



**Written Testimony of Student Borrower Protection Center
at a Public Hearing before the
House Appropriations Committee
on HB 384
“Institutions of Higher Education - Transcripts - Prohibition on Punitive Measures Related
to Student Debt”**

IN FAVOR

February 14, 2023

Chair Barnes, Vice Chair Chang, and Members of the Committee.

The Student Borrower Protection Center (“SBPC”) submits this testimony in favor of HB 384, which would end the debt collection practice of transcript withholding in Maryland. The SBPC is a nonprofit organization focused on alleviating the burden of student debt for millions of Americans. It engages in advocacy, policymaking, and litigation strategy to rein in industry abuses, protect borrowers’ rights, and advance economic opportunity for the next generation of students.

Although transcript withholding—the practice of withholding transcripts from students who owe their schools a debt—is commonly used by schools nationwide, we are experiencing a cultural shift on this issue as it is **increasingly understood to be a harmful debt collection tactic**. Now is the time for Maryland to act. Last year alone, four more states passed laws to address transcript withholding.¹ **Ending transcript withholding will improve education and employment opportunities**, does not create financial burdens for schools, and is in line with national movement on this issue at the state and federal levels.

Although Common, Withholding Policies Are Ineffective and Harmful to Students.

Transcript withholding is a common practice that is coming under new scrutiny. When students owe their schools a debt, the school will generally withhold their transcript until the debt is paid. Although research is limited, one report revealed that these so-called institutional debts—debts owed directly to schools, which may result from hidden fees or even parking tickets, in addition to tuition—total \$15 billion nationwide and affect an estimated 6.6 million individuals, but that the amount owed to trigger withholding can be as little as \$25 or less.² According to the

¹ See HB 22-1049 (Co. 2022); LD 1838 (Me. 2022); S5924/A6938 (N.Y. 2022); SB 3032 (Il. 2022).

² Julia Karon, James Dean Ward, Katherine Bond Hill & Martin Kurzweil, Ithaka S+R, Solving Stranded Credits (Oct. 5, 2020), <https://sr.ithaka.org/wp-content/uploads/2020/10/SR-Report-Solving-Stranded-Credits-100520.pdf>.

researchers who have conducted the only major national study of these institutional debt practices, the average balance owed at community colleges is \$631.47.³ In a recent report by the Virginia Secretary of Education, the average debt owed at a 2-year public college was \$687.⁴ Although these balances represent only a fraction of schools' revenues and operating budgets, for many students, they are insurmountable financial barriers.

These account balances may result from unknown fees, but are often due to a misalignment between schools' withdrawal dates and federal financial aid refund deadlines that can result in students' Pell Grants or other financial aid being recalled by the U.S. Department of Education. When schools have to return these financial aid funds, they then charge the student for the returned amount. These balances may be a few thousand dollars, for which the student should never have been responsible. We regularly hear stories about students who must take several years off from their education, working minimum wage jobs simply to save enough to pay their outstanding balance, receive their transcript, and transfer to a more affordable school where they can complete their education. These lost years help no one, and are deeply harmful to students.

Despite its frequent use—the national study found over 90 percent of institutions report using transcript withholding—**transcript withholding is an ineffective collection tool**. A study on institutional debt collection and transcript withholding in Ohio found that these accounts only yielded \$0.07 for every dollar owed.⁵ This makes sense: if a student simply cannot afford to repay their debt until they are employed, withholding their transcript will not change that. Withholding policies are even less cost effective once the facts that it prevents students from re-enrolling—thus reducing future tuition revenue—and graduates from obtaining higher salaries—which they would spend in the local economy—are factored in. This is especially true for community colleges, which stand to benefit from increased enrollment by students seeking to complete their education at a more affordable school, but who may be prevented from doing so by a transcript hold, as enrolling without your prior transcript requires you to retake courses and is cost prohibitive for most students.

Transcript withholding also disproportionately impacts low-income and Black and Hispanic students, in particular college "non-completers" seeking to continue their education but who cannot do so without an official transcript. The recent Virginia report found that although low-income students—as measured by their eligibility for a federal Pell Grant—make up only 30 percent of enrollment at two-year public colleges, they comprise 63 percent of those students who owe debts to those schools.⁶ The same report shows that, at two-year public colleges, Black

³ *Id.* at 12.

⁴ Virginia Secretary of Education, *Report on Student Debt Collection Practices and Policies at Public Institutions of Higher Education (2022 Appropriation Act, Item 128.C)*, 16 (Dec. 2022), (Virginia Report), <https://rga.lis.virginia.gov/Published/2022/HD15/PDF>.

