

*Protecting Ohio's Families*

# Ohio Attorney General's Student Loan Debt Advisory Group



## Report

June 2017



**MIKE DEWINE**  
OHIO ATTORNEY GENERAL



# MIKE DEWINE

★ OHIO ATTORNEY GENERAL ★

Dear Ohioans,

Student loans provide many citizens with access to higher education to pursue their dreams of a successful and rewarding career — access they might not otherwise have. Unfortunately, many students leave college with more debt than they can handle. According to the Institute on College Access and Success, almost 70 percent of Ohio college graduates leave school with student loan debt. On average, those graduates owe more than \$30,000.

My office is charged with collecting outstanding state debt, including that of Ohio's public colleges and universities, which can include unpaid tuition and student loans, past-due room and board, and much more. To ensure that citizens who have student debt are treated fairly, I convened the Student Loan Debt Advisory Group composed of legislators, collections experts, and college and university officials to review my office's collection practices. The group also discussed the manner in which Ohio colleges and universities send their outstanding debt to my office for collection, as well as the need for improved financial literacy education. Included within this report are the 22 recommendations crafted by the Student Loan Debt Advisory Group.

Long before a student signs on the dotted line for a student loan, we need to provide financial literacy education that prepares them for this responsibility. To address this need, the advisory group recommended that all Ohio high school students take one semester of financial literacy education, with an emphasis on student loans. As I travel the state and speak with Ohio's young people, I am optimistic that so many want to pursue higher education. However, many do not know how to pay for that education. We need to better equip our high school students with the skills they need to not only succeed academically in college, but also to do so without taking on unnecessary debt. Recognizing this important need, my office created the Student Loan Center on the Ohio Attorney General's website. The center is a one-stop shop for everything a family needs to know to responsibly and successfully fund a college education. The Student Loan Center can be accessed at [www.OhioAttorneyGeneral.gov/StudentLoans](http://www.OhioAttorneyGeneral.gov/StudentLoans).

The advisory group also recommended that Ohio colleges and universities standardize the way they certify debt to my office. To assist in this, we are consulting with the Ohio Bursars Association, the Inter-University Council, and the Ohio Association of Community Colleges to convene an ongoing working group to establish standardized procedures for debt certification.

I thank all of the members of our Student Loan Debt Advisory Group for the time and expertise they dedicated to this report. My office will continue to improve our collection practices and work with our educational institutions to better serve Ohioans.

Very respectfully yours,

Mike DeWine  
Ohio Attorney General

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## Introduction

In the spring of 2012, outstanding student loan debt in the United States surpassed \$1 trillion. Today, 42 million Americans<sup>1</sup> owe more than \$1.3 trillion in outstanding student loan debt.<sup>2</sup> More than half a million Americans are in default on their student loans,<sup>3</sup> including more than 30,000 Ohioans.<sup>4</sup>

Ohio ranks among the most debt-burdened states for student loans. According to the Institute for College Access and Success, 66 percent of Ohio graduates leave college with student loan debt, ranking Ohio eighth in the nation for proportion of college graduates with student debt.<sup>5</sup> Ohio graduates leave college with an average of \$30,239 in student loan debt. Not only do Ohio graduates have more debt than the graduates from most other states, but Ohioans also default on their student loans at a higher rate than the national average. In fact, 30,573 Ohioans, or 13.6 percent of borrowers, are in default on their student loans, compared with 11.3 percent nationally.<sup>6</sup>

For Ohioans who owe Federal Perkins Loans,<sup>7</sup> tuition and fees, or institutional loans, their debt may be collected by the Ohio Attorney General's Office (AGO). The AGO is charged with collecting state debt, including that of Ohio's public colleges and universities, such as institutional loans, tuition, fees, accounts receivable, and Perkins Loans. While institutions of higher education are initially responsible for collecting their own student debt, once that debt becomes due, Ohio law requires it be certified to the AGO for collection either 45 days after the amount is due or within 10 days after the start of the next academic session, whichever is later.<sup>8</sup>

The Attorney General has the authority to hire third-party vendors and special counsel to assist with the collection of state and local debt. The Attorney General shall pay for these services "from funds collected by them in an amount approved by the Attorney General," according to Ohio Revised Code (ORC) Section 109.08.

Collecting student debt can be a costly process. It involves using skip-tracing and other means to attempt to locate debtors, mailing collection letters, making calls, producing and sharing documents, verifying loans, communicating with state institutions of higher education ("institutions"), and, possibly, taking debtors to court.

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<sup>1</sup> U.S. Department of Education, "Federal Student Loan Portfolio: Federal Student Aid Portfolio Summary," 2017, available at <https://studentaid.ed.gov/sa/about/data-center/student/portfolio>.

<sup>2</sup> Board of Governors of the Federal Reserve System, "Financial Accounts of the United States," March 9, 2017, available at <https://www.federalreserve.gov/RELEASES/z1/Current/z1.pdf>, pg. 129.

<sup>3</sup> U.S. Department of Education, "FY2013 Official 3-Year National Cohort Default Rates," 2016, available at <https://ifap.ed.gov/eannouncements/attachments/2016OfficialFY2013CDRBriefing.pdf>.

<sup>4</sup> U.S. Department of Education, "FY 2013 3-Year Official Cohort Default Rates by State/Territory," Aug. 6, 2016, Available at <https://www2.ed.gov/offices/OSFAP/defaultmanagement/staterates.pdf>.

<sup>5</sup> The Institute for College Access and Success, "Project on Student Debt: State by State Data," 2016, available at <http://ticas.org/posd/map-state-data>.

<sup>6</sup> U.S. Department of Education, "FY 2013 3-Year Official Cohort Default Rates by State/Territory," Aug. 6, 2016, Available at <https://www2.ed.gov/offices/OSFAP/defaultmanagement/staterates.pdf>.

<sup>7</sup> Federal Perkins Loans are low-interest federal student loans for undergraduate and graduate students who demonstrate exceptional financial need. Perkins Loans have an interest rate of 5 percent and are issued by the institution of higher education. More information on Federal Perkins Loans is available through the Federal Student Aid website, <https://studentaid.ed.gov/sa/types/loans/perkins>.

<sup>8</sup> ORC 131.02, ORC 109.08, and ORC 109.081.

To ensure that these costs are paid by the debtor and not passed off to other citizens, the Ohio Revised Code permits the Attorney General to assess and recover costs from the indebted party.<sup>9</sup> The Attorney General's Office and the state's institutions of higher education regularly work with students to find options to pay their debt, such as payment plans.<sup>10</sup>

In September 2016, Ohio Attorney General Mike DeWine convened the Student Loan Debt Advisory Group. The group was charged with examining:

- The uniformity of university policies, fees, and penalties regarding unpaid student accounts.
- Whether students are being adequately educated regarding all responsibilities when taking student loans.
- The university certification process for student debt accounts.
- Student loan debt collection strategies within the Ohio Attorney General's Office.

The group convened five times over the course of six months. During their meetings, group members heard presentations from the Ohio Attorney General's Office staff, college and university officials, legislators, special counsel, third-party vendors, and others. Each presenter provided group members with an in-depth look at student loan debt, based on his or her area of expertise. Advisory group members also surveyed public colleges and universities on their student debt collection policies, including fees, collection costs, and other amounts assessed on outstanding student debt.

Based on the information presented, the 17 members of the Student Loan Debt Advisory Group made the following 22 recommendations for the Attorney General's collection practices; college and university policies and certification practices; and student financial literacy education.

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<sup>9</sup> ORC 109.081.

<sup>10</sup> ORC 131.02(E).

## Executive Summary

The members of the Ohio Attorney General's Student Loan Debt Advisory Group made 22 recommendations covering three topic areas: financial literacy education, institutional debt certification policies, and collection practices.

