



# **THE STATE UNIVERSITY OF NEW YORK**

**Assembly Standing Committee on Higher Education**

**Public Hearing**

**on**

**The New York Higher Education Loan Program  
(NYHELPS)**

**Testimony of  
Assistant Vice Chancellor for Student Financial Aid  
John Curtice**

**October 6, 2009**

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Assemblymember Glick and distinguished members of the Assembly Higher Education Committee, I am John Curtice, Assistant Vice Chancellor for Student Financial Assistance at the State University of New York. On behalf of Chancellor Zimpher, who is unable to participate today because she previously committed to being in Albany for meetings, thank you for the invitation to testify on the newly created NY Higher Education Loan Program.

We deeply appreciate the Assembly's enduring commitment to an accessible, affordability and quality SUNY education for all New Yorkers. Chancellor Zimpher looks forward to working with you and your colleagues on these and other issues important to the higher education community. The University shares your commitment to serving the best interests of students who participate in the new loan program.

New York State has long been a leader in providing need-based student financial aid. The Tuition Assistance Program is nationally recognized. But unfortunately, many students and their families must turn to additional funding alternatives to pay for college. For many students, education loans are an appropriate investment.

New York State recognized this need with the creation of the New York Higher Education Loan Program (NYHELP) this past year under the jurisdiction of the Higher Education Services Corporation (HESC). NYHELP's will provide yet another much needed option to students and their families in paying for college. As HESC develops the operational regulations for the implementation of the program, the State University offers the following suggestions and observations.

The best approaches to overcoming financial barriers to college involve a variety of supporting partners and an assortment of financial aid programs. At SUNY, this means a reasonable cost of attendance backed by family resources, grants, scholarships, loans and student employment opportunities from private, state and federal sources. The University welcomes NYHELP as an additional resource opportunity to meet the specific needs of certain students. However, increases in all types of student borrowing are growing to alarming levels. Data from the most recent National Postsecondary Student Aid Survey indicate that at SUNY 4-year campuses about 70% of students borrow and that their cumulative debt at graduation averages over \$20,000. At Community Colleges, 30% borrow and owe about \$10,000 at graduation. While a NYHELP loan can be an appropriate part of a balanced financial aid package for some students, additional debt is not the best alternative for all students.

NYHELP program characteristics make it inherently difficult to comment on some of the terms of the loans as a source of support for SUNY students. For example, basic interest rate information and the amount of available capital cannot be determined until bonds are issued. Even after the sale of bonds, individual rates will depend on a borrower's credit score. These unknown variables make it difficult to assess the value of the loan and where it might fit among other borrowing options. At the same time, the program has some very attractive characteristics compared to other private market education loans. Among these is the fact that it is tightly integrated into the existing student financial aid system and requires borrowers to apply for and exhaust other, less costly sources of assistance. This coordination is possible because HESC understands how financial aid works. The Corporation provides students and campuses with valuable services and products. So it's not surprising that NYHELP was designed with a strong financial literacy component, which SUNY supports and that the loans will be made available through HESC's innovative Student Loan Marketplace website. As one of our financial aid directors has said, NYHELP is "a good program with a fixed interest rate cap and may be the best alternative loan program out there for many of our students".

Based on a recent survey of our campuses, we anticipate that at least 5 State-operated and 3 Community Colleges will participate when the program starts this spring. Most of the State-operated campuses indicate they will monitor the program and re-evaluate their participation for the 2010-11 academic year. The numbers are low for a variety of reasons and should not be taken as a reflection of the quality or characteristics of the program. The reasons include these:

- Whenever possible, financial aid administrators steer students away from debt.
- At Community Colleges, borrowing from private market, "alternative" loans has always been minimal. Borrowing needs at lower cost Community College are usually met by federally underwritten Stafford loans.
- Given recent financial stresses, the required 1% campus matching fee is problematic in some cases. However, those campuses already active in the alternative loan marketplace indicate that they will find the necessary matching funds so that their students may take advantage of the benefits of NYHELP.
- On-going administrative tasks demand resources needed to start a new program. Many SUNY campuses are consumed with new computer system installations and with the prospect of forced conversion to the federal William D Ford Direct Loan program, if Congress approves the President's proposal to eliminate the FFELP program.

Overall, we believe that SUNY participation in NYHELP will grow as details become known and the program develops.

SUNY will provide formal comments on the proposed NYHELP regulations to HESC later this month. For the most part these are technical or intended to improve certain aspects of the program for student and non-student borrowers. We would be pleased to share our comments with the Committee and will briefly mention two here for the record. First, we have recommended that the regulations make it clear that excess payments by

a borrower be applied to principal rather than simply “future installments”. This can shorten the repayment period and reduce the overall cost of borrowing (§2200-a.5(f)(ii)). Second, one of the benefits of NYHELP not available under other private market alternative loans is the death and disability benefit provision. However, the proposed regulations limit this benefit to enrolled students (§2200-a. 20(e)). We believe, and will recommend to HESC, that borrowers should be covered for the life of the loan. Last spring, I spoke with a parent whose son died shortly after graduation. In addition to dealing with that grief, as co-signer, a portion of his retirement funds were lost to his son’s private market education debt.

State University remains committed to provide a high quality public higher education in an accessible and affordable manner. It is our partnership with the Legislature that ensures that these goals and principles will always be attained.

Thank you for the opportunity to present this testimony today and I am prepared to answer any questions.