



MEMORANDUM

To: Interested Parties
From: Student Borrower Protection Center
Date: May 2022
Re: Transcript and diploma withholding

Although transcript and diploma withholding—the practice by schools of withholding transcripts or diplomas from students with an account balance—is a common practice nationwide, it has unintended consequences that disproportionately harm low-income students by placing them in a limbo from which they cannot continue their education or professional advancements. Counter-intuitively, it also inhibits students’ ability to pay account balances while suppressing the local economy by preventing students from re-enrolling and graduates from obtaining gainful employment.

As recently as December of 2021, U.S. Secretary of Education Miguel Cardona emphasized the detrimental effect of withholding policies on retention and completion.¹ Secretary Cardona stressed that this practice drives inequitable outcomes and called on schools to re-evaluate these long-standing policies. For this reason, more and more states and schools are eliminating transcript and diploma withholding policies.

Although Common, Withholding Policies Are Ineffective and Harmful to Students.

Transcript and diploma withholding is a common practice that is coming under new scrutiny. Recent research revealed that so-called institutional debts—debts owed directly to schools, which may result from hidden fees or even parking tickets, in addition to tuition—total \$15 billion nationwide and affect an estimated 6.6 million individuals, but that the amount owed to trigger withholding can be as little as \$25 or less.² According to the researchers who have conducted the only major national study of these institutional debt practices, the average balance owed at community colleges is \$631.47.³ Although these balances represent only a fraction of schools’ revenues and operating budgets, for many students, they are insurmountable financial barriers.

¹ Kirk Carapezza, *Education Secretary, college leaders want colleges to stop holding transcripts over unpaid balances*, W.G.B.H. (Dec. 21, 2021), <https://www.wgbh.org/news/education/2021/12/21/education-secretary-college-leaders-want-colleges-to-stop-holding-transcripts-over-unpaid-balances>.

² Julia Karon, James Dean Ward, Katherine Bond Hill & Martin Kurzweil, Ithaca S+R, *Solving Stranded Credits* (Oct. 5, 2020), <https://sr.ithaca.org/wp-content/uploads/2020/10/SR-Report-Solving-Stranded-Credits-100520.pdf>.

³ *Id.* at 12.



Despite its frequent use—the same study found over 90 percent of institutions report using transcript withholding—transcript withholding is an ineffective collection tool. A study on institutional debt collection and transcript withholding in Ohio found that these accounts only yielded \$0.07 for every dollar owed.⁴ Withholding policies are even less cost effective once the facts that it prevents students from re-enrolling—thus reducing future tuition revenue—and graduates from obtaining higher salaries—which they would spend in the local economy—are factored in. This is especially true for community colleges, which stand to benefit from increased enrollment by students seeking to complete their education at a more affordable school, but who may be prevented from doing so by a transcript hold.

Transcript and diploma withholding also disproportionately impacts low-income and Black and Latino consumers, in particular college "non-completers" seeking to continue their education but who cannot do so without an official transcript.⁵ It places them in a “double-bind”: they cannot afford to pay their account balance because they cannot obtain gainful employment, but they cannot obtain gainful employment until they have completed their education and received their transcript or diploma.

For low-income students, these account balances may result from unknown fees, but are often due to a misalignment between schools’ withdrawal dates and federal financial aid refund deadlines that can result in students’ Pell Grants being recalled by the U.S. Department of Education and a balance suddenly due on students’ accounts. These balances may be a few thousand dollars, for which the student should never have been responsible. Too often students must take several years off from their education working minimum wage jobs simply to save enough to pay their outstanding balance, receive their transcript, and transfer to a more affordable school where they can complete their education. These lost years help no one, and are deeply harmful to students.

⁴ Rebecca Maurer, *Withholding Transcripts: Policy, Possibilities, and Legal Recourse* 29 (Dec. 2018), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3288837.

⁵ See, e.g., *Transcript Withholding Across New York’s Neighborhoods: a Crisis for Communities of Color*, Young Invincibles, <https://younginvincibles.org/transcript-withholding-across-new-yorks-neighborhoods-a-crisis-for-communities-of-color/> (last viewed May 13, 2022).



