

Testimony by
Carolina Rodriguez
Community Service Society

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Introduction

Thank you for the opportunity to submit testimony for the Legislative Joint Budget Hearing on Higher Education.

My name is Carolina Rodriguez. I work at the Community Service Society of New York as the director of the Education Debt Consumer Assistance Program (EDCAP). EDCAP helps New Yorkers struggling with higher education debt. Through its central helpline and one-on-one counseling services, we assist individuals in navigating the student loan system to maximize repayment options, access federal and state loan forgiveness and discharge programs, get out of default, resolve issues with student loan servicers and lenders, and much more—saving consumers thousands of dollars. EDCAP’s core funding of \$250,000 has come from the New York State Legislature and we urge that it remain a funding priority in 2021-22 given the need and value of these services.

Student loan debt has reached \$1.7 trillion in the United States and is the second largest form of consumer debt next to mortgages. It is estimated that every 28 seconds a student loan borrower goes into default. In New York State there are now close to 2.4 million individuals who owe over \$98 billion. The average debt amount is \$41,000. One million of those borrowers live in New York City. Not surprisingly, student loan debt is a problem especially acute among low-income borrowers, first generation college students, women, and communities of color. Black first-time college students, for example, are three times more likely to default on their student loans compared to their white counterparts, and they carry higher levels of student loan debt.¹ About two-thirds of all outstanding student debt is held by women who not only face a wage gap but have had to drop out of the workforce amid this pandemic at alarming rates.² Lastly, the rate of increase in the number of older borrowers and the amount of their debt has far outpaced younger borrowers.³ From 2012 to 2017 in New York State, the number of older-adult borrowers increased 44 percent and the amount borrowed increased by 75 percent.⁴ There are now over 260,000 older

¹ Brookings Institute (2018), The Looming Student Loan Default Crisis Is Worse Than We Thought, available at <https://www.newyorkfed.org/microeconomics/hhdc>.

² AAUW, Deeper in Debt: Women and Student Loans, May 2017, available at <https://www.aauw.org/app/uploads/2020/03/DeeperinDebt-nsa.pdf>.

³ United States Government Accountability Office, “Report to Congressional Requesters: Social Security Offsets – Improvements to Program Design Could Better Assist Older Student Loan Borrowers with Obtaining Permitted Relief,” December 2016.

⁴ *Id.*

borrowers in New York with more than 9 billion dollars in student-loan debt.⁵ These alarming statistics confirm that student loan debt is no longer a younger generation issue, but a severe problem that will impact entire households and generations. And with very limited options for discharging student debt in bankruptcy, unlike other types of consumer debt, it may never go away!

Student loan debt is unfortunately not the only type of higher education debt people face. Many New Yorkers owe money to their colleges and universities directly. Most of this institutional debt is derived from tuition. It is not uncommon for someone to drop out in the middle of a semester due to personal circumstances or currently due to COVID, and have their loans or aid rescinded and converted into direct to school debt. In fact, as of September 30, 2020, New York's SUNY system had over 40,000 open accounts of students who owe its schools a combined total of \$225 million.⁶ A significant percentage is due to collection fees and interest, which makes it even harder for students to pay off and be able to resume and complete their education. The impact to their credit and employment options due to the inability to resume their education outweighs the amount owed. The reality is that with proper education and consumer assistance, there is no reason why borrowers should default on any form of higher education debt.

Higher Education Student Debt Relief Is Simply Halting Default

In March 2020, the federal government provided relief to student loan borrowers. This included payment suspension, zero percent interest rates, and a stop to collection activities for defaulted federal student loans. The Biden-Harris administration extended this relief until September 2021, which is great. However, this relief did not apply to private loans, Perkins loans, and some Family Federal Education Loan Program (FFELP) loans. It is estimated that over 400,000 New Yorkers have private student loans.⁷ To address loans not covered by the federal relief at the start of the pandemic, the Department of Financial Services in New York reached an agreement with major student loan servicers to give borrowers a 90-day forbearance and other temporary relief.⁸ Unfortunately, the temporary nature of these actions has left thousands of New Yorkers without options throughout most of the pandemic and they are being required to make payments they can't afford, seeing their loan balances increase due to interest and may be at imminent risk of default.

