulting on their loans.

Three solution summaries cover financial literacy education:

- Financial Literacy and College Affordability Awareness (DFI)
- Financial Literacy – Institution Level (Shannon Conlin, DOJ)
- FAFSA Support Services (Jack Porter, NGA)

Expanding the State's current financial literacy education program to include information on managing higher education expenses would benefit incoming college students. The State's updated academic standards for personal financial literacy mark a key step in improving Wisconsin's borrower education. The intended result of financial literacy education is that students would have a greater understanding of the consequences of taking loans and are in turn equipped with every tool they need to successfully repay.

Currently, the total number of Wisconsin high school graduates receiving personal finance through a graduation requirement is 70%. This is up from 25% in 2010; however, with additional support the State can get that up to 100%. This would require additional school funding to provide schools the resources necessary to make financial literacy programs a meaningful piece of the K-12 curriculum. Financial literacy involves money management as well as the importance of planning ahead for the future, including not only higher education expenses but costs of home buying, raising children, and more.

[43] "14th Annual Report, Student Debt and the Class of 2018," The Institute for College Access and Success (TICAS), September 2019, Pg. 6. [Note: TICAS includes data from public and non-profit four colleges and no data from for-profit colleges]. Accessed: June 15, 2020.

Recommendations

Expand Financial Literacy and Academic and Career Planning

Wisconsin should continue to be innovative in building financial capability while supporting research and evaluating what works. Building on Wisconsin's existing Academic and Career Planning (ACP) mandate is at the core of building borrower awareness in the state. The "Look Forward to Your Future" website is a resource that should be expanded with the most current calculators and apps available to borrowers, such as the Consumer Financial Protection Bureau's (CFPB) new tool called Paying for College.

In addition to updating web-based ACP and financial literacy resources, Wisconsin should fully support financial literacy in K-12 classrooms. Financial literacy in a classroom setting could provide students an opportunity to review a mock awards statement to understand the difference between subsidized and unsubsidized loans, grants, and scholarships. Additionally, promotion of Wisconsin's College Savings Program would give more families access to this important resource.

Financial literacy education should build on the state's updated financial literacy standards related to credit card debt as many students acquire credit cards to help manage higher education expenses. Some students may not realize how much credit card debt they accrue and the impact of it on their credit scores. Credit card financial literacy would inform students of incentives credit card companies use to target students, while understanding the risks of having a credit card.

FAFSA Awareness Campaign

The task force recommends a FAFSA awareness campaign that would increase FAFSA completion. Currently, "College Goal Wisconsin" is an organization that holds FAFSA completion and information sessions in various cities throughout the state. Another event that resonated with the task force was a "FAFSA Completion Month" that took place in Ohio. The State of Wisconsin should promote FAFSA completion through a statewide outreach campaign similar to Ohio's and by expanding its financial literacy program to include an overview of the FAFSA.

Collaboration on Financial Literacy and Academic and Career Planning

Wisconsin's higher education financial literacy program could be created in a collaboration between the Department of Public Instruction, the Higher Educational Aids Board, the Office of Financial Literacy, and the Student Loan Ombudsman. The Ombudsman could work with related state agencies to create effective materials for high school students planning for postsecondary education. Washington's Student Loan Advocate's student loan courses could serve as a model for Wisconsin's Student Loan Ombudsman's financial literacy program.

INCREASE NEED-BASED, TARGETED AID AND CREATE A STATEWIDE PROMISE PROGRAM

Increasing funding for Wisconsin's need-based aid programs and implementing a statewide Promise Program would make college more affordable for students. In turn, students would borrow less to attend college.

Overview

There is a clear and ongoing need for more grant aid than is available. Lower tuition is not enough to make college financially viable for the most vulnerable students, as living expenses make up an increasingly large portion of the cost of attendance. Moreover, the purchasing power of federal grant aid has declined significantly. The Pell Grant covered more than three quarters of the cost of attendance at the average four-year public institution in the late 1970s. Today, it covers less than 30 percent.[44]

Five proposal summaries were submitted on this topic:

- Strategic Use of State Grant Aid to Reduce Student Loan Challenges (Kevin McShane)
- Support Increases in State-Based Student Financial Aid (The Wisconsin Grant) (Rebecca Larson)
- Tuition Remission and Supports for Former Foster Youth (Wisconsin Department of Children & Families)
- College Promise Programs (Michael Rosen)
- Promise Programs (Meeting #2) (DFI)

Increases in targeted aid will help fill the gap between what is needed and what is currently available. Policy intervention with regards to eligibility for the Wisconsin Grant can drive the focus on helping vulnerable communities.

State Promise Programs are a major affordability tool and can also serve as an early awareness campaign in which states typically cover a significant portion of costs at in-state, public, and nonprofit institutions. These recommendations seek to increase access to postsecondary education through State provided grants that would be designed to support access, retention, and completion of high need students.

Recommendation

Increase Targeted Aid and Grants

Increase aid to the Wisconsin Grant, Talent Incentive Grant, and other grants/appropriations for all sectors of higher education to support low-income and underrepresented students in their efforts to achieve a postsecondary credential. These grants serve a crucial role in expanding access to higher education.

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[44] "Pell grants: recipients, maximum Pell and average Pell," College Board, 2019. Accessed: July 31, 2020.

Additionally, establishing a tuition remission for former foster youth (defined consistent with the FAFSA) attending Wisconsin public universities and technical colleges. This would provide funding for those universities and technical colleges to establish programs that provide broad-based support to former foster youth.

Statewide Promise Program

Implementing a statewide Promise Program would increase early awareness of postsecondary education opportunities. A first-dollar program, which would provide more favorable terms for students who need the most help paying for college, should be considered.

By increasing need-based, targeted grant aid to vulnerable communities and creating a state-wide Promise Program, we can reduce the overall cost of postsecondary education; increase access to postsecondary education for vulnerable communities; and increase higher education attainment and completion rates.[45]

[45] Kelchen, Robert, "A Review of College Promise Programs: Evidence from the Midwest," Midwest Higher Education Compact, July 2017. Accessed: June 16, 2020.

LOAN COUNSELING

Loan Counseling is designed to help borrowers understand and manage their loans. Public, non-profit, and for-profit colleges can deliver counseling online, in-person, or by mail and must have a designated expert available to answer students' questions. Some states have enacted policy change aimed at providing borrowers with the tools they need to successfully navigate their borrowing experience.

Overview

The loan repayment system is overly complex, creating confusion and inefficiencies for many borrowers. Improved loan counseling services would provide more designated experts to answer borrowers' questions and would support borrowers with innovative tools to understand their loans. Upon receiving proper support, individuals could manage and navigate their loans more successfully.

Two solution summaries explore loan counseling:

- Improved Loan Counseling Practices (Jack Porter, NGA)
- Tech-Integrated Borrower Management of Higher Education Expenses (Savi Solutions PBC)

A study from the Brookings Institution showed that 47% of first-year college students with federal loans underestimated the amount they borrowed by at least 20%.[46] The need for loan counseling comes from borrowers' underestimating how much they are borrowing. With loan counseling, borrowers would be better equipped to manage and understand their loans.

There has been bipartisan support for improving loan counseling services at both the federal and state levels. The U.S. House of Representatives passed legislation that would require annual loan counseling in 2014, 2016, and 2018.[47] Wisconsin enacted bills in 2016 and 2017 that created student loan counseling standards for higher education institutions. These standards included a requirement that institutions send annual notifications to students regarding their outstanding loan balances.[48]

Recommendations

Enhanced Loan Counseling

The task force believes that borrowers would benefit if loan counseling standards were strengthened to include additional personalized assistance through state loan counselors and

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[46] Akers, Beth, Chingos, Matt, "Are College Students Borrowing Blindly?," December 10, 2014, Accessed: July 2, 2020.
[47] Walter, Megan. "House Passes Annual Counseling Bill," National Association of Student Financial Aid Administrators (NAFSAA), September 5, 2018. Accessed: July 2, 2020.
[48] "2015 Wisconsin Act 284," March 29, 2016. Accessed: August 7, 2020

additional institutional support. Loan counseling in Wisconsin should also assist borrowers with compliance for programs such as Public Service Loan Forgiveness. In 2017, less than 1% of applicants received Public Service Loan Forgiveness due to issues with compliance.[49] Creating a Student Loan Ombudsman could help lead this effort in strengthening Wisconsin's loan counseling awareness and accessibility.

Tech-Based Platforms

Additionally, the State of Wisconsin should consider a tech-based platform for borrowers. Savi Solutions PBC's platform and Vault are examples that the task force reviewed. These platforms allow borrowers to receive personalized assistance with their student loans and could help borrowers in choosing a repayment plan that better fits their needs.

Ultimately, the success of loan counseling programs relies on adequate funding to support such services. Loan counseling services should alleviate some of the stress for borrowers while providing helpful and clear support.

[49] Minsky, Adam S., "Bleak New Stats For Public Service Loan Forgiveness – And A Potential Fix," Forbes, May 26, 2020. Accessed: July 31, 2020.

LOAN FORGIVENESS

Loan forgiveness programs forgive a portion of an eligible borrower's student loan debt. Most programs target relief for those working in high-demand professions, living in specific geographic areas, or earning a low- to middle-income wage.

Overview

Loan forgiveness is a solution that the task force believed needed special consideration. The Government, Public & Private Subsidies and Financing Solutions work group discussed this solution and believed it would provide necessary support to Wisconsin's student loan borrowers.

Loan forgiveness programs aim to assist vulnerable borrowers by forgiving a portion or all of their student loan debt. Often, loan forgiveness programs are targeted to specific industries or occupations, such as public servants, teachers, and health care workers, in high-demand fields.

The largest loan forgiveness program is the federal government's Public Service Loan Forgiveness Program (PSLF). PSLF offers complete federal student loan forgiveness to eligible public servants who make 10 years' worth of qualifying payments while working at an eligible employer. PSLF aims to attract candidates to public service positions with lower salaries, while making it a financially viable decision to accept lower paying jobs for student loan borrowers.

One state example of a direct loan forgiveness program administered at the state level is New York's "Get on Your Feet" program. This program offers two years of repayment assistance to recent graduates who make no more than $50,000 per year, do not hold an advanced degree, and work and live in the state. The PSLF model also exists in Wisconsin with programs such as the Wisconsin Teacher Education Loan program and Wisconsin's Health Professions Loan Assistance Program.

Recommendation

Loan forgiveness provides much needed student debt relief to vulnerable populations while also helping fill shortages in high-need professions and areas. Wisconsin should consider the expansion of the Wisconsin Teacher Education Loan program and Wisconsin's Health Professions Loan Assistance Program, while also considering other fields and areas to support with loan forgiveness programs.

REFINANCING

Student loan refinancing provides relief to borrowers by allowing them to refinance their loans to receive lower interest rates. Refinancing can both lower monthly payments and shorten the time it takes a borrower to repay but comes at the cost of losing federal student loan protections. Existing programs tend to disproportionately benefit higher-income borrowers.

Overview

One issue that merited special consideration from the task force is refinancing. The Government, Public & Private Subsidies and Financing Solutions work group discussed the importance of addressing borrowers with existing debt. The group discussed loan forgiveness, refinancing, and tax credits. While tax credits received the most votes, the group felt strongly that the Governor should also consider refinancing as a critical component of solving the student debt problem. Currently, refinancing options exist for Wisconsinites through other state authorities and private financial institutions. Additionally, there is federal legislation pending that would allow borrowers to receive lower interest rates on student loans. However, there is no refinancing at the federal level today, so while tax credits are a more immediate solution for borrowers, an additional, longer-term option of offering Wisconsinites refinancing would help to address current outstanding debt held by borrowers.

Four solution summaries were reviewed on refinancing:

- Private Refinancing Authorities (DFI)
- State Refinancing of Private Student Loans (Michael Rosen)
- Student Loan Refinancing Authorities (DFI)
- Student Loan Refinance Interest Rate Subsidies (Paul Kundert)

Considering federal student loan interest rates have been as high as 6.8% in recent years, and are currently set at 2.75% for 2020-2021, refinancing could provide relief in the form of lower interest rates, lower monthly payments, or a shorter repayment period. As Wisconsinites can refinance with other states' refinancing authorities or with a private financial institution, promoting these options to Wisconsinites through the task force's recommended loan counseling program or Student Debt Ombudsman could help struggling borrowers with relatively high interest rates.

Refinancing student debt is one of the most expensive and complex solutions that the task force considered. The task force felt strongly about providing relief to the most vulnerable borrowers and currently, many existing refinancing programs fall short of this goal. Having a high enough credit score, often above 650, is necessary in most public and private student loan refinancing programs, which excludes many vulnerable borrowers. Additionally, if a borrower does refinance their federal student loans, they lose valuable consumer protections and repayment options that federal student loans offer including income-driven repayment, loan forgiveness options, and emergency protections like forbearance and deferment. These are non-trivial losses and state refinancing should maintain similar protections as existing federal programs.

Several bills have been introduced in Congress that would allow refinancing of student loans so that borrowers could consolidate their loans and receive lower interest rates, while not losing the benefits of federal loans. These bills include H.R. 6397, H.R. 2186, and S. 4141. Hesitation exists to create a state refinancing authority in Wisconsin when there is significant competition in the private market, existing public options, and pending federal legislation that would allow borrowers to refinance their student loans.

Recommendation

Refinancing can provide meaningful relief to borrowers, but Wisconsin should consider how to most effectively provide support to the most vulnerable borrowers. The task force concluded that the State's role in refinancing must be to make student loan refinancing as accessible as possible. Currently, neither state refinancing authorities nor private lending authorities offer solutions for those with lower credit scores and lower balances. As a result, the task force recommends the creation of a state program targeted to benefit those borrowers whose credit profiles do not enable them to currently access market-based refinancing options. This can be achieved through an expansive state-run authority, but due to the high costs of creating and administrating a program, it may be more feasible to partner with another state's existing refinancing program, or provide subsidies to private financial institutions engaged in student debt refinancing to expand their program to be more accessible to borrowers with lower credit scores.

In summary, the task force recommends taking a creative approach to refinancing under the purview of the Student Debt Ombudsman so that it achieves the desired policy outcomes.

STATE STUDENT DEBT RELIEF TAX CREDIT

Implementing new tax credits for Wisconsin student debtholders is one vehicle for helping alleviate the student debt burden. Tax credits can also be offered as incentives for employers to assist employees with student debt payments.

Overview

Tax credits can provide targeted debt relief to Wisconsin student debtholders. Provisions should be considered to provide more benefit to low-income individuals.

Four proposal summaries were submitted on this topic:

- Recruit and Retain Young Graduates by Helping Them Pay Back Student Loans (Andy Gronik)
- Rural Opportunity Zones (DFI)
- State Income Tax Credits (DFI)
- Student Debt Employee Benefit (DFI)

Tax Credits for Borrowers

Create a student debt income tax credit for Wisconsin taxpayers making eligible education loan payments. Consideration should also be given to exempting forgiven amounts of federal student loans from state income tax. We recommend a tax credit similar to Maryland's Student Loan Debt Relief Tax Credit[50] [51] modeled to fit the needs of Wisconsin borrowers. Eligibility and program parameters for Maryland's program include:

- Both undergraduate and graduate school loan payments are eligible, and the debt must be incurred by the student.[52]
- Qualified taxpayers who meet the following are prioritized:
    - Have higher debt burden to income ratios;
    - Graduated from a higher education institution in Maryland;
    - Did not previously receive a tax credit; and
    - Were eligible for in-state tuition.
- Tax credits are not to exceed $5,000 and the Maryland Higher Education Commission, which administers the credits, are limited in the amount of credits they can grant.
- In the case that the tax credits granted exceeds the total taxes due, the credits are refundable and may be used to pay off additional loans.[53]

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[50] "Student Loan Debt Relief Tax Credit Program," Maryland Higher Education Commission, 2020. Accessed: August 5, 2020.
[51] "MD Tax-Gen Code § 10-740," Justia, US Law, 2017. Accessed: August 5, 2020.
[52] "Fiscal and Policy Note: Income Tax - Student Loan Tax Credit," Maryland General Assembly, 2018 Session. Accessed: August 5, 2020.
[53] "MD Tax-Gen Code § 10-740," Justia, US Law, 2017. Accessed: August 5, 2020.

Tax Credits for Employers

Create an employer student debt tax credit for qualifying employer-made payments to employees' eligible education loan payments made during the term of the qualified employee's employment.

Recommendation

Tax Credits for Borrowers

While there are several options to consider for eligibility parameters, we recommend using Maryland's 2017 tax code amendment as a model for program design.[54] Maryland prioritizes borrowers who have a high debt to income ratio, work in high-demand fields, and attended college in-state.

Tax Credits for Employers

Many employers are offering educational debt assistance to employees via a heightened awareness on employee Financial Wellness. For example, Connecticut recently passed an act providing eligible employers with a tax credit of up to $2,625 per employee per year for making eligible education loan payments on a qualified employee's behalf.[55] This concept has been recently highlighted in the IRS Abbott Labs Private Letter ruling and was included in the March 2020 stimulus package knows as the CARES Act.

Positive aspects of implementing this recommendation:

- Provide targeted tax credits to assist low income and vulnerable borrowers, similar to the Homestead Credit.
- Gain the ability to measure impact via data collection at the Wisconsin Department of Revenue to ensure that the policy is effective.
- Attract and retain a skilled workforce.
- Help reduce a borrower's tax liability, so the savings can be used to reduce student debt.
- Tax credits have received Bi-partisan support in other states.[56]

Governor Evers should consider implementing new tax credits to help alleviate borrowers' student debt burden and incentivize employers to assist employees with their student debt. These credits should be drafted in a way that targets low- and middle-income student debtholders.

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[54] "Student Loan Debt Relief Tax Credit Program," Maryland Higher Education Commission, 2020. Accessed: August 5, 2020.
[55] "An Act Establishing a Tax Credit for Employers That Make Payments on Certain Loans Issued to Employees by the Connecticut Higher Education Supplemental Loan Authority," State of Connecticut, June 28, 2019. Accessed: August 5, 2020.
[56] Dress, Brad, "Gov. Hogan pushes continued bipartisanship, lowering student debt in State of the State," The Diamondback, February 1, 2019. Accessed: August 5, 2020.

CONCLUSION

While student loan debt is a large and complex issue, the task force aimed to address what can be done by the State of Wisconsin to assist borrowers with their student debt, provide clear and useful information, and suggest proactive measures to combat student debt. Over the course of eight meetings, the task force examined 37 proposed solutions and narrowed these solutions to the eight recommendations found in this report. These recommendations are a result of expansive dialogue between experts from government, industry, academia, and student loan borrowers.

In forming these eight recommendations, the task force made an effort to consider student debt solutions to help borrowers before they borrow, while they are enrolled in a postsecondary program, and after they graduate or leave their program. The final eight recommendations provide a multi-faceted and multi-generational approach to solving Wisconsin's student debt problem.

A Borrower Bill of Rights would provide servicers with a clear set of guidelines to standardize information regarding student debt while outlining individual protections. A Student Loan Ombudsman would address complaints against servicers, compile loan information, and address borrower questions. Additionally, an Ombudsman would serve as a point-person to align policy at the state level and advocate for federal policy change to aid Wisconsin borrowers in successful repayment. Furthermore, strengthening loan counseling in Wisconsin would help students navigate higher education financing and assist students in understanding the ramifications of student loan debt.

Enhancing proprietary school regulations and reinstating the Educational Approval Board would better protect borrowers from proprietary schools that have a history of taking advantage of borrowers. Moreover, improving financial literacy education in Wisconsin would enhance borrower awareness and encourage students to only take on the loans they need.

Increasing need-based, targeted aid for postsecondary education and creating a statewide promise program are essential aspects of minimizing the disparate impact of the student debt problem and would help protect students from taking on an unmanageable amount of student loans. Additionally, loan forgiveness would alleviate student debt post-graduation and could target graduates who are considering entering high-need fields and geographic areas in the state.

Although borrowers with high credit scores are currently able to refinance privately or through another state's refinancing authority, Wisconsin could help borrowers with high loan interest rates and low credit scores refinance their loans by creating a partnership with another state's refinancing authority or providing subsidies to private financial institutions. Finally, creating a state student debt relief tax credit could also alleviate student debt among vulnerable populations and could be designed to support employers in assisting their employees with student loan repayment.

We are confident these recommendations supported by the proposed solution summaries and other work group deliverables will provide a holistic set of tools to address the student debt problem in Wisconsin. Thank you to the task force members for determining these recommendations and to all who contributed to the creation of this body of knowledge. For additional information, please visit the task force website at https://lookforwardwi.gov/student-debt-task-force/, or email the task force at StudentDebtTaskForce@dfi.wisconsin.gov.

Sincerely,

Kathy Blumenfeld

Kathy Blumenfeld
Chair, Governor's Task Force on Student Debt
Secretary, Wisconsin Department of Financial Institutions

APPENDIX

Executive Order #67

On January 29, 2020, Governor Tony Evers signed Executive Order #67 creating the Governor's Task Force on Student Debt. This task force was tasked with assessing student debt in Wisconsin and providing long-term strategies to reduce education-related debt, prevent abusive practices by loan companies, and improve financial literacy education.

Members

Members included borrowers, industry leaders, legislators, financial aid experts, and lenders to share a broad spectrum of ideas and experiences to inform the task force. The Governor's Task Force on Student Debt (task force) was chaired by the Secretary of the Department of Financial Institutions, Kathy Blumenfeld. The task force membership was appointed by Governor Tony Evers and served at the pleasure of the Governor. Below is a full list of members:

- Derek Campbell, Policy Advisor, Office of Governor Tony Evers
- Connie Hutchison, PhD, Executive Secretary, Wisconsin Higher Educational Aids Board
- Lara Sutherlin, Administrator, Division of Trade and Consumer Protection, Wisconsin Department of Agriculture, Trade and Consumer Protection
- Keona Jones, Assistant State Superintendent, Division for Student and School Success, Wisconsin Department of Public Instruction
- Larry Graves, Education Consultant, Wisconsin Department of Veterans Affairs
- Jeff Buhrandt, Senior Director, State Relations, University of Wisconsin System
- Brandon Trujillo, Policy Advisor, Wisconsin Technical College System
- Rebecca Larson, Senior Vice President for Advocacy, Wisconsin Association of Independent Colleges and Universities
- State Representative Joan Ballweg, Wisconsin Assembly
- State Representative Dianne Hesselbein, Wisconsin Assembly
- State Senator Jeff Smith, Wisconsin Senate
- Shannon Holsey, President, Stockbridge-Munsee Band of Mohican Indians
- Masood Akhtar, PhD, Founder & President, We Are Many United Against Hate
- Keyimani Alford, PhD, President, Wisconsin Association of Student Financial Aid Administrators; Dean, Access and Student Success, Madison Area Technical College
- Karen Bauer, Staff Attorney, Legal Aid Society of Milwaukee
- Shannon Conlin, Assistant Attorney General, Wisconsin Department of Justice
- Jodi Chung, Legal Assistant, Moen Sheehan Meyer, Ltd.
- Lucy Fenzl, PhD, Interim Dean of Letters and Science, College of Menominee Nation
- Renee Gasch, Media Consultant
- Austin Hammond, Student, University of Wisconsin - Oshkosh
- Maricha Harris, Lead Community Relations Analyst, Goodwill Industries of Southeastern Wisconsin and Metropolitan Chicago
- Rene Howard-Paez, Diversity Director, Marquette University High School
- Silbi Isein, Student, University of Wisconsin - Milwaukee
- Derek Kindle, Vice Provost for Enrollment Management, University of Wisconsin -Madison

- Paul Kundert, President & CEO, UW Credit Union
- Kevin McShane, Vice President of Financial Aid & Compliance, Herzing University
- James L. Miller, Bankruptcy Attorney, Miller & Miller
- Michael Moderski, Chief Administrative Officer, Oregon Community Bank
- Michael David Rosen, PhD, Director, Local 212/MATC Believe in Students FAST Fund, Retired Economics Professor and Former Union President
- Alexzandra Shade, Director, Corporate Social Responsibility, CUNA Mutual Group
- Casey Wachniak, School Administration Consultant with the Educational Approval Program, Wisconsin Department of Safety and Professional Services

Meeting Schedule and Topics

The task force began meeting on May 13, 2020. The task force met eight times. Meetings were conducted virtually via WebEx as a response to the COVID-19 pandemic. In addition, a website was developed to host meeting information and recordings. A full list of meetings, dates, and topics are below.

