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New York State Legislature
2024-2025 Joint Budget Hearing

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Higher Education

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Introduction

Thank you for the opportunity to submit testimony for the Legislative Joint Budget Hearing on Higher Education. Empire Justice Center is a statewide legal services organization that provides support and training to legal services and other community-based organizations, undertakes policy research and analysis, and engages in legislative and administrative advocacy. Empire Justice Center Co-Chairs the Student Loan Workgroup for New Yorkers for Responsible Lending (NYRL), a statewide coalition of more than 160 organizations across New York State that promotes economic justice. Empire Justice Center supports Governor Kathy Hochul's inclusion in the Executive Budget of $3 million in funding for EDCAP, and we urge the legislature to uphold its commitment to EDCAP by maintaining its current allocation of $500,000.

The Need to Maintain EDCAP Funding

Nationally, forty-three million borrowers collectively owe approximately $1.7 trillion in student debt. In New York State the cumulative debt is a staggering $98.9 billion held by 2.4 million borrowers. The average client's loan balance is $80,000, nearly twice the national average.[1] Women, communities of color, low-income borrowers and seniors bear a particularly heavy burden when it comes to student debt. Women continue to face obstacles paying off their student debt. The data reflects these challenges. The majority of EDCAP clients, constituting 75% are women. 62% of EDCAP clients are people of color. A considerable proportion of clients, almost 50%, have a household income at or below $60,000.00. New York State has a 44% increase in the number of seniors grappling with student loan debt.[2] EDCAP offers much-needed help to these vulnerable communities.

Defaulting on student loan debt can trigger significant financial consequences, including wage garnishment, lower credit scores, and there is a risk of potentially forfeiting a part of your tax refund or social security. Additionally, a borrower may not receive additional federal student aid until steps are taken to bring the loan out of default. [3] EDCAP assists borrowers in avoiding the dire consequences of default.

The resumption of student loan repayment in October 2023 has been unnecessarily confusing due to errors and missteps by loan servicers. The Department of Education found that for the first month of repayment, student loan servicers Aidvantage, EdFinancial, and Nelnet all failed to send timely billing statements to a combined total of 758,000 borrowers. A January 2024 Report by the Consumer Financial Protection Bureau found borrowers are facing long hold times and significant delays in

[1] https://www.cssny.org/publications/entry/edcap-program-report-2019-2023
[2] https://www.cssny.org/publications/entry/edcap-program-report-2019-2023
[3] https://www.consumerfinance.gov/ask-cfpb/what-happens-if-i-default-on-a-federal-student-loan-en-663/

processing applications for income-driven repayment plans. Added to that borrowers are receiving inaccurate billing statements and disclosures. [4] Without EDCAP, borrowers are left to rely on subpar servicers resulting in missed opportunities and scammers exposing them to financial harm.

Moreover, the relief options are confusing. Navigating the student loan process is complex due to the introduction of new programs and changes to existing ones. Confronted by these challenges borrowers need an unbiased resource delivering comprehensive assistance.

EDCAP is a one-stop shop for student loan debt and related issues, assisting both federal and private borrowers. EDCAP works with borrowers to assess their status and develop a comprehensive plan to address their student debt. It offers unbiased, free one-on-one counseling with student loan experts. EDCAP counselors offer impartial insights enabling borrowers to make well-informed decisions. EDCAP develops strategies for exiting default to prevent wage garnishment and other negative financial consequences helping borrowers move toward a path of financial stability. EDCAP demonstrated its impact and effectiveness, with 5.1 million+ New Yorkers reached through outreach and education campaigns and $17,916.687 in consumer savings. [5] EDCAP stands alone as the only program of its kind in New York State. EDCAP's proven effectiveness underscores the critical importance of maintaining funding.

It is for all these reasons that Empire Justice Center supports the inclusion of $3.5 million in this year's state budget for EDCAP.

The Student Loan Repayment Notification Act Enables Borrowers to Make Informed Financial Decisions

Empire Justice Center supports the Student Loan Repayment Notification Act (A.1873 Kim/S.346 Gounardes) which requires employers provide newly hired employees, into positions requiring an associate degree or higher, with a notice regarding federal student loan repayment options. The notice, to be developed by the Commissioner of the Department of Labor in consultation with the Higher Education Services Corporation and Department of Financial Services, will include information about repayment options, consolidation, loan forgiveness, and additional resources.

Providing student loan options at the beginning of employment when new hires are opting into other programs, like health insurance and retirement plans, fits seamlessly into the onboarding process and helps new employees make informed financial decisions.

Conclusion

Thank you for the opportunity to submit written testimony. If you have questions or seek additional information, please contact jdaniels@empirejustice.org or lmilas@empirejustice.org.

[4] https://www.consumerfinance.gov/about-us/newsroom/cfpb-report-identifies-challenges-faced-by-borrowers-in-resumption-of-student-loan-payments/#:~:text=Borrowers%20are%20encountering%20long%20hold,inaccurate%20billing%20statements%20and%20disclosures.

[5] https://www.cssny.org/publications/entry/edcap-program-report-2019-2023