Schools and States Continue to End Their Withholding Policies.

There is growing national attention to withholding policies as a harmful practice.⁶ During COVID-19, it is particularly disastrous for those seeking to financially recover through education or new employment, but who are unable to obtain an official transcript or diploma to do so. Although some individual institutions have taken action to support their students—in 2021, Bunker Hill Community College of Boston, MA, voluntarily ended its practice of transcript withholding for institutional debt,⁷ and the City University of New York temporarily suspended the practice of transcript withholding at the institution⁸—state policymakers are increasingly stepping in.

California, Washington, and New York have prohibited the practice of withholding transcripts,⁹ and Maine and Colorado effectively ban the withholding of both transcripts and diplomas.¹⁰ In California and New York, schools generally cannot withhold for any reason. In Washington, Maine, and Colorado, may continue to withhold in limited circumstances, but must release transcripts when they are needed for specific purposes, such as continued education or employment. Illinois lawmakers have also passed a bill that would protect students' access to their transcripts for employment purposes,¹¹ and several other states have pending bills as well.

⁶ See, e.g., Kirk Carapezza, *More Than Half Of Public Colleges in Mass. Used COVID Relief Funds To Cover Unpaid Student Bills*, W.G.B.H. (Aug. 19, 2021), <https://www.wgbh.org/news/education/2021/08/19/more-than-half-of-public-colleges-in-mass-used-covid-relief-funds-to-cover-unpaid-student-bills>; Sara Weissman, *The “Human Cost” of Stranded Credits*, Inside Higher Ed (Aug. 20, 2021), <https://www.insidehighered.com/news/2021/08/20/report-stranded-credits-inequitable-impact-students>; Jon Marcus, *States Step in to Stop Colleges Holding Transcripts Ransom for Unpaid Bills*, N.P.R. (April 8, 2021), <https://www.npr.org/2021/04/03/982676353/states-step-in-to-stop-colleges-holding-transcripts-ransom-for-unpaid-bills>.

⁷ Sarah Butrymowicz, *City University of New York reverses its policy on withholding transcripts over unpaid bills*, Hechinger Report (Aug. 13, 2021), <https://hechingerreport.org/city-university-of-new-york-reverses-its-policy-on-withholding-transcripts-over-unpaid-bills/>.

⁸ City University of New York, *CUNY Will Stop Long-Held Practice of Holding Transcripts for Students with Outstanding Debt* (Aug. 11, 2021), <https://www1.cuny.edu/mu/forum/2021/08/11/cuny-will-stop-long-held-practice-of-holding-transcripts-for-students-with-outstanding-debt-will-lift-financial-holds-for-students-impacted-by-the-pandemic/>.

⁹ Cal. Civ. Code Title 1.6C.7, *Educational Debt Collection Practices* [1788.90-1788.93]; RCW 28B.10.293, *Collection of debts—conditions and limitations on institutions of higher education* (Wa.); S.5923-C/A6938-B, *Relates to prohibited practices relating to student educational debt* (N.Y.).

¹⁰ See, Andrew Kenney, *Colorado college students will get access to their transcript and diplomas, even if they haven't paid tuition and other debts*, CPR News (Apr. 25, 2022), <https://www.cpr.org/2022/04/25/colorado-college-students-will-get-access-to-their-transcripts-and-diplomas-even-if-they-havent-paid-tuition-and-other-debts/>; Dan Neumann, *Students, advocates applaud new law that bans withholding transcripts over debt*, Maine Beacon (Apr. 5, 2022), <https://mainebeacon.com/students-advocates-applaud-new-law-that-bans-withholding-transcripts-over-debt>.

¹¹ Peter Hancock, *Lawmakers pass ban on withholding college transcripts*, Capitol News Illinois (Mar. 30, 2022), <https://www.capitolnewsillinois.com/NEWS/lawmakers-pass-ban-on-withholding-college-transcripts>.



