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**THE COUNCIL OF THE CITY OF NEW YORK**

**COMMITTEE REPORT OF THE GOVERNMENTAL AFFAIRS DIVISION**

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**COMMITTEE ON CONSUMER AND WORKER PROTECTION**

Hon. Marjorie Velázquez, *Chair*

**COMMITTEE ON STATE AND FEDERAL LEGISLATION**

Hon. Shaun Abreu, *Chair*

**November 17, 2022**

***Oversight: Student Debt as a Barrier to Generational Wealth***

**INT. NO. 366:** By Council Members Velázquez, Louis, De La Rosa, Abreu, Sanchez, and Farías

**TITLE**: A Local Law to amend the administrative code of the city of New York, in relation to requiring the Department of Consumer and Worker Protection to report on public use of the department’s financial empowerment centers and student debt distress in the city

**INT. NO. 621:** By Council Members Kagan, Brooks-Powers, Restler, Hanif, Nurse, Yeger, Joseph, Sanchez, Brannan, and Farías

**TITLE**: A Local Law to amend the administrative code of the city of New York, in relation to banning companies that charge a fee for “student debt relief” already provided by the federal government and creating a private cause of action for borrowers who fall victim to these scams

1. **INTRODUCTION**

On November 17, 2022, the Committee on Consumer and Worker Protection, chaired by Council Member Marjorie Velázquez, jointly with the Committee on State and Federal Legislation, chaired by Council Member Shaun Abreu, will hold an oversight hearing on student debt as a barrier to generational wealth. The Committees will also hear Int. 366, in relation to requiring the Department of Consumer and Worker Protection to report on public use of the department’s financial empowerment centers and student debt distress in the city, and Int. 621, in relation to banning companies that charge a fee “for student debt relief” already provided by the federal government and creating a private cause of action for borrowers who fall victim to these scams. Those invited to testify at the hearing include the Department of Consumer and Worker Protection (DCWP), the Mayor’s Office of Financial Empowerment (MOFE), chambers of commerce, advocates, and members of the public.

1. **BACKGROUND**
	1. *History of financial assistance for students attending college*

Prior to 1890, most people in the United States who attended school for higher education did so for religious or vocational education.[[1]](#footnote-2) In 1840, Harvard University became the first establishment of higher education to offer students private student loans.[[2]](#footnote-3) Not long after, in 1867, the U.S. Department of Education was formed to oversee the federal school system.[[3]](#footnote-4) At the time, the majority of college students in the U.S. were wealthy, white men.[[4]](#footnote-5) In 1944, the GI Bill was passed by Congress, giving veterans the opportunity to attend college at little to no cost.[[5]](#footnote-6) In the decade following, veterans made up nearly half of college students[[6]](#footnote-7) as their access to higher education increased significantly. While historically Black colleges have existed as early as the 1830s[[7]](#footnote-8), it wasn’t until *Brown v. Board of Education*[[8]](#footnote-9) put an end to racial segregation in 1954 that Black students had a wider variety of options if they chose to seek higher education.[[9]](#footnote-10)

Another bill that helped increase access to college via financial assistance was the Higher Education Act (HEA).[[10]](#footnote-11) Passed in 1965, the HEA created grants, loans, and other programs to help students in need of financial assistance to attend school.[[11]](#footnote-12) The HEA was written with low and middle class families specifically in mind.[[12]](#footnote-13) As attending college became more commonplace, the standards that employers expected of potential hires also began to shift, leading to what is known as degree inflation: the rising demand for bachelor’s degrees in jobs that did not previously require one.[[13]](#footnote-14) This rising demand greatly contributed to the increase of pressure on students to continue their education past secondary school in order to increase their job prospects upon graduation.[[14]](#footnote-15) Naturally, those who could not afford the expenses outright sought financial assistance in the form of scholarships and loans.[[15]](#footnote-16) While scholarships are typically awarded based on merit,[[16]](#footnote-17) loans offered a way to pay for college that was not strictly merit-based.