Meeting #	Date	Agenda Topic Focus
Meeting #1	May 13, 2020	Student Debt Immersion and COVID-19 Responses
Meeting #2	May 27, 2020	Affordability and Disparate Impacts
Meeting #3	June 3, 2020	State Best Practices and Refinancing
Meeting #4	June 24, 2020	Consumer Protection and Loan Oversight
Meeting #5	July 8, 2020	Tribal Colleges & Universities and For-Profit Institutions Overview and Work Group Discussion
Meeting #6	July 22, 2020	Tax Incentives and Employee Benefits Overview and Work Group Discussion
Meeting #7	August 5, 2020	Review Recommendations
Meeting #8	August 12, 2020	Review Final Report Draft

Presenters

The task force extends its sincere gratitude and appreciation to the following individuals for presenting at the virtual task force meetings and advising the task force:

- Fenaba Addo, PhD, Associate Professor, University of Wisconsin - Madison
- Keyimani Alford, PhD, President, Wisconsin Association of Financial Aid Administrators
- Steven Ansorge, Student Loan Borrower
- U.S. Senator Tammy Baldwin, U.S. Senate
- Karen Bauer, Staff Attorney, Legal Aid Society of Milwaukee
- J. Michael Collins, PhD, Professor, University of Wisconsin - Madison
- Governor Tony Evers, State of Wisconsin
- Lucy Fenzl, PhD, Interim Dean of Letters and Science, College of Menominee Nation
- Seth Frotman, Executive Director, Student Borrower Protection Center
- Nicholas Hillman, PhD, Director, Student Success Through Applied Research (SSTAR) Lab, University of Wisconsin - Madison
- Maricha Harris, Lead Community Relations Analyst, Goodwill Industries of Southeastern Wisconsin and Metropolitan Chicago
- Shannon Holsey, President, Stockbridge-Munsee Band of Mohican Indians
- Connie Hutchison, PhD, Executive Secretary, Wisconsin Higher Educational Aids Board
- Charles Kelley, Executive Director, Rhode Island Student Loan Authority
- Seth Magaziner, Treasurer, State of Rhode Island
- Ari Matusiak, Co-Founder and CEO, Purpose Venture Group
- Kevin McShane, Vice President of Financial Aid and Compliance, Herzing University
- Stephanie Muñoz, Student Loan Borrower
- Romy Parzick, Chief Operating Officer, Vault
- Jack Porter, Policy Analyst, National Governors Association
- Bradley Pricer, Director of Benefits, CUNA Mutual Group
- Joseph Sanders, Student Loan Ombudsman, Illinois Office of the Attorney General
- Sarah Sattelmeyer, Program Director, Student Borrower Success, The Pew Charitable Trusts
- Tom Uecker, Student Loan Borrower
- Tobin Van Ostern, Co-Founder, Savi Solutions PBC
- Casey Wachniak, School Administration Consultant with the Educational Approval Program, Wisconsin Department of Safety and Professional Services
- Bree Wilhelmson, Student Loan Borrower

Supporting Organizations

A special thanks to the following organizations for supporting the work of the task force:

- Center for Financial Security, University of Wisconsin - Madison
- National Governors Association
- Student Borrower Protection Center
- Student Success Through Applied Research (SSTAR) Lab, University of Wisconsin - Madison

- The Aspen Institute Financial Security Program
- The Institute for College Access and Success (TICAS)
- The Pew Charitable Trusts
- Wisconsin Coalition on Student Debt

Internal Work Group Members

A heartfelt thank you to the following individuals for their research, facilitation, and organization that helped the task force complete its work, including this report:

- Jenni Dye, Policy Director, Office of Governor Tony Evers
- Sarah Godlewski, Treasurer, Office of the Wisconsin State Treasurer
- Catherine Haberland, Assistant Deputy Secretary, Wisconsin Department of Financial Institutions
- Connie Hutchison, PhD, Executive Secretary, Wisconsin Higher Educational Aids Board
- Cody Kastorff, Executive Staff Assistant to Secretary Blumenfeld, Wisconsin Department of Financial Institutions
- Jess Noelck, Communications Director, Wisconsin Department of Financial Institutions
- Cheryl Rapp, College Affordability Specialist, Wisconsin Department of Financial Institutions
- Michelle Reinen, Policy Initiatives Advisor - Executive, Division of Trade and Consumer Protection, Wisconsin Department of Agriculture, Trade and Consumer Protection
- Lara Sutherlin, Administrator, Division of Trade and Consumer Protection, Wisconsin Department of Agriculture, Trade and Consumer Protection
- Marko Uzeirovic, Program and Policy Analyst, Wisconsin Department of Financial Institutions
- Wisconsin Department of Financial Institutions Interns:
  - Sophie Blumenstein
  - Emma Steinberger

Contact Information

For additional information, email StudentDebtTaskForce@dfi.wisconsin.gov or visit the task force website at https://lookforwardwi.gov/student-debt-task-force/.

PROPOSED SOLUTIONS

The Governor's Task Force on Student Debt considered 37 proposed solutions to help alleviate the burden of student debt in Wisconsin. These proposed solutions were divided into three work groups for task force discussion. Below is the full list of proposed solutions by work group, including the author and meeting number, if the topic was discussed during a task force meeting, as well as a hyperlink to the summary within the appendix of the report.

Borrower Education and Management of Higher Education Expenses

- Add a Veteran Affairs School Certification Official to WDVA Council on Veterans Programs (Larry Graves, DVA)
- Add a Student Veteran to WDVA Board of Veterans Affairs (Larry Graves, DVA)
- Connecting the Dots - A Potential Sustainable Model (Masood Akhtar)
- Destination Graduation: Supporting College Completion (Carole J. Trone)
- Emergency Grants (Meeting #2) (Ascendium Education Group)
- Financial Literacy and College Affordability Awareness (Meeting #4) (DFI)
- Financial Literacy - Institution Level (Shannon Conlin, DOJ)
- Free Application for Federal Student Aid (FAFSA) Support Services (Meeting #1) (Jack Porter, NGA)
- Improved Loan Counseling Practices (Meeting #3) (Jack Porter, NGA)
- Income Share Agreements (DFI)
- Tech-Integrated Borrower Management of Higher Education Expenses (Meeting #6) (Savi Solutions PBC)
- Wisconsin's College Savings Program (DFI)

Consumer Protection

- Borrowers' Liaison (Casey Wachniak, DSPS)
- Data Collection and Sharing (Meeting #1) (Nicholas Hillman & Kim Dancy, University of Wisconsin - Madison)
- Enhanced Student Borrower Protections (Shannon Holsey, Stockbridge-Munsee Band of Mohican Indians)
- Federal Advocacy Initiatives (Meeting #3) (Kevin McShane, Herzing University)
- Legal Services Advocates for Student Loan Debtors (Meeting #4) (Karen M. Bauer, Legal Aid Society of Milwaukee)
- Pass a Wisconsin Consumer Privacy Law (Meeting #4) (Renee Gasch)
- Protecting Students from Predatory For-Profit Colleges (Meeting #5) (Michael Rosen)
- Reinstating the Wisconsin Educational Approval Board (State Rep. Dianne Hesselbein)
- Student Loan Borrower Bill of Rights (Meeting #4) (DFI)
- Student Loan Debt Ombudsman Programs (Meeting #4) (DFI)

- Student Loan Ombudsman and Student Loan Advocate Team (Meeting #4) (Kevin McShane, Herzing University)

Government, Public & Private Institution Subsidies and Financing Solutions

- BadgerCLAW: Recruit and Retain Young Graduates by Helping Them Pay Back Student Loans (Andy Gronik, StageW)
- College Promise Programs (Meeting #2) (Michael Rosen)
- Loan Forgiveness Programs (Meeting #3) (DFI)
- Private Refinancing Authorities (Meeting #3) (DFI)
- Promise Programs (Meeting #2) (DFI)
- Rural Opportunity Zones (Meeting #3) (DFI)
- State Income Tax Credits (Meeting #3) (DFI)
- State Refinancing of Private Student Loans (Meeting #3) (Michael Rosen)
- Strategic Use of State Grant Aid to Reduce Student Loan Challenges (Meeting #2) (Kevin McShane, Herzing University)
- Student Debt Employee Benefit (Meeting #6) (DFI)
- Student Loan Refinancing Authorities (Meeting #3) (DFI)
- Student Loan Refinance Interest Rate Subsidies (Paul Kundert, UW Credit Union)
- Support Increases in State-Based Student Financial Aid (The Wisconsin Grant) (Rebecca Larson, WAICU)
- Tuition Remission and Supports for Former Foster Youth (DCF)

ADD A VETERAN AFFAIRS SCHOOL CERTIFICATION OFFICIAL TO THE COUNCIL ON VETERANS PROGRAMS

Adding a Veteran Affairs School Certification Official to the Council would provide greater awareness of education benefits and opportunities available to veterans and their families.

Author: Larry Graves, Education Consultant, Wisconsin Department of Veterans Affairs
Date: July 14, 2020

Overview

Wisconsin's Council on Veterans Programs advises the Board of Veterans Affairs and the Wisconsin Department of Veterans Affairs leadership on solutions and policy alternatives relating to the problems of veterans.

- Council membership is defined in Wis. Stat s.15.497
- Council procedures is defined in Wis. Stat s.15.09

The Wisconsin Association of Collegiate Registrars and Admission Officers is a non-profit organization made up of admissions, registration, records, and related service areas of Wisconsin's institutions of higher education. The organization maintains a standing *Military Connected Services Committee* that is focused on programs and workshops about veterans' benefits, processing, services, and related matters. This committee also plans and hosts an annual Veterans Conference that provides training on federal and state VA education benefits as well as networking opportunities. School Certification Officials oversee the student enrollment reporting process for all state and federal Veteran Affairs and military education benefit programs.

Advantages of Adding a Veteran Affairs School Certification Official to the Council on Veterans Programs

An appointed School Certification Official from the Wisconsin Association of Collegiate Registrars and Admission Officers would serve as a subject matter expert on state and federal education benefits to veterans and their families in Wisconsin.

Recommendation

Add a Veteran Affairs School Certification Official from the Wisconsin Association of Collegiate Registrars and Admission Officers to the Council on Veterans Programs to offer solutions and policy alternatives related to veteran students and their families.

ADD A STUDENT VETERAN TO THE BOARD OF VETERANS AFFAIRS

Adding a veteran student to the Board would provide greater awareness of educational opportunities and issues facing student veterans and their families in Wisconsin.

Author: Larry Graves, Education Consultant, Wisconsin Department of Veterans Affairs
Date: July 14, 2020

Overview

The Department of Veterans Affairs receives advice from a nine-member, part-time, citizen Board of Veterans Affairs. There must be at least one member of the Board who is a resident of each of Wisconsin's eight congressional districts. Board members are appointed by the Governor for four-year terms with the advice and consent of the Wisconsin State Senate.

- Board membership is defined in Wis. Stat s.15.49
- Duties of the Board is defined in Wis. Stat s.15.05(1)(b)

Advantages of adding a veteran student to the Board of Veterans Affairs

Introducing a student veteran to the Board will not only bring greater awareness of educational opportunities but would also add a "younger" voice to a membership that has traditionally been appointed because of their military careers and veteran advocacy.

Recommendation

Add an appointed veteran student to the Board of Veterans Affairs for a two-year term.

CONNECTING THE DOTS (CTD) – A POTENTIAL SUSTAINABLE MODEL

Connecting the Dots (CTD) strategy can work effectively once borrowers get a high-paying job immediately after graduation.

Author: Masood Akhtar, Founder & President, We Are Many United Against Hate
Date: July 15, 2020

Overview

Some borrowers are not graduating, while others are graduating but can't find a job due to downturn in the economy. In both cases, they have difficulty paying the debt. Need to increase graduation rate by providing mentoring, training, and connecting them with employers early on.

Advantages

The proposed solution addresses both existing debt and future debt issues. This will also create our own sustainable Wisconsin financing model.

Category A - Existing debt

- Connect students with employers based on their degree (Associate/College). There is significant shortage of skilled and talented workforce in Wisconsin. This is particularly true in manufacturing. Provide necessary initial training & pay for it if needed. This might also include on-job training. In exchange, ask employers to see if they are willing to pay students debt over time under a long-term employment contract. Also encourage employers to send a select group of talented employees with Associate degree to obtain a higher degree and pay for their tuition fee. These employees will still work full time while taking these courses (mostly on-line). If needed, create incentives for employers to make it attractive for them to invest in these employees.
- Create a one-stop shop to provide counselling/guidance to these students and staff it (Apply to Category B as well).

Category B – Future debt

- Create a “State-Private Partnership for Higher Education”
- Create a 501 C 3 non-profit organization to accomplish this mission.
- Wealthy individuals, private sectors, Foundations, etc. can donate large sums of money (tax -deductible) to this non-profit. State can provide matching funds (1:1) for example.
- We will offer interest-free loans for higher education. These students will still qualify for other grants/loans. The loan repayments will be based on employment, and loan repayments will sustain the funding.

- Create a database of mentors (volunteers) with different fields of specialization. Each borrower will be assigned one mentor with the same field of specialization as the student. This is very critical. This will help build strong resume with right skill sets/training/internships and thus increase employment opportunities.
- Will connect them with employers early on so that employer-paid internship can be done at the manufacturing site, for example, where they will be doing the job after graduation.
- Create loan forgiveness (at least 50%) for those students who graduate with at least 3.75GPA (aggregate) and secure a high-paying job immediately after graduation. Ask these graduates to become mentors for others.

Disadvantages

This model will not work if it’s not properly designed and implemented.

Recommendation

Wisconsin has excellent high school and college (2-year and 4-year degree) educational institutions, people with different fields of specialization to serve as mentors, donors with passion for education, and employers are looking for skilled and talented workforce. By connecting the dots, we can build a sustainable model to build a next generation task force ready for high paying employment, and thus will not have any problem paying the debt and serving as mentors for others. These students are not looking for handouts.

DESTINATION GRADUATION: SUPPORTING COLLEGE COMPLETION

Based on a successful program in Florida, "Destination Graduation" connects at-risk college students with the comprehensive resources and information they need to stay in school and complete their certificates or degrees. Degree completion is one of the most effective ways to increase earning potential and decrease the likelihood of loan default.

Author: Carole J Trone, Ph.D., Director of Strategic Collaborations, United Way of Dane County
Date: July 10, 2020

Overview

It's been widely reported that the overall level of student debt in America is a staggering $1.6 trillion, but we know from research that not all borrowers are in distress. The borrowers who are most likely to default are those who owe relatively small amounts of $10,000 or less and are students who have not completed their degrees. The program "Destination Graduation" offers a proven and targeted effort to reach these at-risk borrowers while they are still enrolled and as they face key financial stress points that might derail graduation.

Advantages of "Destination Graduation"

"Destination Graduation" (https://www.upliftedcf.org) is a partnership between Heart of Florida United Way and Seminole State College, which positions trained 211 resource specialists within the financial aid office to address the comprehensive financial challenges that low-income and veteran students face. The 211 staff on site include a case manager and navigator with shared access to student financial records. 211 staff work in tandem with the financial aid office to provide the comprehensive, confidential supports that a student needs for housing, food, utilities, healthcare, and other basic assistance. 211 is a nationwide, accredited resource referral network that operates through United Way. The network is free for users and is accessible via phone, website, and text messaging, and it is well-adapted for online assistance in the case of distance learning. In addition to providing referrals to community resources for basic needs, the program includes an Emergency Financial Assistance fund to reduce the number of students who leave for nonacademic reasons. The United Way of Dane County's 211 network is part of a statewide 211 network with coordinated, 24/7 support. They have other specialized statewide partnerships, such as the Addiction Recovery Helpline, and are interested and capable of establishing a "Destination Graduation" program in Wisconsin with technical or 4-year colleges.

Disadvantages of "Destination Graduation"

The uncertainty of the upcoming academic year due to the pandemic will complicate staffing and program delivery plans.

Recommendation

The United Way of Dane County has discussed the "Destination Graduation" program model with Heart of Florida United Way and have received their enthusiastic offer to share their program toolkit. The Heart of Florida United Way has offered to present to the task force and to provide technical assistance in the development and implementation phases.

EMERGENCY GRANTS

An emergency student aid program is a small grant that colleges provide to help students get through unexpected financial crises and stay on track to complete their program. College students without a financial safety net can be knocked off their academic path when one unexpected cost arises.

Author: Ascendium Education Group
Date: July 09, 2020

Overview

In recent decades, the availability of financial aid and federal student loans has made college a realistic option for many students whose economic status would have once barred them from participation. However, expanded access does not equate with a level playing field. Students with significant personal/family financial resources usually have the means to respond to an unexpected expense without jeopardizing their continued enrollment. But one unplanned expense can knock a low-income student off their academic path.

Our interest in emergency grants was grounded in the simple premise that helping students from low-income households cover unexpected expenses—whether due to a health issue, car trouble or any other unanticipated event—with a relatively modest grant can allow them to maintain focus on their academic pursuits, ultimately increasing the number of individuals who successfully earn a postsecondary credential.

From 2012 through 2019 Ascendium supported emergency grants. During that time, we invested a total of $13.9 million in four separate grant projects—most recently our Dash Emergency Grant programs for two- and four-year colleges—aimed at helping institutions establish, administer, and sustain emergency grant programs. Partner colleges used our support to cover students' emergency expenses, institutional administrative costs, and a common emergency grant application and reporting platform.

> "Our student success strategy focuses on retention, retention, retention. Unfortunately, students often stop out because they lack the resources to cover car repairs, a medical bill or childcare expenses. This is a program that will meet immediate needs that are not currently addressed."
>
> WENDY HAYES, Chief of Staff, Central State University

Advantages of Emergency Grant Funding

The merits of establishing an emergency aid program are clear. Emergency aid appears to have a significant positive impact on retention. National Student Clearinghouse data indicates that in Spring 2019— the final spring term of the program at four-year institutions—94% of students benefiting from Dash Emergency Grants re-enrolled, graduated, or transferred, and 86% of students at two-year colleges were retained in the final spring term of their Dash grant.

Recommendation

Rather than treat emergency grants as an isolated support, the colleges that have been most successful have worked to connect their program with other forms of support available on campus. Those include both existing services and new ones created to address needs they have identified in the course of administering emergency grants. The majority of our college partners established a campus food pantry, if they didn’t already have one. Grocery gift cards and campus meal assistance are also being used to help students experiencing food insecurity. Other services they either connected with for the first time or built from scratch include dental health, feminine hygiene products, winter gear and career-appropriate clothing. While many of these resources were already available, a coherent emergency aid program provides an entry point through which students can seamlessly connect with a variety of supports. Some colleges have taken it a step further by establishing a one-stop student resource center to house all services in one place, either physical or virtual. For many of our partner colleges, implementing an emergency grant program provided an opportunity to forge and strengthen relationships with community agencies and resources off campus, which are often capable of providing longer-term support for the complex challenges students face.

While many colleges have long had funds set aside for this purpose, the availability of that assistance has not been well-publicized. With this “secret drawer” approach, only students capable of advocating for themselves can access this resource. We believe that making emergency aid a widely known, well-publicized support results in a more equitable program.

Sticking with It

Sustainability was a critical consideration as we worked with colleges to build effective emergency grant programs. The vast majority of our partner colleges were impressed enough with the impact of their program that they were committed to continuing it in some form after the end of the grant period, though for many it will be on a smaller scale, at least initially. The obvious challenge is how to pay for it. Better retention rates provide proponents with a strong argument for making emergency aid a budget priority, but for colleges struggling to fund core operations, investing in it can be a hard sell. Some colleges are working with their foundations to establish a dedicated endowment to provide a permanent funding source. Donations from faculty and staff are being solicited at some institutions. Ideally, state and federal governments will come to understand the value of emergency aid and be willing to invest public resources in this powerful college retention tool. There has been some progress in this area. In 2016, the State of Wisconsin passed legislation that provided funding for emergency aid grants for low-income students in the Wisconsin Technical College System and at the University of Wisconsin System’s two-year campuses. The Minnesota Office of Higher Education has also made funds available for some two- and four-year schools. We’re hopeful that as emergency aid programs spread to more institutions, their effectiveness in keeping more low-income students on track will become too clear to ignore.

Next steps

We encourage you to read our full report outlining best practices from our 2012-2019 Emergency Grant, available at: https://www.ascendiumphilanthropy.org/assets/Uploads/Resource-Page-Content/Ascendium-Pubs/EG_Dash_Closing_Report_FINAL.pdf.

Information to develop training materials to help emergency grant administrators gain confidence in their decision-making process can be found in the publication, "Emergency Aid for Higher Education: A Toolkit and Resource Guide for Decision makers," here: http://www.equalmeasure.org/wp-content/uploads/2019/04/EAToolkit-022619_Updated.pdf.

Additionally, NASPA's Student ARC website provides a wealth of information at: https://studentarc.org/tools-and-resources/report/emergency-aid-for-higher-educationatoolkit-and-resource-guide-for-decision-makers.

FINANCIAL LITERACY AND COLLEGE AFFORDABILITY AWARENESS

It is crucial that Wisconsinites obtain a proper understanding of the options available for financing higher education. Prospective college students need to think about where they will go for college, how they will pay for it, and how they will manage their finances during school and beyond.

Author: Cheryl Rapp, College Affordability Specialist, Wisconsin DFI
Date: July 14, 2020

Overview

Postsecondary education can help young people and other students gain financial capability. For many, borrowing money to finance their college degree is necessary. While student loans may be a necessary part of financing higher education, it is important for students to borrow responsibly. This means only borrowing money for what is truly needed and understanding the details of this debt.

Student Loans and Higher Education

Obtaining a postsecondary degree is beneficial for both personal and professional reasons. It is well-documented that people who earn a postsecondary degree have greater earning potential in their lifetime than people who do not.[57] To afford postsecondary educational expenses, many borrow student loans. When done prudently and appropriately, student loan borrowing is an investment in one's future.

The Issue

For decades, many students have used student loans to afford postsecondary education. However, in the 20 years between 1996 and 2016, the amount of loans per student rose a dramatic 133% from $12,750 to $29,650.[58]

Nationally, student loan debt is approaching an all-time high of $1.7 trillion.[59] Furthermore, 65% of graduating seniors from public and private nonprofit colleges in 2018 had federal student loan debt that averaged $29,200.[60] Student loan debt now surpasses debt on credit cards and auto loans, making it the largest form of consumer debt outside of mortgages.[61]

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[57] "Education and Lifetime Earnings," Social Security Administration, November 2015. Accessed: August 5, 2020.
[58] "14th Annual Report, Student Debt and the Class of 2018," The Institute for College Access and Success (TICAS), September 2019, Pg. 6. [Note: TICAS includes data from public and non-profit four colleges and no data from for-profit colleges]. Accessed: August 5, 2020.
[59] "Consumer Credit - G.19," Board of Governors of the Federal Reserve System, June 2020. Accessed: August 5, 2020.
[60] "14th Annual Report," TICAS. Accessed: August 5, 2020.
[61] "Student Loan Debt by Age Group," Federal Reserve Bank of New York, Fourth Quarter 2012. Accessed: June 15, 2020.

"Along with this large accumulation of debt, delinquency and default rates are worrisome. Although recent data suggest that student loan delinquency rates have begun to stabilize, more than 10% of student loans are 90 or more days past due, which exceeds the past due rates of mortgages and credit cards. Furthermore, when only loans in repayment are considered, student loan delinquency rates are significantly higher than those of other major forms of consumer debt."[62]

"The financial burden… of repaying student loans can impact not only borrowers, but also the broader economy. The financial market is less likely to be affected by rising student loan debt and delinquencies than it was by the [2007-2010] mortgage crisis—as the student loan market has limited exposure to the markets and only a small percentage of student loans are securitized and sold to investors. However, borrowers with excessive monthly payments may decide to postpone home purchases, delay formation of families and small businesses, and save less for retirement. Loan defaults damage borrowers' credit, which reduces future access to credit (including the ability to receive additional student loans). In addition, consumption and investment by those indebted with student loans may be reduced, which impact economic growth and the labor market for future college graduates."[63]

Furthermore, Black graduates, first-generation graduates, low-income graduates, and borrowers attending for-profit colleges are much more likely to default on their loans.[64]

Relative to national averages and surrounding states, Wisconsin student loan borrowers carry $2,505 more in debt as of 2018.[65] The average debt among student loan borrowers in Wisconsin is $31,705.[8] Additionally, 64% of Wisconsin college graduates in 2018 graduated with debt, slightly lower than the national percentage of 65% in 2018.[8] In terms of delinquency rates, on the other hand, as of the second quarter in 2014, Wisconsin ranks 48th in percent of borrowers delinquent (12.5%) and 50th in percent of total balance delinquent (8.1%).[66]

Solutions

Unsustainable student loan debt can become a problem for individuals and families, but solutions exist to help struggling borrowers, such as Income-Based Repayment, Pay As You Earn, and Public Service Loan Forgiveness. Unfortunately, many eligible borrowers do not participate in these programs even though their loan payments could be reduced and/or forgiven. More than 50% of federal student loan borrowers are eligible for these repayment plans, but only 15% participate.[67] Low participation may be caused by a lack of awareness.

