



## **Student Loan Debt**

UUP is exploring groundbreaking conceptual programs to diminish the outstanding loan burden on New York State students, including an interest rate cap subsidy designed to lower the actual cost SUNY graduates pay, and a loan forgiveness program for SUNY-employed adjuncts.

### **I. Interest rate cap subsidy**

You can refinance your house and your car, but not your student loan? That's correct, but it's not right. UUP has a plan to change that.

Many student loan borrowers have loans with high and unmanageable interest rates. Approximately 2.8 million New Yorkers carry an astonishing student debt burden totaling \$73.2 billion. A SUNY student with a bachelor's degree graduates with an average of \$22,575 in student debt.

If students were able to refinance and lower the interest rates on their student loans, they would have an easier time repaying loans. It would also enable them to make other important life decisions.

#### **Snapshot:**

- This proposal would create the SUNY Student Loan Refinancing program.
- This program would enable students to refinance state or federal government SUNY student loan debts that were entered into on or after January 1, 2008.
- This program would be administered by the New York State Higher Education Services Corporation (HESC). It would be financed by either bonds or through a portion of New York State's recent multi-billion dollar legal settlements with big banks.
- The board shall set the interest rate on loans made under the program to be equal to the 10-year Treasury note rate plus 1 percent.
- Each loan will receive a fixed interest rate pegged to the current Treasury note rate.
- The board shall provide an interest rate incentive, after the 61st on time payment. This incentive will allow the borrower to qualify for a 1 percent interest rate reduction.
- Any individual who has completed an associate's or bachelor's program at any state-operated degree granting institution within the State University of New York system.

## **Program Details:**

### **Definitions:**

1. "Refinanced Education loan" shall mean any student loan that is refinanced under this program.
2. "Eligible borrower" or "borrower" shall mean any individual who has completed an associate's or bachelor's program at any state-operated degree granting institution within the State University of New York system.
3. "Eligible college" shall mean any state-operated degree granting institution within the State University of New York system.
4. "Eligible co-signer" shall mean a parent, legal guardian or otherwise credit worthy individual over 21 years of age who satisfies applicable credit criteria approved by the corporation and is a resident of New York State.
5. "Eligible timeframe" shall mean the one-year time period after a student's graduation that they are eligible to apply to refinance their loans.
6. "Higher education loans" shall mean loans entered into on or after January 1, 2008, for the purpose of paying for the cost of attendance at an eligible college and shall include tuition and fees, books, room and board, and other educationally related expenses, as determined by the board.
7. "Holder" shall mean, with respect to an education loan: (i) a lender; (ii) a public benefit corporation authorized to finance the purchase or making of education loans pursuant to the public authorities law; or (iii) any assignee of such lender or public benefit corporation.
8. "Lending institution" or "lender" shall mean any entity that itself or through an affiliate originates education loans, other than an entity authorized to finance the purchase or making of education loans through the issuance of bonds pursuant to the public authorities law.
9. "Program" shall mean the SUNY Student Loan Refinancing Program established by this article.
10. "Student" shall mean any individual who was enrolled at least half-time, as defined by the commissioner, in an associate's or bachelor's program at any state-operated degree granting institution within the State University of New York system.

## Board Description:

- A separate SUNY Student Loan Refinancing Board will be developed.
  - The **members of the board shall consist** of the following:
    - One member appointed by the temporary president of the Senate;
    - One member appointed by the speaker of the Assembly.
    - Five members to be appointed by the governor, three of which will require the advice and consent of the senate, for a term of three years; two of which will be for a term of one year and will not require senate confirmation. The five members appointed must include:
      - Three members who have at least 10 years' experience in making qualified education loans or loan refinancing, but any person having a financial interest in or whose employer is primarily engaged in the business of making qualified education loans is not eligible for appointment under this subdivision, and any member appointed under this subdivision who acquires such an interest while serving as a member shall resign from the board.
      - Two undergraduate students enrolled at least half-time and in good academic standing at a state-operated degree granting institution within the State University of New York system who is at least 18 years old and a resident of the state (one year appointment).
  - The governor shall appoint a chair from among the members appointed by him/her who shall serve as such until his or her successor is appointed. At the first meeting of the board and at the first meeting thereof in each fiscal year thereafter the members of the board shall choose from their number a vice-chair and a secretary.
  - The members of the board shall serve without compensation but shall be entitled to reimbursement of their actual and necessary expenses incurred in the performance of their official duties.
  - **Duties of board.** The board shall develop and implement a program under which state residents may refinance qualified education loans. The board shall develop the program to include all of the following:
    1. The board shall establish eligibility criteria to participate in the program that is substantially similar to the criteria used by private lenders in the state to evaluate whether an individual qualifies for an unsecured personal loan at market rates.
    2. The board shall set the interest rate on loans made under the **program to be equal to the 10-year Treasury note rate plus 1 percent.**
    3. Each loan will receive a **fixed interest rate based on the Treasury note rate** at the time the loan is entered into.

4. The **board shall provide an interest rate incentive that kicks-in after the 61st on time payment.** Through this incentive the borrower may qualify for a 1 percent interest rate reduction.
5. Annually, the board shall **submit a report on the activities** of the SUNY Student Loan Refinancing Board to the chief clerk of each house of the Legislature, for distribution to the legislature, including:
  - Its operations, accomplishments, goals, and objectives;
  - A statement of income and expenses for the fiscal year;
  - Its assets and liabilities at the end of the fiscal year; and
  - A schedule of its bonds and notes outstanding at the end of its fiscal year, together with a statement of the amounts redeemed and incurred during such fiscal year.