* 1. *Financial changes to higher education landscape*
		1. Increased cost of college and growth of student debt load

While the aforementioned changes helped to make college more accessible to students, it was the creation of the Federal Direct Lending program that made government lending to students a normalized and common practice, contributing to the massive growth in student loan debt.[[17]](#footnote-18) Knowing that the government would give students loans that could cover the entire cost of their education created an incentive for colleges to raise their prices.[[18]](#footnote-19) The cost of tuition at a 4-year public college or university has increased 31.4 percent from 2010 to 2020.[[19]](#footnote-20) After adjusting for inflation, tuition has increased 747.8 percent since 1963.[[20]](#footnote-21)

A growing discrepancy between the demand for potential hires to have a bachelor’s degree when compared to those already employed that have the same degree has created a “degree gap” in the job market.[[21]](#footnote-22) For example, in 2015, 67 percent of job listings for a production supervisor required a bachelor’s degree while only 16 percent of production supervisors that were already employed had one themselves.[[22]](#footnote-23) The implication of the growing degree gap is that while people currently holding a position may not have needed a degree to obtain it and do the associated tasks, upon their leaving or retiring, a degree is expected their replacements.[[23]](#footnote-24) For high school seniors weighing their post-graduation options, college is often viewed as a requirement for obtaining a job that provides a livable wage, as income for those with a degree is considerably greater on average than for those without.[[24]](#footnote-25) On average, people with a college degree earn 80 percent more than those with only a high school diploma.[[25]](#footnote-26) This greatly incentivizes students to attend college even if it means going into debt.

* + 1. New York student debt load

In September of 2022, a report released by the New York State Comptroller’s office found that student loan and credit card debt per capita were above the national average.[[26]](#footnote-27) The report also found that student loan balances were 335 percent higher than they were in 2003, less than twenty years prior.[[27]](#footnote-28) As of 2020, 54 percent of New York college graduates had student loan debt.[[28]](#footnote-29) The average total of debt was $30,951, with 29 percent of overall student debt in New York State coming from nonfederal loans.[[29]](#footnote-30) Nonfederal loans, typically coming from banks and private lenders, are costlier overall and have fewer consumer protections.[[30]](#footnote-31) Across the state, loans to finance educational expenses are the highest category of personal debt second only to housing.[[31]](#footnote-32) As of August 2022, New York student loan borrowers owed a total of $90 billion.[[32]](#footnote-33)

1. **CURRENT STUDENT DEBT LOAD**
	* 1. *National Trends in Student Debt*

 Across the U.S., the majority of educational debt is comprised of federal student loans, owed by 42 million borrowers or one in seven Americans (13.5 percent).[[33]](#footnote-34) Approximately 92 percent of all outstanding student loans are federally held and amount to over $1.6 trillion.[[34]](#footnote-35) When private loans are included in the calculations, student loan debt balloons to $1.75 trillion,[[35]](#footnote-36) totaling $28,950 per borrower on average.[[36]](#footnote-37) According to Forbes, 55 percent of students from public four-year institutions and 57 percent of students from private non-profit four-year institutions have education debt.[[37]](#footnote-38) The average U.S. household with student debt owes $58,957.[[38]](#footnote-39)

 Private student loans amount to $131 billion or 7.6 percent of all education debt.[[39]](#footnote-40) Of these private loans, 89 percent are owed for undergraduate degrees and 11 percent are for graduate school.[[40]](#footnote-41) Additionally, student debt is not confined to student borrowers, 92 percent of undergraduate private loans are co-signed and 66 percent of graduate private loans required co-signers.[[41]](#footnote-42)

 Of those with student debt, the majority are younger, with $500 billion in federal debt owed by people between the ages of 25 and 34, in amounts ranging from $10,000 to $40,000.[[42]](#footnote-43) However, student debt is not limited to younger borrowers. This debt is often carried into middle age, with more than $620 billion owed by borrowers between the ages of 35 and 49. A number of these borrowers owe over $100,000 in student loans.[[43]](#footnote-44) Even retirees may face the burden of student debt, with 2.4 million people over the age of 62 owing $98 billion in student loans.[[44]](#footnote-45)

