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**Statement by James C. Ross, President
New York State Higher Education Services Corporation**

**To the
New York State Senate Finance Committee and
The New York State Assembly Ways & Means
Committee**

January 15, 2009

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HESC President's January 15, 2009 Testimony

Chairman Kruger, Chairman Farrell, Chairwoman Stavisky, Chairwoman Glick, and members of the Senate Finance and Assembly Ways and Means committees, I am honored to have the opportunity to address this distinguished group regarding the higher education financial aid programs administered by the New York State Higher Education Services Corporation (HESC).

It is a distinct pleasure to return before you today and report on HESC and Governor Paterson's 2009-10 Executive Budget recommendations that address student financial aid in New York State.

HESC is the State's student financial aid agency that helps nearly 650,000 students and parents pay for college each year through programs that have received your strong support, including the lauded Tuition Assistance Program (TAP), and nearly 18 various scholarship programs.

This year we are poised to take an important and very necessary step to help students achieve their dream of attending college.

The financial crisis gripping the nation, the State, and every individual household, plus the confluence of higher college costs and less available financial aid, threatens our longstanding tradition of helping people pay for college.

While families are finding it harder than ever to obtain the education financing they need, thousands of New York students have begun to face the unnerving prospect of having to delay or cancel their college education plans.

To effectively meet the challenge of paying for higher education in the current environment, key stakeholders, including government, colleges and universities, and financial institutions must forge strong and creative partnerships to help students and their families achieve their academic and career goals.

Governor Paterson has taken decisive action to help New York's students and families by building this vital partnership with his proposed New York Higher Education Loan Program (NYHELPS). Through this program, New York's students will be able to obtain low-cost, private loans to help make up the difference between State and federal financial aid and the cost of going to college.

As the nation works through this financial crisis, such innovative programs are needed to help keep the doors to higher education open to all New Yorkers and maintain a highly educated workforce that is key to maintaining economic strength in New York.

Starting the spring semester of the 2009-10 academic year, the potent NYHELPS will help tens of thousands of students by offering up to \$350 million each year in lender-capitalized, fixed-rate loans, supported by State private activity bonds, as well as additional lender-funded, variable-rate loans.

These education loans will be available for New York State residents who enroll in undergraduate or graduate degree or professional certificate programs at degree-granting colleges and universities in the State. The loans will help address the unmet financial need facing families across the State, after other federal and State aid is subtracted from costs of attendance. (See charts at end of testimony).

Because of the unique partnership the State is building with lenders participating in NYHELPS, students could receive an estimated interest rate between 7.5 and 8.5 percent on these loans, a significant savings from current market rates on private student loans. In fact, in this present market, there are no private fixed-rate education loans available to students. To the extent variable-rate loans are available to students the current rates can be as high as 17 percent.

While expanding student access, this program will also help borrowers understand their responsibilities. Borrowers will be required to complete a comprehensive Web-based financial literacy education program. The e-learning component of the loan program will help students make smart borrowing decisions, provide guidance on the pitfalls of credit card debt, and emphasize the student's responsibility for paying back their student loans.

An educated consumer presents a lower risk which often translates to better credit terms throughout the student's lifetime. This is just one of many added benefits that make NYHELPS a strong new alternative in private loans for students.

The lack of transparency of lender information has been another aspect of student lending that has plagued the student. NYHELPS borrowers will apply online through another new initiative, HESC's Student Loan Marketplace, a dynamic interactive Web site that educates students on best borrowing practices and allows them to compare and contrast loans available to the individual based on the interest rates they would actually pay, the total costs, all with only one credit check. This site was designed specifically to preserve borrowers' credit scores and ensure they receive trustworthy information.

To make sure NYHELPS serves New Yorkers efficiently and effectively, the program will be added to the array of grants, scholarships and federal loans administered by the New York State Higher Education Services Corporation (HESC), the State agency that for 34 years has helped New Yorkers pay for college.

NYHELPS is another jewel in New York's coveted financial aid crown. This low-cost loan program will enhance our State's reputation as the most generous with college financial aid and continue our long and proud legacy of helping families to the threshold of the college classroom door.

