

**South Carolina Commission on Higher Education
Committee on Access & Equity and Student Services**
1122 Lady Street, Suite 300
Columbia, SC 29201

**Minutes of the Meeting
Main Conference Room
April 4, 2019
2:30 p.m.**

Members Present

Mr. Paul Batson, Chair
Mr. James Battle
Ms. Linda Dolny
Dr. Bettie Rose Horne
Mr. Charles Munns
Ms. Terrye Seckinger

Guest Panelists:

Dr. Andy Benoit, Vice President
Lander University
Dr. Eric Brown, Associate Vice President
SC Technical College System
Mr. Joey Derrick, Director
University of South Carolina – Columbia
Mr. David Hammond, Program Analyst
U.S. Department of Education

Guests Present:

Dr. Leroy Durant, Claflin University
Ms. Beth Bell, Clemson University
Mr. Jeff Holliday, Clemson University
Ms. Elizabeth Milam, Clemson University
Ms. Wendy Watts, Coastal Carolina University
Ms. Kim Ellisor, Francis Marion University
Ms. Michelle Lodato, Lander University
Ms. Bridgett Blackwell, Palmetto College
Dr. Jeff Perez, SC Independent Colleges and Universities
Ms. Betty Boatwright, SC State University
Ms. Tangar Young, SC State University
Mr. Ray Jones, SC Student Loan Corporation
Ms. Katie Harrison, SC Tuition Grant
Ms. Bonnie Carson-Durham, University of South Carolina-Upstate
Ms. Kala Hudson, University of South-Upstate
Dr. Rodney Hopkins, Voorhees College
Mr. Tim Drueke, Winthrop University
Ms. Michelle Hare, Winthrop University
Ms. Jean Boos, Williamsburg Technical College
Ms. Nikisha Howze, York Technical College
Ms. Sara Rapp, York Technical College

Staff Present

Dr. Karen Woodfaulk
Ms. Lorinda Copeland
Mr. Kevin Glears
Dr. Gerrick Hampton
Mr. Jesse Kimbrough
Dr. John Lane
Mr. Frank Myers
Ms. Laverne Sanders
Ms. Emily Wells
Ms. Leslie Williams

1. **Introductions and Approval of Minutes**

Chairman Paul Batson called the meeting to order and welcomed all in attendance. Ms. Wells introduced the guests in attendance and confirmed that the meeting was being held in accordance with the Freedom of Information Act.

A **motion** was made (Munns), **seconded** (Horne), and **carried** to approve the minutes of February 7, 2019.

2. **Student Loans, Discussion: Student Loan Indebtedness and Student Loan Defaults** *(For Information, No Action Required)*

Commissioner Batson provided an overview of the topic for discussion. He stated that the expectation is to gain insight into student loan indebtedness/student loans and explore what the implication is for the State.

Dr. Karen Woodfaulk acknowledged the attendance from the SC Tuition Grants, SC Student Loan Corporation, and the institutional representatives. She introduced the panelists: Mr. David Hammond, Program Analyst, U.S. Department of Education; Mr. Joey Derrick, Director, of Student Financial Aid and Scholarships, University of South Carolina, Columbia; Dr. Andy Benoit, VP, Enrollment and Access Management, Lander University and Dr. Eric Brown, Associate VP for Student Affairs, SC Technical College System.

Dr. Woodfaulk explained that nationally there is \$1.5 trillion in student loan debt from approximately 45 million loan borrowers, and that this amount does not include any private loan funds that students may have incurred. Dr. Woodfaulk stated that 66% of the students from the class of 2018 acquired student loans. She explained that students graduated with an average loan indebtedness of \$29,800 in private and federal student loans.

Mr. David Hammond, Student Loan Program Analyst, U.S. Department of Education, and representatives from the state's research, comprehensive and technical college sectors served as panelists. 21 representatives from the state's public, independent and technical colleges and universities, the SC Tuition Grants Commission, and the SC Student Loan Corporation also participated in the discussion.