 Student loans borrowers are not distributed equally between gender and ethnic classifications. Data from 2020 shows that for college, women typically borrow more than men and also attain more degrees.[[45]](#footnote-46) Additionally, federal data shows that borrowing by Black students is more frequent and for greater amounts compared with other races and ethnicities.[[46]](#footnote-47)

 Considering the burden that student loan debt imposes on borrowers, the federal government has established various methods of repayment and forgiveness. The federal government offers repayment plans based on income.[[47]](#footnote-48) Among other cases, relief is also available for those who work in qualifying public service positions, are victims of schools that engaged in misconduct, or are totally and permanently disabled.[[48]](#footnote-49) However, these programs assist only a fraction of the borrowers living with student loan debt in the U.S. As of mid-2022, Public Service Loan Forgiveness (PSLF) was only approved for 164,555 of 1,684,233 applicants, amounting to a 9.77 percent approval rate and included a temporary expansion of PSLF.[[49]](#footnote-50) However, up to 1.3 million borrowers may be eligible for PSLF in the future, representing about $132 billion in debt.[[50]](#footnote-51) A relatively small amount of borrowers, 157 altogether, received forgiveness through the income driven repayment plan.[[51]](#footnote-52) A larger percentage of borrowers were granted relief through borrower defense programs, approximately 26.6 percent, leading to the discharge of almost $13 billion for one million borrowers.[[52]](#footnote-53) A minority of borrowers, 9 million, had their debt discharged due to permanent disability.[[53]](#footnote-54)

 Overall, the data around student load debt reveals that this is a widespread issue that impacts Americans of all ages, though it more heavily weighs on younger borrowers. Additionally, the burden is not equal across demographics as women and borrowers of color are disproportionately impacted by larger debt loads. Although relief and repayment programs exist, they have only impacted a minority of student loan recipients, leaving many Americans to struggle with the burden of federal and private student debt.

* + - 1. Student loans and the COVID-19 Pandemic

 While student loan debt has been a long-term issue for many borrowers, the COVID-19 pandemic has led the federal government to provide short-term relief to all borrowers with federal loans. At that time, federal student loan payments were paused nationwide[[54]](#footnote-55) and the majority of federal student loans currently remain in forbearance, meaning that delinquencies are also halted.[[55]](#footnote-56) Interest rates on these loans was brought to zero, allowing millions of people to lower their loan balances and preventing widespread defaults.[[56]](#footnote-57) Notably, the number of borrowers whose loan balances remained stable or grew has increased sharply since the onset of the pandemic in March 2020.[[57]](#footnote-58) Prior to the March 2020 policy changes, only 2.7 million borrowers had their federal loans in forbearance.[[58]](#footnote-59) By the end of 2021, that number increased to 24 million.[[59]](#footnote-60) However, this relief is temporary. The Biden Administration has indicated that payments will resume in January 2023.[[60]](#footnote-61)

 Meanwhile, unlike in past recessions, federal student loan borrowing, overall and per student, has fallen over the past year.[[61]](#footnote-62) Research by the Pew Charitable Trusts shows that undergraduate enrollment has been trending downwards while tuition and fees at public institutions have been holding steady.[[62]](#footnote-63) These factors could contribute the drop in per student borrowing.[[63]](#footnote-64) Yet, there are some commonalities between the consequences of the COVID-19 pandemic and past recessions, including elevated levels of financial hardship that may contribute to the need for greater student borrowing and overall student load debt.[[64]](#footnote-65) According to Pew, these factors significantly impact millennials and younger generations and many are unable to discharge these debts in bankruptcy, absent a showing of “undue hardship”.[[65]](#footnote-66)