Changes to TAP Eligibility

There are several other areas in the Governor's Executive Budget proposal that reflect the difficult choices facing the State as a result of the unprecedented fiscal crisis, while at the same time shielding the poorest students from public college tuition increases, and establishing incentives for undergraduate students to graduate on time and receive their full TAP benefits.

The following recommendations are largely designed to help our diverse student population to continue to pay for their education beyond the traditional four years. Key among these recommendations are;

Proration of TAP Awards to be in Alignment with Student Course Loads. Currently, students taking less than 15 credits per semester exhaust their TAP eligibility limits prior to graduating. To ensure the continuation of TAP eligibility through graduation, the Executive Budget would pro-rate TAP awards for students taking between 10 and 14 credits per semester, with a 15-credit basis for full awards. Students taking 6 to 9 credits would continue to be eligible for Part-time TAP awards, which would also be pro-rated on a 15-credit basis for full awards. This measure is expected to produce savings of \$31 million in 2009-10.

Adjustment of Academic Standards for Continued TAP Eligibility for Non-Remedial Students. The Executive Budget would increase minimum academic standards for non-remedial students to maintain TAP eligibility. Such students will now be required to earn at least 18 credits and a 1.8 Grade Point Average (GPA) after two semesters of study. This will help ensure that students can attain a 2.0 in their junior year and maintain TAP eligibility. Current standards would remain unchanged for remedial students. This measure is expected to produce savings of \$6.5 million in 2009-10.

Equitable treatment of Pension Earnings in TAP Income Eligibility Determinations. Currently, income earned from private sector pensions is included in the calculation of net taxable income for TAP purposes, while income earned from public sector pensions is not. The Executive Budget eliminates this inequity by including all pension earnings in TAP income eligibility determinations. This measure is expected to produce savings of \$15 million in 2009-10.

Other adjustments to the TAP program include eliminating TAP award eligibility for approximately 7,600 graduate students who receive average annual awards of \$381; eliminating the current enhancement in TAP award amounts for applicants who have multiple dependent family members in college; and making students ineligible for TAP if they are in default on federal loans. Currently, students in default on federal loans guaranteed by the Higher Education Services Corporation are ineligible to receive TAP payments, but students in default on other federal loans retain TAP eligibility. The Executive Budget provides that all students in default on federal loans would be ineligible for TAP awards. Combined, these measures are expected to produce \$12.7 million in 2009-10.

The Executive Budget also includes \$38 million in additional TAP funding to support increased TAP expenditures resulting from the recommended tuition rate increases at SUNY and CUNY.

HESC is prepared to implement the TAP changes as approved by the Governor and the Legislature.

HESC Accomplishments

Few State agencies can boast they enrich the lives of so many New York residents as HESC.

As the State agency that helps people pay for college, HESC helped nearly 650,000 students achieve their dream of attending college by providing \$4.5 billion in grants, scholarships and loan guarantees in 2007-08. HESC continued to be a stable and dedicated leader in the financial aid arena by helping students through programs ranging from pre-college awareness to post-graduation loan repayment.

Grants, Scholarships and Loan Forgiveness Programs

New York remains peerless when it comes to giving money for college.

Last year, HESC awarded nearly \$838 million in grants, scholarships, and loan forgiveness awards to more than 400,000 students, again providing the most need-based grant dollars per undergraduate student according to the latest survey by the National Association of State Student Grant and Aid Programs (NASSGAP).

The centerpiece of New York's financial aid for students continues to be the Tuition Assistance Program (TAP) which HESC administers. The foremost of all state grant programs, the 34-year-old TAP again reigned over similar state-based programs as the largest and most-generous need-based college grant in the nation.

During the 2008-09 academic year, it is estimated that TAP will award \$789 million, most through HESC's Web-based TAP application process.

To complement TAP, HESC administers a comprehensive array of 18 federal and State scholarships, loan forgiveness and special award programs, many of them with applications on the HESC Web site. In 2009-10, we project that HESC will provide nearly \$57 million.

Of note, last year, the Governor and the Legislature approved expansion of college benefits for veterans who served in defined periods starting from 1961. Eligible veterans will receive an award of up to the full cost of undergraduate tuition for New York State residents at the State University of New York. Prior to the change, the maximum award was \$1,000 per semester. With more and more of our State's servicemen and women returning from their duty overseas, we anticipate increased participation in this most worthwhile program.