In New York, these protections began with executive action. In her 2022 State of the State address, New York Governor Hochul committed to ending transcript withholding in New York,¹² noting in particular the harmful and counterintuitive fact that withholding inhibits students' ability to pay their debts because it creates a barrier to retention, completion, and employment. She then instructed both the State University of New York and the City University of New York to permanently end their practice of withholding transcripts from students and graduates who owe account balances, which both institutions did in January.¹³ Governor Hochul then proposed legislation in her budget that would end the practice at all schools in New York,¹⁴ and ultimately signed the bill passed by the legislature.¹⁵

Ending Withholding Does Not Prevent Schools From Using Less Harmful Collection Tactics.

Importantly, ending withholding practices does not forgive any debts owed to schools or prevent schools from communicating with students or graduates about these debts or sending accounts to collection, as they currently do. It merely prohibits schools from withholding transcripts as a means of compelling payments because of the well-documented and harmful effect this practice has on students seeking to complete their education or obtain employment.

When a student or graduate seeks a transcript or diploma to complete their degree at another school or to secure employment upon graduating, withholding the document effectively places the student in limbo: they are unable to complete their degree and are unable to obtain the gainful employment needed to repay the account balance.

Rather than withholding documentation of students' academic credits, schools can continue their practice of seeking voluntary payment from students and graduates and sending accounts to collection, if necessary. Any student who could pay for a withheld document would also be able

¹² New York Governor Kathy Hochul, *State of the State 2022: a New Era for New York* 82 (January 2022), <https://www.governor.ny.gov/sites/default/files/2022-01/2022StateoftheStateBook.pdf>.

¹³ Press Release, State University of New York, *Governor Hochul Announces SUNY Board Ends Practice of Withholding Transcripts from Students with Outstanding Balances* (Jan. 25, 2022), <https://www.suny.edu/suny-news/press-releases/1-22/1-25-22/transcript-withholding-ends.html>; Press Release, City University of New York, *Governor Hochul Announces CUNY Formally Discontinues Practices of Withholding Transcripts from Students and Grads with Unpaid Balances* (Jan. 31, 2022), <https://www1.cuny.edu/mu/forum/2022/01/31/governor-hochul-announces-cuny-formally-discontinues-practice-of-withholding-transcripts-from-students-and-grads-with-unpaid-balances/>.

¹⁴ Part I, *Education, Labor and Family Assistance Arti. VII Legislation* (FY 2023 New York State Proposed Executive Budget), <https://www.budget.ny.gov/pubs/archive/fy23/ex/artvii/elfa-bill.pdf>.

¹⁵ Kate Lisa, *New York law signed to prevent colleges from withholding student transcript over unpaid debts*, Spectrum News 1 (May 4, 2022), <https://spectrumlocalnews.com/nys/buffalo/politics/2022/05/04/law-signed-to-prevent-colleges-from-withholding-student-transcripts->



to pay upon notice that the account is being sent to collection, whereas any student who cannot afford to settle their account wouldn't be able to do so when requesting documents anyway, and therefore would ultimately find their account with collections in any event. Therefore, the schools' ability to collect via collection is no different than its ability to collect using withholding, except that withholding has the perverse effect of putting low-income students and graduates in a worse-off position. It is worth noting, too, that document withholding is a passive practice: it is only triggered when students proactively approach the school.

These policies also disproportionately affect low-income students and graduates. When the outcome would be the same, there is no need to punish lower-income students by withholding their transcript or diploma in addition to sending them to collection. Indeed, schools can provide a transcript or diploma and simultaneously inform the former student that if they do not pay their account, it will be sent to collection. Permitting the student or graduate to obtain these documents would actually increase low-income students' and graduates' ability to repay their debts by enabling them to complete their education and find employment.

Conclusion

States have an opportunity to ban transcript and diploma withholding at academic institutions, allowing students to access documentation of their earned credits and move forward with their educations and careers. Legislatures in California, Washington, Maine, Colorado, New York, and Illinois have all taken these steps in one form or another. There is a growing understanding that this practice is as harmful to students as it is ineffective for schools' budgets, and that it should be ended.

Please contact Winston Berkman-Breen, Policy Counsel and Deputy Director for Advocacy, at winston@protectborrowers.org, if you have any questions or would like to discuss this comment further.