#### **Additional Protections:**

- Students will be provided with similar protections that they would have received had they maintained payments of federal loans:
  - Income-based repayment
    1. Payment plan based on income and family size; if payments would be lower than that of a Standard Repayment Plan with a 10-year period.
  - Deferment, may be granted for the following reasons:
    1. During a period of at least half-time enrollment in college or career school.
    2. During a period of study in an approved graduate fellowship program or in an approved rehabilitation training program for the disabled.
    3. During a period of unemployment or inability to find full-time employment.
    4. During a period of economic hardship (includes Peace Corps service).
    5. During a period of active duty military service during a war, military operation, or national emergency.
    6. During the 13 months following the conclusion of qualifying active duty military service, or until return to enrollment on at least a half-time basis, whichever is earlier, if
      - The individual is a member of the National Guard or other reserve component of the U.S. armed forces, and
      - The individual was called or ordered to active duty while enrolled at least half-time at an eligible school or within six months of having been enrolled at least half-time.
  - Forbearance
    1. Discretionary forbearance, may be granted for the following reasons:
      - Financial hardship (as defined by the Board).

- Illness (as defined by the Board).
- 2. Mandatory Forbearance, may be granted for the following reasons:
  - The individual is serving in a medical or dental internship or residency program, and meets specific requirements.
  - The total amount the individual owes each month for all the student loans received is 20 percent or more of total monthly gross income (additional conditions apply).
  - The individual is serving in a national service position for which they received a national service award.
  - The individual is performing teaching service that would qualify for teacher loan forgiveness.
  - The individual qualifies for partial repayment of loans under the U.S. Department of Defense Student Loan Repayment Program.
  - The individual is a member of the National Guard and activated by a governor, but not eligible for a military deferment.

**Funding and Cost:**

- We envision the program’s initial cost to refinance student debt will be approximately \$807 million (assuming that 100 percent of graduates with student loan debt apply), which could be accomplished through the sale of bonds or through a portion of the recent legal settlements with big banks.

## **II. Student loan forgiveness**

As the SUNY budget has tightened, campuses have become more reliant upon part-time adjunct faculty. Despite the fact that these individuals hold advanced degrees similar to their full-time colleagues, adjunct faculty face lower pay, fewer benefits, and minimal job security.

These circumstances only exacerbate the pressures that student debt creates. UUP is proposing to create a loan forgiveness program for SUNY-employed adjuncts that would reduce their current debt burden and allow them opportunities to pursue further education and incentives to continue using their knowledge and expertise to teach SUNY students.

### **Snapshot:**

- This proposal creates the SUNY-employed Adjuncts Loan Forgiveness Program.
- Eligible adjuncts can apply for loan forgiveness after teaching at least two courses at a state-operated degree granting institution within the State University of New York system in the previous academic year.
- Eligible adjuncts must have an income solely derived from employment at a higher education institution; they cannot hold a full-time academic position at any higher education institution.
- The maximum lifetime total award an eligible adjunct may receive under this program is \$29,400, or the cumulative total of their eligible student loan expenses at the time of their first successful application, whichever is less.
- Awards will be paid in disbursements of \$5,880 for each annual period of qualified service completed, or the applicant's actual eligible student loan indebtedness at the time their eligibility is established.
- Payments may be directly made to awardees for each annual period of qualified service they complete.
- Annual funding is contingent on continued New York State funding each year, which means awardees are not guaranteed a payment each following year. If there are more awardees than available funding, the awards will be established by a random lottery.

### **Program Details:**

#### **Definitions:**

1. "Eligible Adjunct" shall mean an individual who is a legal resident of New York State for at least one year; a U.S. citizen or an eligible non-citizen; has an eligible student loan expense; is not in default on a federally guaranteed student loan or New York State student loan; has taught at least two courses at a state-operated degree granting institution within the State University of New York system in the academic year previous to applying for loan forgiveness; has an income solely derived from employment at a higher education institution; and does not hold a full-time academic position at any higher education institution.

2. “Eligible Student Loan Expense” shall mean (i) the total cumulative New York State or federal loan balance, for loans entered into on or after January 1, 2008, required to be paid by the adjunct for student loans covering the cost of attendance at an undergraduate, graduate, and doctoral institution(s).
3. “Ineligible Loan” shall include Parent Loans for Undergraduate Students (PLUS) loans, loans which may be cancelled under any other program including Perkins Loans, or private non-commercial loans given, for example, by family or friends, or student loan debts paid with a credit card.
4. “Qualified Service” shall mean **employment during the prior academic year as an eligible adjunct faculty at a state-operated degree granting institution within the State University of New York system providing teaching services for the equivalent of at least two accredited courses.**

#### **Funding and Cost:**

- Estimating the cost is difficult. A conservative estimate would take the total number of part-time academics and multiply it by the national average student loan debt rate. However, this figure would include individuals that are excluded from the program, such as adjuncts with full-time jobs outside of higher education, or debt prior to 2008.
- UUP will conduct a survey of its part-time academics over the next few weeks to get a more accurate cost estimate for the program.