* + - 1. Temporary and Partial Debt Relief Measures

 The Department of Education conducted an analysis showing that the average undergraduate student with loans will graduate with nearly $25,000 in debt.[[66]](#footnote-67) In August 2022, as the pause in student loan repayments was set to expire, the Biden Administration announced a plan to forgive significant amounts of student debt for some borrowers.[[67]](#footnote-68) The White House expected to reduce the loan balances of borrowers by up to $20,000 and eliminate the student loan balances of close to 20 million borrowers.[[68]](#footnote-69) The President highlighted the high cost of education that does not allow borrowers to significantly improve their economic standing and characterized the problem as “unsustainable”.[[69]](#footnote-70) Notably, an analysis from the Wharton School of Business confirms that households earning between $51,000 and $82,000 per year would see the most relief, regardless of means-testing as more people at middle income levels hold student loans.[[70]](#footnote-71)

 The Biden Administration’s plan would provide means-tested relief by making individual borrowers earning less than $125,000 or those in households earning less than $250,000 eligible for $10,000 in debt relief.[[71]](#footnote-72) An additional $10,000 would be available to Pell Grant recipients.[[72]](#footnote-73) This decision followed months of debate on how to provide relief, particularly to lower- and middle-income households,[[73]](#footnote-74) with some calling for universal student loan cancellation in various amounts while others called for targeted relief or systemic reforms beyond debt cancellation.[[74]](#footnote-75) The Administration’s approach could result in debt reduction or cancellation for approximately forty million borrowers and almost half of those borrowers would have their debt forgiven.[[75]](#footnote-76) This would amount to $441 billion in loans, about one-third of the federal government’s student load holdings.[[76]](#footnote-77)

 Supporters of large-scale debt cancellation point to its potential impacts on racial and socio-economic equality.[[77]](#footnote-78) They argue that more people will be able to buy homes, become entrepreneurs, or save for retirement absent the burden of student loan debt.[[78]](#footnote-79) In contrast, opponents of debt cancellation argue that broad cancellation would be unfair to people who have paid off their student loans or avoided them.[[79]](#footnote-80) Currently, the Biden Administration plan for debt forgiveness is stayed pursuant to an injunction issued by the Eighth Circuit Court of Appeals and the initiative has been subject to several lawsuits seeking to prevent it from going into effect.[[80]](#footnote-81)

 As the issue of student debt load gains prominence, conversations about system-wide reform have followed. In 2020, the Aspen Institute proposed reforms that included limiting tuition at public colleges, increasing aid for low-income students, incentivizing employers to offer tuition assistance and restricting the amount of federal student loan fund distribution to schools and universities with a history of low post-graduation employment rates or other poor outcomes.[[81]](#footnote-82) There is no indication that such changes are being considered at this time but various bills have been introduced in both houses of Congress that seek to tackle the issue of student loans.[[82]](#footnote-83)

* + 1. *Student Loan Debt in New York Institutions*

 Many New Yorkers currently live with the burden of student loan debt. There are 2,258,800 borrowers and 1,320,100 Pell Grant recipients in the State.[[83]](#footnote-84) Of these borrowers, 31.8 percent have $10,000 or less in student loan debt (this population could be debt free under the Biden Administration’s plan) and the average statewide balance is $35,000.[[84]](#footnote-85) In 2021, the student loan balance per borrower was $6,180, making New York 11th in the nation.[[85]](#footnote-86) The Comptroller indicated that President Biden’s student loan relief program would help many New Yorkers struggling with debt.[[86]](#footnote-87)

 In New York City, one million people, or one in six adults, have student loans, amounting to $34.8 billion.[[87]](#footnote-88) The balance that student loan borrowers carry is highest in Manhattan (averaging $40,000) and lowest in Staten Island (less than $30,000).[[88]](#footnote-89) Notably, 49 percent of New York college graduates attended public colleges, where costs and debt is lower than at private colleges attended by the remaining 51 percent of graduates.[[89]](#footnote-90) An evaluation of the student debt burden for graduates of New York public institutions showed that graduates of the City University of New York (CUNY) generally carried less debt than graduates of State University of New York (SUNY).[[90]](#footnote-91)

