Testimony of Assistant Commissioner Carlos A. Ortiz
New York City Department of Consumer and Worker Protection

Before the Committee on
Consumer and Worker Protection

Hearing on
Student Debt as Barriers to Generational Wealth and
Introductions 366 and 621

November 17, 2022

Introduction

Good morning, Chair Velázquez and members of the Committee. My name is Carlos Ortiz, I am the Assistant Commissioner for External Affairs at the Department of Consumer and Worker Protection (DCWP). I am joined by Andrew Schwenk, our Associate General Counsel, and Haidee Cabusora, Director of Policy and Research. Thank you for the opportunity to testify today on the impact of student loan debt on New Yorkers, as well as Introduction 366, relating to required reporting on the public use of Financial Empowerment Centers and student debt distress, and Introduction 621, relating to companies that charge a fee for "student debt relief" already provided by the federal government.

Student loan debt is one of the biggest financial issues affecting Americans today. Since the mid-1980s, the cost of college has increased at twice the rate of inflation. At the same time, the number of students who have borrowed to fund their education has also risen, as did the average loan size.[1] Currently, almost 44 million Americans hold a collective $1.6 trillion in student loan debt, making it the second-largest source of consumer debt in the United States.[2] The majority of this debt is owed to the federal government. Today, the average federal student debt load is almost $38,000, with 15% of borrowers owing more than $100,000.[3]

Student Loan Debt in New York City

DCWP has identified that approximately one in every six New Yorkers has student loan debt, and more than half of those with debt owe more than $20,000.[4] Collectively, New York City residents owe more $34 billion in student loan debt. In 2019 and 2020 surveys, one in five New Yorkers with student loan debt had been late with payments at least once in the previous twelve months, and 61% of respondents were concerned that they would need more than the standard 10-year period to fully repay their loans. Half of all respondents with student loan debt indicated that their debt load had delayed or prevented them from making at least one major life choice, including buying a home or saving for retirement.[5] Importantly, the tremendous burden of

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[1] See *Weighed Down: New Yorkers Share How Student Loan Debt Is Affecting Their Lives*
[2] Only trailing mortgage debt. See New York Federal Reserve Household Debt and Credit Report
[3] See Federal Student Aid Portfolio Summary and Portfolio by Debt Size
[4] DCWP's reports on student loan debt and related topics can be found on the agency's website at this link.
[5] See *Weighed Down.*

student loan debt is not shared equally by all New Yorkers; in fact, it is disproportionately felt by New Yorkers of color and those with low incomes.[6]

How DCWP Works with Student Loan Debt Holders

DCWP has worked diligently to understand and respond to the most pressing financial concerns facing New Yorkers in their everyday lives, including student loan debt. We do this in a few ways, such as by administering financial empowerment programs with contracted providers and enforcing consumer protection laws and rules.

DCWP's Financial Empowerment Centers, available across the five boroughs, provide free one-on-one financial counseling to New Yorkers, including for clients dealing with student loan debt. Our financial counselors receive in-depth training on student loans and how to guide clients through the complex and confusing process of repaying loans. Counselors and clients can check the status of their student loans, consolidate their student loans or payments, or bring their student loans out of default.

Across New York City, there are currently 26 Financial Empowerment Centers open for in-person services. Any New Yorker can schedule an appointment by calling 311 or visiting our website. So far in Fiscal Year 2021, DCWP financial counselors helped almost 7,000 New Yorkers with financial counseling, resulting in ~$2 million in savings.[7] Increasingly, student loan debt has accounted for a larger proportion of all appointments. We only expect the need for student loan-focused financial counseling to rise as the federal government's student loan payment pause expires in January 2023.

I want to give one example of the impact our Financial Empowerment Centers can have on New Yorkers struggling with student loan debt. Earlier this year, a client with $270,000 of student loan debt visited one of our Financial Empowerment Centers for an introductory meeting with a counselor. After the meeting, the counselor reviewed the client's financial situation, noticed that they had worked enough years in public service to be eligible for forgiveness through the Public Service Loan Forgiveness waiver, and reached out to outline how to consolidate their loans and apply. Shortly thereafter, the client was able to have the entire balance of their loans forgiven and they are student-debt free. In the client's own words, without a visit to DCWP's Financial Empowerment Center, "none of this would have happened," and their student loan debt is "no longer weighing on me and my life decisions."

In addition to our Financial Empowerment Centers, DCWP also takes action against predatory businesses that mislead New Yorkers trying to obtain an education. For example, DCWP's recent investigation into the for-profit institution, Berkeley College, discovered that they engaged in aggressive and deceptive tactics during student recruitment, including lying to students about federal student loans, concealing costs from students until it was too late for them to withdraw, collecting debt that was not owed, and deceiving former students about re-enrollment. This past March, Mayor Adams announced our agreement with Berkeley to cease

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[6] See *Weighed Down* and *Upwardly Immobile: Low-Income Borrowers and the High Cost of College Education*
[7] See *Mayors Management Report September 2021*

collection on $20 million in outstanding student debt, and pay $350,000 in restitution to affected students.[8]

Introductions 366 and 621

Turning to today's legislation, Introduction 366 would require DCWP to report on the public's use of Financial Empowerment Centers annually, as well as report biennially on student debt distress in New York City. DCWP supports the intent of this legislation. Currently, we report aggregate data on the public use of its Financial Empowerment Centers through the Preliminary Mayor's Management Report (PMMR) and the Mayor's Management Report (MMR). We welcome suggestions and would be happy to work with the Council on improving our reporting.

However, we have concerns about publicly distributing site-specific data concerning our Financial Empowerment Centers and data regarding contracted providers that deliver services at each site. Financial Empowerment Centers and the contracted providers vary in capacity, hours, location, operational history, and contractual obligations. Site-specific data points such as number of New Yorkers served or data concerning financial outcomes would paint an unfair and distorted picture, without context concerning relevant variables between providers and sites.

