



Testimony to the House Appropriations Committee
HB 522: Institutions of Postsecondary Education - Institutional Debt - Report
Position: Favorable

March 6, 2023

The Honorable Ben Barnes Chair
House Appropriations Committee
Room 121, House Office Building
Annapolis, Maryland 21401
cc: Members, Education, Health, & Environmental Affairs Committee

Chair Barnes and Members of the Committee:

Economic Action Maryland (formerly the Maryland Consumer Rights Coalition) is a people-centered movement to expand economic rights, housing justice, and community reinvestment for working families, low-income communities, and communities of color. Economic Action Maryland provides direct assistance today while passing legislation and regulations to create systemic change in the future.

We are writing today to testify in support of HB 522. HB0522 seeks to address institutional debt at institutions of postsecondary education by requiring institutions to report on their institutional debt.

The high cost of higher education has placed a significant burden on students and their families. The rising cost of tuition, housing, and other expenses has led to a significant increase in student debt which can take years, even decades, to pay off, making it difficult for students to achieve financial stability and pursue their career goals. Student loan debt is a significant burden for many Americans, and it disproportionately affects people of color and low-income individuals. According to recent data, Black borrowers are more likely to default on their student loans than any other racial or ethnic group, and they typically owe more than their white peers. In the United States, women owe the majority of the outstanding \$1.7 trillion dollars in student loans and Black women carry about 20% more student debt than white women do.¹

HB0522 takes a significant step towards addressing this problem by requiring institutions to report on their institutional debt. This reporting will provide greater transparency and accountability, making it easier for students and families to make informed decisions about which institutions to attend.

In 2022, Economic Action Maryland's Know Before You Enroll (KBYE) campaign assisted over 300 students learn about the costs and outcomes of enrolling at for-profit schools. Expanding on our report, *Grading Maryland's For-Profit Schools*, the KBYE website was updated to include a comprehensive grading system for a number of trade and degree granting schools across the state including the institutions' debt-to-income ratio, student default rates, and instructional spending.² Only nine out of the thirty-eight institutions received an average or above grade. Understanding an institution's debt portfolio is crucial information for students to make an informed decision about where to go to school. Far too many students fall prey to predatory for-profit colleges, falling into debt without ever receiving a degree.

The burden of student debt falls disproportionately on low-income and minority students. According to a report by the Brookings Institution, low-income students who borrow to attend college are more likely to default on their loans than

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<https://www.cnbc.com/2021/06/14/black-women-owe-22percent-more-in-student-debt-then-white-women-on-average.html>

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<https://static1.squarespace.com/static/5b05bed59772ae16550f90de/t/62dadb1d7321916c9dfe0139/1658510110008/MCRC+Grading+For+Profit+Schools+Final.pdf>

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their higher-income peers. This leads to long-term economic instability and a lack of upward mobility.³ HB522 can help address this economic inequity by encouraging institutions to take steps to reduce their institutional debt. This will lead to more affordable education, making it easier for low-income and minority students to access higher education.

HB522 is an important piece of legislation that addresses the problem of institutional debt at institutions of postsecondary education. It provides greater transparency and accountability, making it easier for students and families to make informed decisions about which institutions to attend.

For all of these reasons, we support HB522 and urge a favorable report.

Best,

Isadora Stern
Policy Manager

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<https://www.brookings.edu/research/student-loans-the-racial-wealth-divide-and-why-we-need-full-student-debt-cancellation/>