In Wisconsin, the website "Look Forward to Your Future" (https://lookforwardwi.gov/) was created as a one-stop shop resource for students and parents who are facing questions and decisions about college and postsecondary education. The website includes information about financial resources and planning starting with grade school. It outlines how to develop a

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[62] Di, Wenhua, Edminston, Kelly D., "State Variation of Student Loan Debt and Performance," Suffolk University Law Review, Forthcoming, April 20, 2015, Pg. 2. Accessed: June 15, 2020.
[63] Di, Edminston, "State Variation," Suffolk University Law Review, Pg. 2-3. Accessed: August 5, 2020.
[64] "14th Annual Report," TICAS, Pg. 4. Accessed: August 5, 2020.
[65] "14th Annual Report," TICAS, Pg. 10-12. Accessed: August 5, 2020.
[66] Di, Edminston, "State Variation," Suffolk University Law Review, Pg. 27. Accessed: August 5, 2020.
[67] "Education Could Do More to Help Ensure Borrowers Are Aware of Repayment and Forgiveness Options," United States Government Accountability Office (GAO), August 2015. Accessed: June 15, 2020.

plan to manage debt as well as information about state and federal loans. The website was created to help make postsecondary education an attainable investment for all students.

Recommendation

To help increase financial literacy and raise awareness of college affordability options, Wisconsin could leverage the knowledge and skills set forth in the new personal financial literacy standards across all grade levels and disciplines. Updated in June 2020, the Wisconsin Department of Public Instruction's revised standards include a "financial mindset" area as one of the subject's six strands – joining education and employment, money management, saving and investing, credit and debt, and risk management and insurance. The addition of the financial mindset strand sets Wisconsin apart from other states and national personal financial literacy standards. It addresses mental habits needed to address financial decisions successfully. Wisconsin can work with school districts and stakeholders to insure there's a financial capability required course for graduation by making a robust financial literacy education program in the school districts. By continuing to provide more training for Wisconsin's educators, we will help bring financial literacy into all classrooms.

In addition, Wisconsin could mandate that all student loan borrowers receive one-on-one financial counseling prior to borrowing student loans. One example of one-on-one counseling is through the National Foundation for Credit Counseling (NFCC), which is the largest and longest-serving non-profit financial counseling organization in the United States. For additional information on loan counseling, please review the "Improved Loan Counseling Practices" proposed solution summary written by Jack Porter, Policy Analyst, National Governors Association.

Wisconsin should continue to be innovative in this field of building financial capability while supporting research and evaluating what works. Wisconsin could leverage other programs and resources that are available to borrowers, such as Asset Builders of America, a non-profit organization that has been teaching financial capability and economic empowerment to low and moderate income youth and families since 1999. In addition, Wisconsin should continue to enhance the Look Forward to Your Future website with the most current calculators and apps available to borrowers; thus, enabling borrowers to learn more about Secure Futures' new Money Path tool and the Consumer Financial Protection Bureau's (CFPB) new tool called Paying for College.

Finally, Wisconsin should continue providing grants to schools to enhance the teaching of financial literacy and promoting the importance of saving for higher education through Wisconsin's 529 College Savings Program. For additional information on saving for college, please review the "Wisconsin 529 College Savings Program" proposed solution summary written by Linda Lambert, Financial Capability Officer, Wisconsin Department of Financial Institutions.

By considering and implementing these recommendations, Wisconsin can continue to help current and future student loan borrowers lead a more financially fit life.

FINANCIAL LITERACY – INSTITUTION LEVEL

Borrowers must have an understanding of both the short- and long-term consequences of borrowing money to pay for school and school-related expenses, such as housing, prior to borrowing the money. Institutions should provide a comprehensive financial literacy program for all incoming students.

Author: Shannon A. Conlin, Assistant Attorney General, Wisconsin Department of Justice
Date: July 10, 2020

Overview

Significant investments in time and resources should be made to prevent future generations of student loan borrowers from becoming overburdened with student loan debt. Borrowers, especially first-generation borrowers, do not have the information necessary to make knowledgeable decisions about how much money to borrow to attend school. Borrowers, often just 18 years old and fresh out of high school, habitually do not understand the financial obligations that working adults have, such as:

1. How much a student loan payment costs per month;
2. How much a rent/mortgage payment costs per month;
3. How much childcare expenses cost per month;
4. How much a car payment costs per month;
5. How much heating and cooling expenses cost per month;
6. How much money is taken out of paychecks for state and federal taxes, which affects take home pay;
7. Etc.

Educating borrowers on these financial obligations may help borrowers make wiser borrowing decisions so that they do not over-borrow.

I know that the University of Indiana School of Law included a financial literacy program at its admitted students' orientation weekend because I personally attended it. The program laid out what financial obligations the average working adult faces in an effort to help students determine how much money they can reasonably borrow and pay back after graduation. I can say that the program had a very significant effect on me – I chose to attend the University of Wisconsin Law School because I was eligible for in-state-tuition, which had the effect of cutting my student loans by approximately two-thirds. As noted by the "Improved Loan Counseling Practice" Proposed Solution Summary drafted by Jack Porter, policy analyst, National Governors Association, significant bipartisan support also exists at the federal level for this proposal.

Advantages of Financial Literacy – Institution Level

The State of Wisconsin has already implemented financial literacy for kindergarten through twelfth grade.[68] Additionally, the State of Wisconsin has implemented enhanced loan information requirements that require institutions of higher education to annually provide each borrower with loan information including, but not limited to, the estimated monthly payment due under the loan when the repayment period commences.[69] While this information is vital, I believe borrowers must be educated *prior to* borrowing so that they can make informed decisions about how much they can afford to borrow and pay back.

Disadvantages of Financial Literacy – Institution Level

Institutions, especially our public institutions, are already overburdened. It is a large undertaking to implement a comprehensive financial literacy program. Therefore, any such requirement to implement a financial literacy program should come with funding to allow the institutions to properly prepare and implement the financial literacy program.

Recommendation

Institutions of higher education should be required to create and implement a financial literacy program.

[68] "2017 Wisconsin Act 94," Wisconsin State Legislature, December 1, 2017. Accessed: August 5, 2020.
[69] *See generally,* Wis. Stat. § 39.53 Accessed: August 5, 2020.

FREE APPLICATION FOR FEDERAL STUDENT AID SUPPORT SERVICES

The Free Application for Federal Student Aid (FAFSA) unlocks eligibility for institutional, state, and federal financial aid for Wisconsin students. Ensuring that those filling out the FAFSA have access to the support they need to successfully complete the form would help ensure that prospective higher education students receive the financial aid for which they are eligible.

Author: Jack Porter, Policy Analyst, National Governors Association
Date: July 02, 2020

Overview

The FAFSA has proven to be a significant obstacle for students pursuing higher education. This is especially true for those among traditionally underserved populations. Students are too often without the support they need to successfully complete the complex application – which includes about 80 questions and requires tax information – or are unaware they are eligible for financial aid in the first place.[70] Wisconsin's FAFSA completion rate among high school seniors ranked behind 35 other states in the 2018-2019 academic year, with 55.7 percent completing the form.[71]

Several states have invested in support services and executed public awareness campaigns aimed at ensuring high school seniors get the help they need to complete the FAFSA. This includes a competition among high schools in Michigan[72], a declaration that October be FAFSA Completion Month in Ohio[73], and direct support services in Louisiana[74]. Moreover, Texas, Illinois, and Louisiana have enacted policy change to require high school seniors to complete the FAFSA in order to graduate.

Advantages of Devoting Resources to FAFSA Completion Support Services

Providing more support services for FAFSA completion would help more students take a crucial and often essential step in their higher education journey.

Disadvantages of Devoting Resources to FAFSA Completion Support Services

Adequate investment in support services for FAFSA completion will likely entail personnel costs. This may be particularly difficult to include in a budget when state resources are particularly scarce.

Recommendation

Any new resources dedicated to FAFSA completion support should be designed to reach traditionally underserved populations such as low-income students, first-generation college students, and students of color.

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[70] Warick, Carrie, "Half the FAFSA," National College Attainment Network, 2017. Accessed: July 2, 2020.
[71] https://formyourfuture.org/fafsa-tracker/ Accessed: August 5, 2020.
[72] https://www.michigan.gov/whitmer/0,9309,7-387-90499_90640-513546--,00.html Accessed: August 5, 2020.
[73] https://www.ohiohighered.org/press/governor_dewine_declares_october_fafsa_completion_month_ohio Accessed: August 5, 2020.
[74] https://mylosfa.la.gov/fafsa-now/ Accessed: August 5, 2020.

IMPROVED LOAN COUNSELING PRACTICES

Federal policy requires institutions to provide loan counseling to students before they receive their first loan disbursement and again once they leave their program. Institutions can deliver counseling online, in-person, or by mail and must have a designated expert available to answer students' questions. Some states have enacted policy change aimed at providing borrowers with the tools they need to successfully navigate their borrowing experience.

Author: Jack Porter, Policy Analyst, National Governors Association
Date: July 02, 2020

Overview

Policymakers should aim to ensure that students are certain about the terms of their loans. A 2014 study from the Brookings Institution showed that 47 percent of first-year college students with federal loans underestimated the amount they borrowed by at least 20 percent.[75] Recent state policy change on this issue include requirements for institutions to annually disseminate loan information to student borrowers as well as financial literacy curricula that includes coursework on student loans. Wisconsin enacted enhanced loan information requirements in 2016[76] and financial literacy curricula in 2017.[77]

Advantages of Improved Loan Counseling Practices

Improving loan counseling practices is a concept that has significant bipartisan support at the federal level. In fact, the U.S. House of Representatives passed legislation that would require annual loan counseling in 2014, 2016, and 2018.[78] The bill had bipartisan support each time it was passed in the House.

Disadvantages of Improved Loan Counseling Practices

Requiring institutions to provide additional loan counseling could result in staff accumulating a significant amount of new duties. Moreover, evidence from some enhanced loan counseling programs demonstrate that these programs can negatively impact students. For example, a loan counseling experiment at the Community College of Baltimore County led to poorer academic outcomes for those who received outreach. Loan applicants who received outreach were four percentage points less likely to earn credits in the semester immediately following the outreach than those in the control group.[79]

Recommendation

A statewide initiative to improve the policy change enacted in 2016 and 2017 must strike a balance between delivering meaningful, personalized assistance while ensuring that stakeholders are not overburdened just to comply with new standards.

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[75] Akers, Beth & Chingos, Matt. "Are College Students Borrowing Blindly?" Dec. 2014. Accessed July 2, 2020
[76] http://docs.legis.wisconsin.gov/2015/related/acts/284 Accessed: August 5, 2020.
[77] https://docs.legis.wisconsin.gov/2017/related/acts/94 Accessed: August 5, 2020.
[78] https://www.nasfaa.org/news-item/16135/House_to_Consider_Bipartisan_Annual_Counseling_Bill Accessed: August 5, 2020.
[79] Barr, Bird, & Castleman. "The Effect of Reduced Student Loan Borrowing on Academic Performance and Default: Evidence from a Loan Counseling Experiment" June 2019. Accessed 07/02/2020

INCOME SHARE AGREEMENTS

Income Share Agreements (ISAs) offer an innovative solution to the rising cost of higher education by having borrowers agree to pay a percentage of their income for ten years.

Author: Marko Uzeirovic, Program and Policy Analyst, Wisconsin DFI
Date: June 26, 2020

Overview

Income Share Agreements (ISAs) are an agreement between an investor and a borrower that allows a borrower to pay for school under the agreement the borrower will pay a percentage of his or her income back, often for ten years. In the instance of Purdue University, this is a great alternative to private loans and PLUS loans; however, ISAs should not be considered a solution to the student loan debt crisis. Purdue's Back a Boiler website echoes this sentiment stating: "[Back a Boiler] does not replace government-subsidized student loans."[80] ISAs should be thought of as an innovative, albeit experimental, alternative for students, rather than an outright replacement or solution for student loans.

Beginning in the 2016-17 academic year, Purdue began the Back a Boiler ISA fund that supported 239 juniors and seniors.[81] The plan uses private investments and the University's endowment to pay for students' tuition. Borrowers who earn an annual income of $49,000 are expected to pay 3.11 percent of their salary for 100 months. Monthly rates vary between three to five percent depending on income and major. Lower-income social work alumni pay a higher percentage than their higher-income engineering counterparts.[82]

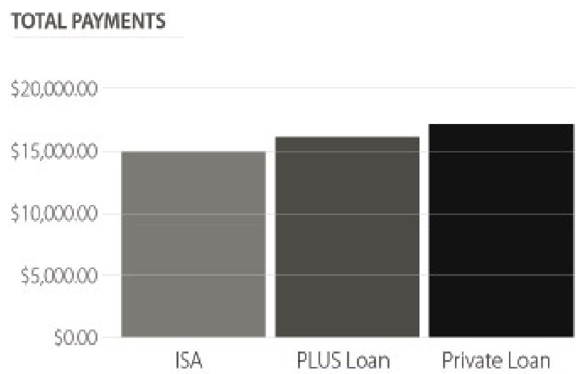

Figure 1: Purdue University chart showing how ISAs can potentially be less expensive than traditional loans.

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80 "FAQ about Back a Boiler – ISA Fund," Purdue University, 2020. Accessed: June 26, 2020.
81 "Back a Boiler Program Overview," Purdue University, 2020. Accessed: June 26, 2020.
82 "Comparison Tool," Purdue University, 2020. Accessed: June 26, 2020.

Advantages of Income Share Agreements

Purdue is not the only university that uses ISAs to help students pay for college. Two other universities worth noting are Clarkson University and the University of Utah. Clarkson offers a donor-funded ISA that is only available to 20 incoming students per year. The students receive $10,000 per year for four years and then are expected to pay 6.2 percent of their income for one decade.[83] The University of Utah is currently piloting its ISA program. The program gives students $3,000 to $10,000 for one year to fill funding gaps after grants and scholarships.[84] Then, participating students will pay 2.85 percent of their income for three to 10.5 years depending on their major. Majors with lower expected salaries pay for a longer duration.

Although higher education institutions are leading the way in implementing ISAs, some states are experimenting with their own legislation. California, Illinois, and Indiana all introduced ISA legislation, and so far, Illinois is the first to enact a law to fund ISAs. The legislation allocates up to 5 percent of the state's investment portfolio to ISAs and gives the state treasurer the power to administer the program with participating schools.[85]

On a federal level, support for ISAs has grown under the Trump Administration. Diane Auer Jones, principal deputy under Secretary DeVos at the U.S. Department of Education, announced in 2019 that the Department of Education would pursue ISAs on a federal level.[86] This announcement was met with controversy highlighting how polarizing ISAs are, even within political parties.[87]

Disadvantages of Income Share Agreements

The first major implementation of ISAs was done at Yale University in 1971. The "Tuition Postponement Option" (TPO) placed students into cohorts based on income. Then, borrowers paid four percent of their income for every $1,000 borrowed until the debt of their entire cohort was paid. This program failed because wealthy cohorts were able to quickly pay back their debt while lower-income borrower cohorts struggled to do. This resulted in lower-income borrower cohorts paying on their debt for much longer than expected.

ISA supporters often cite the structure of the funding allowing borrowers more financial freedom following graduation. Yet, critics claim this is not an adequate reward for the price borrowers pay. Critics point to ISA programs often providing little support to borrowers while protecting investors.[88] For instance, borrowers often waive the right to a jury trial and class

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[83] "Lewis Income Share Agreement Program," Clarkson University, 2020. Accessed: June 26, 2020.
[84] "Invest in U," University of Utah, 2020. Accessed: June 26, 2020.
[85] "SB1524," Illinois General Assembly, 2019. Accessed: June 26, 2020.
[86] Kreighbaum, Andrew, "Education Department May Offer Income-Share Plans," Inside Higher Ed, April 12, 2019. Accessed: June 26, 2020.
[87] Kreighbaum, Andrew, "Battle Lines Drawn on a Student Loan Alternative," Inside Higher Ed, June 5, 2019. Accessed: June 26, 2020.
[88] Morgan, Julie M., Farr, Brittany, Hornung, Daniel, "Income Share Agreements: A Student Debt Promise Falling Short of Reality," Roosevelt Institute, January 10, 2019. Accessed: June 26, 2020.

action lawsuit when accepting an ISA. Other critics point to ISAs promoting certain majors over others. These critics claim the social sciences and humanities will be hurt by ISA programs where students in those fields are required to pay back their loans at a higher percentage for a longer period of time. One last criticism is that ISAs will perpetuate the same problem, just under a different name.

Recommendation

As of today, no state offers a statewide ISA program. As Purdue University notes, ISAs are not a solution to the student loan crisis; however, they are a tool that institutions can use to provide relief to borrowers. The failures of Yale's TPO still haunt some ISA programs to this day as schools offer ISAs in a limited capacity today. As ISAs gain more traction in other states and federally, Wisconsin should follow and understand the options available to borrowers.

TECH-INTEGRATED BORROWER MANAGEMENT OF HIGHER EDUCATION EXPENSES

Savi proposes partnering with the State of Wisconsin to offer all Wisconsinites financially impacted by COVID-19 a free, web-based tool that will minimize their monthly student loan payments. This is accomplished via enrollment in Income-Driven Repayment plans when COVID-specific federal benefits expire.

Author: Savi Solutions PBC
Date: June 26, 2020

Introduction

Savi is a social impact, venture-backed, Public Benefit Corporation that provides student borrowers a path to payment reduction and loan forgiveness. We combine our innovative student loan technology platform and strong partnerships with employers, nonprofits, and advocates to make a real impact on reducing the student loan burden facing millions. Since our inception, we have helped borrowers secure more than $200 million in loan forgiveness.

As a company, Savi is working to solve the national student debt crisis. Our simple, scalable, and impact-driven technology is singularly designed to deliver better outcomes for all student loan borrowers. Savi's platform focuses on helping borrowers enroll in government repayment and forgiveness programs that can help lower their monthly payments and potentially eliminate their debt. Borrowers use the Savi platform to answer some basic questions about their income and employment situation, sync their federal and private loans directly, and see their personalized repayment and forgiveness options. Savi then automates and manages the enrollment process with the servicer. The average Savi customer saves $156 per month.

In response to COVID-19, Savi teamed up with Student Debt Crisis, the nation's largest student loan advocacy organization, to create a completely free version of the Savi tool to help borrowers enroll in Income-Driven Repayment plans (IDR) quickly and accurately. Borrowers who have lost their job or had their hours cut may be eligible for a reduced monthly payment as low as $0 per month for 12 months, effectively reducing their monthly expenses and increasing their household discretionary income at a time of acute need. We have had tens of thousands of visitors access the tool, and it has been featured on Yahoo! Finance, Fox News, Sirius XM, LAist, and The Nation.

For the State of Wisconsin, a partnership with Savi would help address a major, two-fold, challenge: 1) the lack of awareness from borrowers about their ability to reduce their monthly student loan payments during times of economic hardship; and 2) the difficulty navigating a bureaucratic process that too often results in borrowers giving up on the option. By maximizing awareness and enrollment in the State as the pause on federal student loan payments expires September 30, Wisconsin can maximize the amount of support resident borrowers receive, their resulting household discretionary income, and the State's share of an available federal benefit.

Advantages of Savi Solution

Savi proposes a four-tier partnership opportunity with the State of Wisconsin, ranging from least to most engaged:

- Tier 1 - Promotional Partnership:
  - State of Wisconsin listed as a named partner in Savi and Student Debt Crisis' free, COVID-19 tool (joining organizations such as Student Debt Crisis, National Housing Resource Center, NEA Member Benefits, SEIU Member Benefits, National Association of Social Workers, NextGen California, and others).
  - Savi media toolkit for State to promote free tool
  - Savi assists State in drafting press release and managing overall rollout of Wisconsin's participation in offering the free COVID-19 tool
  - Savi co-hosts a COVID-19 online Town Hall for Wisconsin borrowers covering CARES Act and other federal legislation updates, state policy updates and an overview of the Crisis Help Tool
  - No cost

- Tier 2 - Customized Microsite:
  - Savi creates a customized, co-branded microsite version of the Savi tool for the State of Wisconsin (e.g. WI.bysavi.com or wisconsin.bysavi.com)
  - No other organizations listed on the site, i.e., a Wisconsin-only offering
  - Wisconsin borrowers receive access to a premium version of Savi at no cost for year 1. Beyond the free, COVID-19 tool, this includes:
    - Borrower access to public interest loan forgiveness enrollment
    - 1-1 support with Savi student loan experts
  - Dedicated Savi account manager to implement and monitor partnership
  - Access to dashboard aggregating and reporting real-time usage data
  - Customized, co-branded content / marketing and comprehensive communications and rollout plan optimized for Wisconsin market
  - No cost

- Tier 3 - Comprehensive Solution for WI Employees:
  - All of Tier 2 offering
  - Human resources benefit for all State of Wisconsin employees, with focus on maximizing enrollment in public interest loan forgiveness
  - Customized marketing, communications and roll-out plan across State departments and agencies

  - Fee-based arrangement for public employee offering

- Tier 4 - Other Dynamic, Targeted Solutions
  - Targeted survey to understand how Wisconsin borrowers' student loans impact their economic health amidst COVID-19
  - Integrated and statewide three-month media and educational campaign (leading up to September 30th end of CARES Act benefits)
  - Dynamic audit tool allowing borrowers to assess whether or not they have received their full CARES Act benefits
  - Development of a tool that integrates with Wisconsin's Unemployment Insurance system to further automate enrollment in IDR plans
  - Development (longer-term) of integrated servicer complaint tool for Wisconsin constituents, with reporting to relevant State agencies and policymakers

Savi has helped tens of thousands of student loan borrowers find ways to reduce their debt or lower their payments, finding $200 million in loan forgiveness, and an average of $156 each month in lowered payments (or $1,872 a year). TIME Magazine described us as "TurboTax for student loans," and a wide body of research supports our behavioral economics-based approach to maximizing borrower benefit. According to one borrower on our platform, "Savi helped to reduce my student loan payment to $5 a month and get me out of default. It's a huge relief to know that Savi has my back on student loans." Savi is also positioned for growth, having recently closed a $6mm Series A fundraising round with support from Nyca Partners and social impact investor, Emerson Collective, among others.

Disadvantages of Savi Solution

The disadvantage of the Savi tool is that it depends on the awareness of Wisconsin borrowers to be successful - it is not an automatic solution. It is also not a cure-all: the student loan crisis requires multiple interventions and approaches. That said, we do believe it is an important tool for this moment, and one that can help thousands of Wisconsinites suffering financial hardship reduce their student loan payments and maximize their discretionary income.

Recommendation

We look forward to partnering with the State of Wisconsin to support your leadership and efforts in helping Wisconsinites better manage their student loans. Thank you for the opportunity to present our proposal.

WISCONSIN'S COLLEGE SAVINGS PROGRAM

Wisconsin's College Savings Program helps reduce the cost of college by offering two higher education savings plans under Section 529 of the U.S. Internal Revenue Code: Edvest, a direct-sold plan, and Tomorrow's Scholar, available through financial advisors and fee-only planners.

Author: Linda Lambert, Financial Capability Officer, Wisconsin's College Savings Program
Date: July 14, 2020

Overview

Wisconsin's College Savings Program offers financial advantages to help students achieve their higher education dreams and reduce student loan debt by helping individuals and families save for higher education expenses. The funds saved can be used at accredited colleges, universities, technical colleges, and professional schools in the United States, including select colleges abroad. In addition, recent changes in the law allow 529 funds to be used to pay for apprenticeships, which typically combine on-the-job training with classroom instruction, often at a community or technical college. Wisconsin's College Savings Program offers the following:

1. **Savings for Qualified Higher Education Expenses:** These expenses may include tuition, certain room and board expenses in addition to any fees, books, supplies and equipment required for enrollment and attendance at an eligible educational institution, including most postsecondary institutions. Computers and related technology, such as internet access fees, software, and printers, used primarily by the designated beneficiary when enrolled at an eligible educational institution are also qualified education expenses.

2. **Student Loan Repayment**: Students may pay off student loan debt with a $10,000 lifetime limit per individual with respect to qualified education loan repayments. Account owners should consult with a qualified financial advisor regarding the use of withdrawals to pay for primary and secondary school tuition, apprenticeship program expenses, and qualified education loan repayments.

3. **Tax Advantages**: Wisconsin's College Savings Program provides structured, tax-advantaged ways for families to save for future higher education expenses. For single tax filers and married couples filing a joint tax return, contributions can reduce Wisconsin taxable income up to a maximum of $3,280 for 2019 and $3,340 for 2020 (adjusted annually for inflation) for each beneficiary per tax year. A married couple filing separately, and certain divorced parents, may each claim a maximum deduction of $1,640 for 2019 and $1,670 for 2020.

For more information, visit Edvest at www.Edvest.com or Tomorrow's Scholar at 529wi.voya.com.

Advantages of Wisconsin's College Savings Program

Every dollar saved upfront is equal to more than two dollars needed to repay student debt over the life of a 25-year student loan. This can make saving in Edvest and/or Tomorrow's Scholar one of the most cost-effective education funding options available. Plus, earnings accrue free of federal income tax. Qualified withdrawals are not subject to federal income tax, including the Additional Tax, and no federal gift tax applies on contributions of up to $75,000 (single filer) and $150,000 (married couple electing to split gifts) if prorated over five years. Contributions are generally considered completed gifts to the beneficiary for federal gift and estate tax purposes.

Disadvantages of Wisconsin's College Savings Program

It pays to start saving early for higher education expenses; however, many individuals and families are unaware of the program, which results in less money being saved for these future expenses.

