



## SENATE STANDING COMMITTEE ON BANKS

### SENATE STANDING COMMITTEE ON CONSUMER PROTECTION

#### NOTICE OF PUBLIC HEARING

**SUBJECT:** Protecting Student Loan Borrowers in New York State

**PURPOSE:** To review the findings of the United State Department of Education Inspector General report on the oversight of student loan servicers, and to consider efforts the State of New York might take to protect student loan borrowers.

Hearing Room B

Monday

March 4<sup>th</sup>, 2019

11:00 AM

Legislative Office Building

Albany, NY 12210

According to a February 2019 report by the Inspector General of the United State Department of Education, "Federal Student Aid: Additional Actions Needed to Mitigate the Risk of Servicer Noncompliance with Requirements for Servicing Federally Held Student Loans," the loan servicers licensed and monitored by US-DOE are not receiving the level of oversight necessary to protect student borrowers.

To the contrary, the Inspector General concluded that the office of Federal Student Aid (FSA) does not effectively monitor loan servicers, has no defined standard for what constitutes loan servicer non-compliance, and has almost never penalized loan servicers for inappropriate practices. As a result, the Inspector General concluded that the FSA has allowed loan servicers to provide advice to borrowers that is contrary to their economic well-being.

In New York, student loan debt is over \$90 billion and growing, involving 2.4 million borrowers. With approximately 20% of New York student loan borrowers in default, it is clear that student loans are having a significant impact on New Yorkers, especially those of low income.

In the Governor's 2019-20 Executive Budget, legislation has again been proposed that would require student loan servicers that operate in New York State to be licensed by the Department of Financial Services (DFS) and set standards and penalties for the student debt consulting industry. And last year, the Assembly in 2017 passed legislation requiring DFS to license student loan servicers and defining in law certain prohibited practices in the student loan industry (A.7582-A Zebrowski). In addition, it has been proposed that a statewide consumer helpline is needed to provide New York's student loan consumers with accurate, unbiased advice to enable them to protect their financial interests.

This hearing will seek to explore the implications of the United State Department of Education's Inspector General report for New York student loan borrowers, and pursuant to its findings, what steps the State of New York can take to protect its residents.

Testimony will only be accepted by invitation.

**Oral testimony will be limited to 5 minutes.** In preparing the order of witnesses, the Committees will attempt to accommodate individual requests to speak at particular times in view of special circumstances. These requests should be made on the attached reply form or communicated to the staff as early as possible.

Twenty copies of any prepared testimony should be submitted at the hearing registration desk. The Committees would appreciate advance receipt of prepared statements.

In order to meet the needs of those who may have a disability, the Senate, in accordance with its policy of non-discrimination on the basis of disability, as well as the 1990 Americans with Disabilities Act (ADA), have made facilities and services available to all individuals with disabilities. For individuals with disabilities, accommodations will be provided, upon reasonable request, to afford such individuals access and admission to Senate facilities and activities.

PUBLIC HEARING REPLY FORM

Persons invited wishing to present testimony at the March 4, 2019, public hearing on Protecting Student Loan Borrowers in New York State are requested to complete this reply form as soon as possible via email to Paul Alexander [alexande@nysenate.gov](mailto:alexande@nysenate.gov) or fax it to 518-426-6859:

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

ORGANIZATION: \_\_\_\_\_

TOPICS TO BE ADDRESSED: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

E-MAIL: \_\_\_\_\_

WORK TELEPHONE: \_\_\_\_\_

CELL PHONE: \_\_\_\_\_

FAX TELEPHONE: \_\_\_\_\_

I will require assistance and/or handicapped accessibility information. **Please specify the type of assistance required:** \_\_\_\_\_  
\_\_\_\_\_