Federal Family Education Loan Program (FFELP)

As the federally-designated guarantor in New York State for the Federal Family Education Loan Program (FFELP), HESC last year guaranteed nearly 595,000 new student loans worth more than \$3.2 billion. This is an increase of 8 percent in new loan volume. Additionally, the agency guaranteed more than 15,000 consolidation loans worth nearly \$468 million.

While New York State students continued to apply for and receive federal student loans and other financial aid, the machinery of the student loan industry that was invisible to them was clearly in disarray. In the midst of the unprecedented economic crisis, schools, students and families sought information and guidance from trusted resources.

HESC responded by quickly reaching out to families, schools and lenders.

Recognizing the challenges of advising students in a changing student loan environment, HESC provided a gateway to comprehensive and timely information about student loan borrowing.

A series of direct communications from HESC to college presidents opened the channels of communication wider than ever by establishing an ongoing dialogue among college administrators and lenders. HESC addressed FFEL Program stability, access to student loan funds, and steps to help borrowers cope with the changes in student loan availability.

For example, HESC worked with the U.S. Department of Education to put in place a “lender-of-last-resort” program for federal student loans for any student unable to find a FFEL lender. I am happy to say that we never had to implement the plan. Student loan lenders were provided liquidity through at least the 2009-10 academic year through the federal Ensuring Continued Access to Student Loans Act (ECASLA).

In addition, HESC staff worked hand-in-hand with financial aid directors and individual students at several schools that were experiencing frustration and confusion about lender access, to ensure each student was able to find a lender willing to lend to him or her.

We will remain vigilant and active at HESC to ensure continued, uninterrupted access to federal guaranteed student loans.

Default Prevention Services

A critical component of the FFEL Program is HESC’s role in helping students stay current with their loans and assisting schools with their default prevention efforts. These services remained HESC priorities during the last year.

HESC examined and reorganized our arsenal of existing default management services to make them more effective. The “Right Track” program is a unique combination of services for schools and borrowers, with the goal of keeping students in repayment and keeping school default rates low. HESC works in partnership with schools to provide them the advanced electronic tools and responsive support they need to prevent defaults.

HESC averted more than \$3.3 billion in potential student loan defaults last year through its various default prevention programs.

**Pre-College Services:
Reaching Farther to Help Students Reach Higher**

HESC's high school outreach programs continue to reach younger students, parents and guidance counselors throughout the State.

In 2007, as part of the College Cost Reduction and Access Act, Congress initiated a new program, the College Access Challenge Grant, with money awarded to each eligible state during the next two years.

The Governor designated HESC the lead agency for this grant in New York State and the agency is administering the \$8 million, two-year allocation.

The grant supports programs and activities to help secondary school students and families, who are at or below the federal poverty level, plan for and attend college.

New York's Gaining Early Awareness and Readiness for Undergraduate Programs, known as NYGEAR UP, is also part of a nationwide initiative to create innovative programs to help at-risk students think about and prepare for college.

As the State's designated GEAR UP lead agency, HESC is administering its second, six-year GEAR UP grant, worth \$21 million.

HESC coordinates support services for 8,200 at-risk students being provided by 11 colleges, universities and school districts, along with HESC's state partners: the State University of New York, the City University of New York, the Commission on Independent Colleges and Universities, the Association of Proprietary Colleges, the College Board, the New York State Financial Aid Administrators Association and the State Education Department.