With respect to reporting on student loan debt distress, DCWP has concerns that due to data privacy restrictions, the agency may not be allowed to share the data on public platforms, including Open Data. We would like to work with the Council to tackle these issues by identifying specific datasets and outcomes that are feasible for any new reporting requirements.

Moving on to Introduction 621, this legislation would require businesses that provide student debt relief services for a fee to provide customers with a written disclosure stating that these services are available for free by contacting the federal Department of Education or a borrower's loan servicer. DCWP supports Introduction 621. New Yorkers suffering from student loan debt should not have to unwittingly pay for services that are available for free. We look forward to discussing this bill further with the Council.

Conclusion

Thank you for calling today's hearing on an issue that deeply affects New Yorkers. As always, we greatly appreciate our partnership with the Council, and we welcome any questions you may have.

[8] https://www1.nyc.gov/office-of-the-mayor/news/104-22/mayor-adams-delivers-20-million-debt-relief-former-berkeley-college-students

Testimony by
Nancy Nierman
Community Service Society

The New York City Council
Committee on Consumer and Worker Protection
Thursday, November 17, 2022

Introduction

Thank you for the opportunity to submit testimony to the Committee on Consumer and Worker Protection hearing on Oversight-Student Debt as a Barrier to Generational Wealth.

My name is Nancy Nierman. I work at the Community Service Society of New York as the Associate Director of the Education Debt Consumer Assistance Program (EDCAP). My testimony will focus on the need to have access to student loan data (Int 0366-2022) and ensure student debt relief companies provide borrowers with proper disclosures and that borrowers have a private right of action against bad actors (Int 0621-2022).

CSS is an informed, independent, and unwavering voice for positive action on behalf of low-income New Yorkers. CSS draws on a 175-year history of excellence in addressing the root causes of economic disparity through research, advocacy, litigation, and innovative program models that strengthen and benefit all New Yorkers. In 2019, CSS created the Education Debt Consumer Assistance Program (EDCAP) to help New Yorkers struggling with higher education debt. Through its central helpline and one-on-one counseling services, EDCAP helps individuals navigate 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.

Furthermore, since 2002, the Community Service Society has sought to better understand the views and experiences of low-income New Yorkers through a groundbreaking public opinion survey, "The Unheard Third." We use the insights gleaned from our annual survey to elevate the concerns of low-income New Yorkers in the public policy debate and to better inform our services and advocacy agenda. In the last few years, we have gathered critical information about the impact of student loan debt on New York City residents, but more in-depth data and reporting is needed to ensure we fully understand the disparate impact of this debt and be able to advocate for systemic change.

There is a Need for Increased Student Borrower Data and Reporting

Student loan debt has reached $1.7 trillion in the United States and is the second largest form of consumer debt next to mortgages.[1] In New York State, approximately 2.4 million people owe more than $98 billion in student debt, with one million of these borrowers living in New York City. Prior to the COVID-19 related economic downturn, 43 percent of all federal student loans were considered "in distress" because they were either delinquent, in default, or total loan balances were increasing.[2]

We support the creation of a biennial student loan distress report as required by Int 0366-2022. From firsthand experience, we understand the need to have accurate and detailed information on the borrowers who are being impacted by student loan debt. We know that communities are impacted differently and identifying communities in distress is critical for programs like EDCAP, to target outreach and offer direct consumer assistance. Through our Unheard Third survey, for example, we have found that in New York City people of color, notably Black and Latina/x women, are much more likely to shoulder student loan debt. About 43 percent of Black and 38 percent of Latina/x women are saddled with student debt and a third of Black men reported the same. This confirms the fact that women and women of color continue to bear the brunt of this debt and would benefit from additional student loan debt relief.

At the federal level, it has been extremely challenging to obtain borrower data. In fact, the most we can obtain is general data regarding the federal government's federal student loan portfolios. Having access to a report that has zip code data, for example, on a consistent basis would be instrumental in identifying long term trends and issues emerging for New York City's borrowers. With that said, it will be similarly imperative for the Department of Consumer and Worker Protection to get the help and resources needed to effectively carryout this mandate. It will also be imperative for the City Council, DCWP and NYC's higher education institutions to work together and ensure the required data points are in fact available and if not, to build the infrastructure needed to capture and report on the outline data points, all of which would be instrumental in better understanding student indebtedness.

It Is Critical to Protect Student Borrowers from Student Debt Relief Companies Engaging in Harmful Practices and it is Vital for Borrowers to Have a Private Right of Action

Student loan borrowers often struggle to properly manage and repay their student loan debt. The levels of stress and distress often lead to them being targeted by unscrupulous student loan debt relief companies that not only take their money but leave them worse off than when they started. The federal government through its student loan servicers are ultimately responsible for assisting borrowers with any issues related to their student loan debt, including access to repayment options,

[1] Hanson, Melanie. "Student Loan Debt vs Other Debts" EducationData.org, October 12, 2021, https://educationdata.org/student-loan-debt-vs-other-debts.

[2] Prepared Remarks by U.S. Secretary of Education Betsy DeVos to Federal Student Aid's Training Conference. November 27, 2018. https://www.ed.gov/news/speeches/prepared-remarks-us-secretary-education-betsy-devos-federal-student-aids-training-conference.

loan cancellation or discharge. In New York City, borrowers have additional access to free and unbiased resources through the Empowerment Centers and programs like EDCAP.

We support the requirement that student loan relief companies provide borrowers disclosure about the federal government's services. We would further support additional requirements that make it clear that student debt relief companies, in an attempt to lure customers, cannot deceive borrowers by implying they are affiliated with the federal government. It is often the case that borrowers are made to believe these companies are working for the U.S. Department of Education and are trying to implement a specific federal relief program. Descriptions of these programs are often misleading and inaccurate. In their written communication, relief companies will use fonts and formats similar to those used on letters provided by the student loan servicers or the Department of Education and only provide in a small font at the very end, a general disclosure statement that they are in fact not a government agency.