- 1. All Ohio high school students should receive one semester of financial literacy education.** Ohio has financial literacy education standards that cover kindergarten through 12<sup>th</sup> grade. As financial literacy is not a state-tested subject, many schools marginalize financial literacy education. For this reason, education on the principles of college debt management is especially limited across the state. The AGO and institutions should support the adoption of legislation that requires all high school students to receive one semester of financial literacy education as a stand-alone course or within another class.
- 2. High school seniors should be encouraged to complete the Free Application for Federal Student Aid (FAFSA).** To reach our full potential as a state and to meet future workforce needs, more young people need to earn technical certifications, and associate's and bachelor's degrees. The state can increase enrollment in higher education institutions by requiring completion of the FAFSA. States that have mandated FAFSA submissions have seen increases in higher education enrollment. Furthermore, by showing low-income students that a higher education is financially viable, we can encourage greater college enrollments and close the achievement gap.
- 3. Institutions should encourage student financial responsibility.** Each year, students elect to use, or not use, federal student loans to pay for college. This is often done through an institution's online student portal. Where permissible under federal law, institutions should make it clear that a student does not have to accept the entire loan amount offered as part of the financial aid package. Institutions should build this capacity into the student portal.
- 4. Ohio colleges and universities should adopt best practices for student financial literacy.** The Ohio Attorney General's Office surveyed financial literacy initiatives at Ohio's institutions and created a best practices advisory sheet. Institutions should adopt these best practices, where feasible, to ensure that all students understand their loan debt obligations upon graduation or withdrawal. This would supplement K-12 financial literacy efforts.
- 5. Institutions should obtain express prior consent from students to contact them by any communication method, including artificial recorded voice technology systems.** State and federal laws prohibit debt collectors from contacting debtors through certain methods of communication without the debtor's consent. Institutions should request express prior consent from students to allow institutions and third parties that collect debts on behalf of institutions to contact students using the most effective forms of communication, including text messages and email. Because recent graduates frequently change addresses and do not commonly maintain a landline, cellular communication is critical to ensuring that debtors are aware of their debt and understand the ways in which they can pay, forbear, or, in limited circumstances, have their debt forgiven.
- 6. The Attorney General's Office should make additional student loan resources available to students, educators, and school administrators.** The AGO has developed a Student Loan Center on its website. The AGO should provide information on the Student Loan Center about its student debt collection practices. The AGO should also better advertise the site and the free resources it offers to students and schools, including its partnership with the Ohio Association of Student Financial Aid Administrators to provide free financial aid presentations to schools. The AGO should work with the Ohio Department of Education and the Ohio Department of Higher Education to ensure that all students receive comparable, high-quality information, regardless of which agency's site they visit.
- 7. Institutions should adopt uniform certification practices.** The Attorney General's Office should work with institutions of higher education to ensure that they adopt uniform standards for



fees and penalties and certification practices for all student debt that is to be collected by the AGO.

8. **Institutions should notify the Attorney General's Office of any atypical debts.** The AGO and institutions should develop a system for institutions to alert the AGO, upon certification, of accounts that are outside of an institution's typical business or certification practices (such as accounts that are inherited from another institution). This will allow AGO staff to screen and specially handle atypical accounts.
9. **Institutions should notify students that past-due debts will be transferred to the Attorney General's Office.** Institutions should modify their collection letters to notify all recipients that past-due debt will be placed with the AGO. Institutions should also alert students to increased collection costs once their debt is certified to the AGO.
10. **The Attorney General's Office should develop multiple client identification codes.** The AGO should work with institutions to use identification codes for each of the debt types that are certified to the AGO. The codes would allow the AGO to differentiate between types of debt upon certification and allow institutions to better reconcile debt once it is collected.
11. **The Attorney General's Office should work with institutions to develop an improved system for document sharing.** The AGO and institutions should work together to develop a more complete document sharing system to ensure the efficient imaging and sharing of documents among the AGO, institutions, third-party vendors, and special counsel.
12. **When possible, all of an individual's student debts should be consolidated into a single packet of accounts, serviced by one collection agency.** The AGO should make every effort to combine all of an individual's student debt obligations into a single consumer packet. Efforts should be made to ensure that students do not receive duplicate letters or phone calls from multiple collectors.
13. **Institutional late fees and penalties should not be included in the calculation of interest and collection costs.** Many institutions assess their own internal late fees and/or interest to past-due debts. It is recommended that any late fees or penalties that are certified to the AGO should be separated from principal and should not be included for purposes of the interest and collection costs calculation. These fees and interest should not accrue additional interest or collection costs while held by the AGO.
14. **Debtors should receive appropriate notice of collection costs.** The AGO should modify its collection letters to provide clear notice to all student debtors that collection costs will increase with third-party vendors and special counsel collection efforts.
15. **Institutions should provide student debtors with opportunities for settlement.** The AGO and institutions should work to explore and encourage options for the settlement of accounts.
16. **A continuous quality improvement model should be adopted for debt collection timelines.** The AGO should continue to periodically review its debt collection timelines, including the number of days that a debt account is assigned to third-party vendors and special counsel.
17. **The Attorney General's Office should research innovative practices for debt collection.** The AGO should scan the national collection landscape to determine best practices that can be employed in Ohio.
18. **Customer service should be a permanent part of the request for qualifications process.** For years, the AGO has used customer service in its special counsel and third-party vendor selection process. The consideration of customer service as a factor during the AGO review process for selection of both should permanently remain in the request for qualifications.
19. **The Attorney General's Office should continue to conduct regular performance reviews of third-party vendors and special counsel.** The AGO should conduct performance reviews of all third-party vendors and special counsel to ensure that they consistently follow the collection standards prescribed by the AGO.
20. **The Attorney General's Office should review its collection efforts for returned, archived, and uncollectable accounts.** The AGO should review its practices and treatment of accounts that



have completed the standard collection process and been returned to the AGO. A review of practices for the hardest to collect debt will ensure the most efficient disposition of these accounts.

- 21. The Attorney General's Office should produce reports on its student debt portfolio.** The reports should include the number of portfolios, number of accounts for various types of debt, and total debt amount.
- 22. The Attorney General's Office and Ohio's higher education institutions should continue to collaborate with interested parties.** The AGO, colleges, and universities should continue efforts to collaborate with interested organizations to promote the use of best practices for student debt collection statewide. This may include the continuation of an advisory body, in some form, after initial recommendations have been implemented.

## Financial Literacy Education Recommendations

The Ohio Department of Education has established financial literacy education standards for kindergarten through high school. As financial literacy is not a state-tested subject, many schools marginalize financial literacy education to focus on core subjects. Accordingly, many Ohio students receive little or no financial literacy education during their academic careers. Members of the Student Loan Debt Advisory Group believe that the following recommendations are necessary to ensure that students understand the consequences and responsibilities associated with taking student loans before they sign on the dotted line. Furthermore, advisory group members believe the following recommendations are imperative to ensuring that students understand their repayment options after leaving college.

### **1. All Ohio high school students should receive one semester of financial literacy education.**

Currently, Ohio law requires students to receive financial literacy education from kindergarten through 12<sup>th</sup> grade. However, because financial literacy is not a tested subject, many schools omit financial literacy education from their course offerings in order to focus more time on core subjects, such as math, science, social studies, and language arts. The AGO and institutions should support the adoption of legislation that requires all high school students to receive one semester of financial literacy education, which needs to include:

- The difference in tuition structure and financial aid options among public and private, in-state and out-of-state, and for-profit, proprietary schools. The lesson should cover cost per credit hour; average net tuition and fees, including room and board; average debt upon graduation; and differences in state and federal financial aid.
- Information regarding the nature of student loan debt, including an understanding of the current average national and state debt load; that student loan debt is generally nondischargeable in federal bankruptcy court; how debt affects students later in life; how debt collection occurs; and disclosure of student loan and debt-collection fee structures.
- An understanding of “return on investment” by degree, using employment statistics to educate students about the likelihood of employment in a particular sector, salary or wages in that profession, and how that compares to the investment cost.

The advisory group believes that changes in the student debt-collection process will not have a significant effect without bolstering consumer education. Accordingly, the advisory group strongly supports legislation to require financial literacy education to high school students.

Institutions of higher education cannot bear the entire responsibility of educating students on the importance of financial accountability. By the time students arrive on campus, they have already accepted the responsibilities and obligations that accompany student loan debt, even if they do not understand the obligations. Financial literacy education must begin before a student signs on the dotted line.

The advisory group included two college students, who offered the perspective of their peers. According to the group’s student members, little counseling is provided on responsibly financing higher education. As a result, young people do not meaningfully consider this when choosing an institution of higher education. Rather, many students simply sign the required documentation or mindlessly click through Web-based entrance counseling required by the

federal government. Some students rely on their parents to fill out the forms, but parents themselves may not fully comprehend the financial documentation.

The advisory group believes that Ohio students will benefit from the proposed in-depth financial literacy curriculum. The Ohio Department of Education's Ohio Learning Standards Revision Advisory Committee for Financial Literacy is reviewing and revising Ohio's financial literacy learning standards. For schools looking to implement Ohio's financial literacy standards, free resources are available. A resource list is provided in Appendix A.

In order to create fiscally responsible students who understand the risks and benefits associated with student loans, greater emphasis must be placed on financial literacy education, including requiring an appropriate course for all Ohio high school students.

## **2. High school seniors should be encouraged to complete the Free Application for Federal Student Aid (FAFSA).**

The advisory group recognizes that not all high school graduates seek to enroll in higher education. The advisory group, however, wants to ensure that misconceptions about the cost of higher education do not prevent students from attending institutions of higher education. Completing the FAFSA is the first step to determining whether higher education is a financial fit for a student. By completing the application, students are able to determine the out-of-pocket costs more accurately and make better-informed decisions on the cost of enrolling at a particular institution. Often, students who are otherwise eligible miss out on the benefits of particular grants, loans, and other financial aid because they fail to submit a FAFSA before the deadline.

To reach our full potential as a state and to meet future workforce needs, more young people need to earn technical certifications, and associate's and bachelor's degrees. The state can encourage increased enrollment in higher education institutions by requiring completion of the FAFSA. States that have mandated FAFSA submissions to graduate high school or receive certain scholarships have seen increases in higher education enrollment.<sup>11</sup> Furthermore, by showing low-income students that a higher education is financially viable, we can keep encouraging greater college enrollments and close the achievement gap.

