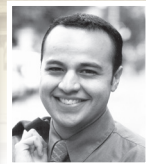




THE NEW YORK STATE ASSEMBLY PUERTO RICAN/HISPANIC TASK FORCE



CHAIR

Hon. Marcos A. Crespo, *Chair*

EXECUTIVE BOARD MEMBERS

- Hon. Carmen E. Arroyo
- Hon. Maritza Davila
- Hon. Carmen De La Rosa
- Hon. Erik Martin Dilan
- Hon. Francisco P. Moya
- Hon. Victor Pichardo
- Hon. Philip R. Ramos
- Hon. José R. Rivera
- Hon. Robert J. Rodriguez
- Hon. Nily D. Rozic
- Hon. Luis R. Sepúlveda

TASK FORCE MEMBERS

- Hon. Jeffrion L. Aubry
- Hon. Brian Barnwell
- Hon. Michael R. Benedetto
- Hon. Michael A. Blake
- Hon. David Buchwald
- Hon. Vivian E. Cook
- Hon. Michael G. DenDekker
- Hon. Inez E. Dickens
- Hon. Jeffrey Dinowitz
- Hon. Herman D. Farrell, Jr.
- Hon. Mark Gjonaj
- Hon. Aileen M. Gunther
- Hon. Earlene Hooper
- Hon. Latoya Joyner
- Hon. Brian P. Kavanagh
- Hon. Ronald T. Kim
- Hon. Shelley B. Mayer
- Hon. Michael G. Miller
- Hon. Walter T. Mosley
- Hon. Catherine T. Nolan
- Hon. Daniel J. O'Donnell
- Hon. Steven Otis
- Hon. Amy Paulin
- Hon. Michael Simanowitz
- Hon. Aravella Simotas
- Hon. Matthew J. Titone
- Hon. Michele Titus
- Hon. Latrice M. Walker
- Hon. David I. Weprin



LOAN HEAP: NEW YORKERS OWE OVER \$80 BILLION IN STUDENT DEBT

2017-2018 HIGHER EDUCATION DEBT RELIEF PROPOSALS

Chairman Marcos A. Crespo • Carl E. Heastie, Speaker

■ Student Loan Repayment Program – (A.7224/S.5136 – Crespo/Klein)

The issue:

The Office of the State Comptroller estimates that student loan debt in New York State has reached an all-time high of \$82 billion. This student loan debt prevents our residents from starting families, purchasing homes, and becoming entrepreneurs, all which increase economic development. Currently, almost 60% of black, 50% of Latino, and 25% of Asian borrowers defaulted on their college loans in recent study of the problem.

The average college graduate in New York State is straddled with approximately \$32,200 in student loan debt, and the aggregate student loan debt in the state has grown by \$43.3 billion in the last 10 years from \$38.8 billion in 2006 to \$82 billion in 2015. This heavy financial burden prevents residents from making investments that keep the state economy prosperous. More college graduates are delaying marriage, more are living at home with their parents or renting property instead of pursuing home ownership, and less are able to invest in personal business ventures. While most policymakers are concerned with reducing the amount of student loan debt students collect while in school, not enough is done to address the issues associated with those already having accumulated the heavy financial burden.



The solution:

Establish the New York State tax-deferral Student Loan Repayment (SLR) program, allowing employers to match their employees' pre-tax income contribution into an account solely for student loan payments.

New York State tax-deferral Student Loan Repayment (SLR) program: The program allows employed residents to set aside part of their pre-tax income into an account solely intended for undergraduate student loan payments. Employers that match employee contributions would be eligible for a state tax deduction on each contribution. Employee accounts are managed by the New York State Higher Education Services Corporation, which would provide HESC all information on student loan accounts. Total monthly contribution for each enrollee must amount, at minimum, to the minimum student loan monthly payment due. The maximum amount that an employee could deposit annually in the account is \$2,500. An employer would have to put in a minimum 50% match, up to a maximum 100% match. It is estimated that if a quarter of borrowers of undergraduate loans were to sign up and open accounts at the maximum level with a one to one employer match the state would see tax revenues lowered by \$135.5 million annually.

■ Refinancing Student Loans and Private Student Loan Refinance Task Force – (A.7268/S.5181 – Crespo/Peralta) and (A.6811/S.5120 – Crespo/Hamilton)

The issue:

Private lending institutions do not offer borrowers with student loans the opportunity to lower their monthly payments, which often results in defaults and bad credit scores.

The federal government has responded to the student loan debt crisis facing our most recent college graduates. Recent college graduates now have the opportunity to access various programs that make it easier to repay their federal student loans. For example, borrowers can enroll in income-based repayment plans, which make loan payments more reasonable by considering the borrower's current income. However, nothing has been done to address the issues associated with private student loans. Often, borrowers have high monthly payments, but do not have the means to pay. When borrowers ask for assistance to reduce their monthly payments, private lenders offer little to no solution. As a result, borrowers default on their loans, and tarnish their credit scores.

Currently, over 12% of college loans payments owed by New Yorkers are over 90 days late.

Continued on next page...



Solution #1:

Refinance undergraduate student loans.

Modeled after the Minnesota student loan refinance programs, and similar to programs that exist in Rhode Island and Massachusetts, New York would offer a state refinance program for state residents with undergraduate federal and private student loans. Refinancing would be available to New York state residents that obtained a degree and have at least \$10,000 in outstanding loans to refinance. The maximum allowed refinancing loan would be for \$70,000. There would be a number of different re-payment terms with either fixed or variable interest rates. The terms of a refinancing loan would be based on the credit rating of the borrower, the amount being refinanced, and whether there is a co-signer to the loans. The total loan amount for the program would be capped at \$100 million initially.