⁵ Rebecca Maurer, *Withholding Transcripts: Policy, Possibilities, and Legal Recourse* 29 (Dec. 2018), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3288837.

⁶ Virginia Report at 16.

and Hispanic students comprise 17 percent and 8 percent of enrolled undergraduates, but make up 40 percent and 11 percent, respectively, of those students who owe debts to their schools.⁷

Institutional debts and schools' collection practices, such as transcript withholding, represent a major barrier to enrollment, graduation, and employment for traditionally marginalized communities across the country. States can commit to helping these communities by revisiting these policies.

Schools and States Continue to End Their Withholding Policies.

There is growing national attention to withholding policies as a harmful practice.⁸ In December of 2021, U.S. Secretary of Education Miguel Cardona emphasized the detrimental effect of transcript withholding policies on retention and completion, stressing that this practice drives inequitable outcomes and called on schools to re-evaluate these long-standing policies.⁹ In 2022, the federal Consumer Financial Protection Bureau announced that it would review transcript withholding practices in its regular audit of school lenders,¹⁰ and eventually determined that these practices are “abusive” in violation of federal consumer protection law.¹¹

During the COVID-19 pandemic, transcript withholding is particularly disastrous for those seeking to financially recover through education or new employment, but who are unable to obtain an official transcript to do so. Many schools are starting to change their policies in recognition of the barriers that they create. In 2021 Bunker Hill Community College of Boston, MA, voluntarily ended its practice of transcript withholding for institutional debt,¹² and the City

⁷ *Id.* at 14.

⁸ See, e.g., Kirk Carapezza, *More Than Half Of Public Colleges in Mass. Used COVID Relief Funds To Cover Unpaid Student Bills*, W.G.B.H. (Aug. 19, 2021), <https://www.wgbh.org/news/education/2021/08/19/more-than-half-of-public-colleges-in-mass-used-covid-relief-funds-to-cover-unpaid-student-bills>; Sara Weissman, *The “Human Cost” of Stranded Credits*, Inside Higher Ed (Aug. 20, 2021), <https://www.insidehighered.com/news/2021/08/20/report-stranded-credits-inequitable-impact-students>; Jon Marcus, *States Step in to Stop Colleges Holding Transcripts Ransom for Unpaid Bills*, N.P.R. (April 8, 2021), <https://www.npr.org/2021/04/03/982676353/states-step-in-to-stop-colleges-holding-transcripts-ransom-for-unpaid-bills>.

⁹ Kirk Carapezza, *Education Secretary, college leaders want colleges to stop holding transcripts over unpaid balances*, W.G.B.H. (Dec. 21, 2021), <https://www.wgbh.org/news/education/2021/12/21/education-secretary-college-leaders-want-colleges-to-stop-holding-transcripts-over-unpaid-balances>.

¹⁰ Press Release, Consumer Fin. Prot. Bureau, *Consumer Financial Protection Bureau to Examine Colleges' In-House Lending Practices* (Jan. 2022), <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-to-examine-colleges-in-house-lending-practices/>.

¹¹ Meredith Kolodner, *Withholding College Transcripts for Loan Payment is ‘Abusive,’ Agency Says*, N.Y. Times (Oct. 3, 2022), <https://www.nytimes.com/2022/09/30/business/college-transcripts-student-loans.html>,

¹² Sarah Butrymowicz, *City University of New York reverses its policy on withholding transcripts over unpaid bills*, Hechinger Report (Aug. 13, 2021), <https://hechingerreport.org/city-university-of-new-york-reverses-its-policy-on-withholding-transcripts-over-unpaid-bills/>.

University of New York announced that it would temporarily suspend the practice of transcript withholding at the institution to lighten the burden of students who have been facing hardship during the COVID-19 pandemic.¹³ Last year, noting in particular the harmful and counterintuitive fact that withholding inhibits students' ability to pay their debts because it creates a barrier to retention, completion, and employment, New York Governor Hochul built on CUNY's program and ended transcript withholding at all public institutions in the state,¹⁴ and introduced legislation to end the practice at private institutions, too.¹⁵ Just last month, the University of Oregon announced it would voluntarily end its transcript withholding policy.¹⁶

In 2022, Colorado, Maine, New York, and Illinois all passed laws to protect students from transcript withholding,¹⁷ building on existing laws in California and Washington. In California, schools cannot withhold academic transcripts for any reason.¹⁸ In Washington, where schools may continue to withhold transcripts in limited circumstances, most schools have chosen to completely eliminate the practice, which underscores that it is not an essential or productive means of collecting from students and graduates.¹⁹ In total, we estimate that one-in-four schools are now located in a jurisdiction that generally prohibits transcript withholding policies.²⁰

¹³ City University of New York, *CUNY Will Stop Long-Held Practice of Holding Transcripts for Students with Outstanding Debt* (Aug. 11, 2021), <https://www1.cuny.edu/mu/forum/2021/08/11/cuny-will-stop-long-held-practice-of-holding-transcripts-for-students-with-outstanding-debt-will-lift-financial-holds-for-students-impacted-by-the-pandemic/>.

