



**Powering a
more equitable
New York**

Testimony by
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Introduction

Thank you for the opportunity to provide testimony for the Legislative Joint Budget Hearing on Higher Education. I am Carolina Rodriguez, Director of the Education Debt Consumer Assistance Program (EDCAP) at the Community Service Society of New York (CSS). CSS has a 175-year legacy of advocating for low-income New Yorkers through research, advocacy, and innovative programs addressing economic disparity.

Addressing New York's Student Loan Crisis: The Need to Sustain EDCAP Funding

Since its inception in 2019, EDCAP has been instrumental in assisting New Yorkers struggling with student loan debt. Through its central helpline, network of eleven community-based organizations, and personalized counseling services, EDCAP has saved consumers over \$21 million, offering invaluable support navigating repayment options, accessing forgiveness programs, and resolving issues with loan servicers. We urge the legislature to support the \$3.5 million funding request for EDCAP in the upcoming fiscal year to ensure its continued impact.

EDCAP offers crucial assistance to borrowers grappling with various types of higher education debt, including federal and private loans, and funds owed directly-to-schools. About 89% of EDCAP clients carry federal student loan debt, while 8% hold private student loans, and 3% contend with institutional or other education-related debt. With an average client student loan balance reaching \$80,000—nearly double the national average—EDCAP's services play a pivotal role in supporting individuals facing significant financial challenges.

The program's impact is particularly pronounced among demographics facing heightened financial burdens. Women comprise 75% of EDCAP's clientele, reflecting the broader trend where women, especially Black women, bear a disproportionate share of student debt. Moreover, as student debt affects individuals across age groups, EDCAP assists a diverse range of borrowers, with about 50% under age 39, 22% between 40-49, and approximately 29% over 50 years old. From a racial and ethnic standpoint, 62% of EDCAP's clients are people of color, highlighting the pressing need for equitable support mechanisms. Notably, close to 50% of our clients have household incomes

at or below \$60,000, underscoring EDCAP's critical role in aiding individuals from varied socio-economic backgrounds.

Now more than ever, New Yorkers need comprehensive student loan counseling and guidance to address a myriad of obstacles within the student loan landscape. Here are some of the issues borrowers are encountering:

- Following a three-year COVID-related payment pause, millions of borrowers have had to resume repayment as of October 1, 2023. Many continue to face difficulties resuming payments due to servicer mismanagement, receiving incorrect invoices, and being placed on improper repayment plans.
- The introduction of the new SAVE repayment plan by the current administration adds to the complexity, requiring assistance for borrowers to understand and enroll in this option.
- Permanent changes to existing forgiveness and discharge programs and a one-time fix to programs such as Public Service Loan Forgiveness and Income Driven Repayment Forgiveness are being implemented, necessitating support for borrowers to benefit from these updated relief options.
- The loan servicer landscape has undergone significant changes, with the number of servicers decreasing from ten to four. Servicers have shown to be ill-equipped to manage recent call volume and meet the needs of borrowers. Borrowers are having to turn to EDCAP to get the free and unbiased help they need to properly manage their debt.

EDCAP will continue to play a key role in ensuring borrowers understand their options and make informed decisions regarding both long-term and short-term student debt management strategies. Additionally, by working closely with oversight agencies like the Department of Financial Services and the Federal Student Aid Ombudsman, EDCAP will continue to effectively advocate for borrowers facing systemic challenges and achieve positive outcomes. Sustained EDCAP funding this fiscal year is thus imperative.

The Student Loan Repayment Notification Act Is Needed to Help Borrowers Make Informed Decisions

CSS supports the **Student Loan Repayment Notification Act (A1873 Kim/S346 Gounardes)** as a crucial step in combating the student debt crisis in New York State. This legislation mandates that employers provide new hires whose position requires a college degree with a notice regarding federal student loan repayment options and resources available to them. There is no penalty to employers for non-compliance.

Under the proposed legislation, the Commissioner of the Department of Labor, in collaboration with key agencies such as the Higher Education Services Corporation (HESC) and the Department Financial Services (DFS), would develop the requisite notice given to new employees by their employers. This bill not only ensures that borrowers receive reliable and trustworthy information upon employment but also offers advantages to employers. By potentially reducing staff turnover rates and cultivating a financially stable workforce, employers can attract and retain talent effectively.

Increase Consumer Protection for New Yorkers Grappling with Private Education Debt

CSS supports two critical bills aimed at addressing private student loan debt, essential as more New Yorkers contend with limited repayment options, inflation, and variable interest rates, often facing delinquency and default.

The **Private Education Debt Registry Bill (A5286 Epstein/S5056 Thomas)** mandates lenders and debt buyers to report private education debt portfolios and collection practices annually to the Department of Financial Services. This data would enhance transparency, enabling New York to identify and address systemic issues. Despite broad legislative support, the bill was vetoed last year due to funding implementation concerns. We urge the legislature to support the bill again this year and ensure its passage into law.

Private education debt in New York remains opaque, with little known about the estimated \$10 billion in loans held by state residents. Limited data hampers policymakers and service providers like EDCAP from assessing the market's impact or implementing necessary interventions. Unlike federally regulated student loans, the private student lending industry lacks centralized oversight, amplifying risks for borrowers, especially in vulnerable communities disproportionately affected by predatory lending practices. CSS underscores the need for transparency and accountability in managing private education debt, advocating for borrowers' rights and financial security.

CSS supports the **Private Student Loan Consumer Protection Bill (A3155 Zebrowski/S362 Thomas)**, a crucial bill aimed at providing New York private student loan borrowers with much-needed protections and ensuring fair and transparent operations by private student loan companies. This legislation seeks to address the opaque nature of private education debt, where borrowers face limited repayment options, hidden fees, and predatory lending practices, leading to financial insecurity. CSS's EDCAP has witnessed firsthand the dire consequences faced by borrowers, including co-signers, due to deceptive practices in this industry. With millions of Americans and thousands of New Yorkers burdened by private student loan debt, the need for comprehensive protections is urgent.

A3155/S362 would establish robust consumer protections, requiring private student loan lenders and debt collectors to disclose vital information upfront, prohibiting unfair debt collection tactics, and granting borrowers avenues to challenge abusive practices. By supporting this bill, New York can enhance oversight of private student loans, promote economic stability, and shield borrowers from predatory tactics, thereby bolstering consumer confidence and financial security.

Conclusion

Addressing higher education debt is paramount to New Yorkers' financial well-being. By providing essential consumer assistance and supporting legislative initiatives, New York State can empower individuals to manage and eliminate student debt, enabling them to pursue vital life goals such as homeownership and starting a family.

Thank you for the opportunity to submit written testimony.