To help accomplish this goal, the AGO should continue to work with the Ohio Association of Student Financial Aid Administrators, which offers presentations at high schools throughout the state on how to complete a FAFSA. Anyone can request a presentation through the AGO Student Loan Center webpage. In addition, Ohio institutions should continue to offer presentations and guidance to local school districts on financial aid education.

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<sup>11</sup> Louisiana mandates that all high school seniors must complete one of three pathways to receive their diploma. One of the pathways includes submitting the FAFSA. This mandate goes into effect with the Louisiana graduating class of 2018. Louisiana's legislation is available at: [http://www.boarddocs.com/la/bese/Board.nsf/files/A4FK7U507910/\\$file/AGII\\_5.3\\_B741\\_FAFSA\\_Dec\\_2015.pdf](http://www.boarddocs.com/la/bese/Board.nsf/files/A4FK7U507910/$file/AGII_5.3_B741_FAFSA_Dec_2015.pdf). Other states, like Tennessee, that implemented "Promise" programs providing last dollar scholarships for students to attend 2-year colleges, require that students complete the FAFSA in order to qualify (<http://tnpromise.gov/parents.shtml>). Tennessee, as a result, has seen an increase in the number of students enrolling in institutions of higher education (<http://www.tennessean.com/story/news/education/2015/09/11/college-enrollment-jumps-under-tn-promise/72096194/>).

### **3. Institutions should encourage student financial responsibility.**

Each year, students accept or reject their student aid packages, which may include federal student loans. The process is often completed through an institution's online student portal. While institutions cannot create barriers to accepting federal financial aid, the advisory group recommends that institutions require students to review and sign a financial responsibility waiver in order to register for classes. The act of signing the agreement will serve to remind the student of the significance of borrowing student loans for that semester. Sample agreements are available in Appendix B.

Additionally, institutions should make it clear that a student does not have to accept the entire amount of student loans offered and may instead elect a lesser amount. Often, students are not aware that accepting a lesser amount is an option. Moreover, students might accept the full amount offered under the misbelief that doing so is necessary for covering course enrollment and other cost-of-attendance expenses.

Although the frequency by which institutions can require loan counselling is restricted by federal regulations, institutions should develop creative ways within the legal boundaries to encourage students to accept lesser amounts, if fiscally feasible. The encouragement could be accomplished using creative design features within the student portal approval system, or into any other method used by the institution for obtaining student financial aid award acceptance.

### **4. Ohio colleges and universities should adopt best practices for student financial literacy.**

The Ohio Attorney General's Office surveyed Ohio institutions' student financial literacy initiatives and created a best-practices advisory sheet in 2014, which is available in Appendix C. The advisory group considered these identified best practices and observed presentations on the effectiveness of these programs. One example is The Ohio State University's Scarlet and Gray Financial program, a peer-to-peer coaching program, where trained students work with their peers on making smart financial decisions, including student loan repayment.

In addition to the Attorney General's Office's best practices for student financial literacy education, the group advises:

- The designation of college or university staff to provide default-prevention counseling to students at highest risk of default.
- All new students, both freshman and incoming transfer students, be provided with the institution's debt collection policy, including the role of the AGO in the collection of state debt.
- Regular evaluations of the success of financial literacy initiatives and outreach to ensure that all programs are meeting the needs of the student body.

The advisory group also recognized that some institutions lack the resources to pay for all of the recommended best practices. Institutions should, where possible, adopt these best practices to ensure that all students understand their student loan debt obligations upon graduation or withdrawal from the institution.

- 5. Institutions should obtain express prior consent from students to contact them by any available communication method, specifically artificial recorded voice technology systems.**

State and federal laws prohibit debt collectors from contacting debtors through certain methods of communication without the debtor's consent. Because recent graduates tend to move frequently and do not commonly maintain a landline, cellular and other electronic methods of communication are critical to ensuring that debtors are aware of their debt and understand the ways in which they can pay, forbear, or have their debt forgiven. Often establishing early communication with the debtor is critical to ensuring collection.

In recognition of these barriers to establish contact with student debtors, especially once the student has left the institution, institutions should obtain express prior consent from students to be maintained by the institution. This express consent should permit institutions and subsequent third-party vendors or special counsel that collect student debt to contact student debtors using the most effective form of communication – including text and email.

- 6. The Attorney General's Office should make additional student loan resources available to students, educators, and school administrators.**

The AGO's Student Loan Center contains information and links to resources to help educate Ohioans on student loan processes and repayment before, during, and after college.<sup>12</sup> The website also hosts two free tools, including a budget calculator and a student loan repayment calculator.

The AGO should provide additional information on the Student Loan Center about the student debt collection process. The AGO should better advertise the site and the free resources it offers to students and schools, including its partnership with the Ohio Association of Student Financial Aid Administrators to provide free financial aid presentations to school districts. The AGO should work with the Ohio Department of Education and the Ohio Department of Higher Education to ensure that all students receive comparable, high-quality information, regardless of which agency's site they visit.

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<sup>12</sup> The Ohio Attorney General's Student Loan Center is available at <http://www.OhioAttorneyGeneral.gov/StudentLoans>.

## **Institutional Debt Certification Recommendations**

ORC 131.02 requires state institutions of higher education to certify their outstanding debt to the Attorney General's Office (AGO) for collection either 45 days after the amount is due or within 10 days after the start of the next academic session, whichever is later. However, colleges and universities certify their outstanding debt pursuant to varying policies and practices. To ensure that all Ohio students are treated fairly and uniformly, the Student Loan Debt Advisory Group members believe that colleges and universities should adopt uniform certification practices that emphasize transparency for both debtors and the AGO.

### **7. Institutions should adopt uniform certification practices.**

The Attorney General's Office should work with institutions of higher education to ensure that they adopt uniform standards for fees, penalties, and certification practices for all student debt that is to be collected by the AGO. The advisory group believes that institutions are best suited to develop uniform practices. Accordingly, the advisory group recommends the Ohio Bursars Association, in partnership with the Ohio Association of Community Colleges and the Inter-University Council, facilitate this effort. The AGO should provide support and guidance to these groups where needed.

Specifically, institutions should develop uniform practices for collecting debt with attention to the type, content, and frequency of notices issued to students; and the fees and other collection costs applied to student debts. Because not all institutions are alike, special consideration should be given to the use of tiers or strategic grouping of institutions when developing uniform certification practices. For example, two-year institutions may not offer institutional loans, whereas four-year institutions often do. Therefore a different set of practices may be required for two-year institutions than for four-year institutions.

Best practices may include the National Association of College and University Business Officers Best Practices of Financial Responsibility Agreements with Students, which is available in Appendix D. However, any resources relied upon must be modified to accommodate institutional needs and to ensure compliance with Ohio laws.

### **8. Institutions should notify the Attorney General's Office of any atypical debts.**

The AGO and institutions should develop a system for institutions to alert the AGO to the certification of accounts that are outside of an institution's typical business or certification practices, such as accounts that are inherited from another institution or old debt. This will allow AGO staff to screen and specially handle atypical accounts.

Currently, institutions certify accounts electronically. Each account is automatically processed and downloaded. The large quantity of accounts that are certified make it impossible to have each reviewed by staff to determine whether one is atypical. Therefore, creating a system by which institutions must alert the AGO of atypical debt certifications would put the AGO on notice to expect such accounts. This would assist the AGO in early detection of debts that may need more immediate attention.

**9. Institutions should notify students that past-due debts will be transferred to the Attorney General's Office.**

Institutions should modify their collection letters to specifically notify recipients that past-due debt will be placed with the AGO. Institutions should also alert students to the fact that collection costs will increase once their debt is certified to the AGO.

Institutions can easily incorporate specific language into the notice letters sent to student debtors. In fact, many institutions already provide the notice. Providing debtors with information on increased costs will increase transparency in the collection process and may increase student debtor response rates and collection efforts. For examples of these statements, see Appendix E.

**10. The Attorney General's Office should develop multiple client identification codes.**

The AGO should work with each institution to use separate identification codes for different types of debt that are certified by the institution to the AGO. The unique coding system will allow the AGO to differentiate between types of debt, upon certification by institution, and will allow institutions to better reconcile a debt once payment is received. Some institutions already use unique codes to signify debt types — Perkins loan vs. institutional loan vs. accounts receivable — and find it beneficial for reconciliation and record management. Also, categorizing types of debt ensures that debt is collected appropriately and that any fees and collection costs are accurately assessed.

**11. The Attorney General's Office should work with institutions to develop an improved system for document sharing.**

The AGO and institutions should work together to develop a more complete system to ensure the efficient imaging and sharing of documents among the AGO, institutions, third-party vendors, and special counsel.

Currently, when institutions certify debts to the AGO, they do not provide all supporting documentation of student debt records. However, certain supporting debt documents are useful and necessary for collection purposes.

