Written Testimony of Protect Borrowers
at a Public Hearing before the
Senate Education, Energy, and the Environment Committee
on SB 628
"Institutions of Postsecondary Education - Institutional Debt - Report"

IN FAVOR

March 11, 2026

Protect Borrowers (formerly Student Borrower Protection Center) is a team of experts, lawyers, and advocates fighting to build an economy where debt doesn't limit opportunity. We investigate financial abuses, take predatory companies to court, and push for policies to protect working people from debt traps. We aim to deliver immediate relief to families while building power and driving systemic change.

Chair Feldman, Vice Chair Kagan, and Members of the Committee:

Protect Borrowers writes in favor of SB 628, which would require institutions of postsecondary education to submit reports to the State about the debts owed to them by their students—so-called "institutional debts"—and about the practices these schools undertake to collect these debts. National data suggest that these debts disproportionately burden low-income students and communities of color, and that they create barriers to retention, completion, and employment. Maryland deserves to know exactly how these debts are burdening communities in the state.

Critically, this bill does not affect schools' ability to collect these debts or otherwise change school conduct. It is merely a sunlighting bill to permit policymakers and advocates to understand better the scope of institutional debts in Maryland.

Institutional debts pose significant challenges, and little data exists about their scope or source, but the data that does exist is concerning.

Institutional debts create financial, educational, and professional barriers for Maryland residents. Although often overlooked or underappreciated as a form of student debt, they are as legally enforceable as student loans owed to banks or to the federal government. Schools engage in a variety of collection activities while seeking repayment of these debts, ranging from withholding students' academic transcripts to suing them in state court. In 2023, the Legislature passed and the Governor signed SB 248, which prohibited the withholding of transcripts as a collection

tactic, given its extreme harm to students and low rate of return on the debt. SB 628 would require reporting on those same debts, which are still collected by schools.

Although the harm they cause is known, research on institutional debts themselves is limited because schools are generally the only stakeholders with access to the relevant data, which makes the scope of these debts difficult to quantify. This is true both of the underlying expenses that caused these debts and their extent.

The circumstances that lead to an institutional debt accruing against a student are opaque. Some of these account balances may result from unknown fees, but at least one study suggests that a significant portion are often due to a misalignment between schools' refund 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 a student withdraws.[1] 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. This is particularly concerning given the number of students nationwide who dropped out of their programs during—and often due to—the COVID-19 pandemic.[2] One study estimates that during the pandemic's first two years, 750,000 students in California accrued $390 million in institutional debts due to this practice.[3]

These debts, however they accrue, are extensive. One report based on national school survey responses revealed that institutional debts total $15 billion nationwide and affect an estimated 6.6 million individuals.[4] According to that report, the average balance owed at community colleges is more than $631.[5] A recent report by the Virginia Secretary of Education, which was derived from actual school data and is discussed in greater detail below, revealed that the average debt owed at a 2-year public college was $687,[6] which aligns with the national study.

In September 2024, Protect Borrowers submitted Maryland Public Information Act requests to twelve public higher education institutions in the state of Maryland, including four-year and community college institutions, seeking information about the debt that current and (former)

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[1] Charlie Eaton, Jonathan Glater, Laura Hamilton, and Dalié Jiménez, Student Loan Law Initiative, *Creditor Colleges: Canceling Debts that Surged During COVID-19 for Low-Income Students* 7-8 (Mar. 2022), https://protectborrowers.org/wp-content/uploads/2022/03/Creditor-Colleges.pdf (Creditor Colleges).

[2] Matt Krupnick, The Heckinger Report, *More students are dropping out of college during Covid–and it could get worse* (Feb. 10, 2022), https://hechingerreport.org/more-students-are-dropping-out-of-college-during-covid-and-it-could-get-worse/.

[3] Creditor Colleges at 4.

[4] 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.

[5] *Id.*at 12.

[6] 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), https://rga.lis.virginia.gov/Published/2022/HD15/PDF (Virginia Report).

students owe to their schools. Only five out of the twelve institutions provided any data, and even of those that did, the data received was incomplete. Of the data received, Pell grant recipients held almost twice as much debt as non-Pell recipients and schools are not allowing students to receive transcripts and diplomas if their accounts are past due. The following table shows the total outstanding debt at the institutions that responded to the information request.[7]

Institution	Total Outstanding Debt	Total Number of Borrowers
Allegany College of Maryland	$459,789	291
Bowie State University	$18,927,859	Unknown
Prince George's Community College	$14,971,472.63	19,817
Towson University	$19,936,585.60	7,925
Wor-Wic Community College	$2,706,202.90	3747

According to the national study, more than 125,000 current and former Maryland students may collectively owe their schools over $332 million, for an average of more than $2,600 per student.[8] The full Maryland data from that study are as follows:

	Public 4-Year	Public 2-Year	Private Nonprofit	Total
Students In Debt	57,622	53,718	13,905	125,245
Total Debt	$152,397,632	$67,659,936	$112,242,880	$332,300,448
Average Debt	$2,645	$1,260	$8,072	$2,653

Source: Ithaka Report

Although these figures were not calculated using data directly from all Maryland schools, the results reflect an **under-regulated debt market of over $330 million**. Although Maryland's average debt owed for all schools is in line with national totals, there are important differences.