 While the federal government has made efforts to improve the circumstances of borrowers with outstanding student loan debt, New York State and City have undertaken their own reforms to existing processes.[[91]](#footnote-92) In response to the COVID-19 pandemic, New York made efforts to provide debt relief to CUNY students most in need of assistance by launching the CUNY Comeback program.[[92]](#footnote-93) The program erased the debt and associated fees for almost 50,000 students, amounting to $125 million in forgiveness, who were enrolled in CUNY schools between March 2020 and spring 2021.[[93]](#footnote-94) Following the launch of the CUNY Comeback program, SUNY institutions indicated that they had pursued similar debt forgiveness plans totaling over $500 million in refunds and emergency grants.[[94]](#footnote-95) Notably, both plans also ended the practice of withholding documents or barring registration for students with outstanding debt.[[95]](#footnote-96)

 In October 2022, New York Governor Kathy Hochul ended the State’s practice of charging an additional 22 percent fee for the collection of state student loans.[[96]](#footnote-97) While this fee was intended to cover administrative expenses, it created an additional barrier to financial success.[[97]](#footnote-98) The Governor also signed legislation to expand public service loan forgiveness and eligibility criteria for teachers and school faculty.[[98]](#footnote-99) The Governor’s office noted that approximately 2.7 million people in New York work in the public or non-profit sectors and have received an average of $61,402 in debt relief since 2007, but only 10,000 have had their loans canceled.[[99]](#footnote-100)

 Other efforts to combat student debt include proposed legislation that would create a state income tax deduction of $5,000 for student loan payments,[[100]](#footnote-101) and prevent the State from taxing any federal debt relief measures.[[101]](#footnote-102) Despite the Biden Administration’s assertion that forgiven amounts of student loans would not be taxable income according to the IRS, New York could charge student loan borrowers up to $685 in taxes for the forgiven amounts, according to an analysis by the Tax Foundation,[[102]](#footnote-103) necessitating the proposed legislation.[[103]](#footnote-104) As the new State session in Albany fast approaches, lawmakers may contemplate additional efforts to provide relief to New Yorkers burdened by student loan debt.

* + 1. *The Mayor’s Office of Financial Empowerment*

 The Mayor’s Office of Financial Empowerment (MOFE), housed within the New York City Department of Consumer and Worker Protection (DCWP), has a mission to assist New Yorkers by offering high-quality financial education and counseling at a low cost, along with safe and affordable banking and access to income-boosting tax credits and savings.[[104]](#footnote-105) The MOFE also undertakes research projects in line with its mission and has evaluated the impact of student loan debt on New Yorkers.[[105]](#footnote-106)

 The MOFE’s report, released in December 2021, found that one in five New Yorkers reported some kind of higher education debt and one in six had student loan debt, specifically.[[106]](#footnote-107) When compared to the population of New Yorkers without student loan debt, the MOFE found that student loan borrowers were more likely to be Black, under 45, experiencing material hardship, and more educated.[[107]](#footnote-108) More than half these borrowers owed over $20,000 and over one quarter of them held debt for a person other than themselves.[[108]](#footnote-109)

 The impact of student loan debt on the lives of these New Yorkers was clear. Almost half indicated that student loan debt delayed or prevented them from making major life choices, including saving for retirement, buying a home or car, and starting a business.[[109]](#footnote-110) Notably, many of these choices are integral steps to build wealth that could be generational. Additionally, 32 percent of student loan holders indicated that the financial costs of their education were greater than its benefits, but most would attend college again if given the option.[[110]](#footnote-111) Of the respondents who did not have bachelor’s degrees, nearly 69 percent would have preferred to complete more education.[[111]](#footnote-112)

 In this report, DCWP acknowledged that student loan borrowers can have a harder time meeting their basic needs.[[112]](#footnote-113) These borrowers are also unable to build long-term wealth and otherwise invest in their futures.[[113]](#footnote-114) As part of an attempt to combat these adverse consequences, DCWP proposed various measures that the federal government could undertake to provide financial security to these New Yorkers with student loan debt, including measuring the financial health of borrowers, restructuring repayment plans, providing targeted cancellation, and removing barriers that kept some borrowers from completing their degrees.[[114]](#footnote-115)

 Since the report was issued, the federal government has proposed some debt cancellation measures, as noted above, and is set to resume student loan payments in 2023. The Committees are interested in hearing more from MOFE about how their recommendations may have changed or further developed since the report was released as the economic picture in New York City has changed, along with the national approach to student loan debt.