In order to streamline the process, it would be most efficient for institutions to provide the documentation to the AGO via an information sharing system. Then, the AGO can provide the documentation, as needed, to third-party vendors or special counsel. The system would eliminate duplicative efforts to provide each third-party vendor or special counsel with the same information.



## Collection Practices Recommendations

The Attorney General convened the Student Loan Debt Advisory Group to ensure that students with debt certified to the Attorney General's Office are treated fairly and consistently. In order to best serve these students, the Student Loan Debt Advisory Group recommended that the AGO continue to focus on customer satisfaction – from improved communication and transparency, to monitoring of outside collection firms, to removing some late fees from interest accrual, as permitted by law.

### **12. When possible, all of an individual's student debts should be consolidated into a single packet of accounts, serviced by one collection agency.**

The AGO should make every effort to combine an individual's student debt obligations. Consolidating an individual's debt will streamline the collection efforts and help ensure that individuals do not receive duplicative letters or multiple phone calls regarding different accounts from different collectors.

For example, if Institution A and Institution B have outstanding student debt from Student Z, and each institution certifies the debt to the AGO for collection, both Institution A's and Institution B's debt would be consolidated with one third-party vendor or special counsel for Student Z. Collection efforts can then be made by a single collector for all debts owed by Student Z.

### **13. Institutional late fees and penalties should not be included in the calculation of interest and collection costs.**

The advisory group surveyed more than a dozen public colleges and universities in Ohio on their student loan debt certification practices. Institutions apply a variety of late fees, collection costs, interest rates, and other penalties to outstanding student debt. Members of the advisory group recommend that institutions establish uniform procedures for fee and penalty assessment on outstanding student debt. (See recommendation No. 7.)

Additionally, advisory group members recommend that any late fees or penalties that are certified to the AGO be separated from principal and not be included in the interest and collection costs calculation.

### **14. Debtors should receive appropriate notice of collection costs.**

Currently, the Collections Enforcement Section of the Ohio Attorney General's Office sends a series of collection letters informing debtors of the fact that their debt has been certified to the AGO for collection and that they should contact the office to discuss payment.

The advisory group recommends that the AGO modify its collection letters to provide notice to student debtors that collection costs and interest will be added and will continue to increase when the account is forwarded to third-party vendors and special counsel for collection, should they not pay their debt or enter into payment arrangements. Providing the additional information will allow students to make better informed decisions regarding payment.

### **15. Institutions should provide student debtors with opportunities for settlement.**

Historically, some institutions have not permitted the option of settlement of outstanding student debt for anything less than the full amount owed. Providing settlement options,

however, can be a valuable tool. Institutions should work with the AGO to explore options for the settlement of accounts, when appropriate and as permitted by law.

**16. A continuous quality improvement model should be adopted for debt collection timelines.**

The AGO sends delinquent accounts to both third-party vendors and special counsel to help with the collection of outstanding student debt. After the AGO attempts to collect the debt for 120 days, it sends the accounts to a third-party vendor.<sup>13</sup> If that vendor does not successfully collect the debt within 270 days, then the debt transfers to another third-party vendor for 270 additional days.

If neither third-party vendor is able to collect the outstanding student debt, the debt is then transferred to a special counsel, which is a specialized debt-collection law firm appointed by the AGO. Special counsel is able to use a variety of legal collection strategies, such as obtaining a judgment from a court to garnish wages or other legal methods to recover the funds. If that special counsel is also unsuccessful, the debt is transferred to a second special counsel for a last attempt at collection.

Should an outstanding student debt complete the cycle without being successfully collected, the debt is returned to the AGO. The AGO either continues to collect or writes off the debt at the request of the institution and places it in the archive database until it can be legally written off.

The AGO has identified 270 days as the ideal time frame for debt to be held and worked by outside debt collectors. During that period, collection agencies and firms can locate a debtor and make contact with the person regarding repayment options. That time frame also ensures that debtors are not contacted by numerous collection agencies within a short period of time, which confuses consumers and complicates collection efforts. The AGO should continue to periodically review its debt-collection timelines, including the number of days that a debt account is assigned to a third-party vendor and special counsel, to ensure that the timeline maximizes collectability and ensures fairness to debtors.

**17. The Attorney General's Office should research innovative practices for debt collection.**

The AGO should regularly look nationally in both the public and private sectors to identify innovative ways to collect debt that comply with state law and meet the needs of institutions of higher education.

**18. Customer service should be a permanent part of the request for qualifications process.**

For many years, the AGO has used customer service as part of its selection criteria in its request for qualifications for third-party vendors and special counsel. The current request for qualifications requires that all outside debt collectors possess a customer service policy that complies with the following contract provision:

- “Special counsel and third-party vendors must conduct business in a manner that supports the Attorney General’s goal of providing fair and equitable treatment to debtors. At a minimum, fair and equitable treatment means debt collection activities

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<sup>13</sup> Note that federal Perkins loans are not worked by the AGO, but immediately forwarded to third-party vendors who specialize in the consolidation process.

will be conducted without harassing or verbally abusing debtors or compromising debtor rights. ... The Attorney General expects special counsel and third-party vendors will not permit or tolerate any collection actions or activities that demonstrate anything less than complete respect for the rights and reasonable expectations of the public. ... Special counsel and third-party vendors shall file and maintain with the director of external collections a written policy regarding customer service for his/her staff and personnel.”

The advisory group agrees that customer service and debtor treatment must continue to be an important part of the selection process.

**19. The Attorney General’s Office should continue to conduct regular performance reviews of third-party vendors and special counsel.**

The advisory group recommends that the AGO conduct regular performance reviews of all third-party vendors and special counsel to ensure that they consistently follow the collection standards prescribed by the AGO.

The AGO has an established set of rules to be followed by all outside debt collectors. The AGO sets expectations as to the number of letters, calls, and other debtor communications a debt collector must employ before pursuing of legal remedies. In addition, special counsel must receive permission from the AGO prior to pursuing extraordinary remedies. “Extraordinary remedies” include anything that deviates from the typical collection practice. This includes, but is not limited to, actions intended to result in the issuance of capias warrants, actions that are intended to result in the suspension of the operations of any Ohio businesses, or the initiations of foreclosure actions.

To augment the AGO’s current performance review process and to ensure that outside debt collectors are providing debtors with “timely and effective client service,” the advisory group recommends the implementation of random call screening. To accomplish this, the AGO should request that third-party vendors and special counsel record their calls. The AGO should periodically review the collection calls of outside debt collectors. Monitoring calls is a good way to ensure high-quality customer service. Should a debt collector not provide the high quality of service that the Attorney General expects, the AGO should work with the third-party vendors or special counsel to ensure that the collector’s call center professionals are appropriately trained and, if need be, counseled. Should the debt collector fail to improve, the AGO should take appropriate action, up to and including termination or nonrenewal of its contract with that third-party vendor or special counsel.

The advisory group also recommends that the AGO research and consider, as part of its request for qualifications process, the use of innovative collection techniques and technology. For example, a number of third-party vendors use voice analytics systems. The systems automatically detect unfriendly words in phone conversations. The use, sharing, and review of such data by the third-party vendor would allow the AGO to more fully investigate any potential complaints.

**20. The Attorney General's Office should review its collection efforts for returned, archived, and uncollectable accounts.**

Any debt that completes the cycle of internal and external collection, is returned to the AGO so a course of action can be decided. (See recommendation No. 16.) Most of the time, the debt is uncollectable and therefore should be designated as such by the institution that certified the debt. If designated as uncollectable, the AGO will put the debt into the archive database where it will sit until it is able to be written off, per the AGO's agreement with the institution. If, however, the institution does not designate the account as uncollectable, the AGO will maintain the account in its active database and perform "soft" collection efforts. These efforts include sending quarterly debt collection letters. In addition, by maintaining the account in the active database, the account is eligible to be offset by collecting the debtor's tax refund, and lottery or racino winnings. A continued review of practices for the hardest-to-collect debt will ensure the most efficient disposition of these accounts.

## General Recommendations

The Student Loan Debt Advisory Group believes that the Attorney General's Office (AGO) should provide the public with regular reports on its student debt portfolio, as well as improve its collaboration with other interested parties. These practices will help educate students, their families, and the public on the AGO's debt-collection efforts on behalf of Ohio's public institutions and ensure strategic efforts to establish and disseminate best practices.

### **21. The Attorney General's Office should produce reports on its student debt portfolio.**

The advisory group recommends that the AGO produce reports on its student debt-collection efforts, including the number of portfolios, number of accounts for various types of debt, and total debt amount.

Currently, the AGO is able to produce reports on its Perkins loan collection efforts. Reporting, however, is more challenging for institutional loans and tuition and academic fees, as each institution codes the debts differently. Based on the client codes used by each institution, tuition and fees may be coded the same as parking tickets, past due library fees, and other charges. To clarify what debt institutions are certifying to the AGO for collection, the advisory group recommends that the AGO work with institutions to develop client identification codes so that reports are easier to generate and share with the public. (See recommendation No. 10.)