¹⁴ Press Release, State University of New York, *Governor Hochul Announces SUNY Board Ends Practice of Withholding Transcripts from Students with Outstanding Balances* (Jan. 25, 2022), <https://www.suny.edu/suny-news/press-releases/1-22/1-25-22/transcript-withholding-ends.html>; Press Release, City University of New York, *Governor Hochul Announces CUNY Formally Discontinues Practices of Withholding Transcripts from Students and Grads with Unpaid Balances* (Jan. 31, 2022), <https://www1.cuny.edu/mu/forum/2022/01/31/governor-hochul-announces-cuny-formally-discontinues-practice-of-withholding-transcripts-from-students-and-grads-with-unpaid-balances/>;

¹⁵ New York Governor Kathy Hochul, *State of the State 2022: a New Era for New York* 82 (January 2022), <https://www.governor.ny.gov/sites/default/files/2022-01/2022StateoftheStateBook.pdf>.

¹⁶ Sami Edge, *Students urge Legislation to ban colleges from withholding transcripts over unpaid debt*, *The Oregonian* (Jan. 27, 2023), <https://www.oregonlive.com/education/2023/01/students-urge-legislature-to-ban-colleges-from-withholding-transcripts-over-unpaid-debt.html>.

¹⁷ See HB 22-1049 (Co. 2022); LD 1838 (Me. 2022); S5924/A6938 (N.Y. 2022); SB 3032 (Il. 2022).

¹⁸ Cal. Civ. Code. 1788.90-93; Cal. Ed. Code 66022.

¹⁹ See, e.g., Washington State Board Community and Technical Colleges, "Transcript Withholding and Limiting the Practice of Registration Holds as Debt Collection Practices," (Dec. 1, 2020) (discussing a system-wide policy for all 34 colleges to release transcripts upon request regardless of account balance or debt type).

²⁰ Press Release, Student Borrower Protection Center, *With New York's Transcript Withholding Ban, 1-in-4 Students Across Country Now Protected Against Predatory School Collection Practices* (May 16, 2022), <https://protectborrowers.org/with-new-yorks-transcript-withholding-ban-1-in-4-students-across-country-now-protected-against-predatory-school-collection-practices/>.

Schools Would Not Be Prohibited From Collecting On These Debts.

HB 384 would not forgive any debts owed to schools, prevent schools from communicating with students or graduates about these debts, or prevent schools from sending accounts to collection, as they currently do. The bill merely prohibits schools from withholding transcripts as a means of compelling payments because of the well-documented and harmful effect this practice has on students seeking an education or employment, especially low-income students.

It is important for the Committee to understand that any student who could pay for a withheld document would also be able to pay upon notice that the account is being sent to collection, whereas any student who cannot afford to settle their account wouldn't be able to do so at any point in the process, and therefore would ultimately find their account with collections in any event. Therefore, the schools' ability to collect via debt collectors and the courts is no different than its ability to collect using withholding, except that withholding has the perverse effect of putting low-income students and graduates in a worse-off position. It is worth noting, too, that withholding is a passive practice, triggered only when students proactively approach the school.

Transcript withholding effectively punishes low-income students for being unable to afford payments to their schools, since they will end up in collection without the credential they need to obtain employment. Indeed, nothing in HB 384 would prevent a school from providing a transcript and simultaneously informing the former student that if they do not pay their account, it will be sent to collection. Permitting the student or graduate to obtain these documents would actually increase low-income students' and graduates' ability to repay their debts by enabling them to complete their education and find employment.

Conclusion

Through HB 384, Maryland has an opportunity to join other states across the country in banning transcript withholding at academic institutions, allowing students to access documentation of their earned credits and move forward with their educations and careers. The bill would build on available data and success in other states. There is a growing understanding that this practice is as harmful to students as it is ineffective for schools' budgets, and that it should be ended. **We urge the Committee to support HB 384** so that former, current, and future students have the ability to continue their education and secure the employment that they had hoped a higher education would enable them to find at the outset of their college experience.

Please contact Winston Berkman-Breen, Policy Counsel with the Student Borrower Protection Center, at winston@protectborrowers.org, if you have any questions or would like to discuss this comment further.