1. **BILL ANALYSIS**
2. *Int. 366 - A Local Law to amend the administrative code, in relation to requiring the department of consumer and worker protection to report on public use of the department's financial empowerment centers and student debt distress in the city*

This bill would require the Department of Consumer and Worker Protection to publish a report about visits to the Department’s Financial Empowerment Centers and affiliated organizations. The report would include information on the number of individuals served by the center or affiliated organization, the number of individuals visiting the center more than once a year, the types of financial challenges addressed by the center, the outcome of visits, and demographic information about visitors.

 This bill would take effect 120 days after it becomes law.

1. *Int. 621 – A Local Law to amend the administrative code of the city of New York, in relation to banning companies that charge a fee for “student debt relief” already provided by the federal government and creating a private cause of action for borrowers who fall victim to these scams*

 This bill would ban businesses from offering student debt relief services for a fee when those services are offered for free by the federal Department of Education (DOE). This law would not apply to businesses that disclose information about the free services that the DOE offers, including loan forgiveness eligibility, consolidating federal loans, and contact information for the DOE. This bill would also create a civil cause of action for people who are victims of such businesses.

 This bill would take effect 180 days after it becomes law.

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Int. No. 366

By Council Members Velázquez, Louis, De La Rosa, Abreu, Sanchez and Farías

A Local Law to amend the administrative code, in relation to requiring the department of consumer and worker protection to report on public use of the department’s financial empowerment centers and student debt distress in the city

Be it enacted by the Council as follows:

Section 1. Chapter 5 of title 20 of the administrative code of the city of New York is amended by adding a new section 20-706.6 to read as follows:

§ 20-706.6 Financial empowerment centers. a. No later than May 31, 2023, and annually thereafter, the commissioner shall submit to the mayor and the speaker of the council and shall post conspicuously on the department’s website an annual report regarding visits to financial empowerment centers and affiliated organizations. For the purposes of this section, “affiliated organization” means any organization that provides financial services or advice pursuant to an agreement or arrangement with the department.

b. The report shall include a table in which each separate row references for each financial empowerment center or affiliated organization. Each such row shall include the following information, as well as any additional information the commissioner deems appropriate, set forth in separate columns:

1. The number of individuals served by each center or affiliated organization;

2. The number of individuals who visit such centers or organizations more than once annually;

3. The types of financial challenges for which help is being sought;

4. The outcomes of such visits, including, but not limited to: (i) the number of individuals the center or organization referred out; (ii) the amount of debt that was reduced; (iii) the amount of savings realized; (iv) the number of individuals each center was unable to assist and the reason why such individuals could not be assisted; and

5. The socioeconomic and demographic profiles of visitors to each such center or organization.

c. The department shall aggregate all of the data collected pursuant to subdivision b of this section, and include it in the report. Such data shall be examined for trends and patterns, and the department’s findings shall be included in the report.

d. Except as otherwise expressly provided in this section, no report required by subdivision b of this section shall contain personally identifiable information.

§ 2. Student loan distress report. a. No later than May 31, 2023, and biennially thereafter, the commissioner of the department of consumer and worker protection shall submit to the mayor and the speaker of the council and shall post conspicuously on the department’s website a biennial report regarding student debt distress in the City.

b. The department shall utilize the most recent data available to study student loan distress by zip code and public use microdata areas. The department shall examine and analyze data relating to student loan distress at the community district level, and include its findings in such report. The report shall also include a table in which each separate row references for each community district. Each such row shall include the following information, as well as any additional information the commissioner deems appropriate, set forth in separate columns:

1. The number of credit filers with student debt;

2. Number of total credit filers in the city of New York;

3. The number of student loans that are in debt collection;

4. The number of students enrolled;

5. The number of students that are first-time students;

6. The number of first-time students that have not completed a degree and were no longer enrolled at any institution seven years later;

7. The number of students enrolled that fall in the least aggregated age category available;

8. The number of first-time students that have not completed a degree and were no longer enrolled at any institution seven years later that fall in the least aggregated age category available;

9. The number of students that are part-time;

10. The number of students that are full-time;

11. The number of students that are part-time that fall in the least aggregated age category available;

12. The number of students that are full-time that fall in the least aggregated age category available;

13. The number of students enrolled in each of the institution types including, but not limited, four year programs, two year programs, public or private programs.

