




Institutional Debt Keeps SUNY and CUNY Students from Completing College

Institutional debt, also referred to as direct-to-school debt, is debt owed by students to their college or university for unpaid tuition, fees, room and board, education benefit overpayments, or fines. Unpaid tuition is the most common debt and can arise if a student enrolled with the expectation of aid that did not come through, or if a student withdraws early and isn't able to complete their coursework. A student can be liable even if the institution wrongly allowed the student to register.

Debts owed to a State University of New York (SUNY) or City University of New York (CUNY) institution may be collected in-house, referred to a private collection agency, or certified to the NYS Department of Taxation and Finance if the debt is less than \$500. Debts of \$500 or greater that go uncollected are referred to the NYS Office of the Attorney General (OAG) to file a lawsuit against the student. If the student defendant fails to file an answer and cannot settle the debt, the court grants SUNY a default judgment. Judgments can be collected through garnishment of wages, restraining bank accounts, tax return offset, and/or placing a lien on property.

Harmful impacts of direct-to-school debt include:

-  **Degrees or certificates are withheld until the debt is paid.** Despite having completed their coursework, degrees may not be conferred until all debts are paid, preventing students from getting the job they went to college to obtain.
-  **Students are barred from readmission.** Putting a student's higher education on hold jeopardizes the likelihood they will ever complete their degree, and investments in education to date are lost.
-  **Debt collection judgments further harm students who are indigent.** Judgments can lead to garnishment of wages, restrained bank accounts, and tax return seizure. Credit scores can be negatively impacted, making it difficult to find housing or access affordable credit.

Students Without Safety Nets Get Trapped in Debt

A review of 62 cases filed by the OAG on behalf of SUNY institutions in 2022 that we were able to access showed the average principal balance owed was just **\$3,612**.ⁱ The average total debt owed was \$4,913, including an average 28 percent added in interest and fees.ⁱⁱ Five cases involved principal debt greater than \$10,000, the highest being for \$14,615. The lowest debt sued on was for \$500. In only one case did a student file an answer or notice of appearance—the majority of cases (32) had a default judgment entered against the student.

Students of color and students with lower incomes are disproportionately impacted by institutional debt.ⁱⁱⁱ The problem compounds pre-existing inequities as students end up with "Some College, No Credential" (SCNC), lacking the ability to complete their degree and stuck in low-paying jobs that make it nearly impossible to repay their debt.^{iv} This situation leaves them in a devastating cycle of financial and professional stagnation.



Practice Should Match Policy

SUNY and CUNY have programs focused on bringing SCNC students back to campus to finish their degrees. SUNY's policy states they are committed to ensuring financial hardships do not pose a barrier and gives campuses some discretion to allow students with outstanding debt to reenroll.^v CUNY's policy appears to be more restrictive, allowing readmission only for exceptional hardships.^{vi}

CASE STUDY: Ohio College Comeback Compact

Ohio launched a pilot program in 2022 to give students who owe institutional debt the opportunity to return to school and have their debt forgiven if they remain on track academically and with new tuition and fee payments. Eligible students had to have "stopped out" within the past two years, be in good academic standing, and owe \$5,000 or less. At the end of the first year, **93 percent of students** who enrolled through the program either received debt forgiveness (66%) or were on track for debt forgiveness (27%).

To ensure institutional debt is not a barrier to college completion, SUNY and CUNY should consider changes to their policies, including:

- ☑ **Ensure all institutions allow students readmission even if debt is owed to the school.**
- ☑ **End the practice of withholding degrees and diplomas for unpaid debt.**
- ☑ **Promote alternatives to lawsuits that result in default judgments against indigent students:**
 - Offer clearer, realistic, and more equitable pathways for students to resolve direct-to-school debt, including income-driven repayment plans;
 - Do not file lawsuits for debt less than \$10,000;
 - If a lawsuit is filed, instill a mandatory settlement or mediation process so that defendants have a viable means to defend the action;
 - Ensure students are not being charged fees on debt, pursuant to NY Finance Law sec. 18 (5-a); forgive fees on debt incurred prior to April 1, 2023; and
 - Provide pathways for debt forgiveness for students who have a financial hardship.
- ☑ **Strengthen policies at the institutional level to prevent debt accrual:**
 - Instill systems to automatically withdraw students who register but do not attend; and
 - Provide clear notice regarding the procedures and deadlines for withdrawal.

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ⁱ Comprehensive data regarding institutional debt is not publicly available. Research is based on TICAS analysis of individual case filings that we were able to access through the NYS Unified Court System website filed on behalf of SUNY institutions against students in 2022, <https://iapps-train.courts.state.ny.us/nyscef/CaseSearch?TAB=name>.

ⁱⁱ Effective April 1, 2023, state agencies are prohibited from assessing fees for debt incurred by a student in furtherance of their education. NY Finance Law, sec. 18(5-a).

ⁱⁱⁱ "Removing the Institutional Debt Hurdle: Findings from an Evaluation of the Ohio College Comeback Compact," ITHAKA S-R, 14, May 9, 2024, <https://sr.ithaka.org/publications/removing-the-institutional-debt-hurdle/>

^{iv} Id.

^v "Billings, Refunds, Collection and Write-offs Policy for Tuition, Fees and Other Charges," State University of New York, April 8, 2024, https://www.suny.edu/sunypp/documents.cfm?doc_id=390.

^{vi} V. Student Liability, E. Tuition and Fees Delinquency Policy, CUNY, accessed February 12, 2025, <https://www.cuny.edu/about/administration/offices/legal-affairs/university-tuition-fee-%20manual/v-student-liability/#delinquency-policies>.