



THE INSTITUTE FOR COLLEGE
ACCESS & SUCCESS

The Maryland Senate
Chair Brian J. Feldman, Education, Energy, and the Environment Committee

Written Testimony in Support of SB628

Institutions of Postsecondary Education – Institutional Debt – Report

Thank you for the opportunity to submit testimony in support of Senate Bill 628, Institutions of Postsecondary Education – Institutional Debt – Report, addressing institutional debt and the issues school debt poses for Maryland residents.

The Institute for College Access & Success (TICAS) is a trusted source of research, design, and advocacy for student-centered public policies that promote affordability, accountability, and equity in higher education. We advocate for every student, regardless of race, ethnicity, or family wealth, to have access to a quality higher education without the need to incur debt to realize their dreams of earning a college credential.

I. Institutional Debt and Its Consequences

Institutional debt - also referred to as direct-to-school debt - is debt owed by students directly to their college or university for unpaid tuition, fees, room and board, education benefit overpayments, or fines. Unpaid tuition is the most common form of institutional debt, and can arise when financial aid does not materialize as expected, or when a student must withdraw early due to unforeseen circumstances. A student can be liable even if the institution allowed the student to register in error. The consequences of institutional debt are significant and far-reaching, including:

1. **Withholding of Degrees and Credentials:** Even if students have completed their coursework, an institution may refuse to confer degrees until all debts are paid, preventing students from graduating and getting a job that enables them to pay back the debt.¹
2. **Barriers to Reenrollment and Completion:** Institutions often bar students with outstanding institutional debt from reenrolling. Putting a student's education on hold jeopardizes the likelihood that they will ever complete their degree, meaning students and the state lose any investments made in their education to date.

¹ Students who owe institutional debt may also owe federal or private student loan debt, as well. The inability to reenroll and complete their degrees impacts their ability to repay all education debt and can send borrowers further into a financial downspin.

3. **Debt Collection Practices Further Harm Students:** Institutions may refer unpaid debts to collections or pursue legal judgments. Judgments can lead to garnishment of wages and restrained bank accounts. This can also negatively impact a student's credit score, making it difficult to find housing or access affordable credit.²

An Ohio study found that students of color and lower-income students are disproportionately impacted by institutional debt.³ The problem compounds pre-existing inequities as students are left with "Some College, No Credential" (SCNC), unable to complete their degree and stuck in low-paying jobs that make it nearly impossible to repay their debt.⁴

According to data from the nonpartisan National Student Clearinghouse Research Center, Maryland has 602,232 residents under age 65 who have "Some College, No Credential" (SCNC).⁵ Students who withdrew in the last eighteen months represent 6.8 percent of Maryland's SCNC population under 65, above the national total.⁶ While Maryland's reenrollment rate of 3.9 percent ranks among the best in the country, the overall number of impacted residents remains substantial.⁷ Greater transparency is essential to understanding the role institutional debt plays in these numbers.

II. SB 628 Will Instill Transparency and Lead to Better Solutions

Maryland took a meaningful step in 2023 to address institutional debt with the passage and signing of SB248 by Governor Wes Moore to prohibit institutions of higher education from withholding transcripts due to unpaid debt. This was an important and commendable reform to provide a minimum level of protection. However, that did not stop the use of institutional debt by institutions, and the issues related to debt collection, barriers to re-enrollment, and withholding of degrees related to its use still persist.

There is currently a lack of comprehensive statewide data regarding:

- The number of students who owe institutional debt;
- The origin of the debt and amounts owed;
- The number of students barred from reenrollment;
- The frequency of referrals to collections or litigation;
- The demographic breakdown of impacted students; and
- The policies and procedures of schools.

² A California study found that institutions recoup only a small fraction of sums owed yet debt collection practices have lasting negative consequences for low-income students. "Creditor Colleges: Canceling Debts that Surged During COVID-19 for Low-Income Students," at 4, Protect Borrowers, <https://protectborrowers.org/wp-content/uploads/2022/03/Creditor-Colleges.pdf>.

³ "Removing the Institutional Debt Hurdle: Findings from an Evaluation of the Ohio College Comeback Compact," ITHAKA S-R, 14, May 9, 2024, <https://sr.ithaka.org/publications/removing-the-institutional-debt-hurdle/#::~:~:text=The%20success%20of%20students%20who%20re-enroll%20in%20the,re-enroll%2C%20earn%20additional%20postsecondary%20credits%2C%20and%20complete%20credentials>.

⁴ Id.

⁵ "Some College, No Credential Student Outcomes: 2025 Report for the Nation and the States," (covering January 1, 2022 – July 31, 2023), National Student Clearinghouse Research Center, accessed February 19, 2025, <https://nscresearchcenter.org/some-college-no-credential/>.

⁶ Id.

⁷ Id.

Senate Bill 628 provides critical transparency. Knowing this information will enable state regulators and policymakers to assess the scope of the issue and determine whether additional safeguards or programs could ensure students are not held back from attaining their degrees and prospering.

III. Lessons from Other States

Two states in which TICAS engages in state-based policy work—California and New York—have been grappling with issues around institutional debt. Both states have passed similar legislation prohibiting the withholding of transcripts, but in New York, the challenges of not having sufficient data hinder efforts to move forward with additional student protections.⁸ California has begun examining institutional debt practices through research partnerships and has a similar legislative proposal aimed at improving data collection and student protections.

IV. Additional Policy Considerations

In addition to supporting SB 628, TICAS encourages consideration of further reforms which we are pursuing in California and New York, including:

- Ensuring institutions of higher education permit reenrollment for students with outstanding balances;
- Ending the practice of withholding degrees or diplomas for unpaid debt;
- Creating income-based repayment options tailored to students' financial capacity;
- Limiting or eliminating lawsuits for small-dollar debts;
- Requiring mediation or settlement opportunities before default judgments may be entered;
- Forgiving certain fees and interest that compound hardship; and
- Implementing institutional policies to prevent unnecessary debt accrual, such as automatic withdrawal of students who do not attend and clear, timely notice of policies.

Conclusion

The Legislature, Governor, and Maryland Higher Education Commission strongly recognize the benefits of higher education, including giving individuals a better chance to succeed by achieving social mobility and economic prosperity and contributing to the state's workforce needs. To fully realize these benefits, legislators should ensure institutional practices are not a barrier for students who are low-income to reach graduation.

Senate Bill 628 builds upon protections the state already provides to students by creating the transparency necessary to better understand institutional debt. The bill represents an important step toward ensuring that institutional debt practices do not undermine college completion, economic mobility, and equity.

For these reasons, TICAS strongly supports the passage of SB 628. For more information, contact: Christopher Madaio, Senior Advisor, cmadaio@ticas.org; Sarah Bouabibsa, Program Manager – California, sbouabibsa@ticas.org; Kirsten E. Keefe, Senior Director of Policy and Advocacy - New York, kkeefe@ticas.org.

⁸ TICAS conducted a review of 62 institutional debt collection cases filed in 2022 on behalf of the State University of New York (SUNY); the average principal balance was \$3,612, with average total debt reaching \$4,913 after interest and fees. In the vast majority of cases, students did not file an answer with the court or indicate that they had an attorney, resulting in default judgments and severe financial consequences.