Recommendation

Wisconsin's College Savings Program helps reduce the cost of college by offering two higher education savings plans under Section 529 of the U.S. Internal Revenue Code: Edvest, a direct-sold plan, and Tomorrow's Scholar, available through financial advisors and fee-only planners. Wisconsin should do more to promote the College Savings Program by considering the following initiatives:

- Increase staff outreach efforts to increase employer participation in "Edvest at Work," which educates employers and their employees on the benefits of saving early and consistently through payroll deductions. Focus efforts to increase new employers and increase employee participation among employers already using "Edvest at Work."

- Promote financial wellness and lifelong saving initiatives, starting with college savings, to increase awareness among State of Wisconsin employees. The College Savings Program staff is currently exploring a partnership with the Office of Financial Literacy and Wisconsin Department of Employee Trust Funds to build and deliver a Financial Wellness Program for State of Wisconsin employees, retirees, and their families promoting financial wellness resources throughout life's saving events.

- Align Wisconsin's College Savings Program with initiatives focused on reducing and eliminating student loan debt. The College Savings Program Team is currently researching options, such as Savi Solutions, a technology-based tool to help student loan borrowers better understand their student loan debt and repayment options to potentially lower their monthly payments. For more information, please review the "Tech-Integrated Platform for Borrowers" proposed solution summary written by Savi Solutions Public Benefit Corporation.

- Align Wisconsin’s College Savings Program marketing efforts to support the mission of Milwaukee’s Children’s Savings Account (CSA) Initiative called “Fund My Future Milwaukee,” which is designed to help all children have a chance for a future that includes higher education. The effort would promote awareness of the Milwaukee CSA while increasing awareness and promoting Wisconsin’s College Savings Program during the month of September, which is nationally recognized as College Savings Month.

- Support the 529(A) ABLE Accounts to increase awareness among Wisconsin residents. Even though Wisconsin does not offer an ABLE Account, Wisconsin should align with stakeholders, such as Arc Wisconsin, in taking steps to promote resources and options available to Wisconsin residents with intellectual and developmental disabilities to save.

BORROWERS' LIAISON

A Borrowers' Liaison (Liaison) would advocate for student borrowers and would communicate with the federal government and lenders regarding individual and collective loan issues. Once created, this office could also oversee licensing of private lenders and review complaints that borrowers have against their lenders.

Author: Casey Wachniak, School Administration Consultant, Department of Safety & Professional Services - Educational Approval Program
Date: July 14, 2020

Overview

The Student Debt Taskforce has heard from student borrowers who have expressed frustration and have noted difficulty navigating their options while repaying student loans. Borrower attestations have yielded several common grievances:

- Institutions and lenders make it easy for students to borrow money, but it is often challenging to access consumer-friendly repayment plans.
- Students are not sure to whom they should turn for help when they encounter an issue with their loans or lender.
- Financial literacy programs for borrowers could be strengthened.[89]

On December 31, 2018, the Illinois Student Loan Servicing Rights Act was enacted.[90] Under 110 ILCS 992, the Illinois Student Loan Servicing Rights Act created a Student Loan Bill of Rights, created a Student Loan Ombudsman, and required licensure of loan servicers.

The Student Loan Ombudsman performs functions comparable to the ones established under this proposal. The Student Loan Ombudsman is charged with investigation of complaints against loan servicers, compilation of loan data, and providing information about student lending problems and proposing solutions to relevant stakeholders.[91]

Advantages of Borrowers' Liaison

Liaison functions and authority would establish a centralized point of contact for all state matters concerning financial aid. As an advocate for borrowers, the Liaison could communicate with lenders and the U.S. Department of Education about loan issues. The Liaison could hear and investigate complaints against loan servicers and could hold public

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[89] Borrowers Discuss the Challenges of Student Loan Repayment, The Pew Charitable Trusts, 2020. Accessed: July 14, 2020.
[90] Illinois Lawmakers Override Governor's Veto of Student Loan Servicing Bill, Culhane, J. Consumer Finance Monitor, 2017. Accessed: July 14, 2020.
[91] SB1351, Illinois State Legislature, 2018. Accessed: July 14, 2020.

and private servicers of student loans to defined standards. The Liaison could also oversee licensing and compliance of private lenders, should new requirements and standards be enacted.

The Liaison could charge efforts to increase financial literacy among new and existing student borrowers. For example, the state may wish to develop financial literacy programs or enact a Borrowers' Bill of Rights, which could be overseen by the Liaison. Similarly, if certain requirements regarding transparency in lending were to be implemented, the Liaison could oversee those efforts.

In general, the Liaison office could be a highly visible public office that could be easily accessed by students struggling with existing debt as well as potential students are considering financing their postsecondary education.

Disadvantages of Borrowers' Liaison

Wisconsin's oversight of postsecondary education is largely decentralized. Unlike other states (such as Minnesota who has an Office of Higher Education[92]), Wisconsin has no overarching postsecondary coordinating body. Instead, public, private nonprofit, and private for-profit institutions are overseen by separate governing bodies. For this reason, there is not necessarily a pre-established default agency within which the proposed advocacy functions may be placed. That said, the Department of Financial Institutions may have the expertise and ability to house such functions.

While establishing a location for the Liaison functions remains one challenge, allocation of resources to perform the functions will also be necessary. Further studies would be needed to identify resource need and availability.

Finally, it should be noted that establishment of these functions would likely require several statutory additions that would need to be implemented.

Recommendation

While the creation of a Borrowers' Liaison role and functions will not eliminate existing student debt, it could be instrumental in protecting future borrowers and serving current borrowers as they work to pay down their debt. Furthermore, a Borrowers' Liaison could work to ensure that potential students borrow money from reliable lenders on fair terms. Wisconsin may wish to further study how similar functions have been enacted under loan servicing laws in Illinois.

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[92] Minnesota Office of Higher Education. Minnesota Office of Higher Education. Accessed: July 14, 2020.

DATA COLLECTION AND SHARING

Securely collect, compile, and disseminate student-level borrowing information with higher education and workforce outcomes to drive evidence-based decisions in student loan policy.

Author: Nicholas Hillman & Kim Dancy, Associate Professor & Doctoral Student; UW-Madison
Date: July 02, 2020

Overview

Wisconsin does not currently collect or report statewide student debt statistics in any systematic or public-facing way, nor does it conduct ongoing or rigorous review of student debt and repayment trends. Basic statistics are critical for diagnosing and solving student debt problems, and they are a key component of consumer protection efforts. While data collection efforts at the federal level have made significant progress in recent years, there are many holes that states must fill to adequately monitor and ultimately improve loan outcomes.

Inconsistent and incomplete information on who borrows student loans, how much they owe, and how borrowers navigate repayment limits both national and state policymakers from fully understanding student debt and the experiences of borrowers. Prioritizing the collection and dissemination of timely and actionable data on student loan borrowing in the state could be of use to many stakeholders in Wisconsin, and in many cases such data would help students navigating critical decisions about their higher education and repayment options.

Advantages of Data Collection and Sharing

With better data, policymakers will be able to pinpoint the most urgent student debt problems facing the state. Some of these problems are well known and improving data availability can help address them: for example, basic information, such as how much debt Bachelor's degree completers at different Wisconsin schools take on are only publicly available for a subset of schools,[93] requiring imprecise approximations of student borrowing to calculate statewide figures. Likewise, existing data does not provide a clear sense of which Wisconsin students borrow, how much debt they take on, or the frequency with which borrowers default, not to mention the education and borrowing decisions that increase risks among Wisconsin students, while similar information is published regularly in states like Virginia.[94]

Better data can also help colleges develop default management plans, strategically target work-study and grant aid to reduce debt, and benchmark students' loan repayment outcomes with peer institutions.[95] Wisconsin employers and businesses could use better information on student borrowing to understand how to better support their employees in the context of their education debt. And

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[93] University of Wisconsin System. Accountability Dashboard: Cost & Efficiency. (Madison, WI: University of Wisconsin System). https://www.wisconsin.edu/accountability/cost-and-efficiency/ Accessed: August 5, 2020.
[94] State Council of Higher Education for Virginia. (Richmond, VA: 2020). https://research.schev.edu/ Accessed: August 5, 2020.
[95] Rorison, Jamey, and Mamie Voight. Leading with Data: Howe Senior Institution and System Leaders Use Postsecondary Data. (Washington, D.C.: Institute for Higher Education Policy, 2016). http://www.ihep.org/research/publications/leading-data-how-senior-institution-and-system-leaders-use-postsecondary-data Accessed: August 5, 2020.

critically, public-facing consumer tools promote greater transparency and consumer information,[96] where students can use key statistics like debt-to-earnings ratios to inform decisions on where to enroll and how to pay for their education.

Disadvantages of Data Collection and Sharing

Collecting and compiling key data sources in a secure, privacy-protected way that enables stakeholders to answer the questions requires resources. These resources include the technological skills and tools to house and process large volumes of data while ensuring access is restricted to avoid privacy risks or security breaches; the staff time and professional development necessary to engage in data collection, systems maintenance, and developing data governance plans; and the financial investments necessary to accomplish these goals.

A related obstacle comes from technical and staffing barriers of combining data from disparate sources. Staff from different agencies must work collaboratively to accomplish data-sharing goals while navigating technical obstacles related to combining data from different sources. These obstacles require relationship-building and developing an organizational culture that prioritizes data-use, while also implementing the appropriate legal agreements to share data across agencies, which can be time intensive to establish. Finally, federal and state legal requirements such as those under the Family Educational Rights and Privacy Act (FERPA) and the Higher Education Act (HEA) must be met. Resources to support legal compliance efforts are also critical to advancing better data infrastructure. In addition to legal considerations, data-sharing arrangements must prioritize meaningful student privacy protections and top of the line security practices.

Recommendation

Student loan issues are complex and many borrowers' circumstances will evolve over time. While a stand-alone report that links student loan data with other outcomes could provide a valuable snapshot about Wisconsin borrowers in the current moment, such an approach cannot capture these complex dynamics, nor measure progress and changes over time.

Instead, Wisconsin needs to develop ways to securely collect, compile, and disseminate student-level borrowing information that is regularly updated. This system should balance keeping data secure and ensuring privacy-protection for student and borrowers, while also allowing key stakeholders to access the information in an aggregated an anonymized way to drive evidence-based policy and inform key decisions. In addition, the ability to disaggregate data to understand the experiences of key populations of interest, including students of color and low-income students, is of the utmost importance.

State policymakers, institutions, students, and employers could all benefit from such a system of comprehensive, timely, and actionable data on student borrowing in Wisconsin. Integrating this information with existing data infrastructure would minimize the additional burden on state officials while also leveraging existing practices and data governance procedures.

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[96] SeekUT. (Austin, TX: University of Texas System). https://seekut.utsystem.edu/UndergradTX Accessed: August 5, 2020.

ENHANCED STUDENT BORROWER PROTECTIONS

Enhanced student borrower protections would help borrowers as they navigate existing debt and avoid unexpected costs, poor repayment programs, and/or unmanageable interest rates. These proposed solutions are designed to benefit any borrower holding student loan debt, regardless of whether they are in school, have graduated, or did not complete their degree.

Author: Shannon Holsey, President, Stockbridge-Munsee Band of Mohican Indians
Date: July 12, 2020

Overview

Enhanced student borrower protections would help protect students from accumulating more debt than necessary, ensuring borrowers understand loan terms and repayment options, and provide more legal protections. These protections would help borrowers avoid additional unexpected costs, poor repayment programs, and/or unmanageable interest rates, and they would benefit any borrower holding student loan debt, regardless of whether they are in school, have graduated, or did not complete their degree.

This proposed solution summary intends to address deceptive conduct of student loan servicers, create better-informed borrowers, and provide accurate, up-to-date, and relevant information regarding repayment opportunities. Solutions listed include: Student Loan Servicing Legislation and Regulation, and Re-Enrollment Programs. Each solution is listed with a description of the program, an example of existing state policies and/or proposals, and design considerations.

Student Loan Servicing Legislation and Regulation

Student loan servicing is a structural component of the borrower experience. Student loan servicers collect student loan payments on behalf of the federal government, assist borrowers in selecting repayment plans, and discharge student debt when required. Effective loan servicing enables borrowers to make timely payments, avoid delinquency and default, and successfully pay down their debt. Poor servicing can result in unnecessary increases in outstanding balances, misapplied payments, denied payment credit, and mismanagement of repayment plan enrollment.[1]

State laws can provide additional protections for borrowers from poor loan servicing. Existing laws are designed to improve servicing in a number of ways, including establishing additional state oversight of loan servicers, creating additional legal requirements for servicers (both through specifying prohibited acts or required responsibilities), and creating public-facing student loan advocates. Connecticut was the first state to pass legislation aimed at regulating student loan servicers. Connecticut's "Student Loan Bill of Rights" includes oversight of banks and guaranty agencies, and student loan servicer licensing requirements. It also created an "Office of the Student Loan Ombudsman," and prohibits servicers from engaging in behaviors at the detriment of the borrower. Thirteen states now have student loan servicing laws on the books.[1]

Advantages of Student Loan Servicing Legislation and Regulation

Student loan servicing plays an important role in the borrower experience with student loan debt and can make a difference for many borrowers in understanding their loans, enrolling in the repayment plan that works best for them, and staying up-to-date on payments. Higher education experts have debated the extent to which servicers are responsible for complaints about the loan servicing process,[1, 2, 3] but alleged failures by loan servicers have resulted in multiple lawsuits against them.[4, 5] Well-designed state laws could provide additional oversight and consumer protections for borrowers against poor loan servicing.

Disadvantages of Student Loan Servicing Legislation and Regulation

Proposed changes would not address the underlying challenges of the federal student loan repayment system, which can drive much of the confusion faced by borrowers.[1] They would also not fundamentally change the underlying issues of higher education affordability that are driving the student loan crisis. State policymakers should consider the fact that loan servicers typically provide servicing to borrowers across the country, rather than for a single state. Consequently, if multiple states implement differing regulations for student loan servicers, then it could inadvertently create additional complexity for both servicers and borrowers in the student loan repayment process.

Re-Enrollment Programs

Re-enrollment programs provide pathways to postsecondary completion for "non-completers," students who have borrowed student loans but have not completed a degree. These re-enrollment programs are often paired with some amount of student debt forgiveness to increase incentives for re-enrollment. While we have yet to see state-level action in developing a comprehensive re-enrollment program with student debt forgiveness, Wayne State University in Detroit, Michigan, has implemented a program that is being replicated and scaled by institutions across the country.

In the Detroit-area, approximately 13,000 "non-completers" with some college but no degree initially attended Wayne State University. The university was eager to develop a program to re-engage this large and growing population, so they created the "Warrior Way Back" program, which enables students who dropped-out of Wayne State University with outstanding debt to re-enroll. Additionally, the university writes-off up to $1,500 – roughly the cost of one class – for all participants of the program.[6]

Advantages of Re-Enrollment Programs

The “Warrior Way Back” program has been a win for students and the university. Students, most of whom are adults (the average age of program participants is 39 years-old), get to return to school and earn a degree to join the workforce. The university nets a positive revenue because the $1,500 offered as past-due debt forgiveness is a fraction of the total tuition and fees students will pay during the additional semesters of enrollment until degree completion. Overall, re-enrollment programs help minimize debt while improving educational outcomes for students and borrowers.[8] Between improving degree completion rates, enhanced education and workforce outcomes, and greater long-term financial security for participants, re-enrollment programs offer a significant return on investment.

Endnote List of Sources

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8. Urban Institute. “Wayne State University’s Warrior Way Back: Career Advancement Program Profile https://www.urban.org/sites/default/files/wayne_state_universitys_warrior_way_back.pdf.

FEDERAL ADVOCACY INITIATIVES

While there are many important solutions that can be implemented within the state of Wisconsin, many of the debt challenges students face are a result of complex legislation and regulation at the federal level. Identifying key improvement opportunities at the federal level, combined with recommending solutions to those opportunities through coordinated advocacy efforts, can have a substantial impact for the student borrowers in Wisconsin.

Author: Kevin E. McShane, VP of Financial Aid & Compliance, Herzing University
Date: July 10, 2020

Overview

Average student loan debt for the class of 2018 in the state of Wisconsin was $31,705.[1] Meanwhile the average cost of a new car in January 2020 was $37,851.[2] And while a higher education can gain you a lifetime of additional economic opportunity, a new car immediately begins to depreciate the minute it is purchased. So why is it that the current average amount of student loan debt can be viewed as a crippling amount of debt that is too difficult to get out from under while a car purchase is not? Part of that reason is the complexity in which student debt is issued and the complexity of the terms upon which the debt is expected to be repaid. With a car, you know exactly what you are going to pay in principle and interest, how much you will pay each month and over the entirety of the loan, and when the loan will be successfully paid off. With a student loan, it isn't quite so simple.

With a simpler, straightforward federal student loan program the problem would be nowhere near as bleak as it appears today. Federal advocacy efforts to achieve this simplification are crucial to assist the student loan borrowers of Wisconsin. There are several opportunities for improvement within the current federal student loan program that can improve the literacy of uninformed borrowers, limit inaccurate information for repayment, and reduced total loan debt amounts.

Advantages of Federal Advocacy

Advocacy, especially when coming from well-informed experts and influential people, can have an impact on legislation and regulation. If conducted as a state-led effort coming out of this task force, it may be able to have a substantial impact on these important topics.

Disadvantages of Federal Advocacy

Advocacy in and of itself is not a solution. While it can be a valuable tactic to improve a situation, there are no guarantees that your efforts will result in any meaningful changes actually occurring.

Recommendation

I recommend that a highly coordinated federal advocacy effort be put together to address the following critical issues (there are many more that could be considered – but I have recommended the following because they would have the most immediate impact on student loan literacy and repayment):

- **Federal Student Loan Origination Fees Should be Eliminated** (which would also include eliminating the sequestration-required calculations which change the fee amounts annually).
    - Eliminating origination fees would stop the antiquated process of the federal government generating additional income at the expense of students and families.
        - "Student loan origination fees, the hidden student loan tax, generated a staggering $1.7 billion in revenue for the federal government in award year 2017-18, and $8.3 billion over the past five award years." [3]
- **Compound and Capitalized Interest Should Not Be Part of the Federal Student Loan Program -** Federal Student loans are always shown as an annual rate, however in actuality interest on Federal Student loans compounds daily. In addition, once your grace period ends your interest capitalizes, effectively becoming principle at that time. These interest details significantly impact student debt amounts and student understanding of their debt.
    - Compound Interest: "On a $10,000 loan, you might think that a 4.45% interest rate would mean $445 paid in interest during the year, but that's not the case. Instead, your annual rate is divided by 365, to get your daily interest rate. So, in the above example, you'd be charged an interest rate of 0.012% each day. At the end of your first day, your interest charge totals $1.20 and it's added to the $10,000. On the following day, your interest is calculated on $10,001.20. At the end of the year, you'll pay a total of $455.02 in interest — providing the lender with an extra $10 just because of the way interest is compounded. When you consider that this daily compounding takes place over all the years you are in school and beyond, you can see how interest charges lead to repaying so much more than you borrow." [4]
    - Capitalized Interest: "Let's say you borrowed $25,000 at the start of college, and your loan had a 5.5% rate. If you spend four years in deferment, making no payment on your student debt, your loan will quietly accumulate $6,189 in interest. Once you graduate and your grace period ends, that $6,189 gets added to your principal amount. Now instead of owing $25,000, you're on the hook for $31,189. Not only does capitalized interest on student loans increase your debt, but it also means you end up paying even more interest. Because your principal and accrued interest are now combined, you essentially end up paying interest on your unpaid interest." [5]
    - In addition, federal unsubsidized student loans automatically defer all payments including interest, which ultimately results in significant additional student debt tied to these practices. And as noted above, fees on loans also count as principle in this process and interest also compounds and capitalizes on those amounts.

- If compound interest and interest capitalization were eliminated, student loan interest would be more easily understood and transparent at the time of borrowing. In addition, the very nature of eliminating this practice would significantly lower overall student loan debt.

- **Student Loan Interest Rates Should Be Permanently Fixed** – How many other consumer purchases result in fluctuating "fixed" interest rates throughout the life of receiving a product or service? Federal Student Loans should be no different.
    - Students make choices about attending college prior to beginning. They estimate total loan debt and repayment estimations based on fixed interest rates at that time. However, over a 5-year bachelor's program a student very well may end up with at least 5 different interest rates on their Federal Student Loans since the interest rates are set each year. With this fixed rate – students should also be able to consolidate/refinance into this fixed rate if it is a lower rate than they are currently paying while in repayment.
- **Federal Loan Repayment Programs Should be Consolidated and Simplified**
    - There are currently seven main repayment programs available,[6] and students that have borrowed over the years may also currently be in numerous other legacy repayment plans. If students were automatically enrolled in a singular income driven repayment plan, their payments would be affordable (in terms of a consistent percentage of their earnings) and it would eliminate the complexities of entering and maintaining enrollment in this type of program. I could be managed using IRS data on income, and even potentially be repaid through a payroll deduction. Students wishing to repay at a faster rate to limit their interest paid should be able to do so with no pre-payment penalty.[1]

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[3] NASFAA, "Issue Brief: Origination Fees", NASFAA, May 2019, Accessed: July 8, 2020

[4] Marquit, Miranda, "Beware of Student Loan Interest Rates, or You'll Pay For It", Student Loan Hero, 4/28/2020, Accessed: July 8, 2020

[5] Safier, Rebecca, "How to Get Rid of Capitalized Interest on Student Loans". Student Loan Hero, 1/21/2019, Accessed: July 8, 2020

[6] NASFAA, "Streamlining Student Loan Repayment", NASFAA, 2015, Accessed: July 8, 2020

LEGAL SERVICES ADVOCATES FOR STUDENT LOAN DEBTORS

Wisconsin's legal aid programs are already providing assistance to student loan debtors on a small scale. Since low-income Wisconsinites are already familiar with these programs, funding advocates in the communities they serve is a cost effective and easily implemented way to help student loan borrowers.

Author: Karen M. Bauer, Staff Attorney, Legal Aid Society of Milwaukee
Date: July 12, 2020

Overview

Funding a full-time student loan advocate at each of the 3 largest legal services organizations in the state[97] would enable far-reaching assistance to all corners of Wisconsin and to many vulnerable populations including low-income individuals and communities of color. Civil legal aid clients in Wisconsin are frequently people who are most victimized by predatory for-profit schools and whose intergenerational poverty leads to default or delinquent payments on student loan debt. Simply put: legal aid organizations already have systems in place and the trust of the people we most need to help. Funding a full-time position at each organization would enable attorneys who are already doing student debt advocacy on occasion to devote themselves full-time to helping low-income Wisconsinites with their student loan debt. This solution would solve two issues that arise from locating assistance only in an Ombudsman's office:

1. Programs like an ombudsman's office are frequently not well-publicized and rely on referrals. Using existing legal services infrastructure and publicity mechanisms would eliminate this issue. These organizations have spent significant time and resources building a rapport with the Wisconsin communities they serve and are the first stop for many Wisconsinites when they encounter a legal problem.
2. Onboarding and training of staff for a new state program is onerous. Legal services organizations already have staff attorneys helping student loan debtors, so they would be able to begin helping resolve student debt issues on a larger scale quickly.

Advantages of Using Legal Aid Organizations to Help Student Loan Debtors

A major advantage to using full-time legal services attorneys to provide help to student loan debtors is that they can provide help in the communities they already serve. These agencies strive to be inclusive and available to communities of color who are particularly in need of student loan assistance. Because they already have the trust of their communities, they are able to effectively assist a large number of people efficiently and cost-effectively.

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[97] Wisconsin Judicare serves the northernmost 33 counties, Legal Action of Wisconsin serves the southern counties and the Legal Aid Society of Milwaukee serves Milwaukee County.

Non-profit organizations like the three legal services organizations mentioned in this proposal enhance their communities by engaging in programs and initiatives which engage diverse community members.[98] Our state has not done well by our Black citizens. [99] The Legal Aid Society of Milwaukee serves Milwaukee County, home to 69% of the state's Black population. That organization's community partnerships and 100-year track-record in Milwaukee County make this organization particularly well-suited to help eliminate racial disparities in student loan repayment. Wisconsin Judicare has a long history of service to Wisconsin's Native American tribal members and that community is accustomed to seeking help for legal issues there.[100] Legal Action of Wisconsin has similar inroads in communities all over the southern half of Wisconsin.

These organizations are well-known and trusted by Wisconsinites who need help. Their many sources of grant and foundation funding already require strict oversight of services provided, so they are used to showing the results of their work. Legal services attorneys will provide high-quality help with the most complicated student loan issues, including access to special administrative discharges, and defense of collections by private student lenders. Lastly, it would be less expensive to fund three positions at these organizations, as office space, equipment and training would not need to be paid for. Those things already exist in the respective organizations.

Disadvantages of Using Legal Services Staff to Help Student Loan Debtors

Funding is always an issue. This bifurcated assistance model has not been tried elsewhere, so there are likely to be some hurdles to overcome in implementing it. However, the State of Wisconsin already funds domestic violence advocates at some of these organizations, and many states provide other grant funds to legal services organizations to provide legal advocacy for their citizens. The idea of state funding for legal services and advocacy is not a new one.

