

BUDGET MEMORANDUM OF SUPPORT

March 9, 2018

Transportation, Economic Development and Environmental Conservation Article VII (PART W, student loan servicers and student debt relief consultants)

The Governor's Executive Budget proposal would empower the Department of Financial Services to license and regulate the student loan servicer industry as well as create minimum standards for student debt consultants to curtail harmful practices. It would also prohibit State agencies from suspending or denying the issuance of professional licenses for individuals behind or in default of their student loans.

Currently, student loan servicers provide billing and other services related to federal student loans, and student debt consultants provide services related to repayment of debt from student loans. Both industries are currently unregulated with inconsistent standards, placing student consumers at risk for misapplied payments, lost paperwork and inaccessibility to affordable payment options to avoid default.

AARP recently surveyed New York's Gen X and Boomer voters and found that 20% of Boomer respondents who do not have student loan debt expect to take out a student loan in the future. In addition, our research found 68% of both Gen X and Boomers say student debt has made it harder for them to save for retirement. These findings indicate that student debt is and will likely continue to be an obstacle to economic security for 50+ New Yorkers.

An analysis of student loan delinquencies that was included in AARP's recently released *Disrupting Racial and Ethical Disparities* (2018) states that in New York and Long Island, delinquencies are clustered in zip codes that have significant middle-income black and Latino populations, suggesting that middle income people of color are likely to carry unaffordable student loan burdens.

According to the federal Consumer Financial Protection Bureau, "although student loans are usually thought of as a younger American issue, in reality there are an increasing number of older Americans paying back student loan debt. Many older consumers struggle with student loan debt, sometimes forcing them to delay retirement or threatening their financial security when in retirement." Older consumers may hold student loan debt because they are still paying off loans that were accrued when they were much younger, acquired during a career switch or taken out for their children or grandchildren's education.

New York State has a long tradition of leading the way on consumer protection, and student loan servicing is an issue that is in need of state oversight. In New York, student loan debt more than doubled during the last decade, growing to \$82 billion, with an average outstanding balance of \$32,000. Student loan servicers, which are the primary links between lenders and borrowers, have the power to either help borrowers remain current on their accounts or allow them to fall into default.

AARP supports Part W of the TED Article VII Executive Budget and urges the Legislature to include this language in the final state budget.

For the above reasons, AARP strongly supports this legislation.
Please contact Bill Ferris or David McNally at (518) 434-4194 with any questions.