Mr. David Hammond provided a brief overview of student loan indebtedness. He stated that the U.S. Department of Education is researching the inability of current and future graduates, as well as their overall student loan indebtedness, and the effects those measures may have on a student's ability to participate in the economy of each state and the national economy. Mr. Hammond reported that the national cohort default rate for 2018 was 10.8%. He provided the default rates for each of the higher education sectors in 2018: proprietary sector at 15%, public sector at 10.3%, and the private sector at 7.1%. Mr. Hammond suggested that all higher education institutions measure their school in comparison to the national average. He explained that the default rate is calculated by the number of students who go into repayment versus the number of students going into

default. Mr. Hammond stated the default rate is declining progressively, but the rate is still considered to be at a high level.

Commissioner Munns asked if the default rates presented were since the previous recession. He also asked if the default rate 10-15 years ago would be less than previous rates and if the default rate is back to normal. Mr. Hammond stated that the current default rate would have been considered to be high ten years ago. He also said the default rates presented represented a six-year progression and that the default rates are getting back to normal levels. Commissioner Batson asked about the conjecture of why there is a decrease in default rates. Mr. Hammond explained that different types of repayment plans are offered based on income as opposed to the standard repayment which is a 10-year repayment plan. Commissioner Batson asked if the student loan funding was managed by the federal government. Mr. Hammond explained that Federal Student Aid is a division of the U.S. Department of Education and operates as a financial institution.

Mr. Hammond shared that South Carolina had a default rate of 7% in 2018 based on 4,495 students going into default and 63,000 students entering repayment. He said presently South Carolina's draft default rate for 2019 is 11%. Mr. Hammond explained that the official default rate will be available in September, and that the increase may be contributed to the recent floods that occurred in South Carolina.

Mr. Hammond stated that he can work individually with institutions to mitigate default. He stated that the U.S. Department of Education is focusing on financial literacy and new technology. Commissioner Munns asked if individual school default rates were trending differently each year. Mr. Hammond explained that there is not much fluctuation in a school's default rates from one year to the next. Commissioner Munns asked if the default rates were more dependent upon actions a school takes or the U.S. Department of Education, and if a school's default rate is dependent upon their student population and their background or the overall financial condition. Mr. Hammond stated that there are more students who do not have general financial knowledge. Mr. Hammond stated that it is possible for the U.S. Department of Education to mitigate default for every student if student receives the financial literacy information they need. He stated that the levels of debt students are incurring requires more financial literacy and a better understanding of the overall repayment process. Commissioner Battle asked if a student can be turned down for a student loan. Mr. Hammond stated that very rarely would a student be turned down for a federal student loan. Commissioner Battle asked what the institutions can do to help. Mr. Hammond explained entrance counseling is a requirement for all federal student loan borrowers. He stated that the schools can repeatedly provide this information to students. Mr. Hammond further stated that the indebtedness is not the issue but not having a strategy upon graduation or once a student is no longer attending college is the primary issue. He stated that there are payment plans available for all students, and there is a repayment program for every situation. Dr. Horne asked whether the U.S. Department of Education requires schools to have a uniform orientation to students indebtedness and are the students mandatorily required to attend orientation before he or she can receive a student loan. Mr. Hammond explained that the orientation is mandatory. He stated that schools can

augment the mandatory entrance counseling so long as they are meeting the minimum requirements established by the U.S. Department of Education.

Commissioner Batson inquired about the debt that is attributable to each of the colleges in SC and the default rate of students by colleges. Commissioner Batson also asked if there were any issues present at colleges and universities that may be contributing to the increase in student loan indebtedness. Mr. Hammond stated that he is aware of the default data, and that he could work on the debt attributable to the colleges in SC. He explained that there are loan limits, so the debt is not rising for any one reason. He stated that students are only able to receive a certain amount of federal student loans each year. Commissioner Batson asked if the default rates of the students are tied to any of the financial aid that is given to the institutions. Mr. Hammond replied that default rates tied to financial aid are in the form of sanctions. He explained that if an institution has a default rate of 30% or more then they could lose the ability to provide federal student loans or even Federal Pell Grant. Commissioner Munns asked what is the percentage of federal student loans that are administered. Mr. Hammond explained that half of the loans administered are federal loans.