[7] Data available upon request.
[8] Julia Karon and James Dean Ward, Ithaka S+R, *A State-by-State Snapshot of Stranded Credits Data and Policy* (May 4, 2021), https://sr.ithaka.org/blog/a-state-by-state-snapshot-of-stranded-credits-data-and-policy/ (Ithaka Report).

The national averages are:

	National Public 4-Year	National Public 2-Year	National Private Nonprofit	National Total
Average Debt	$3,132	$691	$5,307	$2,612

Source: calculations conducted by Protect Borrowers based on Ithaka Report

The average institutional debt owed at Maryland's two-year institutions is nearly twice the national average for two-year schools, and the average at Maryland's nonprofit institutions is nearly $3,000 greater than at nonprofit schools nationwide. To the extent the national study's data is accurate, Maryland policymakers should want to know why their constituents are out of sync with national figures. To the extent the study is not accurate, Maryland policymakers should want access to accurate data, which only Maryland schools can provide.

Finally, what little data is available suggests that institutional debts **disproportionately burden low-income students and Black and Hispanic students**. A study commissioned by the Virginia General Assembly in 2022 required public institutions in the state to report on their institutional debt and collection practices, including demographic data.[9] To our knowledge, this is the first and only report of its kind to draw on actual debt and demographic data, rather than extrapolation. The results make clear that these debts are not borne evenly across the enrolled student population.

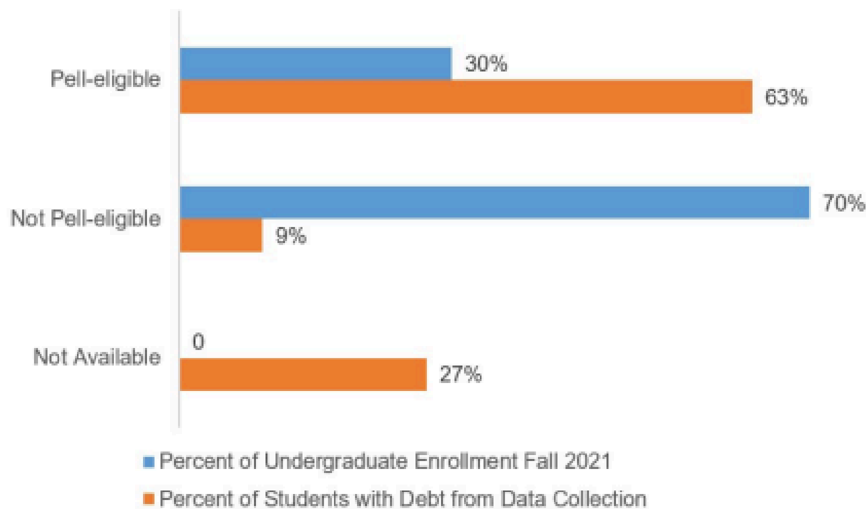
For example, although low-income students—as measured by their eligibility for a federal Pell Grant—make up only 30 percent of enrollment at Virginia's two-year public colleges, they comprise 63 percent of those students who owe debts to those schools.[10]

[9] *See* Virginia Report.
[10] Virginia Report at 16.

Pell-eligible students with debt at public two-year institutions

Student Type	Total Students with Debt	Share of Total Students with Debt	Total Debt Amount	Share of Total Debt	Averag e Debt Amount
Pell-eligible	9,402	63%	$7,221,639	71%	$768
Not Pell-eligible	1,369	9%	$1,121,655	11%	$819
Not Available	4,056	27%	$1,839,295	18%	$453
Total	**14,827**	**100%**	**$10,182,588**	**100%**	**$687**

Comparison of undergraduate enrollment and Pell-eligible students: public two-year institutions