Recommendation

This solution could be employed to augment the work of an Ombudsman. Rather than hire 5 people for that office, the State would only need to hire an Ombudsman and a single staffer who would field calls in the Ombudsman's office. Alternatively, simply funding three legal services lawyers could occur soon, before a Borrower Bill of Rights and Ombudsman's Office could be created and staffed. This solution would enable Wisconsin to start helping student loan debtors very quickly and for a much lower cost than an Ombudsman's office with a staff of civil servant employees. Wisconsinites need help with these issues as soon as possible.

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[98] Shier, M. L., McDougle, L., & Handy, F. Nonprofits and the Promotion of Civic Engagement: A Conceptual Framework for Understanding the "Civic Footprint" of Nonprofits within Local Communities. *Canadian Journal of Nonprofit and Social Economy Research* (2014); 57-75. Accessed: July 12, 2020.
[99] Shafer, Dan, "Wisconsin Named Worst State for Black Americans" Milwaukee Business Journal. August 5, 2016. Accessed: July 12, 2020.
[100] Wisconsin Judicare houses Wisconsin's Indian Law Office, which provides services to all the Native American Tribes in Wisconsin. (Wisconsin Judicare 2020) Accessed: July 12, 2020.

PASS A WISCONSIN CONSUMER PRIVACY LAW

In Meeting 4 on his presentation on for-profit schools, Seth Frotman stated the need to address "the web of companies and practices that allow for-profit schools to thrive." One of these practices he identified in his presentation was: Deceptive Marketers and Lead Generators. To address this harmful practice, I submit this proposed solution for Wisconsin Consumer Privacy Law.

Author: Renee Gasch, Media Consultant
Date: July 16, 2020

Overview

Investigations into for-profit schools have found that buying private personal online data about students is a primary way that for-profit schools identify and target vulnerable students. For example, a 2013 suit by the California Attorney General filed against Corinthian College said the for-profit school targeted "isolated," "impatient" individuals with "low self-esteem" who have "few people in their lives who care about them" and who are "stuck" and "unable to see and plan well for future."[101]

Advantages of a Wisconsin Consumer Privacy Law

A 2012 Senate committee report on for-profit colleges described Vatterott's recruiting manual, as directing recruiters to target "Welfare Mom w/Kids. Pregnant Ladies. Recent Divorce. Low Self-Esteem. Low Income Jobs. Experienced a Recent Death. Physically/Mentally Abused. Recent Incarceration. Drug Rehabilitation. Dead-End Jobs–No Future."[102] Because low-income, vulnerable students are more likely to get student loans, predatory marketers target them to finance the for-profit education industry.

The Internet makes it extremely cheap and easy to target vulnerable students with online advertising. Google and Facebook, for example, provide personal and private details for sale to advertisers without regulation. In the case shared in Seth Frotman's presentation regarding gibill.com, a commercial site run by a company called QuinStreet targeted veterans, collecting data on them and selling it to for-profit colleges without notifying the consumer how or why the data was being collected.[103]

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[101] Li, Shan, "Attorney General Accuses Corinthian Colleges of 'Predatory' Ads," Los Angeles Times, October 10, 2013. Accessed: July 16, 2020.
[102] "For Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success," Health, Education, Labor and Pensions Committee, United States Senate, July 30, 2012. Accessed: July 16, 2020.
[103] Abramson, Larry, "For-Profit Schools Under Fire for Targeting Veterans," National Public Radio, April 9, 2012. Accessed: July 16, 2020.

Recommendation

A Consumer Data Protection Law would crack-down on these predatory and discriminatory practices by requiring transparency into for-profit school marketing and providing students with the ability to opt-out of the sale of their personal information. Laws addressing consumer data protection have been passed in the European Union with the GDPR (General Data Protection Regulation) in 2016, which went into effect in 2018, and in California with the CCPA (California Consumer Privacy Act) in 2018, which went into effect in January 2020. My proposal to the Consumer Protection Committee of the Student Debt Task Force is to champion a Wisconsin Consumer Privacy Law in Wisconsin that outlines these general rights regarding consumer data protection:

1) The right to know about the personal information a business collects about them and how it is used and shared;
2) The right to delete personal information collected from them (with some exceptions);
3) The right to opt-out of the sale of their personal information; and
4) The right to non-discrimination for exercising their data rights as outlined by a Wisconsin Consumer Data Protection Act.

For more background information on this proposal:

California Office of Attorney General
https://oag.ca.gov/privacy/ccpa

California Rings in the New Year with Data Protection Law, NPR
https://www.npr.org/2019/12/30/791190150/california-rings-in-the-new-year-with-a-new-data-privacy-law

Project on Predatory Student Lending, Legal Services Center of Harvard Law School
https://predatorystudentlending.org/?s=Marketing

Excerpt from Weapons of Math Destruction: How Big Data Increases Inequality and Threatens Democracy, by Cathy O'Neill. Crown Books, 2016.
https://docs.google.com/document/d/13RPDUW0imwgl2tFlYK1UPBqdBXka9BIdAs8A3v7qN7Y/edit

PROTECTING STUDENTS FROM PREDATORY FOR-PROFIT COLLEGES

For-profit colleges are businesses designed to game the federal financial aid system that prey on students and taxpayers[104]. Oversight should focus on the at-risk students of color and veterans and changes in recruitment tactics.

Author: Michael Rosen, Director, Local 212/MATC Believe in Students Fast Fund
Date: July 13, 2020

Overview

For-profit colleges are uniquely predatory and poised for a comeback[105] in the current environment. There have also been several regulatory rollbacks at the federal level that should prompt state governments to ask what they can do to safeguard students.

Respected organizations Veterans Education Success and The Century Foundation have put together a toolkit[106] with a package of approaches and policies we should consider. The fifteen-page toolkit spells out a roadmap on seven commonsense actions for states. These are:

- Heed the early warning signs at troubled or failing schools.
- Stop the fraud against veterans by closing the 90-10 loophole.
- Assure that funds are spent on education, not marketing.
- Prevent dishonest claims that schools are "nonprofit."
- Protect the student's right to complain.
- Ensure oversight of the online college market.
- Provide consumers with better data about schools.

Many of these policies are "sector blind" which means they apply to all types of schools. Some focus on for-profit schools but only to bring the same level of transparency non-profit and public schools currently have by virtue of open records laws. The purpose of these efforts is not to target any particular school but to create an even playing field where students, particularly veterans and students of color, are treated justly.

Advantages of Protecting Students from For-Profit Colleges

With the repeal of the gainful employment rule and the replacement of the borrower defense rule with a much weaker standard, Wisconsin students get less information up-front about

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[104] For a the best background of this landscape see Tressie McMillan Cottom's Lower Ed
[105] https://tcf.org/content/commentary/student-debt-surging-profit-colleges/ Accessed: August 5, 2020.
[106] https://vetsedsuccess.org/wp-content/uploads/2020/05/Vets_Ed_Success_5.26_toolkit_for-profit-colleges.pdf Accessed: August 5, 2020.

program quality and, if a program proves to be poor quality, their likely restitution is greatly decreased. The responsible course for states is to step up their own efforts.

For-profit schools disproportionately enroll Black, Latinx and veteran students with little background in high ed. About a third of military veterans enroll in for-profit schools. If we care as a state about these vulnerable populations these trends deserve scrutiny.

There is a particular advantage to assuring funds are spent on education, not marketing. Policy design that focuses on what schools should not do create a whack-a-mole environment where policymakers are constantly reacting to the way colleges attempt to evade the restrictions. By focusing on quality including how schools spend their money, policymakers can construct a more durable safeguard. Studies by The Century Foundation and Veterans Education Success reveal that the majority of schools that spend the least on instruction are for-profit colleges.

Disadvantages of Protecting Students from For-Profit Colleges

Some, though not all, of these proposals may create additional reporting burdens for schools and labor for state workers.

Some people may believe this is work best left to the federal government.

Recommendation

Adopt all seven commonsense, bipartisan proposals outlined in the full toolkit. Consult with Veterans Education Success for their policy advice and expertise.

States that have already adopted some of these recommendations include Maryland, California, and Maine. Several other states, such as Oregon, are in the process of adoption these proposals.

Best Practice 1: Maryland's Institutions of Postsecondary Education– Disorderly School Closures Act will intervene in future closures by canceling debts owed by students, refunding tuition paid, ensuring that students have transfer options and access to their academic records, and holding school owners responsible if their school goes out of business. The law applies to all colleges in the state.

Best Practice 2: Close the 90-10 Loophole at the State Level. States have an important opportunity to protect veterans and prevent fraud by forcing for-profit colleges to close the 90-10 loophole through their authority to regulate the licensure of private schools–a measure which Oregon is considering and Maryland recently enacted. By requiring for-profit colleges to show they receive no more than 90 percent of their tuition revenue from all sources of federal funds, including the GI Bill and Pentagon student aid, states can protect veterans and taxpayers and ensure the intent of the federal 90-10 rule is enforced.

Best Practice 3: Protect the Integrity of Nonprofit Institutions. Maryland enacted a first-of-its-kind law requiring the state's higher education commission to create a process for schools to report information they collect for their 990s, allowing the commission to make annual determinations to ensure that nonprofits are not generating income for private individuals. Because nonprofit schools already complete these forms annually, states can take advantage of an oversight opportunity that presents no additional burden on colleges and universities. Similarly, California lawmakers are considering an approach that would require a review of colleges that convert from nonprofit to for-profit.

Best Practice 4: Become More Active in NC-SARA Oversight. Forty-nine states (all but California) have joined NC-SARA, and all forty-nine should press for changes to the agreement to ensure they maintain power to protect their citizens, whether by pursuing memoranda of understanding (like Massachusetts has done), or through legislative and regulatory processes. At a minimum, improved agreements should do the following: clear complaint procedures and refund policies, bar institutions from enrolling students in instances where graduates would not be qualified for location-specific licensure(s), and make it clear that the state has the authority to enforce all consumer protections.

Best Practice 5: Give Students the Info They Need to Pick the Right College. At a minimum, states should collect information on college program enrollment, cumulative student debt and repayment, employer characteristics, job placement and employment wage rates. A model exists in California. Lawmakers passed a law in 2019 requiring institutions to collect enrollment and student loan information on graduates to match with wage data from the state's employment data system. The initiative will enable the state to provide information to prospective students about program value and efficacy in preparing students for the job market.

Best Practice 6: Examine School Spending Priorities. Lawmakers in Maine enacted a law that requires the state higher education regulator to take school priorities into account. For-profit colleges, like their public and non-profit counterparts, will have to report to the Commissioner on a variety of metrics including how much money is spent on instruction, graduation rates, loan status of graduates, employment status of graduates, and the design and implementation of student support services.

REINSTATING THE WISCONSIN EDUCATIONAL APPROVAL BOARD

The Educational Approval Board (EAB) would be a helpful agency that protects students and advocates for greater oversight for for-profit educational institutions. In the nearly 70-year history when it existed in Wisconsin the EAB created a standard and credibility amongst for-profit institutions.

Author: Dianne Hesselbein, Representative, Wisconsin State Assembly
Date: July 14, 2020

Overview

The Wisconsin Educational Approval Board (EAB) was established in 1947. The EAB had the authority to protect Wisconsin students as outlined in Wisconsin State Statutes 38.50.[107] The agency was reorganized and absorbed by the Department of Safety and Professional Services (DSPS) in the 2017-19 state budget now known as the Educational Approval Program.[108]

Advantages of EAB

The EAB provided a variety of services and protections for Wisconsin students and institutions:[109]

4. Evaluating and approving institutions offering postsecondary training and education.
5. Supporting options for innovation and quality programs offered by institutions.
6. Collecting and disseminating student outcomes information.

While the Educational Approval Program currently exists under the DSPS it lacks the funding and authority to serve as an effective replacement for the EAB.[110]

Disadvantages of EAB

Reinstating the EAB will require the Wisconsin State Legislature to pass a bill or include it in the upcoming budget.

Recommendation

Reinstate the EAB along with the authority it had prior to the 2017-19 state budget.

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[107] Wisconsin State Statutes https://docs.legis.wisconsin.gov/2009/statutes/statutes/38/50 Accessed: August 5, 2020.
[108] https://www.wiscnews.com/news/state-and-regional/article_f1236b66-54d6-5fee-9f13-310d3873cef3.html Accessed: August 5, 2020.
[109] Wisconsin Educational Approval Board https://www.wistatedocuments.org/digital/collection/p267601coll4/id/17607/rec/1 Accessed: August 5, 2020.
[110] Department of Safety and Professional Services, Educational Approval Program https://dsps.wi.gov/Pages/Programs/EducationalApproval/Default.aspx Accessed: August 5, 2020.

STUDENT LOAN BORROWER BILL OF RIGHTS

A Student Loan Borrower Bill of Rights creates protective measures to provide clarity and assistance to individuals with student loans. Defining the rights of borrowers helps to protect individuals by keeping them updated and educated on their loan and repayment status. A Borrower Bill of Rights provides both borrowers and servicers with a clear set of guidelines to follow and standardizes the information provided to student debtholders.

Author: Emma Steinberger, Intern, Student Debt Task Force, Wisconsin DFI
Date: July 02, 2020

Overview

Since 2015, when Connecticut passed the first Student Loan Borrower Bill of Rights, 13 states have successfully expanded borrower protections and student loan oversight.[111] A Borrower Bill of Rights helps address student loan borrowers' varying financial literacy education and establishes and clarifies the rights of student loan borrowers. Clearly defining such protections assists borrowers and allows them to take control of their finances.

Advantages of a Student Loan Borrower Bill of Rights

One such bill was established in the state of New York.[112] The bill defined key terminology regarding student loans such as servicing, student education loans, student loan borrowers, and student loan servicers. New York's Borrower Bill of Rights provides a detailed, written outline of rules and laws to protect borrowers.[113] It defines, addresses, and assists borrowers in understanding their student loans and provides a clear set of protections. The New York Borrower Bill of Rights specifically requires higher education institutions to send individuals personal accounts of their financial aid status, additional charges, and their default rate. This helps borrowers stay on top of what they owe. Loan servicers are required to provide borrowers with "clear, accurate, and complete information" for their loan status. In addition, loan servicers must inform individuals of additional repayments, "loan forgiveness, cancellations, or discharge programs that they are eligible for."[3] Servicers must also have a contact number listed for individuals to file complaints or ask questions. It is required that loan servicers respond to all submitted complaints.

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[111] Smalley, Andrew, "As Student Loan Debt Levels Grow, States Look to Help Borrowers," National Conference of State Legislatures, January 31, 2020. Accessed: June 29, 2020.
[112] "NY State Assembly Bill A3011," The New York State Senate, 2019. Accessed: June 19, 2020.
[113] "Student Loan Borrower Bill of Rights," New York State Department of Financial Services, 2019. Accessed: June 19, 2020.

Disadvantages of a Student Loan Borrower Bill of Rights

While a Student Loan Borrower Bill of Rights can be an important first step toward protecting student loan borrowers from predatory practices, servicers argue borrowers are protected by the rights granted in their loans' promissory notes and that creating a Bill of Rights would create "burdensome process" for borrowers.[114]

Additionally, while Student Loan Borrower Bill of Rights have been established in several states, a federal Student Loan Borrower Bill of Rights has not been created. The U.S. House of Representatives introduced such a bill on May 24, 2019, but it was not passed.[115]

Recommendation

Wisconsin should consider implementing a Student Loan Borrower Bill of Rights using New York's Borrower Bill of Rights as a model for the state to establish greater oversight. With a focus on providing student loan borrowers with accurate and updated information regarding their loan repayments, opportunities, and servicers, then the experience of repaying and managing student loan debt can become more manageable.

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[114] Berman, Jillian, "California is getting closer to passing a 'student-loan borrower bill of rights'," MarketWatch, June 23, 2019. Accessed: July 3, 2020

[115] "H.R.3027 - Student Loan Borrowers' Bill of Rights Act of 2019," 116th Congress, May 24, 2019. Accessed: June 29, 2020.

STUDENT LOAN DEBT OMBUDSMAN PROGRAMS

Student loan debt ombudsman programs provide information and services to student loan borrowers. These programs are designed to aid borrowers with their repayments and offer educational resources for individuals to better understand their finances. Ombudsman programs serve as a source of advocacy and resources for borrowers and debtholders.

Author: Emma Steinberger, Intern, Student Debt Task Force, Wisconsin DFI
Date: July 10, 2020

Overview

States have taken several different approaches to creating ombudsman programs that assist borrowers in repaying their student loans. Ombudsman programs often create legislation to support borrowers, establish educational student loan programs, provide loan information and information to help borrowers avoid scams, and establish a Student Loan Borrower Bill of Rights.

Advantages of Ombudsman Programs

In addition to Washington D.C.[116], the states of Colorado[117], Illinois[118], Nevada[119], Washington[120], and Maryland[121] have successfully implemented legislation to help borrowers receive support and education regarding their student loans.

In 2017, Washington established the Student Loan Transparency Act. This legislation established a student loan advocate, or ombudsman, to assist borrowers with loans, and required higher education institutions to send a notice to borrowers summarizing their financial aid status. This program allows individuals to stay on top of their finances and avoid potential complications.

Additionally, programs in Colorado, Maine, and Nevada specifically focus on providing borrowers with information regarding loan servicing and licensing. This helps individuals better understand the process while teaching important tactics to avoid scams.

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[116] "Meet with the Student Loan Ombudsman," Department of Insurance, Securities and Banking, Government of the District of Columbia, 2019. Accessed: June 20, 2020.
[117] Colorado Attorney General Phil Weiser, "Student Loan Servicers," 2019. Accessed: June 20, 2020.
[118] "Illinois Compiled Statutes," Illinois General Assembly, 2020. Accessed: June 20, 2020.
[119] Assemblymen Frierson; McCurdy and Watts, "Assembly Bill No. 383," Nevada Electronic Legislative Information System (NELIS), 2019. Accessed: June 20, 2020.
[120] "Final Bill Report E2SSB 6029," Washington Senate Bill Report, 2018. Accessed: June 20, 2020.
[121] "Welcome to the Student Loan Ombudsman - Financial Regulation," Maryland Department of Labor, 2018. Accessed: June 20, 2020.

In Maryland, the Financial Consumer Protection Act of 2018 required student loan servicers operating in the state to designate an individual to represent the student loan servicer in communications with the state's ombudsman and to provide the designee's name, telephone number, and e-mail address to the ombudsman. This Act has helped borrowers know where to ask for information and advice.

While ombudsman programs can be controversial and difficult to implement, the need for a student loan advocate for borrowers is clear. Creating a designated office for questions, advice, and information would streamline the process of borrowing and assist individuals throughout their experience, making it more efficient overall.

State Ombudsman Programs

State	Department	Legislation Type	Student Loan Education Course	Bill of Rights
Colorado[122]	Office of the Attorney General investigates complaints from borrowers	Senate Bill (19-002); Colorado Student Loan Servicers Act	N/A	N/A
Illinois[123]	Department of Higher Education	Student Loan Servicing Rights Act	N/A	Yes, outlines rules for servicers
Maryland[124]	Ombudsman designated by the Commissioner of Financial Regulations, and reports to Office of the Attorney General	Financial Consumer Protection Act of 2018	N/A	N/A
Nevada[125]	Office of the State Treasurer	Assembly Bill No. 383	Provides educational presentations and materials for student loans	N/A
Washington[126]	Student Achievement Council, Department of Financial Institutions, Office of the Attorney General	Washington Student Loan Transparency Act of 2017	N/A	N/A

[122] Colorado Attorney General Phil Weiser, "Student Loan Servicers." Accessed: August 5, 2020.
[123] "Illinois Compiled Statutes," Illinois General Assembly. Accessed: August 5, 2020.
[124] "Student Loan Ombudsman," Maryland Department of Labor. Accessed: August 5, 2020.
[125] Assemblymen Frierson; McCurdy and Watts, "Assembly Bill No. 383." Accessed: August 5, 2020.
[126] "Final Bill Report E2SSB 6029," Washington Senate Bill Report. Accessed: August 5, 2020.

Disadvantages of Ombudsman Programs

Disadvantages of ombudsman programs include funding and legal challenges. Lawsuits, such as Student Loan Servicing Alliance v. Dist. of Columbia, show that aspects of ombudsman bills, like licensing, can be challenged in courts and overruled in court.[127]

Recommendation

Ombudsman programs vary in offerings and approaches; however, the need for a student loan advocate for borrowers is clear. Wisconsin should consider establishing an ombudsman program to assist student loan borrowers with student loan borrowing and repayment. An ombudsman program, or student loan advocate, could launch educational programs to educate borrowers on student loans, address borrowers' repayment questions and complaints, regulate the licensing and servicing of student loans in Wisconsin, and potentially pursue legislation to create a Student Loan Borrower Bill of Rights. Implementing an ombudsman program, or student loan advocate, would help Wisconsin address the student loan debt crisis in a meaningful way.

[127] "Student Loan Servicing Alliance v. Dist. of Columbia," United States District Court for the District of Columbia, Nov. 21, 2018. Accessed: Jul. 3, 2020.

STUDENT LOAN OMBUDSMAN AND STUDENT LOAN ADVOCATE TEAM

As evidenced in the expert presentations and student stories shared throughout or task force meetings, students face challenges with understanding how to effectively fund their education before beginning school as well as face issues with successfully navigating the repayment of their student loans once they exit school. The students of Wisconsin would greatly benefit from an unbiased entity that would help them understand the entire process (navigating the complexities of funding their education without overborrowing and the intricacies of successfully repaying student debt), and they would benefit from having someone to protect them from any predatory and misleading practices throughout the lifecycle of borrowing.

Author: Kevin E. McShane, VP of Financial Aid & Compliance, Herzing University
Date: July 13, 2020

Overview

It is important to acknowledge that state led/mandated attempts to help students understand debt and repayment must offer something that is in addition to the resources that borrowers already have available to them. Simply adding on to tools, education materials and disclosures that already exist without additional supporting resources will not add the needed value to solve student debt issues in Wisconsin. However, if something was created that acted as supplemental support to currently available tools and resources and offered a level of borrower protection, then incredible value could be added.

A Student Loan Ombudsman would act as the authority to enforce a student borrower bill of rights, ensure all schools act fairly when assisting students in taking out student loans, ensure lenders and loan servicers act fairly in the processing and collection of loan debt, and oversee a team of independent Student Loan Advocates that could support borrowers throughout the entire lifecycle of managing their debt.

The Student Loan Advocate team would be a fair and impartial team of advocates that would support borrowers on the front end when first taking out loans, and on the back end as borrowers work to repay their loans in the most efficient and effective way possible.

- For students who have not yet borrowed or still have the ability to limit their borrowing the team would be available for appointments to work with students to understand loan debt, the terms of their loans, and to assist them in limiting their debt as much as possible while still being able to access and complete their education (such as only borrowing the amount they need for school vs. maximizing what is available to them). The main way to help with these students is through providing supportive information and education.

- For students who already have debts the team would be available to be student advocates to assist the student loan borrowers with getting into the best possible situation for repayment. They would fully understand all federal options available, all potential state created options, as well as all vetted private options available, and would help students navigate the complex process of picking their best options. To achieve this, the borrower bill of rights could include a requirement that anyone lending to students in Wisconsin submits information to the Ombudsman's office. The Student Loan Advocate team would use that database, along with the National Student Loan Data System (NSLDS) so that they could view all forms of student debt that each student holds. Far too many students are not in the correct payment plans, miss important steps in loan forgiveness processes, miss out on tax incentives, do not know all of their different loan holders, etc. This team could help prevent all of those issues.

There are a few key components to the Student Loan Advocate team to point out:

1. These activities are best supported through a state-run agency rather than through additional counseling funding being given to individual schools. The reason for this is that when funding is given to multiple independently run institutions, each university will institute a borrower education/support plan they feel is best suited for the student and that they feel they are able to achieve with the resources available. When they do this (albeit with good intentions), there is naturally a state of inconsistency from institution to institution (both in quality and in execution). A state-run agency reporting to the Student Loan Ombudsman would be much more consistent in their training, direction given, and impartial counseling provided. In addition, many students attend more than one institution during their borrowing lifecycle. Having one singular place they know they could go to and trust would eliminate complexities with navigating multiple offices, etc. Lastly, many times students and families (especially those who may need the education and support the most) feel nervous discussing finances with the school they want to attend and are unsure if their loan holders in repayment have their best interest at heart. Therefore, they do not often get the full benefit of the resources available because they must trust and utilize them. An independent and impartial team could offer students and families a place to go that they feel safe and supported throughout the entire process of funding their education.

2. For this team to be effective, they would also need to be allocated funding to promote their services through public service announcements (PSAs), secondary school materials and presentations, social media, etc. If potential and current student loan borrowers see a state sponsored message telling them they can get independent, state-run, impartial help with their literacy needs and loan repayment they may be more apt to seek assistance and advice.

3. In addition to PSAs and regular appointment/phone-based services, the Student Loan Advocate team could run major public education events. These could be held at colleges or arenas around the state and/or be done virtually. Potential future borrowers and current borrowers could come to learn about student loan debt, learn some overall financial literacy, learn about student loan repayment options available, etc. And then there could also be experts on hand to help people right then and there get into a better situation. Many events like this have already been attempted or currently occur. They are successful but not often well attended. With the right PSAs and the public knowing they are run by a trusted agency they have the potential to become major events that help many people.