Conclusion

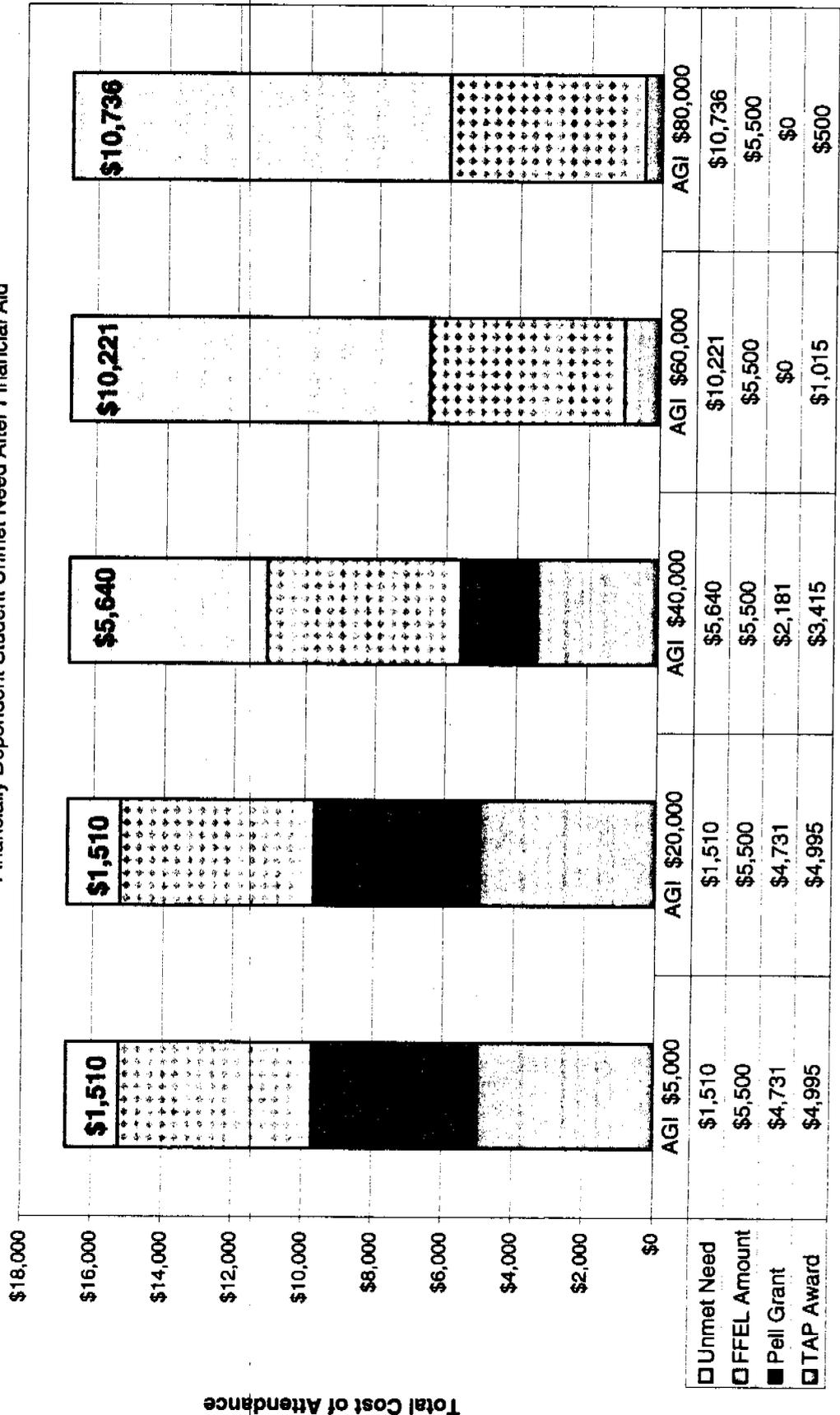
Even as the student loan environment remained unsettled the last year, HESC continued to develop exciting new products and services to help improve access to financial aid. From making it easier to apply for State-sponsored scholarships on the Web, to developing new tools to help students find the resources to finance a college education, to HESC's efforts to lower a school's loan default rate, the agency bolstered its reputation as a leader in cutting-edge financial aid products.

Flexible, resilient, forward-thinking and proactive, HESC capped this past year with an impressive list of accomplishments that support its rightful position at the vanguard of helping people pay for college. As we move forward, we will build upon these achievements to sustain the State's leadership position in providing affordable higher education opportunity.

New York State has a proud tradition of providing access to higher education by helping people pay for college. The new year will be full of challenges and opportunities. As New York faces these considerable hurdles, we must remember a college education is a cornerstone of our State's future.

