

## WRITTEN TESTIMONY ON SENATE BILL 887

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### Overview

Student loans are one form of financial assistance available to students pursuing a postsecondary education. Many college and university students rely on such loans to help cover their educational costs. According to the Texas Higher Education Coordinating Board (THECB), undergraduates enrolled in nonprofit, postsecondary educational institutions borrowed over \$3.3 billion in federal, state and other student loans during the 2016 fiscal year (THECB 2017b).

One of the many responsibilities of financial aid administrators, as well as the institutions they serve, is to promote financial literacy among their students. While such literacy education can take many forms, an integral component of such literacy is for students to be aware of the amount they have borrowed. Financial aid administrators, in addition to lenders, play a key role in periodically reminding their students of the amount they have borrowed in student loans.

This basic loan debt knowledge is critical in galvanizing students to understand the importance of effectively managing their student loan debt. Reinforcing this information through periodic reminders is fundamental to an institution's overall financial literacy strategy. Such a strategy is designed to help students minimize their borrowing while in school and facilitate their successful student loan repayment and transition to the workforce after graduation.

### Financial Literacy and Senate Bill 887 at Texas State University

Senate Bill 887 has made an important contribution to helping financial aid administrators and their institutions better serve student loan borrowers. Texas State University, as is the case with other colleges and universities throughout Texas, understands the importance of our students being financially literate. Thus, many institutions have

developed financial literacy strategies and programs to assist their students in managing their student loan and other debt. At Texas State University, the financial literacy program is being marketed under the *Bobcat Gold* brand.

Our university's financial literacy efforts include, but are not limited to, offering:

- **Free Financial Coaching** to assist students with budgeting, bill payment prioritization, borrowing, assessing wants vs. needs, etc.
- **Personalized Academic and Career Exploration** to advise students on how to align their courses with their intended career goals, thus, reducing time to graduation as well as loan indebtedness.
- **Interim Online Counseling** provides an additional counseling opportunity for students whose aggregate Direct Loan debt has reached \$25,000.
- **Mailing of Annual Student Loan Debt Letter (begun in 2015-2016)** to every enrolled student loan borrower, which provides personalized debt summaries that delineate the amounts borrowed in federal student loans as well as the estimated monthly and total repayment amounts (i.e., principal and interest).

With the passing of Senate Bill 887, we are in the process of transitioning this hardcopy letter format (Annual Student Loan Debt Letter) to an online tool. This solution will be integrated with our student self-service page, and students will be driven to this page at least once a year via the annual notification. One distinct advantage of this new approach is that students will be able to access the information throughout the year, and we will be able to track the number of students who access their page as well as the number of repeat visits students make. These data will enable our office to conduct assessments of the effectiveness of our annual student loan debt notification in driving students to this important information.

### **Implementation of Senate Bill 887**

As President of the Texas Association of Student Financial Aid Administrators (TASFAA), whose members represent 150 Texas higher education institutions, it appears from conversations with colleagues that institutions are generally on track to meet the requirements of Senate Bill 887 during the 2018-2019 academic year. This status is due not only to the efforts of administrators and staff at higher education institutions, but the straight-forward nature of the bill's language as well as the rules promulgated by the THECB. Also, for some institutions, the notices have been provided to students previously (e.g., Texas A&M University, Texas State University and University of North Texas) and require no or minimal modifications to their existing business processes or systems to satisfy the requirements of Senate Bill 887.

Some of the related challenges being faced by institutions, however, include the following:

- Determining the appropriate interest rate on which to calculate private loan repayment amounts when such interest rates can vary from 3.8% - 14.05%.

- Concerns about comparatively incomplete records for transfer students regarding their state and private student loan debt (i.e., borrowed at another institution) and the potential confusion such incomplete data may cause.
- Institutional indebtedness notices may contain information that conflicts (e.g., due to estimating interest rates) with the loan indebtedness notices being provided to student loan borrowers by their lenders on a typically quarterly basis.
- Indebtedness notices may reflect state loan amounts that a student has already paid off (e.g., when a student returns to school or begins graduate school at the same institution after being in the workforce for some years).
- Grad PLUS and consolidated federal student loans could be excluded from a school's indebtedness notice to borrowers. This scenario would be due to these federal loans being included only on transfer alert and financial aid history files and not in the National Student Loan Data System (NSLDS) records that accompany an Institutional Student Information Record (ISIR).

