

October 17, 2016

Testimony submitted to
Senate Majority Policy Committee
on behalf of Penn State University

Thank you for the opportunity to provide comments related to practices that would ensure students and their families have the information and tools they need to make wise decisions about borrowing educational loans for college. I am pleased to offer these comments on behalf of The Pennsylvania State University.

We agree that efforts to educate and inform students about education loans are of utmost importance. As you know, students are required to complete online loan entrance counseling before they can receive their first federal student loan disbursement. Penn State continues to improve its cohort default rate. The most recent rate just released by the U.S. Department of Education for the 2013 Cohort Year shows the following:

<u>Penn State</u>	<u>All PA Schools</u>	<u>Private 4 Year</u>	<u>Public 4 Year</u>	<u>Nat'l Avg/All Schools</u>
4.9%	9.2%	6.5%	7.3%	11.3%

We recognize that financial literacy education is the foundation for making informed financial decisions. In 2013, Penn State implemented a Financial Literacy program aimed at helping students make better decisions about credit card use, budgeting, borrowing and loan repayment. This program is designed to actively engage students through hands-on workshops, group counseling, webinars, and online help and tutorials. Students that are identified as being vulnerable to challenges of loan repayment are often referred to financial literacy program staff for one-on-one counseling sessions. The Financial Literacy program is a collaborative effort of the Adult Learner Advocacy Office, the Outreach Office and the Office of Student Aid.

In 2014 Penn State established the Student Financial Education Center (SFEC). Administered by the Penn State University Libraries in partnership with the University Park Undergraduate Association, the SFEC offers one-on-one, personal finance sessions with students majoring in Finance and who have been trained as peer educators in financial literacy. And to give greater visibility to Financial Literacy, the University has just announced the establishment of a formal center to house our programming, which serves students at all Penn State campuses across the commonwealth.

Although not required by the Department of Education to have a default management plan in place, in January 2016 the Office of Student Aid at Penn State hired a full-time staff person dedicated to the areas of default prevention and debt management. With the purpose of developing a comprehensive default prevention plan, we are in the process of completing a statistical analysis on our student borrowers that have defaulted on their loans. This data will help us identify who is defaulting and why, and help us create more unique intervention opportunities to work directly with our at-risk populations throughout their educational career. Our next goal will be to establish a University wide task force that will work together to establish the measurable objectives and actions that Penn State will take to improve student loan repayment and to maintain a low cohort default rate.

While working on broader program goals, we have implemented a Delinquency Assistance Initiative through which we personally reach out to borrowers that are delinquent on their loan payments to offer them guidance on their repayment options and help connect them to their loan servicer. Starting in the fall of 2017, we will encourage all student borrowers to complete the Financial Awareness Counseling Tool through the Department of Education by placing it as a soft requirement on the To Do List of their Student Information Center. This interactive loan counseling tool provides students with financial management basics, like information about their current loan debt and estimates for student loan debt levels after graduation. Also beginning in the fall of 2017, we will send our student borrowers a personalized summary of current loan indebtedness

before they take out additional student loans for the upcoming year. This letter will include a summary of all loan debt, estimated payment information and loan servicer contact information.

While recognizing that many students must rely on education loans to help meet their education goals, we want students to borrow smart. To help students gain a better understanding for how college and career choice affect their borrowing we recently updated our Office of Student Aid website with new resources including the My Smart Borrowing Tool, You Can Deal With It, and the Repayment Estimator.

While Penn State has excellent retention and graduation rates, we are working toward increasing the four year graduate rates which would result in reduced loan debt. President Barron has identified this goal as a strategic priority recognizing that completing a degree in four years does in fact reduce student loan debt.

We believe that any legislative requirements that schools provide timely and helpful communications to students about their loan debt should provide a broad enough framework that would allow current practices to satisfy such legislation. Schools already engaged in such good practices should be able to document their compliance without needing to modify their existing effective programs. The diversity of education in Pennsylvania institutions and students demands flexible programming that best meets the needs of the target population.

We also believe the Commonwealth could provide a general public service campaign to raise awareness and shine a light on the importance of students and their families giving careful consideration to planning for how they will pay for college. If education loans are a tool the family chooses to use, then borrowing wisely, with attention to borrowing only what is required to meet their essential costs is a smart way to proceed.

I hope this information is helpful to the committee. Penn State will be happy to provide further input as you proceed to deliberate this important public policy issue.

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