An individual with \$10,000 in refinanced loans on a 15-year fixed rate term that used the proposed system could save on average \$3,000 in interest over the term of the loan compared to options available on the private refinancing market.

Solution #2:

Create a state task force to recommend ways lending institutions can offer college graduates the opportunity to refinance their student loans to provide borrowers with more flexibility and reduce their monthly payments.

The creation of a Private Student Loan Refinance Task Force will bring together the Office of the State Comptroller, the Higher Education Services Corporation, and the lending institution in New York State that offer private student loans. The task force will be responsible for analyzing ways lending institutions can be incentivized to create student loan refinance programs. By December 31, 2017, the task force must submit a report to the Senate, Assembly, and Governor with a set of policy recommendations.

■ Establishes HEDCORP – Higher Education Debt Consolidation and Refinancing Program – (A.3498/S.4625 – Crespo/Hamilton)

The issue:

College students in New York and throughout the United States are sent out into the world upon graduating from colleges and universities with an immense financial burden. Currently, college debt is larger than all consumer debt and stands at an astronomical \$1.3 trillion nationally. Some 2.8 million New Yorkers owe over \$80 billion in combined student debt alone.

Continued on next page...

The solution:

This bill would establish the New York State higher education debt consolidation and refinancing program (HEDCORP).

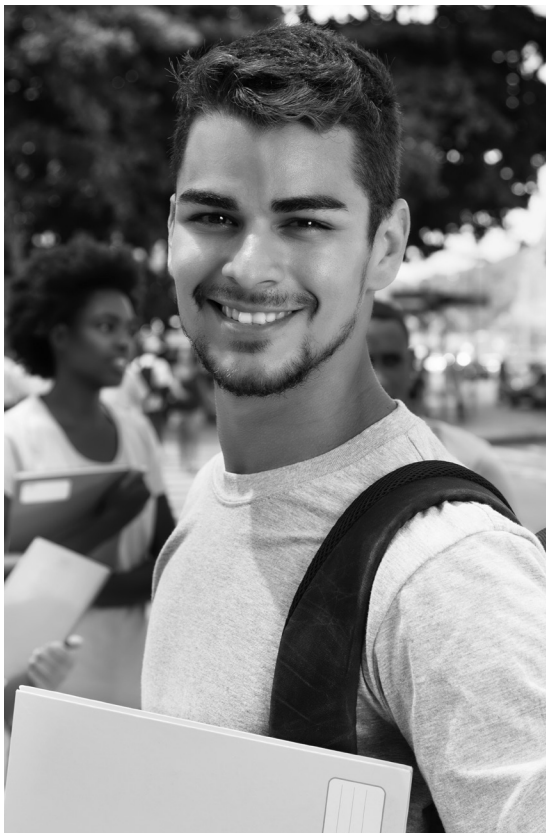
At a time when campus food pantries are becoming a common service for students struggling to afford college, helping to make college more affordable and assisting college grads with paying off their loans is a priority for the Assembly Puerto Rican/Hispanic Task Force. HEDCORP stands for "Higher Education Debt Consolidation and Refinancing Program." It is directed towards helping the hundreds of thousands of college students and graduates in New York State struggling to repay college loans while juggling their future in the other hand. This legislative proposal, if enacted into law, will help New York residents consolidate and refinance their college debts to lower interest rates.

This bill authorizes the NYS Higher Education Services Corporation to issue bonds and begin the process to help New York residents consolidate and refinance their college debts to lower interest rates, bringing their loan payments to affordable levels. Through this refinancing program, interest rates could be as low as 5.5% or lower compared to current loans having interest rates ranging from 6 to 12%.

■ Expanding the 529 College Savings Program to Cover Student Debt – (A.4299/S.5648 – Crespo/Bailey)

The issue:

In New York, and throughout the United States, college students and graduates are faced with an immense financial burden. Currently, college debt is larger than all consumer debt and stands at an astronomical \$1.3 trillion nationally. Combined, over 44 million Americans have an average college debt of over \$32,000. This debt is almost as large as the GDP of some of the largest nations on earth.



The solution:

To address this issue, this bill expands New York State 529 College Savings Program to pay for college debt once a student enters and leaves an institution of higher learning. Currently, the 529 Program can be used to save for future college expenses while attending college or higher education related activities. This new proposal will allow friends, family, or student to pay into the program after leaving college as a way to help offset college debt.

Over the past few years, New York State has put forward new resources to help students pay for college and there are options available to consolidate loans. But these are small in scale considering the needs of the 1.3 million New Yorkers enrolled in colleges each year. At current enrollment, over 101,000 New Yorkers will borrow more than \$40,000 and over 500,000 students will borrow more than \$13,000.

This bill authorizes the 529 Program to expand to assist in the savings plans that will facilitate payment of college debt after leaving college. Analysis of the 529 College Savings Program tells us that few families making under \$100,000 utilize the program, thereby not saving enough or at all for their children's college education. The expansion of the program would allow for a late investment to begin with a focus on paying for college debt after college career has ended but until the participant sees the financial benefit of this tax deferred investment reach its maximum utility.

For more information on this or any legislative matter, contact Guillermo Martinez, Legislative & Communications Director for the Assembly Puerto Rican/Hispanic Task Force at 518-455-5514.