



**Powering a
more equitable
New York**

Testimony by
Carolina Rodriguez
Community Service Society of New York

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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 180-year legacy of advocating for low-income New Yorkers through research, advocacy, and innovative programs that address economic disparity.

Since its launch in 2019, EDCAP has played a critical role in assisting New Yorkers struggling with higher education debt. Through our statewide helpline, our network of ten community-based partners, and individualized counseling, EDCAP has managed 66,000 cases, addressed over \$557 million in student debt, and saved borrowers more than \$50 million. Our counselors help borrowers navigate repayment options, access forgiveness programs, resolve issues with loan servicers, and avoid financial crises.

EDCAP has expanded its work to include pre-college and financial aid counseling, partnering with high schools to deliver in-person workshops and one-on-one support. As federal financial aid policies undergo rapid change, this work is increasingly essential to ensure that students and families make informed decisions—ones that provide a real return on investment rather than jeopardizing their financial stability in the pursuit of higher education. EDCAP remains at the forefront of student debt assistance in New York State.

The Default Crisis

EDCAP will play a critical role in tackling the federal student loan default crisis. Across the country, one in four federal student loan borrowers is facing default.¹ In New York, 2.4 million borrowers owe \$98 billion in federal student loan debt. Based on national delinquency trends, more than 470,000 New Yorkers (almost 20% of all borrowers in the state) are likely to be in default soon.

¹ NewsBreak. (2025). *1 in 4 borrowers is behind on student loans and these groups blame Trump*. <https://www.newsbreak.com/the-daily-overview-358953826/4505438247140-1-in-4-borrowers-is-behind-on-student-loans-and-these-groups-blame-trump>.

The consequences will be devastating not only for individual borrowers, but for local communities, the state economy, and schools themselves that could risk losing access to federal financial aid. For borrowers, delinquency and default immediately damage credit, raise the cost of car insurance, and make renting an apartment or securing a mortgage nearly impossible. Economically, borrowers already struggling with rising costs will face even greater financial strain. And institutions of higher learning must ensure the default rate of graduates remains below a certain threshold to continue to be eligible for Title IV funding.

This crisis will intensify as federal collections resume later this year. The federal government has broad authority to garnish wages, intercept tax refunds, and offset Social Security and disability benefits. Borrowers may see up to 15% of their wages garnished, leaving working families even more vulnerable.

Compounding these challenges, the current administration, through legislation and litigation, has effectively eliminated the SAVE plan, the most affordable income-driven repayment option.² Nearly eight million borrowers nationally will lose access to lower monthly payments and be forced into less flexible repayment structures. This will inevitably heighten delinquency and default risk, especially in the context of inflation, unemployment, and widespread economic uncertainty.

Periods of federal instability create fertile ground for scams. Scammers and fee-based “document preparation” companies often exploit borrower confusion, targeting individuals desperate for help. *Nadine*, one of our clients, was victimized by a company that took control of her Federal Student Aid account, unnecessarily consolidated her loans, signed her up for auto-debit, and charged her \$799 upfront plus a \$39 monthly “maintenance” fee, locking her into a predatory scheme that was extremely difficult to unwind.

Transitions between administrations consistently produce instability, confusion, and barriers to legally entitled relief. Meanwhile, the federal infrastructure meant to protect borrowers has weakened considerably. The U.S. Department of Education, particularly Federal Student Aid, has seen staffing cuts that limit its capacity to respond to complaints, oversee servicers, and enforce standards. The Consumer Financial Protection Bureau (CFPB), once a powerful check on servicing misconduct, has also experienced reduced authority and enforcement strength. Borrowers increasingly have nowhere to turn, making EDCAP an essential safeguard for New Yorkers navigating these challenges.

The Growing Shift Toward Private Student Loans

New Yorkers need unbiased, expert guidance to navigate the increasingly complex higher education financing system. That need has never been more urgent. The federal student lending landscape is undergoing a dramatic and rapid restructuring, with almost no lead time for students, families, colleges, or states to prepare.

