



**Written Testimony of Student Borrower Protection Center
at a Public Hearing before the
Senate Education, Health, and Environmental Affairs Committee
on SB 152**

**“Institutions of Higher Education - Transcripts - Prohibition on Punitive Measures Related
to Student Debt”**

IN SUPPORT

February 9, 2022

Good afternoon Chair Pinsky, Vice-Chair Kagan, and Members of the Committee.

My name is Amy Czulada and I am the Outreach and Advocacy Coordinator for the Student Borrower Protection Center, a national non-profit policy organization committed to ending the student debt crisis. I am testifying today in support of SB 152, which would end the practice of transcript withholding in Maryland.

Although transcript withholding is a common practice nationwide, it has unintended consequences that disproportionately harm low-income students by placing them in a limbo from which they cannot continue their education or professional advancements. Counter-intuitively, it also inhibits students’ ability to pay account balances while suppressing the local economy by preventing students from re-enrolling and graduates from obtaining gainful employment.

As recently as December of 2021, U.S. Secretary of Education Miguel Cardona emphasized the detrimental effect of transcript withholding policies on retention and completion.¹ Secretary Cardona stressed that this practice drives inequitable outcomes and called on schools to re-evaluate these long-standing policies. For this reason, more and more states and schools are eliminating transcript withholding policies. Now is the time for Maryland to support residents seeking to improve their education and employment opportunities, not to hold them back.

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

Transcript withholding is a common practice that is coming under new scrutiny. Recent research revealed that so-called institutional debts—debts owed directly to schools, which may result

¹ 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>.



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 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 Although these balances represent only a fraction of schools’ revenues and operating budgets, for many students, they are insurmountable financial barriers.

Despite its frequent use—the same 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.⁴ 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.

Transcript withholding also disproportionately impacts low-income and Black and Latino consumers, in particular college "non-completers" seeking to continue their education but who cannot do so without an official transcript. It places them in a “double-bind”: they cannot afford to pay their account balance because they cannot obtain gainful employment, but they cannot obtain gainful employment until they have completed their education and received their transcript.

For low-income students, 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 being recalled by the U.S. Department of Education and a balance suddenly due on students’ accounts. 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.

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>.

³ *Id.* at 12.

⁴ Rebecca Maurer, Withholding Transcripts: Policy, Possibilities, and Legal Recourse 29 (Dec. 2018), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3288837.



Schools and States Continue to End Their Withholding Policies.

There is growing national attention to withholding policies as a harmful practice.⁵ During COVID-19, it 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. Last year, Bunker Hill Community College of Boston, MA, voluntarily ended its practice of transcript withholding for institutional debt,⁶ and the City 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.⁷

Some states, including California and Washington, have moved toward banning the practice of transcript withholding altogether.⁸ In California, schools cannot withhold academic transcripts for any reason.⁹ 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.¹⁰

New York is well on its way to ending the harmful practice of transcript withholding in the State. Last month, both the State University of New York and the City University of New York announced that each institution has permanently ended its practice of withholding transcripts

⁵ 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>.

⁶ 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/>.

⁷ 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/>.

⁸ See, e.g., Am. Assoc. Of Collegiate Registrars and Admissions Officers, *California Transcript Legislation*, <https://www.aacrao.org/advocacy/issues/california-transcript-legislation>.

⁹ Cal. Civ. Code. 1788.90-93; Cal. Ed. Code 66022.

¹⁰ 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).



from students and graduates who owe account balances.¹¹ In her 2022 State of the State address, New York Governor Hochul committed to ending transcript withholding in New York,¹² 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, and has proposed legislation in her budget that would end the practice at all schools in New York.¹³

Schools Would Not Be Prohibited From Collecting Debts Owed By Students and Graduates.

SB 152 would not forgive any debts owed to schools or prevent schools from communicating with students or graduates about these debts or 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 to complete their education or obtain employment.

When a student or graduate seeks a transcript to complete their degree at another school or to secure employment upon graduating, withholding the document effectively places the student in limbo: they are unable to complete their degree and are unable to obtain the gainful employment needed to repay the account balance.

Rather than withholding documentation of students' academic credits, schools can continue their practice of seeking voluntary payment from students and graduates and sending accounts to collection, if necessary. 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 when requesting documents anyway, and therefore would ultimately find their account with collections in any event. Therefore, the schools' ability to collect via collection 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,

¹¹ 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/>.

¹² 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>.

¹³ Part I, *Education, Labor and Family Assistance Arti. VII Legislation* (FY 2023 New York State Proposed Executive Budget), <https://www.budget.ny.gov/pubs/archive/fy23/ex/artvii/elfa-bill.pdf>.



too, that document withholding is a passive practice: it is only triggered when students proactively approach the school.

These policies also disproportionately affect low-income students and graduates. When the outcome would be the same, there is no need to punish lower-income students by withholding their transcript in addition to sending them to collection. Indeed, nothing in SB 152 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 SB 152, 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 action in California and Washington, which have passed legislation that permanently prohibits transcript withholding, and the recent commitment by Governor Hochul in New York. Similar bills are pending or under consideration in other states, including in Maine, Colorado, and Virginia.¹⁴ 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 SB 152 so that 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. Thank you. I would be happy to answer any questions.

Please contact Amy Czulada, Outreach and Advocacy Coordinator, at amy@protectborrowers.org, if you have any questions or would like to discuss this comment further.

¹⁴ See, e.g., Megan Pauly, *A Virginia legislator wants to ban a practice holding back students with college debt*, V.P.M. (Jan. 5, 2022), <https://vpm.org/news/articles/28616/a-virginia-legislator-wants-to-ban-a-practice-holding-back-students-with>.