Advantages of a Student Loan Ombudsman and Student Loan Advocate Team

The advantages include having someone to provide protections to ensure students are not harmed while borrowing and repaying loans to attend college and having people available to help them navigate the difficult web of financing their education and repaying their student loan debt.

Disadvantages of a Student Loan Ombudsman and Student Loan Advocate Team

Ensuring there were enough resources to staff this office and effectively promote these services would likely require a fair amount of investment.

Recommendation

I recommend the state create a Student Loan Ombudsman role, as well as a Student Loan Advocate team reporting to the Ombudsman (and provide appropriate funding to promote their available services). Many other states already have Ombudsman, so best practices should be followed and used through the implementation. For the Student Loan Advocate team, Herzing University's Alumni Support Center could serve as a proven model to follow. Challenges would include appropriating enough funding to effectively execute and support the outlined plans.

RECRUIT AND RETAIN YOUNG GRADUATES BY HELPING THEM PAY BACK STUDENT LOANS

BadgerCLAW helps young graduates living and working in Wisconsin full-time for at least six months pay back student loans by applying their state income tax until the loan is fully retired. View a video describing the program here.

Author: Andy Gronik, Founder, President, StageW.org
Date: July 22, 2020

Overview

BadgerCLAW simultaneously addresses multiple problems pervasive in Wisconsin, including **a)** aging population, **b)** college graduates leaving the state, **c)** workforce shortages statewide, and **d)** shrinking rural communities. BadgerCLAW is an original solution developed by StageW.org in 2016 to help address the negative trends summarized above. To our knowledge, only Kansas has begun *nibbling around the edges* of this more comprehensive solution by declaring 77 counties as rural opportunity zones where workers relocating to these areas *may* qualify for help with student loan repayment up to $15,000 or *may* be eligible for a state income tax waver up to five years[128].

Advantages of BadgerCLAW

BadgerCLAW is easy to understand, communicate and implement, and the benefits/payback to Wisconsin taxpayers are easy to measure transparently. This program gives businesses of all sizes a recruiting and retention tool to attract young leaders and future job creators. BadgerCLAW will help attract and retain more than 10,000 (guesstimate) highly educated young people to Wisconsin by year four (guesstimate) of the program, normalizing at an increase of over 18,000 (guesstimate) graduates per year by year seven. These graduates will earn more, spend more and stay longer – all of which will contribute to the economy throughout the entire state. Taxpayer payback will be swift from sources including, but not limited to, a) business growth and increased corporate spending and tax payments occurring as a direct result of the infusion of desperately needed young thought leaders, b) graduates without the burden of student debt will start more small businesses, create more jobs, contribute more to community success and pay more taxes, c) graduates recruited to Wisconsin will be a new source of sales tax payments on their discretionary income, d) graduates will get married sooner, start families and retire in Wisconsin, contributing to healthy communities while paying more taxes, and e) graduates will rent more apartments,

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[128] Kansas Department of Commerce, Rural Opportunity Zones, July 12, 2020, Accessed: August 5, 2020.

build more homes, buy more gas and take more vacations in Wisconsin -- all of which result in tax revenue to the state.

Disadvantages of BadgerCLAW

The State of Wisconsin will forego income tax revenue from about 70,000 (guesstimate) college graduates 34 years old or younger with student debt who are working full-time equivalent jobs while living full-time in Wisconsin and also incur the costs to promote and administer the program -- costs *guesstimated* to be about $175 million annually. BadgerCLAW is not intended to be a replacement or substitute for other solutions needed to ease the burden of student debt like refinancing.

Recommendation

BadgerCLAW would target graduates from four-year accredited universities who are 34 years old or younger and who have student debt. To be eligible for the benefits of BadgerCLAW, graduates must be employed full-time in Wisconsin for a minimum of six months while also maintaining full-time Wisconsin residency corresponding to their dates of full-time employment. Eligible graduates would pay the Wisconsin Department of Revenue (DOR) taxes due as required by law and provide the documentation necessary to offer proof of eligibility for the program. DOR would create an automated process to **1)** refund taxpayer the amount of any student debt payments made after satisfying the requirements of the program, and **2)** map the balance of all eligible state tax payments to the applicable providers of student debt financing in satisfaction of payments due until the debt is fully retired. Wisconsin would design and implement a plan promoting BadgerCLAW to students attending Wisconsin universities and an advertising campaign to recruit graduates from neighboring states and to inform Wisconsin employers about how to leverage the benefits of BadgerCLAW to recruit (and retain) college graduates to their companies and communities.

Next steps include **1)** surveying soon-to-be and recent graduates to determine if the defined benefits of BadgerCLAW would affect their decision to live and work in Wisconsin, **2)** confirming costs and payback period for Wisconsin taxpayers, and **3)** mapping out an automated process for collecting and distributing state tax payments from eligible program participants to providers of student debt.

Got student debt?

Let Wisconsin pay for your shiny, new degree!

After living and working full-time in Wisconsin for just six months, the state will apply 100% of your state income tax payment to paying off your student debt.

COLLEGE PROMISE PROGRAMS

Author: Michael Rosen, Director, Local 212/MATC Fast Fund
Date: July 13, 2020

Overview

State support for public higher education has not kept up with the cost of attendance. As a result, students are priced out of postsecondary education entirely or forced to take on unprecedented levels of debt. Promise programs attempt to address this by making an affordability promise to students, typically free tuition and fees. But program details vary from state to state. One of the most important differences is the order of funding streams.

The term "first-dollar program" means that funds from the state college promise program are provided to the students first before any other grant or scholarship funding. A "first dollar" Promise program covers the direct costs of being a student and allows other funding, such as a federal Pell Grant, to reduce other costs of attendance like books, transportation, rent, childcare, and school supplies. This is important to consider because non-tuition expenses make up a staggering 81% of the cost of community college and 61% cost of public four-year college[129]. Because of the cost there are only a handful of statewide first dollar programs[130].

In a "last-dollar program" funds from the state college promise program are applied after federal and state needs-based grant funding, most significantly the Pell Grant. A full federal Pell grant is $6,345 for the 2020-21 award year. Students may also receive a partial grant depending on their financial need and credits pursued. The total amount of college promise funding depends on the gap between state and federal grant aid and the tuition cost. This often means that more college promise dollars go to middle class individuals, especially if the Pell grant is more than the tuition costs, as it is for most community and technical college programs in Wisconsin. These last dollar programs do not provide funds for the non-tuition costs of attendance discussed above.

One of the most well-known is the Tennessee Promise which is a last-dollar free community college program covering tuition and fees for recent high school graduates launched in 2015. A similar program for older students called Tennessee Reconnect was launched in 2017. The program has been incredibly successful in promoting college enrollment among Tennessee residents[131]. Substantial aid for community college already existed in Tennessee, but it was not until this bold, simple promise became available that enrollment rose substantially.[132]

There is also an emerging "middle dollar" model that allows students with high financial aid to keep some of their grant aid to defray non-tuition costs. This is a newer more amorphous term that can mean several things. Oregon's college promise approach plans to provide

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[129] Goldrick-Rab, Sara and Kendall, Nancy, "The Real Price of College," The Century Foundation, March 3, 2016, Accessed: July 2, 2020
[130] See chart Mishory, Jen, Granville, Peter "Policy Design Matters for Rising "Free College" Aid," The Century Foundation, June 6, 2019, Accessed: July 2, 2020
[131] Nguyen, Heiu, "Free college? Assessing enrollment responses to the Tennessee Promise program," Labour Economics, October 2020 (in progress), Accessed: July 3, 2020
[132] Carruthers, Celeste, "Five Things to Know About the Tennessee Promise Scholarship," Brookings Institution Brown Center Chalkboard, May 6, 2019, Accessed: July 3, 2020

guarantees at least $1,000 of support to all students for non-tuition costs, regardless of whether they have other grant aid that covers their tuition. Washington does not consider Pell awards, so the poorest students will have access to that aid. Hawaii covers books, transportation costs, and supplies if students have unmet need.

In addition to affordability promises states and individual institutions have created or expanded programs to provide additional counseling, tutoring, transportation funding, and other student supports that increase graduation rates. Most notable is the City University of New York's Accelerated Study in Associate Programs (CUNY ASAP) which provides free associates degrees with twice the graduate rate of the non-ASAP pathway. This task force should consider not just affordability "promises," but also what educational quality and support we should promise to our students.

The goal should be to fulfill the promise of higher education as an equalizing force for all not just those wealthy enough to meet the rising price or repay their loans.

Advantages of College Promise

A college promise program is a racially just solution. The cost shift to students and families In higher education creates burdens--and divisions–that reinforce racial disparities. These dynamics are important because the current safety net for the increasing number of student debtors exist almost entirely in back-end debt management "solutions." Rather than lowering prices and removing the need to borrow, lawmakers have focused on loan repayment to stem the rising tide of loan defaults and delinquencies. The current crisis is the ultimate proof of how risky it is for individuals to carry this debt, given persistent racial wealth gaps and bifurcated labor markets, even if we had a perfect student loan servicing system.[133]

Higher education pricing and admissions is very complex. First-generation and low-income students respond to the messaging of affordability guarantees that cut through the noise of acronyms and cost calculators[134]. The system doesn't need to put additional complexity on the backs of students, like income-share agreements[135]. A simple, universal affordability guarantee will help students and families plan for college and would discourage students from attending predatory for-profit institutions. A robust college promise program would be good for the economy of many Wisconsin "college towns" and for the state economy as a whole.[136] Other long-term benefits include a citizenry more likely to vote and less reliant on social programs.

Disadvantages of college promise programs

The only drawback is cost. But we cannot be stymied by zero-sum thinking that views money spent on higher education as "taking money away" from other important priorities. Higher education, K12, and healthcare are often pitted against one another in a race to the bottom. Wisconsin can make all of these, and more, true priorities with adequate funding.

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[133] Huelsman, Mark, "When it comes to student debt, it's really a matter of wealth," Washington Post, May 16, 2018, Accessed: July 2, 2020
[134] Quintana, Chris, "How U. of Michigan Appealed to Low-Income Students With a Colorful Invitation – and a Promise of Aid," Chronicle of Higher Education, December 10, 2018, Accessed: July 2, 2020
[135] Preston, Caroline, "To pay for college, more students are promising a piece of their future to investors," Hechinger Report, February 19, 2020, Accessed: July 2, 2020
[136] Maxim, Robert and Muro, Mark "Restoring Regional Public Universities for Recovery in the Great Lakes," Brookings Institution, June 2020, Accessed: July 2, 2020

Recommendation

Provide enough funding directly to public institutions of higher education to lower the tuition price to zero, without further cutting operation support from the institution.

There is historical precedence for free and very low-cost college. Wisconsin could look back on our own earlier budgets to gain insights about how higher levels of education were funded. Key financing design differences are:

- First-dollar vs last-dollar programs
- What costs are covered by the promise, most cover tuition and fees, some programs also cover books. The cost of basics such as food and shelter remain an issue for many college students[137]

The current statewide college promise programs have been evaluated and compared by The Century Foundation.[138] Notable program design features include:

- Enrollment intensity, students who are able to enroll full-time tend to make more progress accruing credits, but many student's lives do not allow them to enroll full-time and requiring full-time enrollment will limit access.
- GPA requirements for students have a similar dynamic. Higher GPAs are somewhat predictive of success, but we should not give up on students with low GPAs

For best practices on enrollment and completion, consider CUNY ASAP[139] and the program's replication in Ohio[140]. The program is free, but not universal. It provides insight on the level of support required to help students succeed. The long-running privately funded Kalamazoo Promise offers some valuable lessons on program design and benefits both to students and to communities.[141]

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[137] https://hope4college.com/realcollege-2020-five-years-of-evidence-on-basic-needs-insecurity/
[138] Mishory, Jen "The Future of Statewide College Promise Programs," The Century Foundation, March 6, 2018, Accessed: July 2, 2020 and Mishory, Jen, Granville, Peter "Policy Design Matters for Rising "Free College" Aid," The Century Foundation, June 6, 2019, Accessed: July 2, 2020
[139] "Accelerated Study in Associate Programs (ASAP): A Program That Almost Doubles Three-Year Graduation Rates," 2015, MDRC Accessed: July 2, 2020
[140] "Evaluating Replications of CUNY's Accelerated Study in Associate Programs (ASAP)" MDRC 2017, Accessed: July 2, 2020
[141] Bartik, Timothy J., Hershbein, Brad J., Lachowska, Marta, "The Effects of the Kalamazoo Promise Scholarship on College Enrollment, Persistence, and Completion" Upjohn Institute, December 1, 2017, Accessed: July 2, 2020

LOAN FORGIVENESS PROGRAMS

Loan Forgiveness Programs are important tools to both relieve student debt and incentivize individuals to work in certain professions, however they are sometimes difficult to access.

Author: Sophie Blumenstein, Intern, Student Debt Task Force, Wisconsin DFI
Date: June 26, 2020

Overview

While the burden of student loan debt constrains many borrowers' career and family decisions, many states suffer from shortages of public service employees and health care workers. As such, both state and federal agencies have tried to incentivize borrowers to work in certain fields and locations by forgiving student loan debt.

Advantages of Loan Forgiveness Programs

In 2007, the Public Service Loan Forgiveness (PSLF) program was created by the federal government to incentivize college graduates to go into the public sector and to support public service workers who have paid 10 years' worth of qualifying student loan payments.[142] Many employers rely on PSLF to attract candidates with advanced degrees to enter traditionally lower paying jobs; likewise, many employees rely on the promise of PSLF to finance higher education and pursue a career in public service.[143]

In addition to PSLF, many teachers are eligible for teaching-specific programs that offer student loan forgiveness. On the federal level, the Teacher Loan Forgiveness Program offers funding to teachers who work for five years in a low-income school and meet certain loan requirements.[144] The program offers up to $5,000 in loan forgiveness for typical teachers and up to $17,500 for teachers in math, science, or special education.[145]

Additionally, the Wisconsin Teacher Education Loan program allows college students to apply for up to $10,000 worth of loans from the state Higher Educational Aids Board (HEAB), which are then forgiven in 25% increments each year that the borrower works in a public or private school in either Milwaukee or a rural area.[146]

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[142] Messer, Sabra R., "The Parameters of Trust: Public Service Loan Forgiveness and Prioritizing Reliable Agency Communications," Administrative Law Review, Vol. 70 Issue 1, p 233-262, Winter 2018. Accessed: June 22, 2020.
[143] Messer, "The Parameters of Trust," Administrative Law Review.
[144] "Teacher Loan Forgiveness," Federal Student Aid. Accessed: June 23, 2020.
[145] Yaedo, Joe, Henken, Rob, "Help Wanted: An Analysis of the Teacher Pipeline in Metro Milwaukee," Pg. 44-45, Public Policy Forum, April 2016. Accessed: June 23, 2020.
[146] Yaedo, Henken, "Help Wanted," Public Policy Forum. Accessed: August 5, 2020.

In Wisconsin, several loan forgiveness programs are available to health professionals. For example, Wisconsin's Health Professions Loan Assistance Program allots up to $50,000 in repayment assistance for those who work for at least three years in a federally designated Health Professional Shortage Area (HPSA), which include both underserved rural and urban areas.[147] Additionally, providers can access the state's Rural Physician Loan Assistance Program and the Primary Care and Psychiatry Shortage Grant.

Disadvantages of Loan Forgiveness Programs

Programs like PSLF can incentivize graduates to enter the public sector, but the program currently has a low acceptance rate. Only about 1.1% of PSLF applicants have been approved, primarily due to a lack of qualifying payments, missing information, or ineligible loans.[148] In response to this low approval rate, Congress began the Temporary Expanded PSLF (TEPSLF) to broaden the list of repayment plans that qualify. However, as of May 2019, 99% of TEPSLF requests had been denied, the vast majority of which were denied because of a technicality that the borrower did not submit a PSLF application.[149]

The PSLF and TEPSLF programs are promising options to make public service more accessible and affordable. However, until the processes of accessing loan forgiveness are functionally attainable, candidates and employers cannot count on loan forgiveness.

Additionally, the federal Teacher Loan Forgiveness Program does not apply to all types of student loans and offers significantly less funding than the amount of student loan debt typically accrued by teachers.

Recommendation

Loan forgiveness is a helpful tool to both alleviate student debt and fill shortages in high-need professions and locations. Although funding for a variety of professionals is available, the process of achieving loan forgiveness is often arduous and functionally inaccessible. As such, Wisconsin should consider creating a program that would grant student loan forgiveness for targeted professions, expanding the scope of teacher loan forgiveness, and providing greater guidance to borrowers going through a variety of loan forgiveness processes.

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147 "Education Loan Repayment," Wisconsin Office of Rural Health, 2019. Accessed: June 23, 2020.
148 Martin, Hunter B., "Education Department Releases New Data on Public Service Loan Forgiveness Program," National Association of Student Financial Aid Administrators, October 9, 2019. Accessed: June 23, 2020.
149 "Public Service Loan Forgiveness," United States Government Accountability Office, September 2019. Accessed: June 23, 2020.

PRIVATE REFINANCING AUTHORITIES

Private refinancing options allow borrowers to refinance their student loans to receive lower interest rates. However, this option comes at the price of losing federal student loan protections.

Author: Mark Uzeirovic, Program and Policy Analyst, Wisconsin DFI
Date: July 03, 2020

Overview

Since 2013, federal student loan interest rates have been tied to 10-year treasury notes. Prior to 2013, interest rates for student loans were set by Congress and often exceeded the rates of other consumer loans. Students who borrowed prior to 2013 may have interest rates as high as 7%.[150] The federal government and most states do not offer relief through government refinancing authorities, which means for many borrowers who wish to refinance, private refinancing may be their only option, making private refinancing a key component of understanding student debt.

Advantages of Private Refinancing

Private refinancing is an option worth considering for borrowers with high interest rates and good credit scores. For instance, a borrower who took out a federal student loan in 2013 with a 6.8% interest rate could refinance to an interest rate between 3.5% and 5%.[151] Additionally, refinancing can help borrowers consolidate several loans into one loan payment.

Private Refinancing Authorities Comparison

Lender	Fixed Rate	Variable Rate	Minimum FICO Score
Common Bond	3.19%-6.43%	3.18%-6.07%	660
Discover	3.99%-7.74%	2.37%-6.12%	N/A
Earnest	3.19%-6.43%	1.99%-6.43%	650
Lend Key	3.19%-7.75%	2.63%-5.25%	660
SoFi	3.20%-6.44%	2.99%-6.44%	N/A
State Financial Institution	3.14%-N/A	1.89%-N/A	N/A
Wells Fargo	3.74%-9.99%	2.50 %-8.49%	N/A

Note: These rates were current as of July 3, 2020, from the private refinancing authority's website.

150 "Understand how interest is calculated and what fees are associated with your federal student loan," Federal Student Aid, U.S. Department of Education. Accessed: July 1, 2020.
151 "Understanding your federal student loan," Federal Student Aid, U.S. Department of Education. Accessed: August 5, 2020.

Disadvantages of Private Refinancing

Refinancing federal student loans comes at a price. Borrowers who choose to refinance will lose some of the protections that federal student loans offer. For instance, borrowers will lose eligibility for federal student loan forgiveness programs. Those who refinance will also no longer qualify for federal income-driven repayment plans.[152] For borrowers considering refinancing, it is important to weigh a lower interest rate with the loss of benefits.

Lastly, private lenders who offer refinancing often promote their lowest interest rate, which is only offered for those with excellent credit. For example, LendKey only offers its lowest rate to individuals with an 810 FICO score.[153] Also, the advertised rate typically only applies to borrowers who enroll in autopay.[2]

Recommendation

Private refinancing is a great option for borrowers with high interest rates and good FICO scores. Wisconsin could do more to work with in-state lenders to expand access to private refinancing. However, private refinancing is not a solution that will help the most vulnerable borrowers who are struggling with student debt.

[152] "Should I refinance my federal student loan into a private student loan with a lower rate?," Consumer Finance Protections Bureau, 2017. Accessed: July 3, 2020.
[153] "Disclaimers: Student Loan Refinancing," Lendkey Technologies, Inc., 2020. Accessed: July 1, 2020.

PROMISE PROGRAMS

Many states, postsecondary institutions, and localities have created promise programs, which provide eligible students with full tuition scholarships to qualifying institutions. Promise programs can be expensive, but they allow for considerable variety in their features and are an effective way to subsidize higher education.

Author: Sophie Blumenstein, Intern, Student Debt Task Force, Wisconsin DFI
Date: July 07, 2020

Overview

As the burden of student debt continues to rise, both postsecondary institutions and state governments have looked to curb high levels of student debt, increase college attainment, and promote economic growth. In one such effort, many postsecondary institutions, states, and localities have created promise programs, which allow students to attend college for free.

Existing State-Sponsored Promise Programs

Many states have implemented promise programs with varying requirements and characteristics. A 2018 study examined 289 promise programs nationwide. The study highlights common characteristics among many state-sponsored programs with 97% of states defining place-based requirements to mean residing in-state, 78% require participants to live in-state for one year, and 80% allow recipients to attend either a two-year or four-year institution.[154]

For example, New York's Excelsior Scholarship promises last-dollar support, which means New York's aid fills the gap between other grants received and the full cost of tuition and associated fees. In order to be eligible, students must live in the New York state, attend an eligible two-year or four-year higher education institution, and have an annual family income below $125,000.[155] Additionally, New York ensures the long-term economic payoff of this program by requiring participants to live in New York state after graduation for the number of years that they were enrolled in higher education.

In another case, Indiana's 21st Century Scholars Program promises up to four years of aid to financially eligible middle-school students who ultimately attend a public postsecondary institution in the state and meet ongoing merit-based requirements.[156] Indiana's program is particularly helpful because it provides first-dollar support, meaning the aid covers full tuition

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[154] Perna, Leigh, "Understanding the Promise: A Typology of State and Local College Promise Programs," *Educational Researcher*, vol. 47, no. 3, pp. 155-180, April 2018. Accessed: June 16, 2020.
[155] "The Excelsior Scholarship, Making College Possible," New York State, Excelsior Ever Upward. Accessed: July 3, 2020.
[156] Kelchen, Robert "A Review of College Promise Programs: Evidence from the Midwest," Midwest Higher Education Compact, July 2017. Accessed: June 16, 2020.

and fees and allows grants to cover expenses such as housing and textbooks. Program participants are 2.4% more likely to attend postsecondary education than otherwise similar students; however, the program's impact on college completion has not been studied.

Additionally, Missouri's A+ Program uses last-dollar support to cover participants' tuition and fees for community or technical colleges in the state.[157] To qualify, students and their high schools must enroll in the program and meet academic requirements. In 2017, almost all public high schools had enrolled. Furthermore, in the 2014-15 academic year, about 13,000 students received roughly $32 million in scholarships from the program. A recent study estimated that the A+ Program increased college enrollment by 1.5%.[158]

Advantages of Promise Programs

Although Wisconsin does not currently have a state-wide promise program, several postsecondary institutions offer independent promise programs in the state, the first of which began in 2015. Eleven technical and tribal colleges in Wisconsin have established programs that use foundation-based support to offer last-dollar funding. Typically, low-income students who attain sufficient high school and college entrance grades are eligible.[159]

In addition to these technical colleges, the University of Wisconsin-Madison offers a similar program entitled "Bucky's Tuition Promise," which guarantees last-dollar funding for in-state students whose household adjusted gross income is less than $60,000.[160] Also, the La Crosse Promise Program offers up to $50,000 in postsecondary scholarship money to those who build and renovate single-family homes in certain neighborhoods.[161] Furthermore, the Degree Project provides up to $12,000 of last-dollar funding to Milwaukee Public School graduates who meet merit requirements and attend any two or four-year public institution in the state.[162]

Disadvantages of Promise Programs

Wisconsin's institutional and locality-based promise programs have expanded financial aid in the state and encouraged many students to enroll in higher education; however, many institution-based promise programs are simply a method of clarifying the funding already available to low-income students. Awareness of such funding encourages low-income students to pursue higher education and to file for FAFSA promptly, but it does not necessarily increase the availability of scholarship funding. Additionally, colleges with either lower tuition costs or less students with high financial need are more likely to implement promise programs. For example, many Wisconsin technical colleges can use fundraising to

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[157] Kelchen, "Review of Promise Programs," Midwest Higher Education Compact. Accessed: August 5, 2020.
[158] Kelchen, "Review of Promise Programs," Midwest Higher Education Compact. Accessed: August 5, 2020.
[159] "Promise Programs," Wisconsin Technical Colleges, 2020. Accessed: June 16, 2020.
[160] "Bucky's Tuition Promise," University of Wisconsin-Madison Office of Financial Aid, 2020. Accessed: June 16, 2020.
[161] "La Crosse Promise," La Crosse Promise, n.d. Accessed: June 16, 2020.
[162] Perna, Laura W., Leigh, Elaine W., "Database of College Promise Programs," University of Pennsylvania, Alliance for Higher Education and Democracy, April 2020. Accessed: June 16, 2020.

provide scholarships that cover the relatively low tuition costs of a two-year degree, and the University of Wisconsin-Madison can fund promise programs through alumni support. It is harder for other four-year colleges in the University of Wisconsin system to create promise programs because they are less likely to have the resources to support such generous funding.