### **22. The Attorney General's Office and Ohio's higher education institutions should continue to collaborate with interested parties.**

The AGO has worked with institutions of higher education to develop best practices for educating students on their student debt obligations. To better disseminate this information, the AGO should continue efforts to collaborate with interested organizations. Not only will the organizations be able to promote the use of best practices for student debt collection statewide, they will also ensure that the AGO is aware of new and promising practices in financial literacy education. Sample partner organizations:

- The Ohio Association of Student Financial Aid Administrators
- The Ohio Bursars Association
- The Ohio Association of College and University Business Officers

The AGO should work with those organizations, and others, to present best practices at their member conferences and possibly host a statewide meeting on best practices in financial literacy education. The AGO or another agency may continue the Student Loan Debt Advisory Group, in some form, after initial recommendations have been implemented.

## Appendix A Financial Literacy Resources

The Student Loan Debt Advisory Group Subcommittee on Financial Literacy Education heard from numerous individuals on financial literacy programs for both K-12 and higher education systems. Below is a listing of free resources that educators can use to implement financial literacy education in their classrooms. The following resources are recommended by Ohio Jump\$tart, a nonprofit dedicated to advancing financial literacy among kindergartners through college-aged students.

Federal Deposit Insurance Corporation

Resources: <https://www.fdic.gov/consumers/education/>

U.S. Treasury: My Money

Resource: <https://www.mymoney.gov/Pages/default.aspx>

Federal Student Aid: An Office of the U.S. Department of Education

Resource: <https://studentaid.ed.gov/sa/>

The Ohio Treasurer's Office

Resources: [http://www.tos.ohio.gov/Financial\\_Education](http://www.tos.ohio.gov/Financial_Education)

Jump\$tart (K-12)

Key Resource: <http://clearinghouse.jumpstart.org/>

Council for Economic Education (K-12)

Key Resource: <http://www.econedlink.org/>

University of Cincinnati ECER \$marthPath (1-6)

Resource: <http://www.smartpath.online/>

Take Charge Today (7-12)

Resource: <https://takechargetoday.arizona.edu/>

Knowledge @ Wharton High School

Resource: <http://kwhs.wharton.upenn.edu/>

NextGen Personal Finance

Resource: <http://nextgenpersonalfinance.org/>

National Endowment for Financial Education (NEFE)

Resource: <http://nefe.org/>

Khan Academy: College Admissions

Resource: <https://www.khanacademy.org/college-admissions>

Appendix B  
Sample Financial Responsibility Agreements



Ohio State University Financial Responsibility Statement and Terms and Conditions

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## Financial Responsibility Statement

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### IMPORTANT INFORMATION REGARDING ELECTRONIC SIGNATURES

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I acknowledge any activity I conduct through this web site indicates my agreement to the applicable [terms and conditions](#), including my agreement to be financially responsible to The Ohio State University for payment of all tuition, room and board fees and related costs that are added to my student account. I further promise to pay any fees, fines or penalties that are added to my student account which are related to my attendance to The Ohio State University during this period, including but not limited to parking fees or fines, health services, health insurance, late payment fees, finance charges, or other University charges.

I agree:

I authorize The Ohio State University and its agents to contact me at any telephone number, wireless communication service number, or email address I have provided or will provide in the future. These contacts may be made by automated telephone dialing systems, artificial or pre-recorded voice or text messages, emails or personal calls regarding my obligation to repay any debt I owe the University. I understand failure to pay by the appropriate due date may result in the University filing an unfavorable report with credit bureaus and commencing collection activities against me, including litigation. I understand that I will be responsible for all costs of collection incurred by The Ohio State University.

I agree:

I voluntarily consent to receive my IRS Form 1098-T electronically, and to participate in electronic transactions for all financial information provided or made available to student loan borrowers and for all notices and authorizations to Federal Student Aid recipients. I have read and accept the [terms and conditions](#). I understand that I may request a paper copy of these terms and conditions.

I agree:

Miami University e-Promise

## ePROMISE

### AGREEMENT TERMS AND CONDITIONS

#### PAYMENT OF FEES/PROMISE TO PAY

I understand that when I register for any class at Miami University or receive any service from Miami University I accept full responsibility to pay all tuition, fees and other associated costs assessed as a result of my registration and/or receipt of services. I further understand and agree that my registration and acceptance of these terms constitutes a promissory note agreement (i.e., a financial obligation in the form of an educational loan as defined by the U.S. Bankruptcy Code at 11 U.S.C. §523(a)(8)) in which Miami University is providing me educational services, deferring some or all of my payment obligation for those services, and I promise to pay for all assessed tuition, fees and other associated costs by the published or assigned due date.) I promise to pay to Miami University, the Ohio Attorney General, and their respective agents \$\_\_\_\_\_. This amount will be added to any outstanding balance owed for prior educational services provided by Miami University that is currently reflected in my student account.

I understand and agree that if I drop or withdraw from some or all of the classes for which I register, I will be responsible for paying all or a portion of tuition and fees in accordance with the published tuition refund schedule at [www.miamioh.edu/onestop](http://www.miamioh.edu/onestop) . I have read the terms and conditions of the published tuition refund schedule and understand those terms are incorporated herein by reference. I further understand that my failure to attend class or receive a bill does not absolve me of my financial responsibility as described above.

If payment is made by check and the check is returned, I expressly authorize Miami University or its agent to electronically debit the account or generate a paper draft/substitute check against the account for the face value of the returned check and the maximum allowable state fee. The use of a check as payment is my acknowledgement and acceptance of this policy and terms.

#### I AGREE

#### COMMUNICATION, METHOD OF BILLING & BILLING ERRORS

**Method of Communication:** I understand and agree that Miami University uses e-mail as an official method of communication with me, and that therefore I am responsible for reading the e-mails I receive from Miami University on a timely basis.

**Contact:** I authorize Miami University and its agents and contractors to contact me at my current and any future cellular phone number(s), email address(es) or wireless device(s) regarding my delinquent student account(s)/loan(s), any other debt I owe to Miami University, or to receive general information from Miami University. I authorize Miami University and its agents and contractors to use automated telephone dialing equipment, artificial or pre-recorded voice or text messages, and personal calls and emails, in their efforts to contact me. Furthermore, I understand that I may withdraw my consent to call my

cellular phone by submitting my request in writing to Miami University Office of the Bursar or in writing to the applicable contractor or agent contacting me on behalf of Miami University.

**Updating Contact Information:** I understand and agree that I am responsible for keeping Miami University records up to date with my current physical addresses, email addresses, and phone numbers by following the procedure at <http://miamioh.edu/onestop/your-info/index.html>. The linked procedure is incorporated herein by reference. Upon leaving Miami University for any reason, it is my responsibility to provide Miami University with updated contact information for purposes of continued communication regarding any amounts that remain due and owing to Miami University.

I understand that Miami University uses electronic billing (e-bill) as its official billing method, and therefore I am responsible for viewing and paying my student account e-bill by the scheduled due date. I further understand that failure to review my e-bill does not constitute a valid reason for not paying my bill on time. E-bill information is available at [www.miamioh.edu/onestop](http://www.miamioh.edu/onestop).

I understand that administrative, clerical or technical billing errors do not absolve me of my financial responsibility to pay the correct amount of tuition, fees and other associated financial obligations assessed as a result of my registration at Miami University.

**I AGREE**

## **FINANCIAL AID**

I understand it is my responsibility to meet all requirements to receive and keep Financial Aid. I understand that my Financial Aid Award is contingent upon my continued enrollment and attendance in each class upon which my financial aid eligibility was calculated. If I drop any class before completion, I understand that my financial aid eligibility may decrease and some or all of the financial aid awarded to me may be revoked.

If some or all of my financial aid is revoked because I dropped or failed to attend class, I agree to repay all revoked aid that was disbursed to my account and resulted in a credit balance that was refunded to me.

I agree to allow financial aid I receive to pay any and all charges assessed to my account at Miami University such as tuition, fees, campus housing and meal plans, student health insurance, parking permits, service fees, fines, bookstore charges, or any other amount, in accordance with the terms of the aid.

I understand that all prizes, awards, scholarships and grants awarded to me by Miami University will be credited to my student account and applied toward any outstanding balance. I further understand that my receipt of a prize, award, scholarship or grant is considered a financial resource according to federal Title IV financial aid regulations, and may therefore reduce my eligibility for other federal and/or state financial aid which, if already disbursed to my student account, must be reversed and returned to the aid source.

If I decide to completely withdraw from Miami University, I will follow the instructions at [www.miamioh.edu/onestop](http://www.miamioh.edu/onestop) which I understand and agree are incorporated herein by reference.

**I AGREE**

#### **DELINQUENT ACCOUNT/COLLECTION**

**Financial Hold:** I understand and agree that if I fail to pay my student account bill or any monies due and owing Miami University by the scheduled due date, Miami University will place a financial hold on my student account, preventing me from registering for future classes, requesting transcripts, or receiving my diploma.