SUNY
4-Year First-Time Full-Time Freshmen: Unmet Need
 (New York State Residents Only)

Financially Dependent Student Unmet Need After Financial Aid

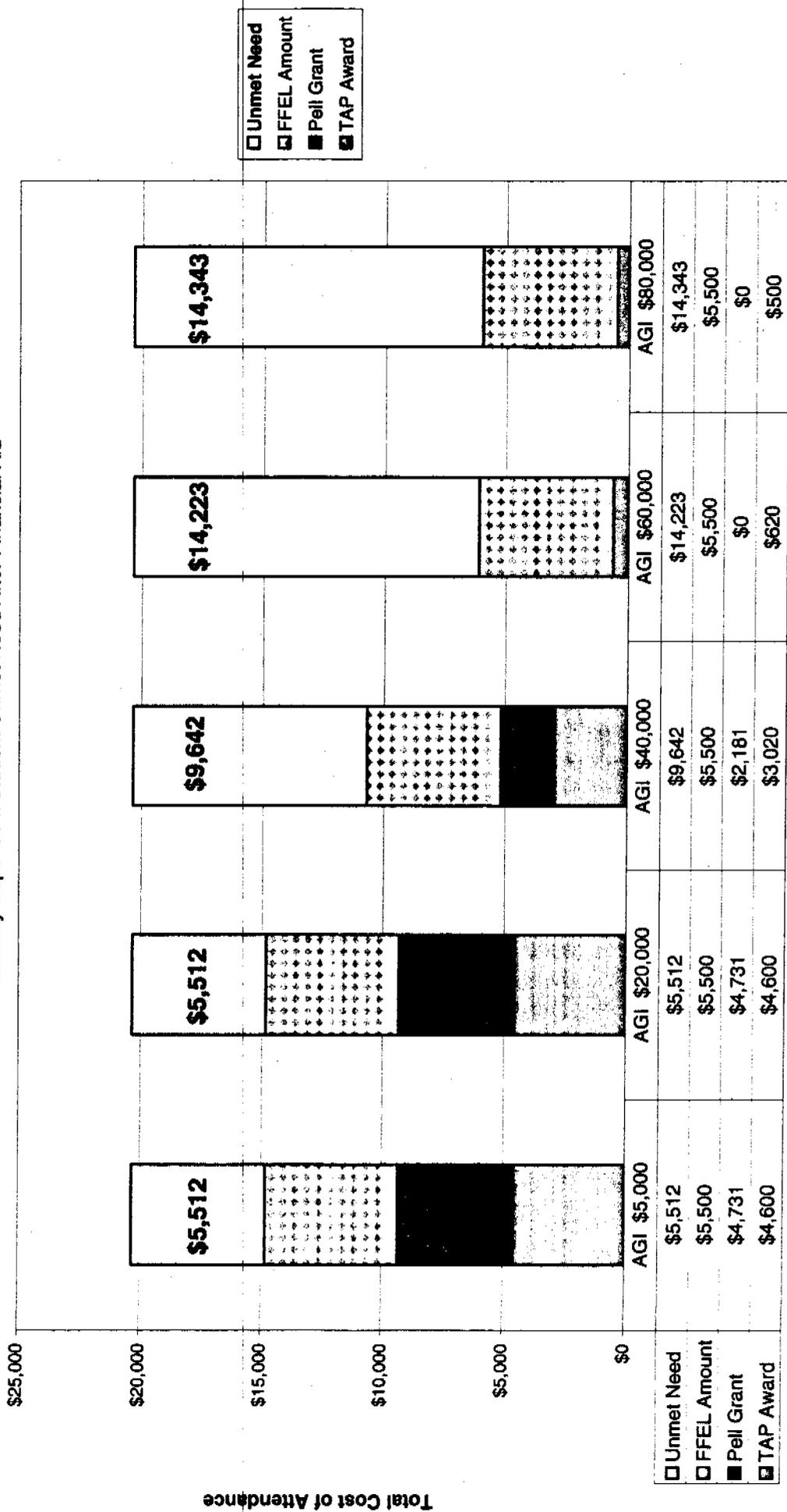


Unmet Need
 FFEL Amount
 Pell Grant
 TAP Award

CUNY 4-Year First-Time Full-Time Freshmen: Unmet Need

(New York State Residents Only)