Recommendation

Promise programs are a popular tool used to both meet the financial needs of students and to make postsecondary education a more feasible investment. Although promise programs can be very expensive to implement, the possibility of varied program characteristics could make a program more economically and politically feasible. Wisconsin could benefit from the implementation of a state-wide promise program to assist low-income students in achieving their postsecondary education goals. At the very least, clarifying pre-existing programs within the state would make receiving grants for postsecondary education more accessible for borrowers and would improve already existing infrastructure.

RURAL OPPORTUNITY ZONES

In 2012, Kansas implemented the Rural Opportunity Zone Program to incentivize educated young adults to move to rural parts of the state after graduating college. The program alleviated debt among young adults already planning to move to rural areas; however, it is not clear whether the program led to more individuals moving to rural areas.

Author: Sophie Blumenstein, Intern, Student Debt Task Force, Wisconsin DFI
Date: July 02, 2020

Overview

Many rural areas in the United States are experiencing large declines in population, often because of the outmigration of young, middle- and high-income, educated individuals. Some states have looked for ways to halt such population decline and the subsequent shrinking of rural economies and social services.[163] In one such effort, Kansas implemented the Rural Opportunity Zone (ROZ) Program in 2012, which uses a combination of tax waivers and student loan repayment assistance to incentivize young people to move to ROZs. Wisconsin can learn from Kansas's use of ROZs as a tool to both alleviate student debt and encourage economic growth in rural areas.

Advantages of Rural Opportunity Zones

The ROZ Program designates 77 (out of 105) Kansas counties as ROZs in which qualified individuals are eligible for either one or both of the following benefits[164]:

- Income Tax Abatements: Kansas state income tax liability waived for any year in which individuals qualify, up to 5 years.
- Student Loan Repayment Assistance: Student loan payments of 20% of a participant's outstanding student loan balance with a maximum assistance of $15,000 for up to 5 years.

Student loan assistance is funded by a combination of county sponsors, employer sponsors, and state funding.

Disadvantages of Rural Opportunity Zones

The Kansas ROZ Program was largely ineffective in achieving its goals. The program's primary goal was preventing outmigration from rural areas, but 91% of ROZ counties sustained population loss after program implementation.[165] Furthermore, 84% of program

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[163] Brooks, Matthew M., "Countering Depopulation in Kansas," Kansas State University, 2017. Accessed: May 28, 2020.
[164] "Rural Opportunity Zone Program," Kansas Department of Commerce, 2019. Accessed: May 28, 2020.
[165] "Kansas Rural Opportunity Zones: Program Evaluation and Recommendations," Kansas Department of Commerce, 2019. Accessed: May 28, 2020.

participants would have moved to the ROZ county regardless of the program, indicating that while the benefits may help these individuals, they did not incentivize behavioral change.[166]

On the other hand, as a tool to alleviate student debt, ROZs have encouraged investment in rural economies by alleviating the financial burden of debt on educated workers. The program has primarily served full-time workers between the age of 20 and 40 years old.

Recommendation

Wisconsin should look at the successes and failures of the Kansas ROZ program to determine whether a similar opportunity zone program would be viable in the state. In addition, critics of the Kansas program have considered whether incentivizing employers rather than workers would be more effective in reducing outmigration. Before implementing a rural opportunity zone program, Wisconsin should consider the availability of jobs in areas experiencing outmigration and economic loss.

[166] "Kansas Rural Opportunity Zones," Kansas Department of Commerce. Accessed: August 5, 2020.

STATE INCOME TAX CREDITS

Several states have relieved student debt by granting state income tax credits to eligible borrowers, an effective yet expensive way to help residents pay off student loans and to incentivize higher education.

Author: Sophie Blumenstein, Intern, Student Debt Task Force, Wisconsin DFI
Date: July 14, 2020

Overview

With a growing number of Americans taking on student loans to finance higher education, both federal and state governments have used tax incentives and credits to promote higher education and relieve student debt. In particular, Maryland, Maine, and Minnesota have granted varying state income tax credits that help qualifying state residents pay off their student loans.

Advantages of State Income Tax Credits

Maryland

In 2016, Maryland implemented the Student Loan Debt Relief Tax Credit. The initiative grants refundable income tax credits up to $5,000 to applicants who have incurred at least $20,000 (including interest) in undergraduate student loan debt, and who have at least $5,000 in outstanding undergraduate student loan debt at the time of application.[167] The tax credit applies to public and private student loans, but the debt must be incurred by the student.[168] The Maryland Higher Education Commission (MHEC) is responsible for the program.

Maine

Similar to Maryland's program, Maine's Educational Opportunity Tax Credit uses tax credits to reimburse qualifying student loan payments for graduates who live, work, and pay taxes in Maine.[169] Tax credits amount to a participant's eligible loan payments up to a benchmark loan payment amount. For many graduates, the credit must be used to pay taxes (it is nonrefundable) and any unused portions can be applied to future tax years for up to 10 years. However, for individuals who graduated during or after 2013 with an associate or bachelor's degree in science, technology, engineering, or mathematics (STEM), and for individuals who earned an associate degree during or after 2016, the tax credit is refundable.[170] In other words, these individuals can use the unused portion of the tax credit to pay off student debt.

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167 "2018 Regular Session - Fiscal and Policy Note for House Bill 593," Department of Legislative Services, 2018. Accessed: May 22, 2020.
168 "Student Loan Debt Relief Tax Credit FAQs," Maryland OneStop. Accessed: May 22, 2020.
169 "Educational Opportunity Tax Credit," Department of Administrative and Financial Services, Maine Revenue Services. Accessed: May 22, 2020.
170 "Educational Opportunity Tax Credit FAQs," Department of Administrative and Financial Services, Maine Revenue Services. Accessed: May 22, 2020.

Minnesota

In 2017, the Minnesota legislature enacted the Student Loan Tax Credit, which grants nonrefundable credits to qualified individuals for up to a $500 reduction in their state income tax liability.[171] Eligible individuals must be either part- or full-time residents of Minnesota, and have borrowed student loans to finance either their own undergraduate or graduate degree program. Eligible loan payments include both principal and interest. Finally, the educational institution must be eligible for either the Minnesota State Grant program, if located in Minnesota, or the federal Pell Grant program.[172]

Disadvantages of State Income Tax Credits

Although state income tax credits benefit local economies in the long-term by allowing individuals to gain financial security, they do cause significant cuts in state tax revenue. In Minnesota, the state Department of Revenue estimated that the credit would lead to revenue reductions between $26 and $30 million per fiscal year in the state.[173] Maryland only permits its Higher Education Commission to approve up to $5.0 million in tax credits per year, which prevents the state from incurring unmanageable revenue losses; however, this also means that eligible individuals do not always receive tax credits.[174]

Furthermore, state income tax credits do not address the disproportionate impacts of student debt on vulnerable communities and often assume high levels of financial literacy. The complexity of various state income tax subsidies can limit borrowers from applying, and many individuals fail to claim tax benefits for which they are eligible.[175] Additionally, state income tax credits are unlikely to impact first-generation and low-income students who are on the margin of college attendance.[176]

Recommendation

In recent years, several states have used state income tax credits of varying amounts to help their residents pay off student debt. Such programs are effective in relieving taxpayers' debt, which encourages borrowers to invest in the economy; however, state income tax credits result in significant reductions in state tax revenue. As the cost of higher education continues to rise, Wisconsin could explore the use of state income tax credits as a method to relieve student loan debt and to promote higher education.

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[171] "2019 Minnesota Statues: Sec. 290.0682 Student Loan Credit," Office of the Revisor of Statues, 2019. Accessed: May 22, 2020.
[172] Williams, Sean, Manzi, Nina, "House Research: The Minnesota Student Loan Tax Credit," September 2017. Accessed: May 22, 2020.
[173] Williams, Manzi, "House Research." Accessed: August 5, 2020.
[174] "2018 Regular Session," Department of Legislative Services. Accessed: August 5, 2020.
[175] Turner, Nicholas, "Tax Expenditures for Education," The Department of the Treasury, Office of Tax Analysis, November 2016. Accessed: July 10, 2020.
[176] Turner, Nicholas, "Tax Expenditures for Education," The Department of the Treasury, Office of Tax Analysis. Accessed: July 10, 2020

STATE REFINANCING OF PRIVATE STUDENT LOANS

Creating a state program to refinance private student loans with strong consumer protection standards may address a set of problems Wisconsin borrowers face and should not be paired with Income Share Agreements.

Author: Michael Rosen, Director, Local 212, MATC Faculty and Students Together Fund
Date: July 14, 2020

Overview

State student loan refinancing programs offer borrowers the ability to refinance and consolidate their student loans into lower-interest student loans through state agencies. Given the significant consumer protections afforded federal student loan borrowers, some states have restricted their state refinance programs to private student loans, which account for nearly 8 percent of student loans nationally, and more than $123 billion in 2019.[177]

While years of advocacy at the federal and state level have created a robust consumer protection framework protecting federal student loan borrowers from a host of harmful practices, private loans offer borrowers far inferior protections. Private lenders can place borrowers in default much more easily, after just a few missed or partial payments. Private loan borrowers who fall behind on payments will see their credit scores decline, and private lenders can send outstanding loans to collections, sue borrowers for repayment, and ultimately pursue remedies such as wage garnishment.

State refinance programs, when focused on refinancing private market loans at lower interest rates and with better consumer protection standards, could significantly benefit Wisconsin borrowers. Until recently, most states that have implemented state student loan refinancing programs already had functioning state student loan authorities that originated new loans, giving them the experience and infrastructure to add refinancing to their portfolio, and those authorities could issue tax-exempt revenue bonds to finance their operations, making them essentially self-sustaining and revenue-neutral.[178]

States without these pre-existing authorities have explored different approaches. California created their student loan refinancing program in 2014 through legislation, focused exclusively on refinancing private loans due to the many consumer protections federal student loan borrowers already have. Last year, Illinois passed SB1524, creating the Illinois Student Loan Investment Act, giving the Treasurer broad authority to finance various student loan products (e.g. originating loans, refinancing loans, and–regrettably–income share agreements) using up to 5% of the state's investment portfolio.[179]

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[177] MeasureOne, "The MeasureOne Private Student Loan Report," MeasureOne, June 18, 2019. Accessed: July 7, 2020.
[178] Weeden, Dustin, "Refinancing Student Loans," NCSL LegisBrief, February 2017. Accessed: July 7, 2020.
[179] *Public Act 101-0586 2019* (IL) https://www.ilga.gov/legislation/publicacts/fulltext.asp?Name=101-0586. Accessed: July 7, 2020.

The bundling of state refinancing with income share agreements (ISAs) raises many concerns. Since the basic functioning of ISAs is being addressed in other summaries, that is not reviewed here. The heavily private equity investor-financed ISA industry is pushing to legislate ISAs and expand their use by colleges and universities, both public and private. Private equity backers are using the same rationale for ISAs as they used to create the payday lending industry, suggesting ISAs provide “access to educational opportunity” for students. However, like payday lending, ISAs are opaque and allow investors to profit at the expense of student borrowers who may forgo consumer protections in federal student loans to graduate from college purportedly “debt free.”[180] The ISA industry is working to ensure that ISAs can evade all consumer protection standards by framing them as *alternative financing products* that do not fit traditional regulatory frameworks, claiming that these are “equity” investments in a student, not debt products that would require consumer protections. Many other significant problems with ISAs are highlighted in a letter from Sen. Elizabeth Warren, Rep. Katie Porter, and Rep. Ayanna Pressley to Education Secretary Betsy DeVos.[181]

Advantages of State Refinancing of Private Student Loans

When well-constructed and restricted to private student loans, a state refinancing program could lower borrowers’ interest rates, improve loan terms and offer borrowers better consumer protections. With strong consumer protections in place, state refinancing programs could offer a revenue-neutral or possibly revenue-positive program that significantly improves conditions for borrowers and, when managed appropriately, could be an economic boon to Wisconsin as any reduction in borrowers’ student loan payments will expand the discretionary income of affected households and boost spending and consumption.

Disadvantages of State Refinancing of Private Student Loans

Since Wisconsin does not have an existing state loan authority framework or infrastructure, the creation of a state refinance program may pose challenges. We do not want to exacerbate problems for the borrowers we aim to help; so, ensuring sufficient consumer protections is crucial. New Jersey, for example, experienced considerable backlash for “predatory” and “loan sharking” practices in its state student loan program before adopting a series of enhanced consumer protections in 2017-2018.[182] Pairing state refinancing with ISAs, as was done in Illinois, adds many disadvantages given the significant problems with ISAs.

Recommendation

State policy makers should continue to explore the creation of a state loan refinancing program specifically for private student loans, as was created in California. In order to avoid pitfalls faced by other states, Wisconsin should build in strong consumer protection standards such that private student loan borrowers who refinance through the state will be afforded comparable consumer protections as they would if they had federal student loans.

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[180] Habash, Tariq, et. al, “Will Income-Share Agreements Be the Next Payday Loans?,” The American Prospect, July 2, 2019. Accessed: July 7, 2020.
[181] Warren, Elizabeth, et. al., *Elizabeth Warren to Betsy DeVos, June 4, 2019*. Letter. United States Senate. https://www.warren.senate.gov/imo/media/doc/Letter%20to%20DeVos%20re%20ISAs.pdf . Accessed: July 7, 2020.
[182] O’Dea, Colleen, “Legislators Go Only Part Way to Help Those Struggling with Student Loans,” NJ Spotlight, July 26, 2017. Accessed: July 7, 2020.

In exploring next steps, the task force's state refinancing team could invite presentations from the more than 20 states that have created state refinancing programs, and may also benefit from inviting student debt consumer protection advocates to present on state refinancing programs, models that work and challenges.

Though Wisconsin does not have a state student loan authority the state still has power to make the college financing system less brutal for residents. One step would be to make a small investment in a publicity campaign to ensure residents are aware of their eligibility for federal programs such as Public Service Loan Forgiveness, as Colorado has done.[183] New York has a program to pay the income-based federal student loan payments on behalf of recent graduates[184] and has halted the collection of debts owed to their state university system[185] because of the pandemic. The task force should consider similar avenues of working to compliment federal programs and should investigate what types of student debt Wisconsin may still own or guarantee, such as FFEL Program loans, Perkins loans, and any institutionally based loans to consider halting collections or even forgiving the debt.

Considering the enormous sacrifices our public servants are making, the state should consider establishing, expanding, and funding student loan forgiveness programs for healthcare workers, educators, and other public servants. More than 30 bills were passed last year across 18 states focused on student loan forgiveness programs to support educators, healthcare workers, tech workers and more.[186] Between 2019 and 2020, Wisconsin legislators introduced 3 bills to expand eligibility for loan assistance to educators and healthcare professionals. Wisconsin's current programs of forgivable loans to assist public servants the Minority Teacher Loan and Nursing Student Loan[187] could be increased to cover the full cost of attendance and made available to more students. Several states have such programs to attract and retain professionals in these high-student debt fields[188] but the program design should take care to compliment, and not undermine, progress towards federal programs like Public Service Loan Forgiveness and Teacher Loan Forgiveness.

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[183] *SB19-057* (CO) https://leg.colorado.gov/bills/sb19-057 Accessed: July 13, 2020
[184] Higher Education Services Corporation, "NYS Get on Your Feet Loan Forgiveness Program" Accessed: July 13, 2020
[185] James, Letitia, "Attorney General James and Governor Cuomo Again Renew Suspension of State Debt Collection as Coronavirus Continues to Impact New Yorkers' Wallets" New York Attorney General's Office Press Release. Accessed: July 13, 2020
[186] National Conference of State Legislatures, "Student Loan Forgiveness," April 24, 2020. Accessed July 13, 2020.
[187] State of Wisconsin Higher Educational Aids Board, "Financial Aid Programs," Accessed: July 14, 2020
[188] The College Investor, "Student Loan Forgiveness Programs By State," Accessed: July 13, 2020.

STRATEGIC USE OF STATE GRANT AID TO REDUCE STUDENT LOAN CHALLENGES

Current State Grant programs are incredibly important resources that help support student access, retention, and completion of higher education by providing economic support to students with high financial need. However, additional state grant programs could be created as a supplement to the current programs with the specific purpose of increasing completion and reducing overall loan debt.

Author: Kevin E. McShane, VP of Financial Aid & Compliance, Herzing University
Date: July 13, 2020

Overview

Studies have consistently shown that student loan delinquency and default rates increase significantly when students do not complete their education. In addition, many students that have large amounts of student loan debt have borrowed the maximum amount available to them each year while attending school (many times while not fully understanding the impact of those choices and the associated fees, interest, etc. tied to those loans). If the state created grant-based programs that assisted students through financial emergencies, supported credential completion, and encouraged responsible education financing, the state grant programs could have direct and positive impact on the student debt crisis in Wisconsin.

Advantages of Strategic Use of State Grant Aid to Reduce Student Loan Challenges

State provided grants would not only be designed to support access, retention, and completion of high need students, but they would also help limit college withdrawals and lower the amount of student loan debt that students take on.

Disadvantages of Strategic Use of State Grant Aid to Reduce Student Loan Challenges

Appropriate levels of funding would be needed to support each initiative.

Recommendation

The state should establish the following new state grant initiatives:

1. Wisconsin Financial Literacy Grant
    a. If one of the main goals of solving the student debt crisis is for students to have less debt to begin with, than one way to achieve this is by incentivizing the literacy of borrowers and the act of self-limiting the amount they are borrowing. This program could be set up to award a grant to students who complete a secondary school course on financing your college education, as well as complete a literacy & advising session with a Student Loan Advocate team when they are applying to college. It could also provide a small grant that is

applied to loan repayment for students that work with a Student Loan Advocate team to ensure they are in the appropriate repayment plan once they exit school.

2. Wisconsin Emergency Grant
   a. Many universities, foundations and community groups have created emergency grant programs to help students overcome financial emergencies that they endure while attending college. These programs are wildly successful and have proven to increase retention and completion. In addition, they often prove to be small dollar amounts that students need to help them overcome their challenge. The current challenge is that most institutions have limited resources. With a state investment in this area, more students could be supported through qualifying emergencies.

3. Wisconsin Credential Completion Grant
   a. Another challenge students often face is running out of available federal and state funding prior to being able to finish their credential (often a degree, but sometimes a certificate/diploma/etc.). If this occurs and the student does not have the means to obtain private financing (often students from vulnerable communities), they are often forced to withdraw from their studies, strapped with debt and no credential to show for it. The state should create a program that only provides funding in a student's last academic year that is designed to help them over the finish line once they have exhausted all other state and federal resources (a last-dollar grant).

4. Wisconsin Balance Forgiveness Grant
   a. In addition to situations of running out of funding prior to completing, many students are unable to return to their studies after a break if they owe a past due balance to their institution. This program would require a certain level of rigor and administration to ensure it wasn't abused, but if a forgiveness program enabled students to return to school to complete their credential, become gainfully employed in the state of Wisconsin, and repay the debt they had acquired, this would be a worthwhile investment. In addition, while it would represent an expense on paper to forgive outstanding debt, it is important to acknowledge that not all outstanding debt is collectable anyway which offsets some of the real cost of this type of program. This program could also be set up as a matching grant for institutions that participate so that it becomes a shared expense, not just an expense to the state.

In addition to creating these grant programs, studies should be conducted prior to their creation to allow for appropriate funding to be allocated to ensure each program can reach is designed objectives.

STUDENT DEBT EMPLOYEE BENEFIT

To attract top talent, increase employee retention, and improve employee well-being, some employers offer their employees a Student Debt Employee Benefit because student debt burdens frequently dictate employment behaviors. When employers offer financial support and loan repayment services, the employer can increase employee engagement and productivity, and offer a competitive hiring package.

Author: Emma Steinberger, Intern, Student Debt Task Force, Wisconsin DFI
Date: July 16, 2020

Overview

In an attempt to attract, hire, and retain highly skilled employees, customized benefit packages have been developed to help repay student loans. Offering benefits that address the burden of student loans for employees is a competitive business practice for employers, while mutually helping employees repay their student loan debt.

Advantages of Offering a Student Debt Employee Benefit

As a competitive practice, offering repayment aid for employees with student loan debt incentivizes individuals to stay at a company. This helps employers attract, hire, and retain top talent while assisting employees in repaying their student loans much faster.

In one example, Abbott, a healthcare company, implemented a "Freedom 2 Save" employee benefit program for employees to receive assistance on their student loan repayments while also saving for retirement.[189] Abbott's "Freedom 2 Save" program addresses the problem of employees having to choose between paying off student loans and saving for retirement.[1] Under the plan, employees who are currently repaying a student loan, and whose payments equal at least 2% of their eligible pay, receive a 5% company match deposited into their Abbott Stock Retirement Plan (SRP) account without having to make contributions to the SRP.[1] All employees who are eligible to participate in the SRP are also eligible to enroll in the "Freedom 2 Save" program on their first day of employment.[1]

Abbott is currently the only company with a private letter ruling from the IRS to structure its program in this unique way.[190] However, several bills have been introduced with bipartisan support in the legislature that would make the Abbott model accessible to more companies.[191] Furthermore, an industry group has lobbied the IRS to expand its ruling to broaden it to other

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[189] Abbott, "Benefits: Freedom 2 Save," Employee Benefits Website, Accessed: July 14, 2020.
[190] "Got Student Debt? We've Got You," Abbott, June 26, 2019. Accessed: July 14, 2020.
[191] Dickler, Jessica, Epperson, Sharon, Young, Katie, "This workplace perk helps you pay down your student debt and save," CNBC, June 24, 2019. Accessed: July 17, 2020.

companies.[192] Under the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act, employers can be granted tax breaks for contributing up to $5,250 annually toward an employee's student debt. Proponents find that the provision allows debt relief for employees with minimal cost to both employers and the government; however, critics point out that the provision only impacts higher-income employed borrowers and that in effect, it allows employers to redirect money from an employee's income in order to avoid taxes.[193]

Employee Benefit is Fidelity Investments. Fidelity Investments offers three different programs to support employees with debt: a direct plan with monthly contributions to loans, a benefits plan that offers individuals bonuses or paid time off, and a retirement plan to invest in employee retirement funds.[194]

Businesses such as Tuition.io[195], Gradifi[196], and Vault[197] have implemented lifetime benefits for employees up to $10,000 with yearly benefits around $1,200. These companies offer benefit packages to existing organizations to support the employers in providing these services. Furthermore, Tuition.io offers additional benefits of $5,000 a year, after two years, for individuals in entry-level managerial positions and offers $5,250 a year for employees continuing education. Gradifi uniquely includes parents that borrowed student loans to be eligible as well. Both Tuition.io and Vault offer tuition reimbursement for employees continuing their education. Vault specifically offers tuition reimbursement for employees who have been with the company for one year, up to $5,250 annually.

In addition, two well-known companies, Staples[198] and American Family[199] Insurance, both offer employee benefits for student loan debt relief. Staples, operating with Tuition.io, offers $1,200 a year to top performing full-time employees for up to 36 months. American Family Insurance, operating with Vault, offers a maximum lifetime benefit of $10,000 with yearly benefits of $1,200 to individuals with an associate degree or higher.

Finally, in addition to companies offering support for employees, the City of Memphis offers $600 a year to full-time employees who have been with the city for 12 months.[200] These are just a few of the various methods employers have elected to support their employees;

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[192] Barney, Lee, "ERIC Wants IRS to Expand on PLR About Student Loan Repayment Benefit," Planadviser, August 30, 2018. Accessed: July 17, 2020.
[193] Daugherty, Owen, "Tax Break for Employer-Paid Student Loan Contributions in COVID Relief Bill Spurs Debate," NASFAA, April 14, 2020. Accessed: July 17, 2020.; Looney, Adam, "Congress is about to give a student-loan tax break that will only benefit the best-off borrowers," Brookings, March 25, 2020. Accessed: July 17, 2020.
[194] "Case Study: Student Debt: Direct[SM] Benefit," Fidelity Brokerage Services LLC, Fidelity SD Direct Benefit, 2019. Accessed: June 18, 2020.
[195] "How it Helps," Tuition.io, 2019. Accessed: July 15, 2020.
[196] "Student Loan Paydown," Gradifi, 2020. Accessed: July 15, 2020.
[197] "Vault," 2019. Accessed: July 15, 2020.
[198] "Perks and Benefits," Staples. Accessed: July 15, 2020.
[199] "Empowering Our People," American Family Insurance, 2020. Accessed: July 15, 2020.
[200] "City of Memphis Student Loan Reduction Program-FAQs," City of Memphis Human Resource Division. Accessed: July 15, 2020.

however, it is important to recognize there is not just one way to support individuals with student loan debt. Companies with differing financial capabilities can adjust lifetime and yearly Student Debt Employee Benefits to best fit their companies' needs and abilities.