**Late Payment Charge:** I understand and agree that if I fail to pay my student account bill or any monies due and owing Miami University by the scheduled due date, Miami University will assess late payment and/or finance charges at the rate of prime rate plus 3 percent per annum or the maximum rate allowed by law on the past due portion of my student account until my past due account is paid in full.

**Collection Agency Fees:** I understand and accept that if I fail to pay my student account bill or any monies due and owing Miami University by the scheduled due date, and fail to make acceptable payment arrangements to bring my account current, Miami University may refer my delinquent account to the Ohio Attorney General for collection. I further understand that I am responsible for paying the collection costs necessary for the collection of my delinquent account at the rate allowed by law. For purposes of collection of this debt, I consent to the jurisdiction of the courts of the State of Ohio. Finally, I understand that my delinquent account may be reported to one or more of the national credit bureaus.

**I AGREE**

#### **ENTIRE AGREEMENT**

This agreement supersedes all prior understandings, representations, negotiations and correspondence between the student and Miami University, constitutes the entire agreement between the parties with respect to the matters described, and shall not be modified or affected by any course of dealing or course of performance. This agreement and all business conducted electronically on this website are governed by the law of the State of Ohio without regard to conflict of laws provisions. This agreement may be modified by Miami University if the modification is signed by me. Any modification is specifically limited to those policies and/or terms addressed in the modification.

**I AGREE**

Owens Community College Financial Terms and Conditions



I am financially responsible for all tuition, fees, interest, expenses and collection costs incurred in connection with my enrollment at Owens Community College. In the event that I never attend classes or stop attending classes without withdrawing or withdraw after the [refund deadline](#), I agree that I am still responsible for payment of all tuition and fees. Should I fail to pay all tuition and fees I incur, I understand my account may be forwarded to the Ohio Attorney General's Office for further disposition pursuant to Ohio Revised Code 131.02. I understand that should my account be forwarded to the Ohio Attorney General's Office, I will be responsible for paying all collection costs and expenses, including reasonable attorneys' fees, associated with the collection of this debt.

I understand that all student bills and Deferred Payment Plan reminders will be sent to me electronically via Ozone.

I also consent hereafter to receive my annual IRS Form 1098-T online and understand that I can withdraw this consent and receive a paper 1098-T statement by submitting my request in writing (electronically or on paper) to the Office of Student Accounts. I agree to provide my Social Security number (SSN) or taxpayer identification number (TIN) to Owens Community College upon request as required by Internal Revenue Service (IRS) regulations for Form 1098-T reporting purposes. If I fail to provide my SSN or TIN to Owens Community College, I agree to pay any and all IRS fines assessed as a result of my missing SSN/TIN.

I understand that the college sends electronic notifications (e-mails) to my official Ozone e-mail account to communicate important updates, and that I must adhere to the college procedures for dropping or withdrawing from courses.

I acknowledge that it is my responsibility to read, understand and adhere to all [College Policies and Procedures](#). I also understand and acknowledge my rights covered under the Family Educational Rights and Privacy Act ([FERPA](#)).

Appendix C  
Student Loan Initiative Best Practices Advisory Sheet



# Student Loan Initiative

## Best Practices Advisory Sheet

### INTRODUCTION






A majority of Ohioans graduate with student loan debt, averaging \$29,037. To address this issue, the Attorney General established the Student Loan Initiative to monitor the student loan landscape and establish best practices to educate borrowers on their loan commitments.

The Student Loan Initiative created the Student Loan Center on the Ohio Attorney General's website. The Center features:

- Student loan information for all stages of an education: before, during, and after attending school.
- Calculators designed to help borrowers better manage their finances.

The Student Loan Center is available at [www.OhioAttorneyGeneral.gov/StudentLoans](http://www.OhioAttorneyGeneral.gov/StudentLoans).

The Student Loan Initiative reached out to all of Ohio's public universities and several private institutions to better understand what Ohio's universities were already doing to educate students on loans. This effort enabled the Student Loan Initiative to identify five Best Practices to inform borrowers.

-  **Financial Aid Information Nights**
-  **Financial Aid Shopping Sheet**
-  **Peer-to-Peer Student Loan and Financial Counseling**
-  **End of Semester Reminder**
-  **Financial Aid Education**

### 1. FINANCIAL AID INFORMATION NIGHTS

Most students applying to college know where they want to go, but few know how they are going to pay for their education.

Students often depend on their parents to find financial aid. But it can be challenging for parents, too, who often are getting their first glimpse at the process.

Early education of students and parents through Financial Aid Information Nights ensures that both understand the financial obligations that come with attending college. Many Ohio colleges and universities are already doing this.



### 2. FINANCIAL AID SHOPPING SHEET

In 2012, the U.S. Department of Education joined with the Consumer Financial Protection Bureau to create the Financial Aid Shopping Sheet to make college costs easier to understand.

The Shopping Sheet allows students to compare different institutions in an easy to understand format. This helps incoming students to better decide which institution is financially right for them.

If no Shopping Sheet is available, the Ohio Attorney General's Office also considers it a Best Practice to itemize award letters to fully understand the amount owed and the options available for payment.

### 3. PEER-TO-PEER STUDENT LOAN AND FINANCIAL COUNSELING

Many students suffer academically because of financial stress.

While many schools would like to counsel students individually, the number of students and school budgets often make this impractical. An alternative is being tried at one Ohio university. It's piloting a free, peer-to-peer financial counseling and coaching program. Students receive counseling and education on banking, budgeting, credit, and loan repayment, but instead of using staff, students are trained to counsel their peers.

By using student volunteers, Ohio's colleges and universities can achieve this direct counseling in a cost-effective way.



### 4. END OF SEMESTER LOAN REMINDER

Many students do not realize how much debt they have until their graduation date approaches, even though the information is available.

To help keep students updated, one Ohio college sends an end of semester reminder email to each student, documenting their current debt level and the estimated monthly payment under a standard repayment plan. This college receives a significant increase in loan-related calls after the email is sent.

Regular debt reminders help students evaluate their loan amounts and their financial ability to repay.

### 5. FINANCIAL AID EDUCATION

#### Graduating Seniors

Many students receive the majority of their financial aid education before they even step foot in a classroom. The Attorney General's Office recommends updating graduating students with information on repaying loans. Specifically, it is important for graduates to understand:

- Available repayment plans;
- Interest rate information;
- Repayment start dates; and
- Deferment and forbearance options.

One Ohio university holds a financial aid session when students receive their caps and gowns. This is a great way to educate graduating students in the midst of their busy schedules.

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#### Withdrawing Students

Studies have shown that students who withdraw from colleges or universities are more likely to default on their loans. Withdrawing students often believe their loans disappear once they withdraw.

To prevent this misconception, it's important to conduct one-on-one counseling with all withdrawing students so they understand:

- That their debt still exists, even if they are not receiving a degree; and
- Repayment options.

Several Ohio institutions have mandatory one-on-one counseling for all withdrawing students. This ensures that withdrawing students understand their repayment obligations and can help to reduce default levels.



Appendix D  
National Association of College and University Business Officers Best Practices of Financial  
Responsibility Agreements with Students



# Advisory Report 2018-1

National Association of College and  
University Business Officers  
1110 Vermont Ave, NW, Suite 800  
Washington, DC 20005  
202.861.2500  
[www.nacubo.org](http://www.nacubo.org)

August 13, 2018

## Best Practices for Financial Responsibility Agreements with Students

**2018 Update:** Because of various court decisions and changes to case law, this advisory report has been updated to address the ability of a college or university to pass on the cost of third-party collection fees to a student who is in default on his/her obligation to the institution.

The previous version of this advisory report used language that was influenced by the *Bradley v. Franklin Collection Services, Inc.* case [739 F.3d 606 (11<sup>th</sup> Cir. 2014)]. Later, *Annunziato v. Collecto, Inc.* [207 F.Supp.3d 249 (E.D.N.Y. 2016)] raised the profile of consumer claims against schools and agencies who assess/collect fees. In this class action litigation, the agency was attempting to recover a non-federal collection fee for a school, but the school could not produce a student agreement executed by the class representative. Additionally, the court disagreed that the language in the unsigned student agreement supported a percentage-based collection fee wherein the school was “made whole.”

To address those concerns, this advisory report now suggests using language similar to that in the *Robertson v. Enhanced Recovery Company, LLC* [2017 WL 5951584 (D.N.J. Nov 30, 2017)] case. Here, the court articulated that “the contract states only that the collection fee is meant ‘to cover collection-related costs’; it does not limit the collection fee to the exact cost [the collector] incurs in collecting the underlying debt.”

The “Collection Agency Fees” subsection under the “Delinquent Account/Collection” heading has been updated to reflect these developments.

Additionally, under “Method of Communication,” we have clarified that the provision where a student may revoke his/her consent should be limited to contact via an automatic telephone dialing system, rather than withdrawing consent generally.

Finally, the “Collection Agency Fees” section has been updated to allow schools to pass to students the costs, such as court costs, associated with a lawsuit, if filed to recover an outstanding balance.



