

**Testimony of Assistant Commissioner Carlos A. Ortiz
New York City Department of Consumer and Worker Protection**

**Before the Committee on
Consumer and Worker Protection**

**Hearing on
Student Debt as Barriers to Generational Wealth and
Introductions 366 and 621**

November 17, 2022

Introduction

Good morning, Chair Velázquez and members of the Committee. My name is Carlos Ortiz, I am the Assistant Commissioner for External Affairs at the Department of Consumer and Worker Protection (DCWP). I am joined by Andrew Schwenk, our Associate General Counsel, and Haidee Cabusora, Director of Policy and Research. Thank you for the opportunity to testify today on the impact of student loan debt on New Yorkers, as well as Introduction 366, relating to required reporting on the public use of Financial Empowerment Centers and student debt distress, and Introduction 621, relating to companies that charge a fee for “student debt relief” already provided by the federal government.

Student loan debt is one of the biggest financial issues affecting Americans today. Since the mid-1980s, the cost of college has increased at twice the rate of inflation. At the same time, the number of students who have borrowed to fund their education has also risen, as did the average loan size.¹ Currently, almost 44 million Americans hold a collective \$1.6 trillion in student loan debt, making it the second-largest source of consumer debt in the United States.² The majority of this debt is owed to the federal government. Today, the average federal student debt load is almost \$38,000, with 15% of borrowers owing more than \$100,000.³

Student Loan Debt in New York City

DCWP has identified that approximately one in every six New Yorkers has student loan debt, and more than half of those with debt owe more than \$20,000.⁴ Collectively, New York City residents owe more \$34 billion in student loan debt. In 2019 and 2020 surveys, one in five New Yorkers with student loan debt had been late with payments at least once in the previous twelve months, and 61% of respondents were concerned that they would need more than the standard 10-year period to fully repay their loans. Half of all respondents with student loan debt indicated that their debt load had delayed or prevented them from making at least one major life choice, including buying a home or saving for retirement.⁵ Importantly, the tremendous burden of

¹ See [Weighed Down: New Yorkers Share How Student Loan Debt Is Affecting Their Lives](#)

² Only trailing mortgage debt. See [New York Federal Reserve Household Debt and Credit Report](#)

³ See [Federal Student Aid Portfolio Summary and Portfolio by Debt Size](#)

⁴ DCWP’s reports on student loan debt and related topics can be found on the agency’s website [at this link](#).

⁵ See [Weighed Down](#).

student loan debt is not shared equally by all New Yorkers; in fact, it is disproportionately felt by New Yorkers of color and those with low incomes.⁶

How DCWP Works with Student Loan Debt Holders

DCWP has worked diligently to understand and respond to the most pressing financial concerns facing New Yorkers in their everyday lives, including student loan debt. We do this in a few ways, such as by administering financial empowerment programs with contracted providers and enforcing consumer protection laws and rules.

DCWP's Financial Empowerment Centers, available across the five boroughs, provide free one-on-one financial counseling to New Yorkers, including for clients dealing with student loan debt. Our financial counselors receive in-depth training on student loans and how to guide clients through the complex and confusing process of repaying loans. Counselors and clients can check the status of their student loans, consolidate their student loans or payments, or bring their student loans out of default.

Across New York City, there are currently 26 Financial Empowerment Centers open for in-person services. Any New Yorker can schedule an appointment by calling 311 or visiting our website. So far in Fiscal Year 2021, DCWP financial counselors helped almost 7,000 New Yorkers with financial counseling, resulting in ~\$2 million in savings.⁷ Increasingly, student loan debt has accounted for a larger proportion of all appointments. We only expect the need for student loan-focused financial counseling to rise as the federal government's student loan payment pause expires in January 2023.

I want to give one example of the impact our Financial Empowerment Centers can have on New Yorkers struggling with student loan debt. Earlier this year, a client with \$270,000 of student loan debt visited one of our Financial Empowerment Centers for an introductory meeting with a counselor. After the meeting, the counselor reviewed the client's financial situation, noticed that they had worked enough years in public service to be eligible for forgiveness through the Public Service Loan Forgiveness waiver, and reached out to outline how to consolidate their loans and apply. Shortly thereafter, the client was able to have the entire balance of their loans forgiven and they are student-debt free. In the client's own words, without a visit to DCWP's Financial Empowerment Center, "none of this would have happened," and their student loan debt is "no longer weighing on me and my life decisions."

In addition to our Financial Empowerment Centers, DCWP also takes action against predatory businesses that mislead New Yorkers trying to obtain an education. For example, DCWP's recent investigation into the for-profit institution, Berkeley College, discovered that they engaged in aggressive and deceptive tactics during student recruitment, including lying to students about federal student loans, concealing costs from students until it was too late for them to withdraw, collecting debt that was not owed, and deceiving former students about re-enrollment. This past March, Mayor Adams announced our agreement with Berkeley to cease

⁶ See *Weighed Down* and [Upwardly Immobility: Low-Income Borrowers and the High Cost of College Education](#)

⁷ See [Mayors Management Report September 2021](#)

collection on \$20 million in outstanding student debt, and pay \$350,000 in restitution to affected students.⁸

Introductions 366 and 621

Turning to today's legislation, Introduction 366 would require DCWP to report on the public's use of Financial Empowerment Centers annually, as well as report biennially on student debt distress in New York City. DCWP supports the intent of this legislation. Currently, we report aggregate data on the public use of its Financial Empowerment Centers through the Preliminary Mayor's Management Report (PMMR) and the Mayor's Management Report (MMR). We welcome suggestions and would be happy to work with the Council on improving our reporting.

However, we have concerns about publicly distributing site-specific data concerning our Financial Empowerment Centers and data regarding contracted providers that deliver services at each site. Financial Empowerment Centers and the contracted providers vary in capacity, hours, location, operational history, and contractual obligations. Site-specific data points such as number of New Yorkers served or data concerning financial outcomes would paint an unfair and distorted picture, without context concerning relevant variables between providers and sites.

With respect to reporting on student loan debt distress, DCWP has concerns that due to data privacy restrictions, the agency may not be allowed to share the data on public platforms, including Open Data. We would like to work with the Council to tackle these issues by identifying specific datasets and outcomes that are feasible for any new reporting requirements.

Moving on to Introduction 621, this legislation would require businesses that provide student debt relief services for a fee to provide customers with a written disclosure stating that these services are available for free by contacting the federal Department of Education or a borrower's loan servicer. DCWP supports Introduction 621. New Yorkers suffering from student loan debt should not have to unwittingly pay for services that are available for free. We look forward to discussing this bill further with the Council.

Conclusion

Thank you for calling today's hearing on an issue that deeply affects New Yorkers. As always, we greatly appreciate our partnership with the Council, and we welcome any questions you may have.

⁸ <https://www1.nyc.gov/office-of-the-mayor/news/104-22/mayor-adams-delivers-20-million-debt-relief-former-berkeley-college-students>