Financially Dependent Student Unmet Need After Financial Aid



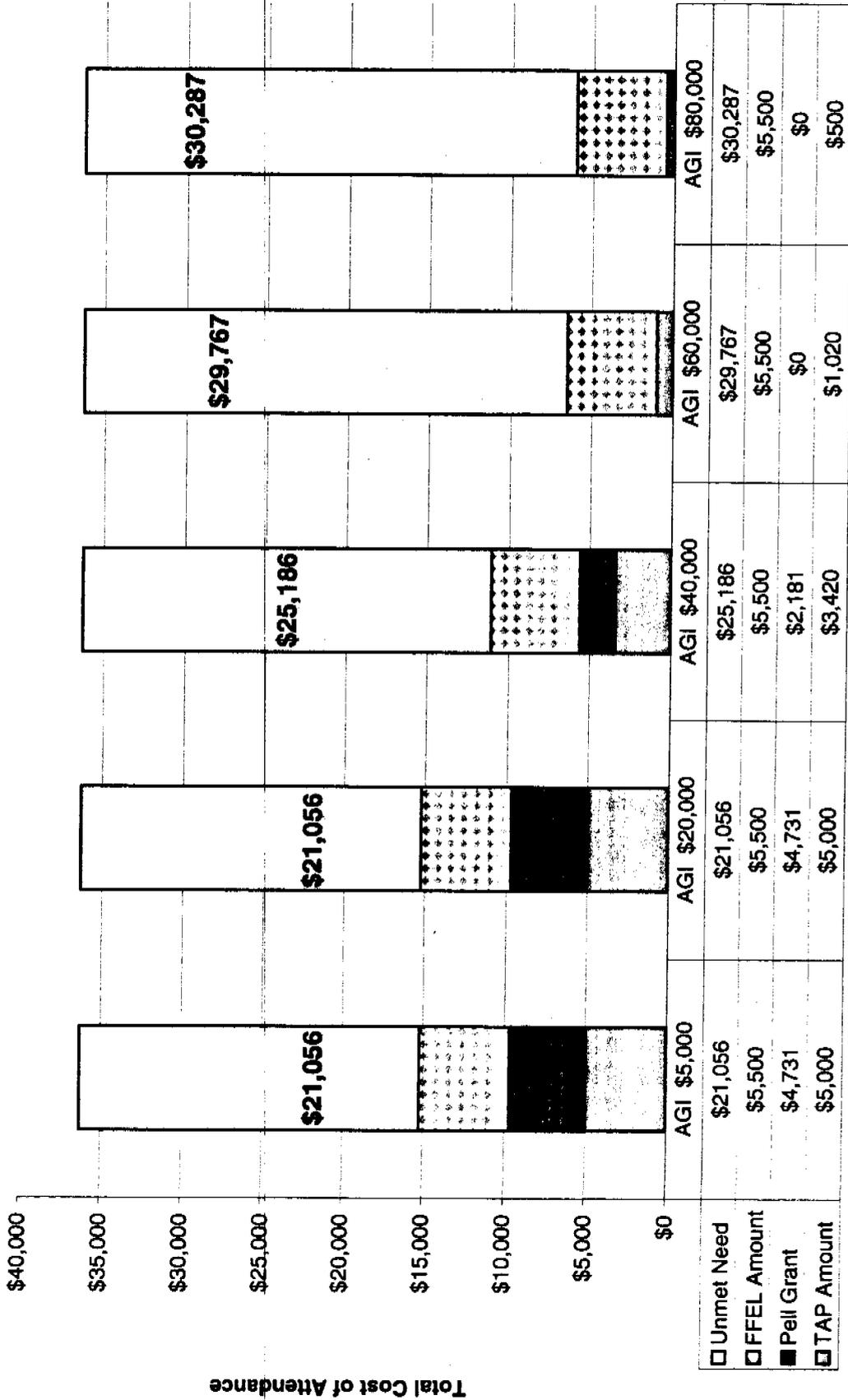
Total Cost of Attendance

Unmet Need
 FFEL Amount
 Pell Grant
 TAP Award

Independent 4-Year College and University First-Time Full-Time Freshmen: Unmet Need

(New York State Residents Only)

Financially Dependent Student Unmet Need After Financial Aid



Unmet Need
 FFEL Amount
 Pell Grant
 TAP Amount