Colleges and universities increasingly ask students to affirm their understanding of their financial obligation to the institution by signing a financial responsibility agreement prior to registering for classes. A financial responsibility agreement provides relevant information about official institutional policies to students and contractually binds them to those policies. It is intended to potentially protect student debts from bankruptcy discharge and set parameters for internal and external collection efforts to ensure compliance with laws and regulations such as:

- Fair Debt Collection Practices Act (FDCPA)
- Telephone Consumer Protection Act (TCPA)
- Title IV of the Higher Education Act
- Internal Revenue Code

NACUBO recommends use of a comprehensive financial responsibility agreement as a student service best practice, protecting the school, maximizing collections, and providing an efficient process to obtain cost-saving electronic agreements. NACUBO's Student Financial Services Council has prepared a template of priority and optional subjects and text to assist schools in developing or strengthening their agreement. This report was reviewed by Chad Echols, of The Echols Firm LLC, whose practice focuses on the rights and legal responsibilities of creditors and collection agencies.

Members are encouraged to consider requiring students to sign an agreement prior to registering for classes and periodically thereafter. The institution will need to determine how often students are asked to reaffirm the financial responsibility agreement, taking into account state law, characteristics of the student population, and coordination with other processes. Current practices vary widely. Some institutions choose to require students to affirm their agreement each time they register for a class, others ask students to sign one each term or each year, while some colleges and universities are satisfied with a one-time requirement that is clearly worded to cover the student's entire enrollment. No matter how an institution handles this issue, the legal goal remains a clear contract that binds the student to the most current policies of the institution and covers all of the amounts that become due and owing during a student's tenure with the institution.

NACUBO recommends utilizing an electronic agreement located within the school's online registration system behind the student authentication portal. We further recommend an "opt-in" format that utilizes check boxes next to each topic for which the student's agreement is required. For some topics, specific "opt-out" instructions must be provided to meet regulatory requirements and protect the institution from potential future disputes. Where appropriate, opt-out instructions should clearly delineate the consequences to the student of opting-out. Additionally, it is important for the school to accurately implement the terms of the institution's agreement. For example, if a student properly opts out of a term, then the school needs to accurately capture the opt-out information and be sure the student's interaction with the school reflects the ramifications or implications of opting out.

Ultimately, how schools build their agreement or choose which text to incorporate depends on campus leadership, culture, level of IT support, and the advice of the school's legal counsel.



Institutions should carefully review the suggestions in this report. There are many considerations to properly implementing a student agreement. These include (but are not limited to):

- **State Laws.** Ensure compliance with state laws relating to debt collections, late fees, convenience fees for certain payment methods, collection agency fees, attorney's fees, and the like.
- **Truth in Lending Act (TILA).** Make sure the student agreement falls within the exceptions for a private education loan and does not trigger a requirement that the institution follow TILA when implementing an agreement. The TILA requirements are beyond the scope of this advisory report and an institution would need to seek specific counsel to ensure compliance. See 12 CFR §§ 226.46-226.48.
- **E-SIGN Act.** Make certain the process in which a student electronically executes an agreement complies with the federal E-SIGN Act and the state's Uniform Electronic Transactions Act (UETA). These laws govern the validity of electronic records and signatures. Forty-seven states and the District of Columbia have passed UETA. The other three states (Washington, New York, and Illinois) have state provisions governing the validity and use of electronic signatures.

The following sample language provides a template for a college or university to use as a starting point in developing or reviewing its financial responsibility agreement. It is not legal advice or intended to be adopted without review by an institution's legal counsel. NACUBO recommends that prior to implementation, schools submit any student agreement to legal counsel for review and approval to ensure it complies with all applicable federal, state, and local laws, and institutional policy. Institutions should also ensure student financial services staff is prepared to respond to student inquiries regarding any new terms and conditions.

*Note: This sample language is also available in a [Microsoft Word document](#) to make it easier for NACUBO members to utilize in framing their own agreements.*

## Priority Subjects and Text

### PAYMENT OF FEES/PROMISE TO PAY

I understand that when I register for any class at {Institution Name} or receive any service from {Institution Name} I accept full responsibility to pay all tuition, fees and other associated costs assessed as a result of my registration and/or receipt of services. I further understand and agree that my registration and acceptance of these terms constitutes a promissory note agreement (i.e., a financial obligation in the form of an educational loan as defined by the U.S. Bankruptcy Code at 11 U.S.C. §523(a)(8)) in which {Institution Name} is providing me educational services, deferring some or all of my payment obligation for those services, and I promise to pay for all assessed tuition, fees and other associated costs by the published or assigned due date.)

I understand and agree that if I drop or withdraw from some or all of the classes for which I register, I will be responsible for paying all or a portion of tuition and fees in accordance with the published tuition refund schedule at {Institution's tuition refund policy/schedule URL}. I have read the terms and conditions of the published tuition refund schedule and understand those terms are incorporated herein by reference. I further understand that my failure to attend class or receive a bill does not absolve me of my financial responsibility as described above.

### DELINQUENT ACCOUNT/COLLECTION

**Financial Hold:** I understand and agree that if I fail to pay my student account bill or any monies due and owing {Institution Name} by the scheduled due date, {Institution Name} will place a financial hold on my student account, preventing me from registering for future classes, requesting transcripts, or receiving my diploma.

**Late Payment Charge:** I understand and agree that if I fail to pay my student account bill or any monies due and owing {Institution Name} by the scheduled due date, {Institution Name} will assess late payment and/or finance charges at the rate of {Institution \$ or % amount} per month on the past due portion of my student account until my past due account is paid in full. *Note: Schools looking to implement this provision should make certain any and all amounts comport with applicable law.*

**Collection Agency Fees:** I understand and accept that if I fail to pay my student account bill or any monies due and owing {Institution Name} by the scheduled due date, and fail to make acceptable payment arrangements to bring my account current, {Institution Name} may refer my delinquent account to a collection agency. I further understand that if {Institution Name} refers my student account balance to a third party for collection, a collection fee will be assessed and will be due in full at the time of the referral to the third party. The collection fee will be calculated at the maximum amount permitted by applicable law, but not to exceed {XX percent} of the amount outstanding. For purposes of this provision, the third party may be a debt collection company or an attorney. If a lawsuit is filed to recover an outstanding balance, I shall also be responsible for any costs associated with the lawsuit such as court costs or other applicable costs. Finally, I understand that my delinquent account may be reported to one or more of the national credit bureaus. *Note: This provision is critical if a school intends to pass any collection agency fees on to a defaulting student. The provision will not allow fees in states*

*that prohibit the assessment of collection fees. As an example, [see the North Carolina Department of Insurance memo](#). The bracketed items may be adjusted to fit the specific laws which apply to the jurisdiction in which the provision shall be enforced.*

## COMMUNICATION

**Method of Communication:** I understand and agree that {Institution Name} uses e-mail as an official method of communication with me, and that therefore I am responsible for reading the e-mails I receive from {Institution Name} on a timely basis.

**Contact:** I authorize {Institution Name} and its agents and contractors to contact me at my current and any future cellular phone number(s), email address(es) or wireless device(s) regarding my delinquent student account(s)/loan(s), any other debt I owe to {Institution Name}, or to receive general information from {Institution Name}. I authorize {Institution Name} and its agents and contractors to use automated telephone dialing equipment, artificial or pre-recorded voice or text messages, and personal calls and emails, in their efforts to contact me. Furthermore, I understand that I may withdraw my consent to call my cellular telephone using automated telephone dialing equipment by submitting my request in writing to {Institutional office or position} or in writing to the applicable contractor or agent contacting me on behalf of {Institution Name}.

**Updating Contact Information:** I understand and agree that I am responsible for keeping {Institution Name} records up to date with my current physical addresses, email addresses, and phone numbers by following the procedure at {Institution website for updating student address/email address/phone number}. The linked procedure is incorporated herein by reference. Upon leaving {Institution Name} for any reason, it is my responsibility to provide {Institution Name} with updated contact information for purposes of continued communication regarding any amounts that remain due and owing to {Institution Name}.

## ENTIRE AGREEMENT

This agreement supersedes all prior understandings, representations, negotiations and correspondence between the student and {Institution Name}, constitutes the entire agreement between the parties with respect to the matters described, and shall not be modified or affected by any course of dealing or course of performance. This agreement may be modified by {Institution Name} if the modification is signed by me. Any modification is specifically limited to those policies and/or terms addressed in the modification.

## Optional Subjects and Text

### FINANCIAL AID

I understand that aid described as “estimated” on my Financial Aid Award does not represent actual or guaranteed payment, but is an estimate of the aid I may receive if I meet all requirements stipulated by that aid program.

I understand that my Financial Aid Award is contingent upon my continued enrollment and attendance in each class upon which my financial aid eligibility was calculated. If I drop any class before completion, I understand that my financial aid eligibility may decrease and some or all of the financial aid awarded to me may be revoked.

If some or all of my financial aid is revoked because I dropped or failed to attend class, I agree to repay all revoked aid that was disbursed to my account and resulted in a credit balance that was refunded to me.