Having a private right of action is critical to deter bad actors from engaging in misconduct. We support the private right of action that would allow individual borrowers to sue student debt relief companies and be made whole when these companies engage in wrongdoing.

Conclusion

As a program that is focused solely on the issue of student debt, we welcome the opportunity to share our input and support for the proposed laws, Int-0366-2022 and Int 0621-2022. We see first-hand the struggles that borrowers encounter when faced with debt burdens in an economy that has been battered first, by the pandemic and now by historically high rates of inflation.

A properly resourced department providing access to more detailed data, assuming that data is obtainable, and highlighting where student debt impacts New York City residents the most would be valuable to EDCAP, and other stakeholder working on this issue. This would allow us to be more efficient in targeting our outreach to be certain we are reaching the individuals that need our services the most.

Any measures that are put in place to curtail the explosion of unscrupulous student debt relief organizations, who charge exorbitant fees for simple tasks and who do not fully understand the federal student loan system, often placing borrowers in financially harmful situations which aren't always correctable, is a win for consumers.

Thank you for the opportunity to provide our testimony. For questions, please reach out to Carolina Rodriguez, Education Debt Consumer Assistance Program Director, at crodriguez@cssny.org or 212-614-5457.

Testimony to the NYC Council, Joint Hearing on Student Debt

Committees on State and Federal Legislation and Consumer and Worker Protection

November 17, 2022

Victoria Lu, Youth Council Coordinator, #DegreesNYC

Dear Chairs Velaquez and Abreu, members of the committees,

My name is Victoria Lu and I am the Youth Council Co-Coordinator with #DegreesNYC. Thank you for holding this hearing on the important issue of student debt. I'm a current college student at the City College of New York and have witnessed firsthand the barriers student debt places upon access to higher education. I'm here to call on the City Council to pass and the Mayor to implement INT 366-22 and INT 621-22.

As a student, understanding and navigating student debt was the largest challenge I confronted when deciding to attend college. It was especially confusing to attain the necessary financial information without proper guidance and resources. Currently, the system makes student debt information inaccessible for first-generation, immigrants, and students of color. When applying to college, my family had actually filled out financial aid forms without understanding the additional components. My parents spent days attempting to understand the needed tax forms in a language they were unfamiliar with. Had there been culturally responsive and accessible resources available, our burden would have been significantly eased.

The lack of information exacerbates a student's burden and can deter them from attaining higher education. We need to increase transparency in student relief and prevent vulnerable students from falling into student debt relief scams, which is exactly what Int 621 is targeting. Student debt is undoubtedly an inequity issue with the DWCP reporting that low- income borrowers are more likely to borrow more and be less likely to finish their degrees and certificates when compared to high-income borrowers. All students deserve an equal chance and protection from their city. We must invest in our future and that starts with our students

JANE FOX TESTIMONY FOR CITY COUNCIL HEARING
Student Debt as a Barrier to Generational Wealth

First, I would like to thank committee chair Marjorie Velazquez, for holding this hearing and giving me the opportunity to speak on this critical issue facing New Yorkers. My name is Jane Fox, I am a staff attorney at The Legal Aid Society and a member of the Association of Legal Aid Attorneys (UAW local 2325), speaking today on behalf of ALAA, a union of over 2700 attorneys, social workers, paralegals, parent advocates, and other legal workers that fight tirelessly for the civil rights and dignity of low-income New Yorkers.

Student loans are now the largest form of consumer credit in the nation outside of the mortgage market, with Americans owing more in student loan debt than they do on auto loans ($1.3 trillion), credit cards ($800 billion), or home equity lines of credit ($320 billion).[1] The average monthly student loan bill is nearly $400/month.[2]

Student debt impacts all our union members, whether they are currently paying their loans or have forgone accumulating savings in order to finish paying their loans. Approximately two thirds of our members have student loans, a significant number owe over $50,000 and a large segment owe over $200,000. Many of our members are the first generation in their families to hold undergraduate or graduate degrees and many were Pell Grant recipients. For these members, taking on student debt was necessary to gain the educational credentials required to do this work. At the same time, student debt is a barrier that keeps our members from retaining the wealth they have earned for the next generation.

We are at a crucial moment. While the CARES Act student loan pause benefited many of our members, a share hold loans that were ineligible for the pause, therefore requiring them to continue making payments during the national crisis of the Covid-19 pandemic. Likewise, many of our members are eligible for the student debt relief program proposed by the Biden Administration in August 2022. However due to current litigation freezing the program, no borrowers have actually realized debt cancellation under the program to date.

As we head into 2023 and the proposed end of the pause, most of our members will once again have the burden of monthly loan payments while facing historic levels of inflation and cost of living increases alongside stagnant wages. It is not lost on us that the Legal Aid Society, where many of our members work, is experiencing a fiscal crisis where there are concerns about being able to afford our increased organizational needs like suitable office space and technological upgrades needed to process the digital discovery data we receive from the District Attorneys' offices. The fiscal pressures are felt within our organization from the top down.

Simultaneously, we are experiencing record levels of attrition, particularly among our mid-career members. Almost half of all ALAA members leave the work they love before 10 years for better paying jobs in firms, other non-profits, or government. Attrition is highest amongst attorneys of color, who often have more student debt, and less support to pay off their loans. When talented

[1] https://www.federalreserve.gov/releases/g19/current/;

[2] https://www.federalreserve.gov/publications/2017-economic-well-being-of-us-households-in-2016-education-debt-loans.htm

legal service workers leave their jobs because their student debt makes working in legal services unaffordable, low-income New Yorkers are deprived of talented and experienced representation.