Under *HR1 (the “One Big Beautiful Bill Act”)*, Grad PLUS loans will be eliminated, new federal borrowing caps will take effect, and Parent PLUS repayment and forgiveness options will be significantly restricted. These changes will create *immediate and substantial gaps* in how students

² Zampini, M. (2026, February 12). *New student loan repayment plan won't save borrowers*. The Institute for College Access & Success. <https://ticas.org/affordability-2/fed-reserve-rap-loan-default-feb-2026/>.

pay for college, leaving many families with fewer federal options and pushing them toward far riskier forms of financing.

For decades, federal loans would cover up to the full Cost of Attendance, offering predictable and accessible financing. That protection is rapidly disappearing, yet most families are unaware of the impending shift. Institutions themselves are still analyzing the potential impacts and preparing for the inevitable surge in students with significant unmet need.

A recent report from The Century Foundation³ highlights the magnitude of the challenge:

- 38.2% of consumers nationwide will struggle to secure a private student loan for themselves or a family member.
- In low- and moderate-income neighborhoods, 50.9% of consumers have limited or poor/fair credit.
- In majority people of color neighborhoods, 46.9% face similar credit barriers.

Many students simply will not qualify for the private loans they will now be pushed toward. This will deepen existing racial and economic disparities in college access, persistence, and long-term debt outcomes.

Equally concerning is the lack of transparency in the private loan market. Families and institutions have no consistent access to information about interest rates, underwriting standards, repayment structures, or lender performance. Without standardized consumer data, students are forced to make major financial decisions in a murky and opaque marketplace.

On top of this, the emotional weight of college decisions often pushes families to take on unaffordable private loans. *John's story* illustrates this risk: when his aid package fell short, his family turned to private loans. His parents cosigned his first year but were denied in the second year. His grandfather then cosigned another loan. Today, all three co-signers face financial insecurity. Stories like John's will be the norm and not the exception as federal lending caps push more students and families into private student loans.

Without intervention, the shift toward private loans will push more New Yorkers into long-term financial distress and widen educational inequities. New York must proactively monitor private loan products to detect emerging abuses, increase transparency, and strengthen consumer protections.

The Rising Risk of Direct-to-School (Institutional) Debt

A third and increasingly urgent form of higher education debt EDCAP is seeing is direct-to-school debt. Although these balances are often smaller than federal or private loans, their consequences are immediate and severe. Even a few hundred dollars owed directly to a college can block a student from registering for classes or continuing their education altogether.

Institutional debt typically arises when students cannot cover remaining tuition or fees, miss withdrawal deadlines, or experience medical, financial, or personal emergencies. As colleges escalate the use of aggressive billing and collection practices, these debts have become a fast-growing barrier to persistence and degree completion—one that disproportionately impacts

³ Granville, P. (2025, July 21). *The FICO factor: GOP megabill will limit who gets to access college*. The Century Foundation. <https://tcf.org/content/report/the-fico-factor-gop-megabill-will-limit-who-gets-to-access-college/>.

students with the most financial need. For EDCAP, this rising crisis represents a critical point of intervention.

With new federal loan caps and limited access to private credit, institutional debt is projected to grow sharply. As more students fall short of the financing they need, they will instead accumulate balances owed directly to their schools. These debts block students from re-enrolling, leaving them with mounting financial burdens but no degree, fewer economic opportunities, and diminished economic mobility.

This trend threatens to undermine New York's investments in TAP, Excelsior, CUNY/SUNY funding, and opportunity programs. Without guardrails, we risk a scenario where public dollars expand access on the front end, only for students to be pushed out and left with unprotected institutional debt on the back end.

Institutional debt is far more punitive than federal student debt: there are no income-based payments, hardship options, or forgiveness pathways. Collection practices are often severe: CUNY sends debts to private collectors, SUNY relies on the Attorney General to sue students, and many private colleges turn to aggressive collection agencies and litigation. These practices disproportionately harm first-generation students, low-income students, and students of color.