Mr. Joey Derrick, Director of Financial Aid, University of South Carolina (USC), stated that USC currently has a 2.3% default rate and the average outstanding loan balance is about \$28,000 per student. He stated that 46% of USC's graduates are not student loan borrowers.

Mr. Derrick explained USC's main strategy is to assist their students. In addition to adhering to the requirements of the U.S. Department of Education, approximately seven years ago USC launched a program named MEDS - Managing Educational Debt Successfully. Mr. Derrick explained that the program is an annual outreach program that is used to reach out to all student loan borrowers, graduates and undergraduate students for the year they are in school to make sure students know what they are borrowing. He stated USC's student portal provides the student's borrowing history at USC and displayed is a borrowing calculator to calculate possible repayment based on what is currently borrowed. Mr. Derrick stated that USC annually reminds students to look at their portal before they accept their annual award. He stated unlike federal student loans annual cap, private student loans do not have annual caps. Mr. Derrick explained that private student loans expectation is that the schools will certify an amount that makes sense of what a typical student would need during an academic year. Mr. Derrick stated that USC typically get extremely high non-federal student loan requests that USC does not certify. Commissioner Munns inquired about USC's default rate of 2.3% as compared to the other institutions in SC. Mr. Hammond replied that the 2.3% default rate for USC in line with the other public flagship institutions. Commissioner Munns asked about the additional student loan debt. Mr. Hammond stated that the student loan debt is distributed among all the other institutions. He explained that larger institutions have additional resources and financial aid to provide. Mr. Derrick also explained that the default rate is not driven by the amount of money someone borrows, it is whether they finished their degree.

Dr. Andy Benoit, VP, Enrollment and Access Management, Lander University, provided Lander's strategy to assist their students. He provided information about Lander's

entrance and exit student loan counseling. Dr. Benoit stated their students have an opportunity to build a budget and the students can see all their student loan history on the student portal. He stated one of the challenges that schools are seeing is more first-generation college students entering college, therefore, outreach is beginning early with financial literacy. Dr. Benoit stated Lander staff advises students not to borrow more than they need. He stated Lander is outreaching early to students and speaking to eighth and ninth grade students and their parents in the community. Dr. Benoit stated that Lander also uses the opportunity of freshman orientation to speak with students and parents based majors and similar areas. He explained that Lander's tuition has been frozen for four years and that Lander has experienced a decrease in student loan default rates each year. Commissioner Munns asked should there be a financial counseling element during the FASFA assistance events. Dr. Benoit stated a partnership would help with the K-12 education system to make the financial counseling available. Commissioner Munns asked should more financial aid officers' seminars be provided annually. Dr. Benoit stated there is always room to add more sessions and bringing more areas to the table as well, such as leaders in the elementary and secondary education and areas outside of financial aid such as enrollment managers.

Commissioner Horne asked Dr. Eric Brown about child care expenses being factored into the cost of attendance. Dr. Brown explained that the technical education system represents a very diverse group of students. He stated that each campus is a different size have different resources to provide to students. He stated that financial aid and other groups meet regularly to discuss student loan default as well as relevant financial education topics that relate to the students. Dr. Brown stated that the technical colleges offer classes on financial literacy and scholarships. He said freshmen orientation classes provide financial literacy and crash courses on real life situations. He stated some of the colleges offers support programs and food pantries, etc. Dr. Brown stated that technical colleges uses the same formula as four-year colleges use for the cost of attendance. He stated counselors connect students who need assistance with other agencies such as the Department of Social Services. Mr. Derrick stated that dependent care expenses are one of the few expenses that institutions are permitted to add to the cost of attendance on a person by person basis if documentation is collected.

Commissioner Batson asked about the resources needed to counsel the students on how their careers will assist them to sustain student loan debt. Dr. Benoit replied that counseling should begin early for the students as soon as they enter college. He stated that Lander's Financial Aid Office encourages students to borrow what they need as undergraduates and to try to graduate with the least amount of debt as possible. Dr. Benoit stated federal student loan limit average is approximately \$20,000 and students that have private loans are graduating with \$40,000 and above in student loan debt.