I agree to allow financial aid I receive to pay any and all charges assessed to my account at {Institution Name} such as tuition, fees, campus housing and meal plans, student health insurance, parking permits, service fees, fines, bookstore charges, or any other amount, in accordance with the terms of the aid.

**Federal Aid:** I understand that any federal Title IV financial aid that I receive, except for Federal Work Study wages, will first be applied to any outstanding balance on my account for tuition, fees, room and board. Title IV financial aid includes aid from the Pell Grant, Supplemental Educational Opportunity Grant (SEOG), Direct Loan, PLUS Loan, Perkins Loan, and TEACH Grant programs. I authorize {Institution Name} to apply my Title IV financial aid to other charges assessed to my student account such as student health insurance, parking permits, bookstore charges, service fees and fines, and any other education related charges. I further understand that this authorization will remain in effect until I rescind it or the end of {Institution’s authorization term} and that I may withdraw it at any time by following the instructions at {Institution’s authorization website}. *Note: This authorization cannot be mandatory or coerced. The institution may also want an authorization from the student to use Title IV funds to pay other educationally related charges from the prior year.*

**Prizes, Awards, Scholarships, Grants:** I understand that all prizes, awards, scholarships and grants awarded to me by {Institution Name} will be credited to my student account and applied toward any outstanding balance. I further understand that my receipt of a prize, award, scholarship or grant is considered a financial resource according to federal Title IV financial aid regulations, and may therefore reduce my eligibility for other federal and/or state financial aid (i.e., loans, grants, Federal Work Study) which, if already disbursed to my student account, must be reversed and returned to the aid source.

## METHOD OF BILLING

I understand that {Institution Name} uses electronic billing (e-bill) as its official billing method, and therefore I am responsible for viewing and paying my student account e-bill by the scheduled due date. I further understand that failure to review my e-bill does not constitute a valid reason for not paying my bill on time. E-bill information is available at {link to E-bill information}.

## BILLING ERRORS

I understand that administrative, clerical or technical billing errors do not absolve me of my financial responsibility to pay the correct amount of tuition, fees and other associated financial obligations assessed as a result of my registration at {Institution Name}.

## RETURNED PAYMENTS/FAILED PAYMENT AGREEMENTS

If a payment made to my student account is returned by the bank for any reason, I agree to repay the original amount of the payment plus a returned payment fee of \${Institution fee amount}. I understand that multiple returned payments and/or failure to comply with the terms of any payment plan or agreement I sign with {Institution Name} may result in cancellation of my classes and/or suspension of my eligibility to register for future classes at {Institution Name}.  
*Note: Make sure any amount assessed for NSF payments comports with applicable law.*

## WITHDRAWAL

If I decide to completely withdraw from {Institution Name}, I will follow the instructions at {Institution's withdrawal policy website} which I understand and agree are incorporated herein by reference.

## PRIVACY RIGHTS & RESPONSIBILITIES

I understand that {Institution Name} is bound by the [Family Educational Rights and Privacy Act \(FERPA\)](#) which prohibits {Institution Name} from releasing any information from my education record without my written permission. Therefore, I understand that if I want {Institution name} to share information from my education record with someone else, I must provide written permission by following the procedure outlined at {link to Institution's FERPA release website}. I further understand that I may revoke my permission at any time as instructed in the same procedure.

## IRS FORM 1098-T

I agree to provide my Social Security number (SSN) or taxpayer identification number (TIN) to {Institution Name} upon request as required by Internal Revenue Service (IRS) regulations for Form 1098-T reporting purposes. If I fail to provide my SSN or TIN to {Institution Name}, I agree to pay any and all IRS fines assessed as a result of my missing SSN/TIN.

I consent to receive my annual IRS Form 1098-T, Tuition Statement, electronically from {Institution Name}. I understand that if I do not consent to receive my Form 1098-T electronically, a paper copy will be provided. I understand that I can withdraw this consent or

request a paper copy by following the instructions at {Institution's IRS Form 1098-T reporting website}.

## STUDENT AGE

I understand and agree that if I am younger than the applicable age of majority when I execute this agreement that the educational services provided by {Institution Name} are a necessity, and I am contractually obligated pursuant to the "doctrine of necessities."

## OTHER CONSIDERATIONS

Institutions may also want to consider including paragraphs addressing the following.

- **Governing Law.** The reference to state law should not be a default provision. This provision should be considered carefully depending on whether the institution is located in a consumer friendly or creditor friendly state.
- **Arbitration or Mediation.** A clause may be added requiring the use of arbitration or mediation rather than civil litigation in the case of disputes. Alternative dispute resolution can be extremely helpful in avoiding class action liability and limiting the public nature of civil litigation. Specific provisions regarding this issue should be developed by the institution's counsel.
- **Additional Title IV Authorizations.** Students may also authorize a school to hold Title IV funds in their student account rather than pay out a credit balance, to apply Federal Work-Study wages to outstanding charges on the student account, or to pay other educationally related charges from prior years. Some institutions may want to include these authorizations as part of this agreement.

This report was prepared by members of NACUBO's Student Financial Services Council with staff support provided by Bryan Dickson, assistant director, advocacy and student financial services ([bdickson@nacubo.org](mailto:bdickson@nacubo.org), 202.861.2505).

## **APPENDIX: Background Information**

The following are links to useful resources that provide an introduction to some of the relevant legal requirements that may influence the development of financial responsibility agreement for colleges and universities.

### **Telephone Consumer Protection Act (TCPA)**

[Court Rules on FCC's Restriction on Use of Autodialers Calling Cell Phones](#) (March 28, 2018)

[FCC Guide to Robocalls](#)

### **Department of Education Rules on Student Authorizations**

Regulations from Subpart K, Cash Management, [34 CFR 668.165](#) – Notices and Authorizations

[Student Financial Aid Handbook](#), Volume 4, Chapter 2

### **IRS Guidance on Providing 1098-Ts Electronically**

[26 CFR 1.6050S-2](#) Information reporting for payments and reimbursements or refunds of qualified tuition and related expenses.

Appendix E  
Sample Institutional Collection Letters



Sample Tuition/Student Account Demand Letter

Date

Student Name  
Address  
City, State, Zip

Dear Student:

The delinquent status of your Student Account has been brought to the attention of my department for immediate action. You are in default and are required to pay the unpaid balance and late charges of \_\_\_\_\_.

You are advised to call the Office of the Bursar within seven (7) days of the date of this letter if you wish to settle this claim without further collection.

Your failure to take the above action within the seven-day time period may result in a negative report with the national credit bureaus. In addition, your account may be referred to The Ohio Attorney General's Office for enforcement. The Ohio Attorney General's Office may proceed with litigation to collect this debt. They may attach your wages, bank accounts and may place a lien on your real estate and initiate foreclosure. Accordingly, I would suggest that you give this matter your immediate consideration.

Sincerely,

## Sample Tuition/Student Account Demand Letter

Date

Student Name  
Address  
City, State, Zip

Dear Student:

Your failure to enter into a satisfactory repayment agreement regarding your delinquent account forces us to send this FINAL NOTICE. Your account has been reported to several national credit bureaus as stated in the Credit Bureau Notice letter previously sent to you. A “hold” remains on your account for transcripts, future semester registration, and financial aid will be denied until all past due charges have been paid in full.

Ohio Law requires that we assign your account to the State of Ohio, Attorney General’s Office for collection. The Attorney General’s collection efforts consist of:

- Adding daily interest to the balance owed
- Adding collection costs to the balance
- Assigning account to a third party agency
- Assigning account to an attorney for possible litigation

**\*\*IMMEDIATE ACTION IS NOW REQUIRED\*\***

Payment in full or satisfactory payment arrangements must be made within ten (10) business days from the date of this letter in order to avoid the future referral of your account for collection.

Sincerely,

Sample Parking Fine/Library Fine Demand Letter

Date

Student Name  
Address  
City, State, Zip

Dear Student:

The delinquent status of your parking fine has been brought to the attention of the Treasurer's Office for immediate action. You are in default and are required to pay the unpaid balance of \_\_\_\_\_.

You are advised to call the Treasurer's Office within ten (10) days of the date of this letter if you wish to settle this claim without further collection. Your right to appeal a citation was forfeited if an appeal was not filed within thirty (30) calendar days of the date of the violation with Parking Enforcement.

Your failure to take the above action within the ten-day time period may result in our certifying your account to the Ohio Attorney General's Office pursuant to Ohio laws. The Ohio Attorney General's Office may proceed with litigation to collect this debt, attach your wages, bank accounts, Ohio State tax refund and may place a lien on your real estate. Finally you will be held responsible for all collection costs associated with your delinquent account. I would suggest that you give this matter your immediate attention.

Sincerely,



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# Ohio Attorney General's Student Loan Debt Advisory Group

Report

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**MIKE DEWINE**  
OHIO ATTORNEY GENERAL

[www.OhioAttorneyGeneral.gov](http://www.OhioAttorneyGeneral.gov)