NEBRASKA'S COORDINATING COMMISSION FOR POSTSECONDARY EDUCATION

LB 726 Testimony
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• Nebraska stands out for the level of support it provides to its public colleges and universities, which is reflected in the moderate tuition and fees they charge compared to their peer institutions. Nevertheless, when the full cost of attendance – which includes tuition and fees, books and supplies, room and board, transportation, and miscellaneous expenses – is considered, many students find that there is a gap between their family resources, grants and scholarships they receive, and what a year of education costs. So like students across the country, Nebraska students borrow.

• Comparable figures on student borrowing that include all sources of loans and all colleges and universities are not readily available. The National Project on Student Debt estimates that 61% of the 2014 graduates of Nebraska's public institutions left college with an average of $24,599 in loan debt, including federal loans and private loans. They estimate that 70 percent of graduates of Nebraska's independent four-year institutions graduate with an average of $31,163. While a good source, these data do not include all four-year institutions or any two-year institutions.

• Focusing only on federal direct loans to students (not parent PLUS loans) and using federal data sources that all institutions participating in federal programs must submit shows slightly lower but still very significant median federal debt at graduation (see table). About 50% of public four-year undergraduates take out federal loans in a given year, and the median federal debt for graduates is about $22,000. Borrowing at community colleges varies more across colleges, but in general, about 25% of students take out federal loans in a given year, and the median federal debt for graduates ranges from $8,718 to $13,373. As these figures are medians, half of the graduates with loans have borrowed more and half have borrowed less.

• While borrowing is a necessity for many students, national studies have found that most students – even first-year students with no other accumulated student loans – aren't sure how much they have borrowed. One very large, nationally representative federal study showed that only 24% of beginning students knew within 10% how much they had borrowed in federal loans. Fifty-one percent underestimated by 10% or more and 25% overestimated by 10% or more. A surprising 28% with federal loans reported that they had none.

• Creating state-level policy to address debt literacy is important. The federal government requires entrance and exit counseling for federal loan recipients, but there is no federal requirement to keep students informed of all their borrowing in between while the students are attending school and accumulating debt.

• It is important that this information be presented in the more pro-active and detailed manner described in this bill. Student loan information can be complex and difficult to understand. It also can be easy to ignore if students or parents have to search for it.

• This is a relatively easy and painless step. Many Nebraska institutions already do some of what is required in this bill. However, the information required in this bill would offer students a more complete picture of the potential consequences of loan debt at the time when they are making their borrowing decisions.

• Indiana passed a similar bill in 2015 based on the experience of Indiana University, which began sending debt information letters to students in 2012-13. Wisconsin legislators, with the support of their governor, recently introduced legislation modeled after Indiana's law. Other states are moving in this direction as well, with legislation aimed at helping students understand the potential consequences of student loans.

• LB 726 would not make college debt free in Nebraska, but it would be an important tool for students and their families to make better decisions regarding student loans. Potential positive impacts include:

- Less borrowing – borrowing only what is absolutely necessary
- Motivation to finish school sooner
- Cost savings for State through faster completion time
- Less debt and faster completion times means college graduates can be more active contributors to the Nebraska economy