Similarly, in response to COVID, Governor Cuomo and State Attorney General Leticia James halted collection on education debt owed directly to the state. This included tuition owed by students to SUNY institutions. This collection halt has been extended ten times and is in effect until February 28, 2021.⁹ It is likely to be extended again. But this much needed relief does not apply to debt owed to other (non-SUNY) higher education institutions. Once again, there are thousands of borrowers facing delinquency and default due to debt owed to their respective college or university during the pandemic. Students face the prospect of having transcripts

⁵ Consumer Financial Protection Bureau (CFPB), Older Consumers and Student Loan Debt by State: New Data on the Burden of Student Loan Debt On Older Consumers, August 2017, available at

https://files.consumerfinance.gov/f/documents/201708_cfpb_older-consumers-and-student-loan-debt-by-state.pdf#page=2.

⁶ Student Borrower Protection Center, withholding Dreams: Why Washington Must Tie COVID Relief for Colleges to Relief for Students Burdened by Institutional Debt, February 2021, available at <https://protectborrowers.org/withholding-dreams-why-washington-must-tie-covid-relief-for-colleges-to-relief-for-students-burdened-by-institutional-debt/>.

⁷ Student Borrower Protection Center, Protecting Private Student Loan Borrowers in New York, copy with author.

⁸ DFS Obtains Relief for Appropriately 300,000 NY Student Loan Borrowers Not Covered by Federal CARES Act, available at https://www.dfs.ny.gov/reports_and_publications/press_releases/pr202004072.

⁹ Attorney General James Renews Suspension of State Debt Collection for 10th Time as Coronavirus Continues to Impact New Yorkers' Wallets, available at <https://ag.ny.gov/press-release/2021/attorney-general-james-renews-suspension-state-debt-collection-10th-time>.

withheld or being unable to register until outstanding balances are paid. There is little to no option of negotiating and settling and it can take years to pay the debt in full.

New Yorkers Need Free and Unbiased Higher Education Debt Consumer Assistance

Navigating our federal and state higher education financing systems is complex under normal circumstances but more so during a national health crisis. Part of the problem has been and will continue to be a federal loan servicer industry that has repeatedly misled borrowers, denying them access to programs and information that would reduce, or in some cases eliminate, their debt. Servicers have an incentive to keep borrowers in debt as long as possible as they generate income from managing these accounts.

This is where EDCAP comes in. Prior to and throughout the pandemic, highly trained counselors have provided services to borrowers across the State to ensure they are taking advantage of all federal and state relief as well as the most cost-effective options available to them. For those with private loans, EDCAP has helped borrowers understand their options and negotiate terms and conditions that may prevent default, collection activities, and subsequent credit damage. What is unique about EDCAP is that counselors work with clients until their specific issues are resolved and they have a clear strategy for managing their student loans. We consider the overall financial health of our clients and offer a range of services along with education debt counseling, including personal budgeting, credit repair and debt collection advice.

Though temporary payment relief is welcome at this time, the reality is that student loan debt will not disappear once the health crisis over. The government is just pushing the problem down the road without a strategy to address the needs of borrowers who will continue to struggle, pandemic or no pandemic. Prior to COVID, student loan debt had the highest delinquency rates out of all consumer debt. This trend is true at the state and national level.¹⁰

Unless major legislation is enacted to address education debt at both the federal and state level, we can expect delinquencies to skyrocket once current relief measures are lifted. The fiscal consequences for New Yorkers will be massive. As a result, they will need unbiased assistance to keep them out of default, to help them navigate new debt cancellation and other relief programs that may be offered by the Biden administration.

Conclusion

Until the student loan crisis is more broadly addressed, New Yorkers will continue to need an unbiased, readily accessible source of information from programs like EDCAP to help them make smart decisions that will protect them and their families from financial ruin. We write to urge the legislature to include \$250,000 to the 2021-22 budget to fund the Education Debt Consumer Assistance Program (EDCAP), which was appropriated in the FY 2020-21 Department of State budget as the “Student Loan Consumer Assistance Program.”

Thank you for the opportunity to submit written testimony.

¹⁰ New York Federal Reserve, Regional Household Debt and Credit Snapshot, available at <https://www.newyorkfed.org/medialibrary/media/regional/regional-hhdc/Q42018/RHDCS-NewYork-Q42018.pdf>.