One of the most important paths for our members to relieve this financial pressure and build intergenerational wealth is to pursue debt cancellation through Public Service Loan Forgiveness (PSLF). While PSLF offers a chance for public sector workers to fully discharge their loans after 10 or more years, it does not relieve the financial stressor of monthly student loan payments while working in a low salaried public sector position in an expensive city.

While members pursuing PSLF may enroll in Income Driven Repayment (IDR) to reduce their monthly bills, IDR payments are based solely on a formula tied to Adjusted Gross Income and do not respond to the rapid spikes we have seen in monthly expenses such as rent, food, childcare, and transportation during the pandemic. When IDR payments stay level, but monthly expenses rise, our members have less income to put towards building wealth in the form of retirement, home equity, and personal savings.

As a result, our members have a great need for loan assistance programs that provide financial assistance to reduce their monthly student loan bills while they work towards PSLF. The District Attorney and Indigent Legal Services Attorney Loan Forgiveness (DALF) Program administered by the state Higher Education Services Corporation (HESC) provides critical funding that allows our union members to stay in their jobs and make a career of public service.

The DALF Program is aimed at mid-career attorneys carrying student loan debt and provides annual awards to off-set monthly loan payments. The DALF program provides assistance to attorneys who have shown a 4-year commitment to working in public service when they first apply and is often the sole support members have to pay their loans when they reach the middle of their careers and are simultaneously growing their families or caring for elders. There has not been an adjustment to either the annual award or the years of eligibility since the program began in 2009. Simply put, the DALF Program has not kept pace with the rising cost of student loans or the rising cost of living in NY state, particularly since the pandemic began.

This legislative session a bill has been introduced to increase the annual award and years of eligibility for the DALF program under Senate Bill S1176/Assembly Bill A5720, sponsored by Jessica Ramos in the Senate and JoAnn Simon in the Assembly.[3] An increase in DALF funding would help reduce staff attrition immeasurably. With more DALF funding our members would have increased financial security in uncertain economic times. Decreasing the financial worries of our members can only benefit the communities they serve. When our members thrive, their work on behalf of low-income New Yorkers thrives. Furthermore, DALF funding would help us recruit talented staff for our member organizations to replace those who have left.

We ask that the City Council pass a resolution asking the State Legislature to pass and the Governor to sign this bill into law ensure that our members can access these funds to ease the burden of their student loans and remain in vital public sector jobs that provide New Yorkers with critical legal services.

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[3] https://www.nysenate.gov/legislation/bills/2021/S1176

Testimony by the New York Legal Assistance Group (NYLAG)

Before the New York City Council Consumer and Worker Protection Committee and

the Committee on State and Federal Legislation regarding:

Student Debt as a Barrier to Generational Wealth

November 17, 2022

Chair Velázquez, Chair Abreu, Council Members, and staff, good afternoon and thank you for the opportunity to speak to the Committee on Consumer and Worker Protection and the Committee on State and Federal Legislation about student debt as a barrier to generational wealth. My name is Shanna Tallarico. I am a Senior Supervising Attorney with the Consumer Protection Unit at New York Legal Assistance Group (NYLAG), and I submit this testimony in support of Int. 366-2022, which would require reporting on student loan debt distress in New York City; and in support of Int. 621-2022, which would ban businesses from the predatory practice of charging fees for student debt relief services that are otherwise free to the public.

Founded in 1990, New York Legal Assistance Group (NYLAG) is a leading civil legal services organization that combats economic, racial, and social injustice by advocating for New Yorkers experiencing poverty or in crisis. Our work includes comprehensive, free civil legal services, financial empowerment, impact litigation, policy advocacy, and community partnerships. NYLAG exists because wealth should not determine who has access to justice. We aim to disrupt systemic racism by serving individuals and families whose legal and financial crises are often rooted in racial inequality. NYLAG goes to where the need is, providing services in more than 150 community sites in New York and in our Mobile Legal Help Center. NYLAG's Consumer Protection

Unit (CPU)'s attorneys work on and litigate issues related to consumer debt. They fight for the rights of individuals and families who have become victims of abusive, deceptive, and unfair debt collection and lending practices and help get them out of debt. CPU attorneys defend clients in credit card, auto lending, medical, and student loan debt proceedings; they assist student loan borrowers with their federal student loans; they fight against unjust foreclosure and lending practices; and advise and assist clients in filing for a Chapter 7 consumer bankruptcy discharge. They also file impact litigation cases to stop predatory debt collection and consumer fraud.

Student Debt is Both a Product and a Cause of Generational Wealth Disparities

A college education is supposed to ensure, if not upward mobility and financial security, then at least the opportunity to pursue those ends. This is a reasonable expectation of the significant investment of time, energy and often sacrifice that higher education demands. Yet, for many student loan borrowers, including many of our clients, the necessity of debt is both the result of a lack of generational wealth, and an obstacle to building future generational wealth. Understanding the connection between student debt and generational wealth deficits requires a reckoning with the history of higher education; the intersecting identities of borrowers saddled with the greatest debt; and the role student debt plays in limiting access to wealth-building resources.

Higher education has the potential to be both personally and collectively empowering, but for higher education to remain a desirable pursuit for potential students, it must provide a platform rather than a trap. City Council has a role to play. If New York City believes in the value of cultivating a diverse professional workforce prepared to meet society's needs, it must prioritize closing the generational wealth gap between student loan borrowers and students who did not need to take out student loans to attend higher education institutions. This is best achieved through taking holistic measures that factor in an analysis of access, which Int. 366 and Int. 621 aim to do.

