

[Insert Date]

The Honorable Chris R. Holden  
Chair, Assembly Committee on Appropriations  
1021 O Street, Suite 8220  
Sacramento, CA 95814

**Oppose AB 1160**

Dear Chair Holden:

The undersigned institutions of higher education and their contracted partners urge opposition to AB 1160 – the Protecting Students from Creditor Colleges Act. This measure, as introduced, will have a detrimental impact on California institutions, the quality of education they offer, and the ability of students to receive an education at other non-California schools that determine that enrollment of CA students poses too much of a financial risk.

The Protecting Students from Creditor Colleges Act would expand the current transcript withholding prohibition on students who owe a debt to include diplomas and certificates. The measure, as introduced, prohibited institutions from contracting with a third-party debt collection agency or selling debt to a collection agency in order to recover existing and future debt. Further, the bill defines an ‘institution of higher education’ as “any public or private postsecondary educational institution operating in the state, including its branch campuses and satellite locations or distance education.” While the Higher Education Committee made some changes, they did not go far enough.

The bill prohibits the current practice of the state Controller directing any funds owed to an individual by the state to an institution of higher education to pay some or all of a debt that individual owes to that institution. Thus, institutions will no longer be able to recoup their debt through the state. This bill would require the institution to recoup the debt solely by themselves.

The bill continues to be problematic on several fronts. The measure’s sponsor argues that borrowers with institutional debt have little to no consumer protections; however, this is not true. Third-party debt collectors must comply with several federal laws, including the Fair Debt Collections Act and federal unfair, deceptive, or abusive acts or practices (UDAP) provisions. These are highly regulated entities at the federal and state levels and, in CA, must be licensed by the state.

Further, while the current transcript withholding prohibition seemingly has little impact on institutions, there is a growing rumbling among institutions as students incur more considerable debt without the benefit of any financial counseling. Where transcript withholding is legal and used, it allows institutions to address the current/former student’s financial situation by providing much-needed financial literacy and assisting in resolving their situation. With the inclusion of diplomas to the transcript withholding ban, AB1160 would remove any opportunity for an institution to engage on this level with a student and allow them to continue accruing unmanageable debt.

As noted, the Higher Education Committee made several changes to the legislation; however, in doing so, added additional notification and reporting burdens on schools that will take time and resources away from educating and assisting students. The Committee also instilled a 180 day waiting period from the date the institution first requested payment for a debt. After that time-frame, institutions would be allowed to engage with a collection agency to recover the debt. This 180 day wait period will reduce the success of recovering the owed debt. Studies looking at the federal 6-month grace period on payment of federal loans results in problems such as delinquency and default due to that waiting period. Creating a similar wait period will result in the same difficulty for those owing debt to institutions, placing the former student at an economic disadvantage.

Finally, removing all recourse for institutions, both within CA and elsewhere, from the ability to recover funds owed by students for rendered services will dramatically impact students and the state. The loss of institutional revenue will lead to the loss of employment, reduction in educational offerings, and, ultimately, the ability to offer quality education and much-needed student support services. For CA residents seeking to enroll at institutions outside of CA, they may find it more and more challenging to gain enrollment at their desired institution as more and more institutions refuse to assume the risk of losing revenue in an economy with tight margins.

For these reasons, the undersigned urge you not to consider and oppose AB 1160 – the Protecting Students from Creditor Colleges Act. Thank you for your attention to these concerns.

Sincerely,