Commissioner Horne asked if there is a way to make career choices a part of what is shared with students when they are initially meeting with the financial aid officers and calculating what they will borrow. Mr. Ray Jones stated that there is a tool that SC Student Loan Corporation purchased that goes through kindergarten until the time the student graduate college. He said it is made available to every school in the State. Mr. Jones stated he will provide the tool to the Commission members.

Commissioner Munns asked if other states made a condition of the license to teach in order to assist in lowering default rates. Mr. Hammond stated that what he is aware of is that other states structure the state aid tied to retention and other things. He stated if licenses are taken because of defaulting on student loans the borrower cannot repay because they no longer have a job. Mr. Hammond said the easier thing to do is to tie student loans to income. Ms. Sara Rapp, Default Prevention and Management Coordinator, York Technical College, stated that she works with all the students from the beginning of their loan borrowing. She said she also works with students who are 30-days delinquent on their student loans in repayment. Ms. Rapp stated York Technical College average student loan indebtedness is approximately \$8,000 per student. She said they have decreased the average student loan indebtedness to \$7,800 for the past few years. Ms. Rapp explained that students are constantly changing phone numbers, their voicemail boxes are not set up and students are discouraged from reaching out because of phone call scams. She said York Technical tries to be the middle person between the loan servicer and the student.

Dr. Horne asked Mr. Hammond to provide suggestions to assist with preventing students from defaulting on their student loans. Mr. Hammond suggested:

- Helping students choose repayment plans in the entrance counseling;
- Connect students with the U.S. Department of Education and their servicer in the entrance counseling so they can be advised on payment options; and
- Continue to meet and share best practices.

Ms. Elizabeth Milam, Clemson University, stated that one reason for the increase of the default rate in SC is that the state institutions lost the services of EdManage, a subsidiary of the SC Student Loan Corporation, which provided default prevention that was offered at no charge to the institutions. She said currently there is a senate bill that will request the state fiscal authority to allow some of the guaranteed funds to go back and fund some sort of default management program. Ms. Michelle Hare stated that Winthrop had a decrease in their student loans default rate with EdManage, and the student loan default has increased since having lost access to EdManage. The institutional representatives at the meeting supported the need to restart the EdManage program, which assisted institutions with debt management.

Dr. Woodfaulk explained that Williamsburg Technical College addressed student loan default by deferring from participating in federal student loans because of their demographics. Ms. Jean Boos, Williamsburg Technical College, stated that they serve a population that is both economically and educationally disadvantage. She explained that most of Williamsburg Technical students are disadvantage. Ms. Boos stated that Williamsburg Technical College has been able to fund 75% of the students completely with Pell Grant funds and has funded over 90% when Lottery Tuition Assistance and state funds are available. She said about 4% of the remaining 10% of students are receiving some other kind third party payment. Ms. Boos stated the funding the students has become more difficult. She explained that everything Williamsburg has invested into their students. She stated Williamsburg Technical College has held down their tuition.

Commissioner Batson requested any additional suggestions that CHE can do to help the institutions. Dr. Rodney Hopkins, Vice President of Academic Affairs, Voorhees College stated that Voorhees has adopted a career pathway curriculum to include financial literacy. Also, Dr. LeRoy Durant, Vice President of Student Affairs, Claflin University, stated that Claflin University's default rate is low, but retention is more of a problem. He suggested that CHE continue to bring the institutions together.

In his final remarks, Mr. Hammond commended the institutions and CHE for initiating discussions about student loan indebtedness and loan defaults across several offices on campus, and among higher education institutions and agencies around the state.

The panel discussion, the power point presentation from the U.S. Department of Education and the link to the audio recording was placed on the CHE website.

Adjournment

There being no additional discussion before the Committee, Commissioner Batson requested a motion for adjournment. A **motion** (Munns) was made, **seconded** (Horne), and **carried** to adjourn the meeting at 5:00 p.m.

Respectfully Submitted,

Dr. Karen Woodfaulk/Laverne Sanders