Social Identity and Student Debt

Higher education access in the US has historically been limited by race, sex, and class. Understanding this history helps us see the path to today's student debt crisis and its disparate impacts across race, gender, class, and their intersections. The group most affected by student loan debt are Black women without access to generational wealth.[1] Brittani Williams, co-author of, "How Black Women Experience Student Debt," offers the image of the promise of mobility destroyed by the discovery that the car is broken.[2] This metaphor also has a basis in more literal terms—the obstacles African-Americans have faced to generational wealth-building means that Black women tend to have less of a savings and familial wealth buffer when things go wrong and unexpected expenses emerge. The ability to weather financial emergencies is a significant factor in the Black-white wealth gap and the product of centuries of systemic deprivation and discriminatory practices in all areas of society, including in hiring and housing access.[3]

As a result, Black families "rely more heavily on student debt, and on riskier forms of student debt, than white families do."[4] Black students are also more likely to make riskier investments, like attending for-profit colleges, which are often specifically marketed to students

[1] https://hechingerreport.org/black-women-are-uniquely-burdened-by-student-debt-report-finds/
[2] Ibid.
[3] https://www.americanprogress.org/article/eliminating-black-white-wealth-gap-generational-challenge/
[4] https://rooseveltinstitute.org/wp-content/uploads/2020/07/RI_Student-Debt-and-RWG-201909.pdf

of color, immigrants, and veterans,[5] and which fail to deliver on promised benefits.[6] For-profit colleges sell students on dreams of meaningful credentials and job placement, yet many provide a much lower quality of education than nonprofit institutions do, and are more likely to be closed down. In a 2021 study of a six-year period, only 14% of Black students at for-profit colleges earned a degree, compared with 40% of Black students graduating from nonprofit colleges and universities.[7]

In another 2021 study, women with a college degree can expect to earn 81% (for Black women, 61% and for Latinx women, 53%)[8] of what men with a college degree earn, and for women, that starts at an average annual salary of $35,228, which is around comparable to the average student debt women with an undergraduate degree carry.[9] Women also take an average of "two years longer than men to repay student loans."[10] Women hold 65% of United States student debt, and the reasons include taking on more debt for school; higher likelihood of pursuing advanced degrees; a gendered wage gap; lower family contributions; and a higher enrollment (where 63% of students are women) in for-profit colleges.[11]

Family members can become entangled in one another's debts, with negative consequences that cut against building generational wealth. Student loan debt consolidated between spouses is an issue in domestic violence relationships, where the shared loan binds spouses to one another financially, however, Congress recently passed the Joint Consolidation

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[5] https://thehill.com/opinion/education/589873-for-profit-colleges-prey-on-veterans-the-department-of-education-must-say/
[6] https://rooseveltinstitute.org/wp-content/uploads/2020/07/RI_Student-Debt-and-RWG-201909.pdf
[7] https://thebestschools.org/resources/for-profit-colleges/
[8] https://www.investopedia.com/student-loan-debt-by-gender-5194243
[9] https://www.aauw.org/resources/research/deeper-in-debt/
[10] Ibid.
[11] https://www.earnest.com/blog/women-student-debt/

Loan Separation Act to prevent further financial abuse in intimate partnerships.[12] More commonly, private student loans often require co-signers, and parents eager to help their children may borrow money or co-sign loans, even when they have student loans of their own. Parents also borrow federal parent plus loans with unfavorable loan repayment terms. We have helped many parents who have seen their children through college while they continue to stay in debt on their own federal loans and, if in default, have suffered administrative wage garnishments and benefit offsets of their Social Security.

Access Denied because of Student Debt

Student debt limits borrowers' ability to access capital for major purchases, most notably buying a home, continuing education, and starting a business—activities with a high potential to increase a person's likelihood of financial security and wealth-building. With the median student loan debt outpacing median income levels,[13] it becomes increasingly difficult for borrowers to make these kinds of investments in their futures. Access to capital is blocked off or made much more difficult to one generation, and that difficulty compounds, leaving the next generation with greater obstacles. It is as though the rungs of the ladder are placed much further apart, so one must risk more in jumping from one rung to the next, with a greater chance of falling through between the rungs.

The relationship between homeownership and generational wealth could not be clearer, and a student loan debt-generated barrier to homeownership is a barrier to generational wealth-building. Graduates cannot buy homes if they are saddled each month with student loan

[12] https://jezebel.com/congress-passes-bill-to-free-domestic-violence-survivor-1849560334
[13] https://www.phenomenalworld.org/analysis/homeownership-student-debt/

payments. Homeownership confers many obvious financial benefits. Owning a home increases a person’s net worth; allows for access to capital through home equity loans; avoids the unpredictability of the rental market; and may offer the chance to add value through home improvement, a rental unit, or possible tax advantages.

Certainly, we have seen these disparities play out in real time through our clients’ lived experiences. Take for example, Melissa, who did everything “right.” She attended and graduated from college and now works as a teacher employed by New York City’s Department of Education; she has a partner and two children. Melissa had to fund most of her education through federal and private student loans. For the private student loans, the lender required a co-signer and her mother, Cherrie, stepped in to help. After graduation, the private student loan debt became unmanageable, and Melissa fell into default. The lender had insurance and was made whole on the loan, but then a putative debt buyer sued Melissa in State Supreme Court. Melissa had very strong defenses to the debt buyer’s claim because the debt buyer did not have proof that it even owned the debt. The damages claimed by the debt buyer was also supported by dubious proof. Nevertheless, Melissa chose not to fight the case. She did not want to put her mother’s only asset, her home, at risk. Melissa entered into a many-years-long payment plan settling the debt buyer’s dubious claims and delaying her own family’s plan to invest in other assets such as a home or her own children’s college education.

Many of our clients have attended for-profit schools. They are preyed on by these schools with promises of better career opportunities, only to be saddled with overwhelming debt upon graduation and no better job prospects. These schools also often prey on students’ needs to finance their education and push students into federal loans (for which the school depends on to keep the doors open) to fund most of the tuition, and then push students into predatory private student loans that are "designed to fail"[14] to fund the gap not covered by federal loans. NYLAG has assisted countless clients who graduate from for-profit schools and then immediately fall into debt on both their federal and private student loans. This is due to many factors including the predatory nature of the loans, and the lack of clear and concise information about federal student loan repayment options. To boot, scam student loan companies often step in and capitalize on borrowers' distress, inducing them to sign up for paid-for services that are free and steer borrowers often to options that leave them in even worse financial situations.