Financial aid administrators are assessing these challenges with one purpose in mind, which is how to more proactively minimize (i.e., beyond the required disclaimers included in the notices) any misunderstanding by our students with respect to these disclosures. One such solution may be to incorporate information about these notices and their data limitations into overall financial literacy programming. This measure would proactively educate students about these issues prior to their receiving the loan debt notices.

### **Further Improving Student Understanding**

While financial aid administrators work within a complex environment of regulations, systems, business processes and customer service operations, their focus is on students and their success. Senate Bill 887 is very student-centered and is designed to help ensure students are knowledgeable about the amount of their student loan debt; on which subsequent conversations regarding effective management of that debt can be built. *It is important to note, though, that there are financial aid professionals who believe the bill could be further enhanced to facilitate students receiving a more accurate and comprehensive picture of their student loan debt than is currently prescribed under the bill.*

Under the current decentralized approach of Senate Bill 887, colleges and universities base their notifications on the student loan information available within their institutional databases. With the high number of transfer students among Texas colleges and universities, for instance, an institution's notice may lack substantial state and private loan debt amounts for their transfer student population. While the use of disclaimers is one way of addressing this challenge, another is taking a more centralized and student-centered approach to the notification process.

At present, higher education institutions report financial aid data to the State three times each academic year (approximately at the end of each semester). This reporting of students' financial aid information is performed via the Financial Aid Database System

(FADS) submission process. The data, already collected by the State of Texas via the FADS reporting process, includes the following data for student loan borrowers (THECB 2017a):

- B-On-Time (BOT) Loans
- College Access Loans (CAL)
- Federal Direct Subsidized Loans
- Federal Direct Unsubsidized Loans
- Federal Direct Parent Loans for Undergraduate Students (PLUS) or Grad Plus Loans
- Federal Perkins Loans
- HB 3015 Loans
- Other Long-Term Educational Loans

*Thus, this state database (i.e., FADS) stores much more comprehensive student loan debt information from all institutions than any individual institution of higher education. FADS could also be further improved (with respect to this proposal) by having colleges and universities report the federal aggregate student loan debt data they receive from NSLDS. Therefore, to best serve the needs of our students relative to student loan notifications, students could be directed to a single portal that accesses their personal student loan data from FADS.*

In this scenario, institutions of higher education could still send electronic notices to students. However, within the notice the student could be directed via hyperlink to login (e.g., via single sign on) to a state-managed student loan debt portal. From there, the student could obtain a personalized and more comprehensive view of their related debt than currently envisioned.

This proposed enhancement, aimed at providing students more accurate and holistic information regarding their student loan debt, would be of great benefit to the students of Texas. This solution would simply more effectively utilize existing student loan data already collected by the State from institutions of higher education. It would also potentially reduce the inefficiencies of maintaining the related systems and processes at each institution of higher education subject to Senate Bill 887.

## **Conclusion**

Senate Bill 887 is in alignment with the student-centered vision of financial aid administrators and the institutions they serve. The bill better ensures students are regularly reminded of their student loan indebtedness, in addition to other notifications sent by such entities as lenders, and reinforces the financial literacy efforts of postsecondary educational institutions.

From the perspective of financial aid administrators, implementation of the bill poses no serious challenges. The major challenge is ensuring students understand the estimated

nature of the student loan debt data being provided to them. To better serve students and provide them with more accurate information regarding their student loan indebtedness, future legislation could potentially provide for a more centralized solution. A centralized model would allow borrowers to login to a state-managed student loan debt portal to view a personalized and more comprehensive picture of their related debt.

## References

THECB (Texas Higher Education Coordinating Board). 2017a. *FY 2018 Financial Aid Database Report Manual 2017-2018*. Austin, Texas. <http://www.thecb.state.tx.us/reports/PDF/9528.PDF?CFID=61315364&CFTOKEN=98635824>. Last accessed on 14 August 2018.

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