Disadvantages of Offering a Student Debt Employee Benefit

While there are many upsides to offering employees a Student Debt Employee Benefit, this method of financial support largely benefits individuals with degrees who have stable, salaried positions. Employee benefits primarily help employers recruit talented individuals for their workforce and retain a highly skilled staff.

For example, the CARES Act Provision can cause employers to redirect employees' income toward student loan payments, which helps employers avoid taxes on income used to pay off loans but does not necessarily alleviate employees' debt. Additionally, employee benefits do not address vulnerable populations, including students with debt who were not able to complete their degrees and graduates without stable, salaried positions. Furthermore, providing tax credits in exchange for employee benefits significantly reduces state tax revenue.

Recommendation

By offering a Student Debt Employee Benefit to employees, employers boost their hiring power and retention of skilled employees while mutually aiding employees in their student loan repayment. Overall, this symbiotic relationship between employers and employees is a competitive and relevant option. Wisconsin should analyze the impact of the CARES Act provision and consider implementing a similar but longer-term tax credit, which could encourage employers to help pay off their employees' student debt.

STUDENT LOAN REFINANCING AUTHORITIES

Student loan refinancing authorities typically issue a student loan borrower new debt to pay off their original debt, with the new debt having a lower interest rate than the original. Currently, there is no federal program to refinance student loan debt. Student loan borrowers must find either a private-sector lender or a state refinancing authority to refinance student debt.

Author: Sophie Blumenstein, Intern, Student Debt Task Force, Wisconsin DFI
Date: June 26, 2020

Overview

Many Americans struggle with the burden of student loan debt for decades beyond their own or their child's graduation. This debt is compounded by high interest rates, which is why the private refinancing market has stepped in to offer new loan payment plans for borrowers. Such plans offer lower interest rates primarily to middle-income, credit-worthy borrowers. In addition to private refinancing, 11 states have implemented state refinancing authorities, which typically have looser borrower eligibility requirements and offer competitive loan interest rates to help borrowers save money.[201]

Advantages of Refinancing Authorities

Refinancing can be advantageous to borrowers because of competitive interest rates and the consolidation of loans. Eleven states have created refinancing authorities, each with a variety of eligibility requirements, interest rates, and repayment options. While some states require participants to be state residents, including Alaska, Connecticut, Minnesota, New Jersey, North Dakota, and South Carolina, other states grant access to residents of all states.[202] Wisconsin borrowers could benefit from refinancing through a refinancing authority in another state; however, many do not know this is an option. Indiana, Iowa, Kentucky, Massachusetts, and Rhode Island offer refinancing to residents of all U.S. states.

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[201] Quinton, Sophie, "One Way States Can Help Student Loan Borrowers," The Pew Charitable Trusts, December 14, 2015. Accessed: June 15, 2020.
[202] Pentis, Andrew, "These States Now Offer Student Loan Refinancing - Is Yours One of Them?," Student Loan Hero, June 24, 2019. Accessed: June 15, 2020.

Characteristics of Refinancing Authorities Available to Out-of-State Residents

State	Name of Program	Loan quantity requirement	Credit Score Required	Annual Income Required	Repayment terms	Fixed interest rate	Variable interest rate
Indiana[203]	INvestED Refi Loan	$5,000 - $250,000	Minimum 670	Minimum $36,000	5, 10, 15, or 20 years	2.12% - 5.76%	3.16% - 6.89%
Iowa[204]	Iowa Student Loan, Private and Federal Student Loan Refinancing	$5,000 - $300,000	Minimum 690	N/A	5, 10, 15, or 20 years	3.25% - 7.78%	Not offered
Kentucky[205]	Advantage Refinance Loans	Minimum $7,500	Must "have an acceptable credit history	Must "have an acceptable income"	10, 15, or 20 years	Minimum 3.74%	Not offered
Massachusetts[206]	Massachusetts Educational Financing Authority	Minimum $10,000	"Established Credit History" required	N/A	7, 10, or 15 years	Minimum 4.65%	Minimum 4.65%
Rhode Island[207]	Rhode Island Student Loan Authority	$7,500 - $250,000	Must "pass a credit check"	Minimum $40,000	5, 10, or 15 years	3.49% - 8.39%	Not offered

Table Current as of June 10, 2020.

Disadvantages of Refinancing Authorities

Refinancing authorities enable borrowers to have lower interest rates on their student loans; however, this comes at a price. Borrowers must also consider the subsequent loss of federal student loan benefits, including eligibility for loan forgiveness programs. Additionally, refinancing authorities are expensive to create.

Recommendation

For Wisconsin borrowers with high interest rate loans and a sufficiently high credit score, refinancing is an option to seriously consider. Although the loss of federal loan benefits merits serious consideration from borrowers, refinancing can be a useful tool. Furthermore, state refinancing authorities offer more competitive refinanced loan rates than private lenders. Unfortunately, many borrowers are not aware of the option to refinance through a state refinancing authority. Although creating an independent refinancing authority in the state would be costly, Wisconsin should consider increasing awareness of other states' refinancing options and creating a partnership with another state's refinancing authority in order to reduce Wisconsin borrowers' long-term burden of student debt.

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203 "INvestEd Refi Loan Eligibility," Indiana Secondary Market for Education Loans, Inc., 2020. Accessed: June 15, 2020.
204 "Private and Federal Student Loan Refinancing," Iowa Student Loan, 2020. Accessed: June 15, 2020.
205 "Advantage Refinance Loans," Advantage Education Loans, n.d. Accessed: June 15, 2020.
206 "Refinance Student Loans," Massachusetts Educational Financing Authority. Accessed: June 15, 2020.
207 "Student Loan Refinancing," Rhode Island Student Loan Authority, 2020. Accessed: August 5, 2020.

STUDENT LOAN REFINANCE INTEREST RATE SUBSIDIES

Over the past decade, the student loan refinancing market has matured, providing student borrowers with a host of competitive interest rates and refinancing options. Some of these options, however, carry higher interest rates and are out of reach for those with lower balances and less than prime credit. A program designed to target these borrowers would enable them to participate in competitive refinancing options that are currently inaccessible to them.

Author: Paul Kundert, President & CEO, UW Credit Union
Date: July 14, 2020

Overview

Since 2013, federal undergraduate loan rates have become more affordable as they are now established by the 10-year bond rate plus a margin. The federal rate for the 2020-2021 lending year, for example, is 2.75% for both subsidized and unsubsidized undergraduate loans. This rate is fixed for the life of the loan and available to all student borrowers regardless of credit profile. The combination of these low federal student loan rates and today's marketplace offering competitive refinancing options has resulted in more access to refinance options even as fewer students find it advantageous to refinance their federal loans after graduation. Private student loan balances make up less than 8% of outstanding student loan balances. Since 2009, private student delinquent loan rates have declined significantly as lenders tightened underwriting. Private student loan delinquency (more than 90 days late) was only 1.46% as of September 2019.[208] Private student loan rates have also been declining with "as low as" variable rates for prime borrowers, generally under 3% in July 2020.[209]

The actual economic benefit for borrowers to refinance their student loans depends on the amount of their outstanding balance and the potential reduction in interest rate. In reality, the savings for most borrowers is modest. Those with only a high school diploma save on average $7 a month while those with a bachelor's degree or higher save $9 per month. Borrowers with higher levels of educational attainment typically have higher debt, making a lower interest rate more valuable to these borrowers. These borrowers are also in higher income brackets, enabling them to have greater access to more refinancing options. More than half of the total benefits of refinancing go to households in the highest two income quintiles.[210]

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[208] Amir, Elan, Teslow, Jared, and Borders, Christopher, The MeasureOne Private Student Loan Report, December 11, 2019. Accessed: July 14, 2020.
[209] Porter, Kim, Bankrate's guide to choosing the best student loans as of July 14, 2020, Accessed: July 14, 2020.
[210] Dancy, Kim and Holt, Alexander, "In the Interest of Few: The Regressive Benefits of Federal Student Loan Refinancing," New America Policy Paper, June 20, 2017. Accessed: July 10, 2020.

Student debt for those who do not complete their intended program/degree is the most problematic. Without access to the income from higher paying jobs, repayment is a challenge and reflected in lower credit profiles which prevent them from accessing lower cost lending options. For Wisconsin student loan borrowers, the medium loan balance is $17,323, while the medium balance in default is $9,109.[211] Neither state refinancing authorities nor private lenders offer solutions for those with lower credit scores and lower balances. Generally, state lending authorities consider only student loan refinance applicants with higher credit scores (e.g., with a minimum FICO score of at least 680-700).[212]

Rather than focusing on the creation of a state lending authority which would simply join the ranks of existing banks/credit unions and private lenders in providing student loan refinancing credit to prime borrowers, the state should focus on creating a student debt relief program targeted specifically to those borrowers who do not have access to competitive refinancing options. Specifically, a program that subsidizes interest rates and/or provides credit default insurance would enable borrowers in lower income brackets and lower credit tiers to access advantageous refinancing/payment options.

Advantages

Targeting state resources toward the benefit of those borrowers whose income and credit profiles do not enable them to access market-based refinancing options would do the most good and have the greatest impact. Developing this solution would require additional effort to research the number of Wisconsin borrowers who might benefit from this approach and to work with the state's banks/credit unions to understand and design the targeted lending programs. The final structure would depend on the results of this study. There is a history of using public funding to encourage the expansion of credit access in housing finance, and perhaps the task force could examine those structures.

Disadvantages

A program which targets student debt relief to those Wisconsin borrowers who do not qualify for market-based refinancing options would require state funding. Conversely, a state lending authority similar to those in existence now, which provides credit to the most qualified borrowers at market rates, would not likely require any state subsidy.

Recommendation

I recommend the task force explore the creation of a state program targeted to benefit those borrowers whose income and credit profiles do not enable them to currently access market-based refinancing options.

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[211] Hillman, Nick, Presentation to the Governor's Task Force on Student Debt (Slide 27), May 13, 2020. Accessed: July 14, 2020.
[212] Student Loan Bill of Rights: Student Loan Refinancing (Exhibit 9), Washington State Institute for Public Policy, November 2018. Accessed: July 10, 2020.

SUPPORT INCREASES IN STATE-BASED STUDENT FINANCIAL AID (THE WISCONSIN GRANT)

Since 2017 the University of Wisconsin System, the Wisconsin Technical College System, and the Wisconsin Association of Independent Colleges and Universities have been advocating a State Educational Attainment Goal known as 60 Forward.

Author: UW, WTCS, and WAICU
Date: July 16, 2020

Overview

The focus of 60 Forward is to help the state achieve a postsecondary attainment rate of 60 percent of the working-age population with a degree by 2027.[213] In order to ensure all students have the opportunity to achieve a postsecondary credential, it is essential to provide a path for low-income and underrepresented populations to access higher education while taking out the least amount of debt.

Several strategies have been identified to help Wisconsin achieve a postsecondary attainment goal, including targeted financial investments. An existing program, the Wisconsin Grant, is already in place, but considerably underfunded. Wisconsin Grants are need-based student aid providing grant assistance to undergraduate, Wisconsin residents enrolled at least half-time in degree or certificate programs at a University of Wisconsin System institution, a Wisconsin Technical College institution, a private, nonprofit institution of higher education or a tribal college institutions. Wisconsin Grants provide a much-needed leg up to low-income students who may not otherwise be able to pursue higher education. The Wisconsin Grants also direct funding to those students whose chances of enrollment and success are least likely to be possible without help. Grant aid reduces the need for students to borrow to make ends meet. Grants are a targeted and efficient way to provide direct support to students.

The benefits of higher education to the individual and to the entire state are clear. The ROI of a college education is nearly 14 percent, far exceeding investment benchmarks such as the long-term return on stocks (7 percent) or bonds (3 percent).[214] Additionally, Federal Reserve

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[213] 60 Forward (2019). *Wisconsin's Statewide Attainment Goal*. https://www.60forward.org/wp-content/uploads/2019/01/60forward-Flyer.pdf Accessed: August 5, 2020.
[214] Jaison R. Abel and Richard Deitz (2019, June 5). "Despite Rising Costs, College Is Still a Good Investment," Federal Reserve Bank of New York *Liberty Street Economics* (blog). https://libertystreeteconomics.newyorkfed.org/2019/06/despite-rising-costs-college-is-still-a-good-investment.html Accessed: August 5, 2020.

research also shows that in 2019, recent college graduates with a four-year degree on average earned 50 percent more in annual wages than high school graduates.[215]

Advantages of Devoting Additional Resources to Wisconsin Grants

Wisconsin Grants serve as a much-needed leg up to low-income students who may not otherwise be able to pursue higher education, equalizing opportunity for students. Wisconsin Grants are a targeted and efficient way to provide direct support to students, reducing the need for loan assistance to fund a student's education. Total grant funding per capita in Wisconsin is below the national average.[216] The average size of the grant per student is also below the national average.[217]

Additional investments in Wisconsin Grants would help to increase our ranking and help Wisconsin achieve its attainment goal, increasing the state's competitiveness. Workforce shortages have impacted our economy even before the current crisis. The recession triggered by pandemic will make it even harder for students and families to achieve their educational goals. Without increasing student aid, we run the risk of losing an entire generation.

Disadvantages of Devoting Resources to Wisconsin Grants

Funding increases in Wisconsin Grants may be difficult to achieve with a budget already strained by the healthcare pandemic and many competing priorities for state dollars.

Recommendation

Increase Wisconsin Grants appropriations for all sectors of higher education to support low-income and underrepresented students in their efforts to achieve a postsecondary credential. An increased investment will support persistence and completion, thereby reducing the number of students with some college but no degree. Because grants do not need to be paid back, they reduce the dependence on loans before a problem develops. Evidence also shows that need-based grants reduce the likelihood that low- and moderate-income students will drop out of college and that grants strengthens student persistence and academic success.[218]

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[215] New York Federal Reserve (2020). *Distribution of Annual Wages for Recent College Graduates*. https://www.newyorkfed.org/research/college-labor-market/college-labor_iframe3_wages.html Accessed: August 5, 2020.

[216] National Association of State Student Grant and Aid Programs (n.d). *49th Annual Survey Report on State-Sponsored Student Financial Aid, 2017-2018 Academic Year*. https://www.nassgapsurvey.com/survey_reports/2017-2018-49th.pdf Accessed: August 5, 2020.

[217] National Association of State Student Grant and Aid Programs (n.d). *49th Annual Survey Report on State-Sponsored Student Financial Aid, 2017-2018 Academic Year*. https://www.nassgapsurvey.com/survey_reports/2017-2018-49th.pdf Accessed: August 5, 2020.

[218] Wisconsin Technology Council (2018). Pathways to Success: Four Strategies for Wisconsin. https://wisconsintechnologycouncil.com/wp-content/uploads/2018/08/2018-White-Papers.pdf Accessed: August 5, 2020.

TUITION REMISSION AND SUPPORTS FOR FORMER FOSTER YOUTH

Providing in-state tuition remission, along with supportive services, would improve both enrollment and retention of former foster youth in higher education.

Author: Shelby McCulley, Bureau of Youth Services Director, Wisconsin DCF
Date: July 03, 2020

Overview

A wide body of research has established that young people who have experienced foster care are at heightened risk for negative outcomes such as homelessness, unemployment, and victimization, while only a fraction complete college.[219] Research indicates that while most former foster youth aspire to go on to postsecondary education, college retention and completion rates among former foster care youth are significantly lower than those among non-foster students who had low-income families. The Midwest Study – a landmark evaluation of early-adulthood outcomes among former foster youth from Illinois, Iowa and Wisconsin during the 2000s – determined that only 37 percent of participants had finished a year of postsecondary education by age 23 or 24.[220] Despite more than one-in-three foster youths entering college classrooms for at least a year, only 6 percent of all participants had attained either an associate's or bachelor's degree by age 23 or 24.[221] In the study, 40 percent of respondents reported that tuition was a significant burden preventing them from attending, while 20 percent reported that they could not afford to stop working fulltime to attend class.[222] In addition, many foster care youths need increased academic, mental health and other supports, with alumni expressing frustration with housing insecurity, poverty wages and university personnel who are unaware of supports for foster youth.[223,224]

Financial supports currently available, including Pell Grants and the federal government's Chaffee Education and Training Vouchers (ETV) program, are insufficient to cover tuition and other expenses, and the prospect of taking on student loan debt is a significant deterrent to young people who lack other resources. A tuition remission program that waives tuition and fees for former foster youth attending any University of Wisconsin or Wisconsin Technical College System school would fill that gap. Data compiled by advocacy groups indicates that

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[219] Dworsky, Amy, and Mark Courtney. "Does extending foster care beyond age 18 promote postsecondary educational attainment?" *Chapin Hall Issue Brief,* 2010. Accessed July 3, 2020.
[220] Courtney, Mark E., Amy Lynn Dworsky, JoAnn S. Lee, and Melissa Raap. *Midwest evaluation of the adult functioning of former foster youth: Outcomes at ages 23 and 24*. Chicago: Chapin Hall at the University of Chicago, 2010. Accessed July 3, 2020.
[221] Dworsky and Courtney. "Does extending foster care beyond age 18 promote postsecondary educational attainment."
[222] Courtney, et. al. "Midwest evaluation".
[223] Dworsky, Amy, and Alfred Pérez. "Helping former foster youth graduate from college through campus support programs." *Children and Youth Services Review* 32, no. 2 (2010): 255-263. Accessed July 3, /2020.
[224] Tobolowsky, Barbara F., Maria Scannapieco, Donna M. Aguiniga, and Elissa E. Madden. "Former foster youth experiences with higher education: Opportunities and challenges." *Children and Youth Services Review* 104 (2019): 104362. Accessed July 3, 2020.

28 states offer some form of tuition assistance for former foster care youths beyond ETV funding, with previously proposed legislation in Wisconsin (2017 A.B. 777) being modeled after Maryland's existing program.[225] We also know, however, from young people and those who support them, that financial assistance alone is not sufficient for a young person attempting to navigate this new environment without the familial supports that most young people have. Funding for campus support programs (such as the Fostering Success program at UW-Stout) would promote retention of students and better long-term outcomes.

Advantages of Tuition Remission and Supportive Services for Former Foster Youth

The two-fold approach promotes both enrollment and retention of former foster youth. Broadening eligibility from that proposed in 2017 A.B. 777 to include not only youth who have aged out of care but also young people who have been in care on or after their 13th birthday prior to being returned to the parent's home would simplify the verification process, align with the Free Application for Federal Student Aid (FAFSA) independent student status eligibility, encourage reunification when appropriate, and prevent unnecessary confusion for youth and families. Funding support programs at each campus directly through the University of Wisconsin and Wisconsin Technical College System, rather than through the small number of Department of Children and Families-administered grants proposed in 2017 A.B. 777, would provide these necessary services across the systems, reduce administrative cost, and provide long-term stability.

There is broad stakeholder support for this approach. 2017 A.B. 777 was proposed by the Wisconsin Foster Care Task Force and passed unanimously in the Assembly, but it was not introduced in the Senate. Those who have advocated for or testified in favor of this or similar legislation include the Wisconsin Youth Advisory Council (comprised of current and former foster youth in Wisconsin), then-University of Wisconsin President Ray Cross, the Foster Youth to College (FYC) Advisory Board, Lutheran Social Services, Wisconsin Association of Family and Children's Agencies, and the Coalition for Children, Youth, and Families.

Disadvantages of Tuition Remission and Supportive Services for Former Foster Youth

This approach would require funding. It does not address the need to improve high school graduation rates among foster youth so that they are able to access postsecondary education.

Recommendation

Establish a tuition remission for former foster youth (defined consistent with the FAFSA) attending Wisconsin public universities and technical colleges and provide funding for those universities and technical colleges to establish programs that provide broad-based support to former foster youth.

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[225] Parker, Emily, and Molly Sarubbi. Tuition Assistance Programs for Foster Youth Pursuing Postsecondary Education. *Education Commission of the States* (2017). Accessed: July 3, 2020.

ADDITIONAL COMMENTS

The Governor's Task Force on Student Debt received the following letter from State Representative Joan Ballweg for inclusion in the final report.

JOAN BALLWEG
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41st ASSEMBLY DISTRICT

August 14, 2020

Kathy Blumenfeld, Secretary
Wisconsin Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, WI 53705

Dear Secretary Blumenfeld:

I am appreciative of the appointment to the Governor's Task Force on Student Debt and to be a part of this team focused on the best outcome for student borrowers. The time and detailed research you and your staff did to provide background and gather experts for the presentations must have been immense. Members of the Task Force included individuals affected by and concerned about those struggling with student debt as well as specialists and those that work in the areas of financial aid in higher education and who help borrowers currently. In reflecting on the Task Force membership, I believe it would have been helpful to include Great Lakes Educational Loan Services as a member or presenter to review current programs to address the Task Force's concerns and the areas they felt would be most helpful in serving their clients.

One apprehension I raised during multiple sessions concerned the heavy emphasis placed by the Task Force on the "national" picture of student debt, as opposed to a more appropriate focus on Wisconsin-specific details.

In meeting #7, I asked if Task Force members would be voting on the final eight proposals individually and had been given the impression there would indeed be an opportunity to approve of the package. In meeting #8, we received a draft summary with the eight recommendations and thirty plus proposals that had been sent in by Task Force members. You mentioned several times this report was to be considered a tool kit of ideas that Governor Evers could consider in his next budget. Although I appreciate that concept, I find it presents an incomplete picture to the Governor by withholding the concerns expressed by members from the report.

While I endorse some recommendations in whole or in part, I do not endorse other recommendations. Below, I will outline some of the major issues I see, however this list is not to be considered comprehensive.

1. *Borrowers' Bill of Rights and Student Loan Ombudsman* – In name, these appear to be reasonable steps. In detail, I do not believe licensing is a viable alternative. An ombudsman – working through the Department of Financial Institutions (DFI) to provide information or to refer predatory cases to existing staff within DFI or the Department of Agriculture, Trade and Consumer Protection (DATCP) or a Legal Aid Society – is a proposal I can support, in theory.

2. *Enhance Proprietary School Regulations and Reinstate the EAB* – I do not support this proposal as stated. I support some of Mr. Rosen's policy suggestion and would look to have them incorporated into current authority possessed by the Department of Safety and Professional Services (DSPS). The reinstatement of the additional past and suggested responsibilities of EAB is redundant considering Wisconsin's participation in NC-SARA. As I shared with the group in a previous meeting, reciprocity for oversight was authorized thanks to 2015 Wisconsin Act 208. It was further explained that the consumer protection for students is through individual state regulation. Current DATCP policy could be reviewed in this area.

3. *Financial Literacy Education* – The K-12 financial literacy mandate should be continued. Individual banks and credit unions should be encouraged to include post-secondary education planning in the K-12 programs they currently provide for free to schools. Consider promoting KnowHow2Go, a planning toolkit, throughout the school experience. Additionally, a FAFSA Awareness campaign would be a valuable tool.

4. *Increase Need-Based and Targeted Aid* – I have always been a supporter and promoter of increased funding for the Wisconsin Grant. This is the best way to provide help to the disadvantaged. Disbursement of funds by sectors should be enhanced for WTC and WAICU schools and 60 Forward promoted and supported.

   Tuition remission or subsidies for former Foster Youth was addressed in 2017 AB 777 from the Speaker's Task Force on Foster Care. As discussed in that Task Force, funding without on-campus counseling is not as successful. Supports beyond tuition need to be part of the program.

   Promise Programs could incorporate PSPSA, financial literacy, and recognition of a pledge for students to better prepare for post-secondary education both academically and financially. Providing first-dollar funding is not a viable alternative.

5. *Loan Counseling* – Some of these ideas should be incorporated as responsibilities of the ombudsman at DFI and developed in cooperation with high school and higher education counseling staff and their associations.

6. *Loan Forgiveness* – I continue to support loan forgiveness for high need fields, not additional Public Service Loan Forgiveness programs.

7. *Refinancing* – I do not support a Wisconsin Refinancing Authority. Our Task Force should encourage the federal legislation to allow adjusted interest rates for student borrowers. Exploring a private partnership could be an alternative if federal changes are not forthcoming. A specifically targeted subsidy, as suggested in Mr. Kundert's proposal (page 112), could be viable.

8. *State Student Debt Relief Tax Credit* – I would not support the refundable tax credit by borrowers. I would support a proportional tax credit to employers that provided eligible education loan payments on a student's behalf, as discussed in the Abbott Labs Private Letter. This would provide a direct and greater financial benefit to the borrower while encouraging employee longevity and job satisfaction.

The challenges in executing this Task Force virtually are certainly appreciable. Unfortunately, such a "ZOOM" format does not allow for the optimum free exchange of ideas and full discussion. Regrettably, we all missed out on the cultivation of personal relationships which would allow us to fully understand each other's viewpoints or rationale.

Secretary Blumenfeld, I appreciated your comment regarding the legislature's part in authoring and promoting these recommendations in the next session – either through the budget process or separate legislation. I hope, by way of this letter, you and fellow Task Force members recognize the dissenting opinions held that are contrary to these recommendations.

I respectfully request you add these comments to the final report in the Appendix.

Best Regards,

Joan Ballweg

Joan Ballweg
State Representative
41st Assembly District