From experience, we know that most of our student loan clients are first generation college students and/or women who identify as BIPOC; all our clients are trying to build careers and obtain financial security for themselves and their families. It is imperative that New York enact policies that support these goals.

Conclusion

NYLAG applauds the aim of Int. 621-2022, which would create a private right of action for an individual who was scammed by a predatory student debt relief company. It is important for consumers to be empowered to take action against companies that misrepresent their services to their detriment. For Int. 366-2022, NYLAG hopes that more transparency as to the true state of the student loan debt crisis in New York City will push the public and this Council to enact policies that address this crisis.

[14] NY Times, *Loans 'Designed to Fail': States Say Navient Preyed on Students* (Apr. 9, 2017) available at https://www.nytimes.com/2017/04/09/business/dealbook/states-say-navient-preyed-on-students.html.

There is an irony to the notion that higher education is an investment in future stability, when it is at risk of becoming either an investment without justifiable returns, or the sole domain of students with wealth and privilege. Inclusive social and political participation requires, and follows, inclusive access to education. It is encouraging that the City Council is looking to address this cycle of cause-and-effect, and we encourage the City Council to continue to enact policies that are in furtherance of understanding the full impact of the burdens on New York City's student loan borrowers.

STUDENT BORROWER PROTECTION CENTER

Written Testimony of Student Borrower Protection Center
at a Public Hearing before the
Committee on Consumer and Worker Protection
Jointly with the
Committee on State and Federal Legislation
"Oversight - Student Debt as a Barrier to Generational Wealth"

in SUPPORT of
Int. 366-2022 and Int. 621-2022

November 17, 2022

Chairs Velazquez and Abreu and members of the Committees:

The Student Borrower Protection Center (SBPC) is a nonprofit organization focused on alleviating the burden of student debt for millions of Americans. The SBPC engages in advocacy, policymaking, and litigation strategy to rein in industry abuses, protect borrowers' rights, and advance economic opportunity for the next generation of students. For many years the SBPC has been a proud partner of the NYC Department of Consumer and Worker Protection (DCWP) and its Office of Financial Empowerment, supporting its financial counselors in their student loan work and advising on the agency's research and reporting on student debt.

The SBPC applauds the Committees' recognition that there is a role for local government in addressing the student debt crisis, and for recognizing that this crisis has important economic and racial justice implications. New York City is leading the nation in terms of showing how cities can and must tackle the issue of student debt.

We urge the Committees to continue this critical work, and in this testimony will highlight the importance of data and reporting, consumer protection, and leveraging the City's non-lawmaking influences.

Background on the Student Debt Crisis.

The nation is experiencing a student debt crisis, as approximately 45 million borrowers owe $1.7 trillion in student debt. In New York, 2.4 million student loan borrowers owe approximately $93 billion in federal student loans and $10.6 billion in private student loans.[1] A review of the consumer complaints filed with the federal Consumer Financial Protection Bureau (CFPB) makes clear that New Yorkers experience the same abuses as other private student loan borrowers across the country.[2] This crisis is the result of rising tuition costs, but also

[1] *See* Federal Student Aid, U.S. Dep't of Educ., *Portfolio by Location* (June 30, 2022), https://studentaid.gov/data-center/student/portfolio. For private student loans, analysis of public public records and Federal Reserve calculations on file with the SBPC.
[2] Consumer Fin. Prot. Bureau, *Consumer Complaint Database* https://www.consumerfinance.gov/data-research/consumer-complaints/search/ (filter by "Private Student Loan" & "NY" and clear the "From" field for "Date CFPB received the complaint").

mismanagement of the federal student loan program and predatory practices by unscrupulous lenders and student loan servicers.

Critically, the student debt crisis is both an economic and a racial justice issue. Given gaps in generational wealth across race,[3] Black and Latino students are more likely to need to turn to debt to pay for higher education, and to take on larger balances when doing so. The CFPB reports that 90 percent of Black students and 72 percent of Latino students who complete four-year programs borrow to attend college in comparison to 66 percent of white students.[4] More generally, the Federal Reserve Bank of New York reports that average student debt balances have been growing fastest in majority-Black zip codes since 2010.[5] Research indicates that twelve years after entering undergraduate study the median African American borrower owed 114 percent of his or her original student loan balance and the median Hispanic or Latino borrower owed 79 percent of his or her original balance, while the median white student owed only 47 percent of what he or she initially borrowed.[6] An analysis from the Jain Family Institute shows that three quarters of loans owed by borrowers living in Black communities now exceed their original balance, compared to only half of those in white neighborhoods.[7] Disparate outcomes persist over time; twenty years after starting college, the median white borrower will have paid down almost 95 percent of the original balance, while Black the median Black borrower will still owe 95 percent of their original student debt balance.[8] Twelve years after entering undergraduate study, nearly half (49 percent) of African American borrowers and 36 percent of Hispanic borrowers had defaulted on their federal loans taken on for undergraduate study compared to 21 percent of white borrowers.[9] Research from the Federal Reserve Bank of New York indicates that "[t]wo-year college borrowers in majority Black areas default at 1.9

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[3] The median white household has 13 times the wealth of the median Black household and 10 times that of the median Latino household. *See* Rakesh Kochhar & Richard Fry, Pew Research Center, *Wealth inequality has widened along racial, ethnic lines since end of Great Recession* (Dec. 12, 2014), https://www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession/.

[4] Aissa Canchola & Seth Frotman, Consumer Fin. Prot. Bureau, *The significant impact of student debt on communities of color* (Sept. 15, 2016), https://www.consumerfinance.gov/about-us/blog/significant-impact-student-debt-communities-color/.