Source: Virginia Report

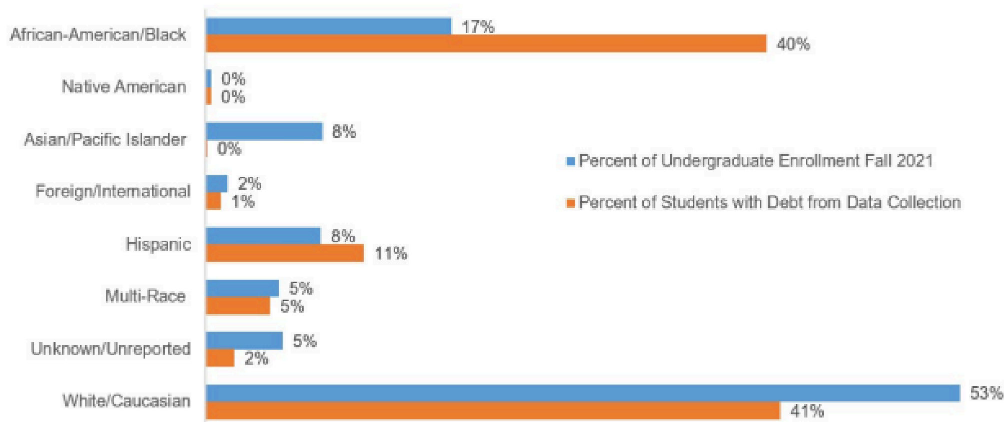
At those same schools, Black and Hispanic students comprise 17 percent and 8 percent of enrolled undergraduates, but make up 40 percent and 11 percent, respectively, of those students who owe debts to their schools.[11] In addition, the average balance among Black students who owe a debt to their school is more than $120 greater than the average balance among white students who do so, and the average balance among Hispanic students who owe on an institutional debt is more than $50 greater than the average balance among white students.

[11] *Id*. at 14.

Student debt by ethnicity at public two-year institutions

Ethnicity	Total Students with Debt	Share of Total Students with Debt	Total Debt Amount	Share of Total Debt	Averag e Debt Amount
African American/Black	5,897	40%	$4,397,713	43%	$746
Native American	59	0%	$45,834	0%	$777
Asian/Pacific Islander	20	0%	$11,232	0%	$562
Foreign/International	160	1%	$136,730	1%	$855
Hispanic	1,663	11%	$1,125,057	11%	$677
Multi-Race	680	5%	$481,312	5%	$708
Unknown/Unreported	305	2%	$212,136	2%	$696
White/Caucasian	6,043	41%	$3,772,575	37%	$624
Total	**14,827**	**100%**	**$10,182,588**	**100%**	**$687**

Comparison of undergraduate enrollment and student debt by race/ethnicity at public two-year institutions



Source: Virginia Report

Here, too, although there is not available demographic data specific to Maryland and institutional debt, the reporting from Virginia suggests these debts exacerbate already-serious racial and socio-economic disparities. There is nothing preventing Maryland policymakers from requesting these same data from schools operating within the state.

Only one school, Allegany College of Maryland, shared information on institutional debt broken down by Pell status, and the information provided mimicked that of the Virginia report. Nearly twice as much institutional debt was owed by Pell grant recipients than non-Pell grant recipients. Allegany College of Maryland reported that Pell grant recipients owed $255,014 while non-Pell grant recipients owed $137,610.

Through SB 628, Maryland lawmakers can obtain the data they need to determine whether policy interventions are necessary.

This bill would require schools to annually report on their institutional debts and collection practices. Lawmakers would then be able to make data-driven decisions about how to help students, reduce financial burdens, and improve state workforce outcomes. This data collection would build on work already underway by the federal Consumer Financial Protection Bureau, which has started to conduct regular examinations of schools who engage in institutional lending,[12] and recognizes that, in addition to institutions of higher education, schools are very often creditors pursuing debts from their students.

Specifically, the bill would require schools to annually report on the total number and balance of accounts with institutional debts, the types of transactions or charges that resulted in the debt, and the schools' collection tactics, among other things. These reported data would be broken down by student demographics, mirroring the Virginia report. These reports would be made to the Maryland Higher Education Commission, which would make them available to the public.

The bill would not change schools' accounting or collection practices or require the cancellation or discharge of any institutional debt. It would merely require reporting on those debts, the way that any other multi-million dollar financial institution reports to the state.

Although Maryland enacted HB 913 in 2023, which requires private student loan companies to register and report with the state, that addresses a separate but overlapping market. HB 913 covers any entity–including but not specifically schools–that engages in higher education lending. If a school offers loans or credit products to its students, it would be covered by HB 913 and would have to report on those loans or credit products. SB 628, on the other hand, covers all schools and all types of debts students owe to their schools, regardless of whether they are due to student loans. Therefore, although some schools may be covered by both laws, they are required to report different data under each law.

Conclusion

SB 628 is a common-sense bill that would give Maryland policymakers the information they need to determine whether any action is needed to support students' financial stability.

Sincerely,

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[12] Press Release, Consumer Fin. Prot. Bureau, *Consumer Financial Protection Bureau to Examine Colleges' In-House Lending Practices* (Jan. 20, 2022), https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-to-examine-colleges-in-house-lending-practices/.

Protect Borrowers

Please contact Winston Berkman-Breen, Legal Director with Protect Borrowers, at winston@protectborrowers.org, if you have any questions or would like to discuss this comment further.