As New York prepares for a significant rise in institutional debt, EDCAP is uniquely positioned to help. Our counselors are already seeing these cases escalate, and we provide direct guidance, dispute support, and policy insight needed to protect students. We will continue monitoring emerging trends, promoting transparent billing and withdrawal practices, and advocating for stronger guardrails on debt collection to help mitigate the severe consequences this type of debt can have on borrowers.

EDCAP's Impact and Need for Funding

Through EDCAP, New York State has built the most robust and comprehensive student loan consumer assistance program in the country. A defining hallmark of EDCAP is our deep expertise in the rules governing federal, private, and institutional debt, paired with our ability to deliver personalized, hands-on case management. We not only help borrowers resolve urgent issues—such as getting out of default or addressing sudden balances—but we also work with them to develop long-term repayment and debt tackling strategies that reflect their financial circumstances, personal goals, and professional trajectories.

This model delivers a strong return on investment. To date, EDCAP has secured more than \$50 million in direct case savings for New Yorkers, with many more clients currently in the pipeline to resolve their student debt. As the State faces a mounting default crisis and prepares for the impacts of federal loan caps and HR1, additional support for EDCAP will allow us to meet the moment. With increased investment, we can execute a statewide strategy that mitigates emerging risks, strengthens borrower protections, and ensures that New Yorkers see a meaningful return on the resources dedicated to this program.

Importantly, increased investment in EDCAP will not only help individual borrowers but it will also help New York's colleges and universities. By partnering with institutions to address rising cohort default rates, EDCAP can support campuses in designing and implementing effective student loan exit counseling, proactive outreach, and strategic interventions that prevent borrowers from falling behind in the first place. These efforts reduce institutional risk, protect federal aid

eligibility, and help colleges and universities better support their students throughout the full student loan lifecycle.

The financial realities of our clients underscore the urgent need for EDCAP's services. Approximately 86% of clients hold federal student loan debt, 10% have private student loans, and 4% face institutional or other education-related balances. For many, EDCAP is the only available resource to help them navigate complex systems, access relief, and regain financial stability.

EDCAP's impact is especially significant among populations facing systemic and long-standing financial inequities. Women comprise 73% of those we serve—consistent with national data showing that women, particularly Black women, carry disproportionate student debt burdens. Our clients also span every stage of working life: 55% are under age 39, 21% are between 40–49, and 24% are over 50, illustrating that student debt affects multiple generations of New Yorkers.

From a racial and ethnic perspective, nearly 57% of EDCAP clients are people of color, highlighting the urgent need for equitable and targeted debt-relief support. Additionally, half of all clients have household incomes at or below \$60,000, reinforcing the program's essential role in helping low- and moderate-income borrowers access affordable repayment plans, manage financial shocks, and avoid deeper economic hardship.

EDCAP's comprehensive approach ensures that New Yorkers are not only managing existing debt but also making informed choices that reduce the risk of excessive borrowing in the future. With additional investment and statewide coordination, EDCAP can continue to protect borrowers, strengthen institutional capacity, stabilize communities, and advance educational equity across New York.

Conclusion

Addressing higher education debt is vital to New Yorkers' financial stability and to the health of our state's economy. With hundreds of thousands of borrowers at risk of default, New York faces an urgent crisis that threatens families' financial security, disrupts local economies, and undermines our long-standing investments in higher education access.

We urge the Legislature to support the \$6.250 million funding request for EDCAP. This investment will ensure New York has a trusted, on-the-ground system to identify emerging issues, especially as HR1 reshapes college financing, and to protect borrowers from unnecessary harm. Sustaining EDCAP will help New Yorkers pursue higher education without jeopardizing their financial future.

Thank you for the opportunity to submit written testimony.

For more information, please contact Carolina Rodriguez, Director of the Education Debt Consumer Assistance Program ([EDCAP](#)) at crodriguez@cssny.org or 212-614-5457.