[5] Andrew F. Haughwout, Donghoon Lee, Joelle Scally, & Wilbert van der Klaauw, Liberty Street Economics, N.Y. Fed. Reserv. Bank, *Just Released: Racial Disparities in Student Loan Outcomes* (Nov. 13, 2019), https://libertystreeteconomics.newyorkfed.org/2019/11/just-released-racial-disparities-in-student-loan-outcomes/.

[6] Ben Miller, Center for American Progress, *New Federal Data Show a Student Loan Crisis for African American Borrowers* (Oct. 16, 2017), https://www.americanprogress.org/issues/education-postsecondary/news/2017/10/16/440711/new-federal-data-show-student-loan-crisis-african-american-borrowers/.

[7] Laura Beamer & Eduard Nilaj, Jain Family Institute, *Student Debt and Young America* 23 (Feb. 2021), https://www.jainfamilyinstitute.org/assets/student-debt-and-young-america-jfi-feb-2021.pdf#page=23.

[8] Laura Sullivan, Tatjana Meschede, Thomas Shapiro, & Fernanda Escobar, Institute on Assets and Social Policy, Heller School for Social Policy and Management at Brandeis University, *Stalling Dreams: How Student Debt is Disrupting Life Changes and Widening the Racial Wealth Gap* (Sept. 2019), https://heller.brandeis.edu/iere/pdfs/racial-wealth-equity/racial-wealth-gap/stallingdreams-how-student-debt-is-disrupting-lifechances.pdf.

[9] Ben Miller, Center for American Progress, *New Federal Data Show a Student Loan Crisis for African American Borrowers* (Oct. 16, 2017), https://www.americanprogress.org/issues/education-postsecondary/news/2017/10/16/440711/new-federal-data-show-student-loan-crisis-african-american-borrowers/.

times the rate of those in majority white areas, and those in majority Hispanic areas default 1.7 times as often as residents in majority white areas. The ratios of default rates among four-year borrowers are very similar."[10]

The student debt crisis is not limited to young people. Older Americans are the fastest growing age demographic for student debt, with data from the Department of Education showing that 8.8 million borrowers aged 50+ now owe on $380 billion of student loan debt.[11] Statistics from the Federal Reserve Bank of New York indicate that the number of student loan borrowers age 60+ has increased 453% since 2004, and that total student debt owed by older borrowers increased more than 1,200% ($15,000 in terms of average balances) over that time.[12] The CFPB reports that "older consumers with outstanding student loans are more likely than those without outstanding student loans to report that they have skipped necessary health care needs such as prescription medicines, doctors' visits, and dental care because they could not afford it."[13]

Additionally, while women make up half of all college students, they owe two-thirds of all outstanding student debt and graduate with an average of $2,700 more debt than male peers.[14] Female graduates go on to earn only 81 percent of male counterparts.[15] The American Association of University Women has indicated that the average Black female student loan borrower takes on $7,696 (26 percent) more student loan debt than the average White male student loan borrower.[16]

For all of these reasons, the student debt crisis perpetuates existing racial and gender justice barriers and exacerbates obstacles to intergenerational wealth building across the United States.

Opportunities for Local Government to Address the Student Debt Crisis.

There are opportunities for all governments–federal, state, and local–to address the student debt crisis. Even with respect to the federal student loan portfolio, state and local governments play a critical role in ensuring the private actors who administer those loans do not violate consumer protections and in educating residents about their rights and repayment options.

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[10] Rajashri Chakrabarti, William Nober, & Wilbert van der Klaauw, Liberty Street Economics, N.Y. Fed. Reserv. Bank, *Measuring Racial Disparities in Higher Education and Student Debt Outcomes* (July 8, 2020), https://libertystreeteconomics.newyorkfed.org/2020/07/measuring-racial-disparities-in-higher-education-and-student-debt-outcomes/.
[11] Federal Student Aid, U.S. Dep't of Educ., *Federal Student Loan Portfolio by Age*, https://studentaid.gov/sites/default/files/fsawg/datacenter/library/Portfolio-by-Age.xls.
[12] N.Y. Fed. Reserv. Bank, *2018 Student Loan Update* (2018), https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/xls/sl_update_2018.xlsx.
[13] Consumer Fin. Prot. Bureau, *Snapshot of older consumers and student loan debt* 14 (Jan. 2017), https://files.consumerfinance.gov/f/documents/201701_cfpb_OA-Student-Loan-Snapshot.pdf#page=14.
[14] *Women & Student Debt*, American Association of University Women, https://www.aauw.org/issues/education/student-debt/#:~:text=Women%20hold%20almost%202%2F3,of%20household%20debt%20after%20housing (last visited Nov. 14, 2022).
[15] American Association of University Women, *Deeper in Debt: Women and Student Loans* (March 2020), https://www.aauw.org/resources/research/deeper-in-debt/.
[16] *Fast Facts: Women & Student Debt*, American Association of University Women, https://www.aauw.org/resources/article/fast-facts-student-debt/ (last visited Nov. 13, 2022).

1. *Research and reporting are critical to developing informed outreach and policies.*

Having place-based data to show how the student debt crisis plays out across neighborhoods is critical to affecting change, as is pairing these data with local service provision and policy recommendations. As discussed above, we know that having student debt inhibits borrowers' ability to build intergenerational wealth, that Black and brown communities have to borrow more often and in larger amounts, and that their repayment outcomes are worse than for white households. However, seeing this mapped against NYC neighborhoods is a powerful wakeup call and policy tool.

The reports that DCWP has issued and the way that the agency has used its research insights to inform its borrower education and outreach programs have been replicated by researchers and local governments across the country, and we have been honored to advise on these reports in the past. In a world of limited resources, they play an important role in helping policymakers identify and target services for the most vulnerable communities within the City. These insights also identify data and service gaps, and inspire action at the state and federal levels.

