

STUDENT LOAN OVERSIGHT

Private Lending and Student Information

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Introduction and Background

The end of the COVID-19 public health emergency has brought numerous important developments for the nation's 44 million borrowers who have outstanding student loan debt. In late June, the Supreme Court issued a [decision](#) striking down the Biden administration's proposed student loan forgiveness program. Additionally, student loan [interest restarted](#) accruing on Sept. 1 and borrowers began making payments on their loans starting this October.

These changes along with broad reforms to federal forgiveness programs, create a new landscape for student borrowers across the country. States continue to explore options to address challenges created by student loan debt. In the 2023 legislative session, states considered more than [130 bills](#) related to student loan debt. State policymakers continue to consider, create, and modify state loan forgiveness programs, as well as design policies to help student borrowers understand the loan process and navigate repayment.

Understanding both the value of a postsecondary degree or credential as well as the terms and structure of a student loan are important, but often neglected aspects of the postsecondary experience. More than [60%](#) of both students and parents believe the college admissions process is difficult, according to a 2022 survey from College Board. Another [recent survey](#) from The Wall Street Journal found declining faith in the value of a college education. While enrolled, [more than half](#) of students are not confident of their career path and 1-in-3 students are not sure if their selected major aligns with their intended career path according to a 2019 survey from Ellucian. Confusion around student borrowing is also widespread. A 2019 survey from Business Insider found that [27%](#) of younger borrowers did not understand the terms and policies of their student loan upon borrowing.

Key Takeaways

- Students and families are often confused by aspects of the postsecondary experience including the admissions process, available career paths and major selection, and student loan terms and repayment options.
- At least five states are creating requirements to expand oversight of private student lending and expanding consumer protections for student borrowers who hold private loans.
- Since 2020, at least eight states have passed "Right to Know" legislation designed to help students and families make informed decisions about postsecondary education options.

Confusion around borrowing extends to private student lending, which is generally [less regulated](#), provides [fewer protections for borrowers](#) and publishes [less accessible data](#) than federal student loan programs. Nationwide, students owe more than [\\$120 billion](#) in private student loans, comprising 8.4% of total student borrowing. More than 88% of private loans issued are for undergraduate education. Private student lending has increased more than [70%](#) between 2010-2020 according to the Student Borrower Protection Center.

State Policy Action

In 2020, Virginia passed [legislation](#) requiring private lenders to disclose the contact information for the Office of the Qualified Education Loan Ombudsman and a summary of the student loan information prior to loan disbursement. Illinois passed the [Know Before You Owe Private Education Loan Act](#) in 2021, which includes sever-



al provisions addressing private student loans issued to students. The law requires private lenders to obtain information about the borrower from the college or university. Before educational institutions provide this information, they must provide the student with resources about other forms of financial aid including scholarships and federal student loans, as well as information about the private lending process. The act also requires private lenders to provide statements to borrowers every three months, and outlines requirements for these statements. Private lenders must also provide annual reports to the state Department of Financial and Professional Regulation regarding loans made in the state.

At least four other states have enacted legislation to address private student lending. [Connecticut](#) and [Colorado](#) passed laws requiring private student loan servicers obtain a license, [Louisiana](#) and [Maine](#) laws will create a Private Education Lender Registry.

Other states have enacted broader legislation designed to inform all students, not just students who borrow, about the financial outcomes associated with pursuing a postsecondary degree or credential. Since 2020, at least eight states have passed “Right to

Did You Know?

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West Virginia passed a [Students’ Right-to-Know Act](#) in 2020. The law requires the State Board of Education to collaborate with the Higher Education Policy Commission and the Council for Community and Technical College Education, to collect and publish information about postsecondary education programs and career outcomes. The information to be collected and published includes:

- Workforce Data: In-demand jobs, median wage and starting salary data, and common degree levels needed for each occupation.
- Cost & Financial Aid Data: Average cost of postsecondary institutions, available federal student aid programs, average graduation and completion rates.
- Student Loan Data: Average monthly loan payment and total amounts borrowed by students, average student loan default rates.

The collected information must be distributed to every public high school in the state by high school guidance counselors and published online. The department created the [Classroom 2 Career Navigator website](#) to house these resources. Kentucky also passed [similar legislation](#) in 2020 and created a [Students’ Right to Know Dashboard](#). Tennessee created a similar web resource called [CollegeForTN](#), housed under the Tennessee Higher Education Commission. Missouri’s web resource is [Journey to College](#). In Kansas, the [Kansas Career Navigator](#) is a joint project of the State Department of Education, State Department of Labor, Board of Regents, KansasWorks, and the governor’s office. Arizona’s [law](#) requires that data is published through the [Arizona Commerce Authority](#), a public-private partnership. Arkansas passed a [law](#) requiring the creation of a [Higher Education Consumer Guide](#) for each public institution.

Alabama’s [legislation](#), passed in 2023, will require the creation of a Student Horizon Database which will include similar metrics, as well as publishing of a resource specifically focusing on the 50 highest paying four-year degrees, the 20 highest paying career and technical education programs and the 20 most in-demand jobs in the state. In 2018, Colorado passed [legislation](#) requiring the Department of Higher Education to publish an annual report quantifying return on investment for postsecondary programs.

Federal Action

In 2022, the Department of Education [announced](#) updates to the [College Scorecard](#) tool which provides information about colleges and universities to students and families. The tool currently provides resources related to costs, graduation and retention rates, financial aid and debt, typical earnings, campus diversity, test scores and acceptance. The tool also offers additional information about individual fields of study and academic programs. The Department has [worked](#) to add more data supporting borrowing, earning, and completion outcomes in the past year.

Additional Resources

- [NCSL Postsecondary Bill Tracking Database](#)
- [NCSL Student Loan Debt Toolkit](#)