14. The number of students enrolled by gender;

15. The number of students that are first-time students by gender; and

16. Any other relevant data points that could be used to understand student loan distress.

c. The report required by subdivision b of this section shall include a data dictionary.

d. Except as otherwise expressly provided in this section, no report required by subdivision b of this section shall contain personally identifiable information.

e. No information that is otherwise required to be reported pursuant to this section shall be reported in a manner that would violate any applicable provision of federal, state or local law relating to the privacy of student information or interfere with law enforcement investigations or otherwise conflict with the interests of law enforcement. If a category contains between one and five students, or contains an amount that would allow another category that contains between one and five students to be deduced, the number shall be replaced with a symbol. A category that contains zero shall be reported as zero, unless such reporting would violate any applicable provision of federal state or local law relating to the privacy of student information.

§ 3. This local law takes effect 120 days after it becomes law, except that section two of this local law expires and is deemed repealed upon the issuance of the report due on May 31, 2033.

Session 12

AV

LS 8689

4/9/22

Session 11

BAM

LS #10048

Int. 1934-2020

Int. No. 621

By Council Members Kagan, Brooks-Powers, Restler, Hanif, Nurse, Yeger, Joseph, Sanchez, Brannan and Farías

A Local Law to amend the administrative code of the city of New York, in relation to banning companies that charge a fee for “student debt relief” already provided by the federal government and creating a private cause of action for borrowers who fall victim to these scams

Be it enacted by the Council as follows:

Section 1. Chapter 5 of title 20 of the administrative code of the city of New York is amended by adding a new subchapter 26 to read as follows:

SUBCHAPTER 26

PROHIBITION ON STUDENT DEBT RELIEF SERVICES REGARDING FEDERAL LOANS FOR A FEE

§ 20-880 a. No person shall offer or advertise student debt relief services regarding federal student loans for a fee where such services are offered for free by the federal department of education.

b. This law does not apply to persons who, before providing such services, provide to customers written disclosures that contain the following information:

1. A statement informing customers that the federal department of education provides free assistance to holders of federal loans, including:

(a) Lowering or capping monthly payments;

(b) Checking eligibility for loan forgiveness;

(c) Consolidating federal loans; and

(d) Giving advice on getting out of default.

2. Contact information for the federal student aid information center, including:

(a) The phone number; and

(b) The website URL.

§ 20-881 Penalties. Any person that violates section 20-880 is liable for a civil penalty of not less than $500 or more than $2,000 for the first violation and a civil penalty of not less than $800 or more than $3,000 for each succeeding violation.

§ 20-882 Civil cause of action. Any person claiming to have been harmed by a person offering student debt relief services for a fee has a cause of action against such person in any court of competent jurisdiction for compensatory and punitive damages; injunctive and declaratory relief; attorney’s fees and costs; and such other relief as a court deems appropriate.

§ 2. This local law takes effect 180 days after it becomes law, except that the commissioner of the department of consumer affairs shall take such measures as are necessary for the implementation of this local law, including the promulgation of rules, before such date.

Session 12

BG

LS #8592

5/12/22

Session 11

adw

LS #933

Int. 52-2018

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3. *The Federal Role in Education,* U.S. Department Of Education. *Available at* <https://www2.ed.gov/about/overview/fed/role.html> [↑](#footnote-ref-4)
4. Hess, Abigail Johnson, *supra* note 1. [↑](#footnote-ref-5)
5. *About GI Bill Benefits,* U.S. Department Of Veteran Affairs. *Available at* <https://www.va.gov/education/about-gi-bill-benefits/> [↑](#footnote-ref-6)
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