The SBPC is therefore encouraged to see Int. 366. Having regular reporting on the state of borrowers across the City and at the hyper-local level will provide new insights and help to further tailor services to various communities' needs. However, we urge the Council to work closely with the DCWP to finalize the data points that the agency would be required to include in the mandatory reporting. Certain data points, particularly those related to schools and educational outcomes, may be outside the agency's current jurisdiction and therefore difficult to obtain.

2. *Consumer protection is critical in addressing the student debt crisis.*

There are great opportunities for local governments to engage in consumer protection, and again New York City leads the way. The City has strong existing consumer protections. This year alone, the DCWP has finalized two actions against for-profit schools that defrauded NYC students.[17]

The SBPC therefore applauds Int. 621, which would help ensure no NYC resident unknowingly pays for student loan assistance that they could receive for free. This is also timely, as we're seeing scammers prey on borrowers in the wake of so many federal announcements related to student debt. It is particularly powerful that the bill includes a private right of action, which allows borrowers to enforce their own rights in court when they have been violated. Please take note that this bill complements existing state law that more closely regulates student debt relief companies operating in New York.[18]

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[17] Press Release, Dep't of Consumer & Worker Prot., *DCWP Settles Claims with Berkeley College* (Mar. 2, 2022), https://www.nyc.gov/site/dca/consumers/DCWP-Settles-Claims-with-Berkeley-College.page; Press Release, Dep't of Consumer & Worker Prot., *Department of Consumer & Worker Protection Settles with ASA College for Deceptive Advertising Targeting Immigrants and Other Vulnerable New Yorkers* (Oct. 3, 2022), https://www.nyc.gov/site/dca/media/pr100322-DCWP-Settles-With-ASA-College-for-Deceptive-Advertising.page.
[18] *See* N.Y. Fin. Servs. Law Art. 7.

Additionally, for the City's consumer protections to be meaningfully enforced, it is critical that the DCWP remain well staffed and resourced. We therefore urge the Council to work with the agency to understand its budgetary needs and to support the agency however possible.

3. *Local governments are also market participants.*

The Council can address the student debt crisis not just as a policy-making body, but as an employer and market participant. This year, we have been proud to partner with DCWP to educate NYC residents–especially City employees–about the Public Service Loan Forgiveness program.[19] Under this federal program, student loan borrowers working for governments or non-profits can have their debts cancelled after 10 years of service. This outreach builds on work the Council did last year when it passed a local law requiring employers to inform their employees about their eligibility for student debt cancellation.[20]

There are several ways that the Council can use its formal and informal tools to help borrowers, many of whom are City employees. For example, the City enters contracts with service providers across all five boroughs, and can use the provisions of those agreements to ensure that the providers' own employees and the populations they serve receive critical information about their student loans.

Conclusion

We applaud the City Council's past and present actions to help residents with their student debt, and urge it to continue to vigorously and creatively engage with the crisis. Please contact Winston Berkman-Breen, Deputy Advocacy Director and Policy Counsel, at winston@protectborrowers.org, if you have any questions or would like to discuss this comment further.

[19] *See* Federal Student Aid, U.S. Dep't of Educ., *Public Service Loan Forgiveness*, https://studentaid.gov/pslf/.
[20] *See* Int. 2130-2020, LL 2022/013.

New York City Council
Committee on State and Federal Legislation
Committee on Consumer and Worker Protection
Oversight Hearing on Student Debt as a Barrier to Generational Wealth
Submitted by Noshin Hoque, Policy Coordinator, Young Invincibles
Thursday, November 17th, 2022

Good afternoon everyone. My name is Noshin Hoque, and I am the New York Policy Coordinator at Young Invincibles. I want to thank the New York City Council, especially the Committee on State and Federal Legislation and the Committee on Consumer and Worker Protection, for the opportunity to testify at today's hearing. I am here today to share some insight on the need for student relief to ensure economic success for our current and future generations of young adults.

The weight of student debt has kept millions from buying a car or home, finishing college or even having a standard quality of life. Today, more than nine million borrowers are currently in default. I graduated from Stony Brook University, a SUNY, in 2020 and with my Masters's in Social Work from Columbia University in 2021 with a significant amount of student debt. Despite my privilege to attend and even complete my education, it came with an intense challenge of taking on massive loans just to make ends meet with tuition. The reality is I financed my education with debt. Now, in my early 20s, when I should be saving to build a better future, I am putting all my money to save up towards paying off my student loans to avoid the risk of delinquency when student loan repayment resumes.

My story is not unique. Student loans risk our credit score, which is critical to gaining any asset, such as property, home ownership, or even getting a loan to lease or buy a car. The strain on our credit score is a catalyst for creating barriers to building generational wealth. Not to mention student loans have much higher delinquency rates than any other type of household debt. Student debt forgiveness provides relief and a path to financial freedom for many students and individuals from low-income backgrounds.

The good news is that there is an existing solution to carve the path to a tuition-free education in New York. The New Deal for CUNY protects the quality of education by aiming to restore tuition-free universities and increase the number of faculty and staff. If passed, it will provide a template for all universities across the state, including SUNY, to demonstrate a tuition-free approach to education will empower and benefit students in New York. It offers immigrants, struggling young adults, and individuals from low-income background access to a rigorous college education that opens pathways to economic success.

Thank you again for allowing me to speak with you today and share my experiences on how student debt is a barrier to building generational wealth.

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 366, 621 Res. No. ______
☐ in favor ☐ in opposition

Date: ______

(PLEASE PRINT)

Name: Andrew Schwenk
Address: ______
I represent: DCWP
Address: ______

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I represent: DCWP
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Name: NANCY NIEDMAN

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Name: Jane Fox

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I represent: Association of Legal Aid Attorneys

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Date: 11/17/22

(PLEASE PRINT)

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