

**Senate Committee on Budget and Appropriations
Testimony of David J. Socolow, Executive Director
New Jersey Higher Education Student Assistance Authority**

April 26, 2018

Good morning Chairman Sarlo, Vice Chairman Stack, Budget Officer Bucco, and Members of the Senate Budget and Appropriations Committee. Thank you for the opportunity to testify before you about the Fiscal Year 2019 Budget and our work at the New Jersey Higher Education Student Assistance Authority (HESAA).

As Governor Murphy stated in his Budget Message, the FY 19 budget focuses on priorities that will expand opportunities and fairness for the middle-class and working families of New Jersey, in part by building the strong foundation our next generation needs to learn, work, and live here.

One central element of Governor Murphy's strategy for building a stronger and fairer New Jersey is making postsecondary education more affordable and accessible for our state's residents. This priority is directly aligned with HESAA's mission of providing New Jersey's students and families with the financial and informational resources they need to pursue education beyond high school.

I would like to highlight two key initiatives among the line items in HESAA's proposed budget:

First, to reduce the financial obstacles to earning an associate's degree, the Budget includes a \$50 million investment to establish a new Community College Opportunity Grant (CCOG) program, which is the first step towards the goal of making community college tuition-free. In this first phase, which will start with the 2019 spring semester, the CCOG program's new "last dollar" grants will enable approximately 15,000 additional students from families with incomes below \$45,000 to attend community college tuition- and fee-free. In collaboration with the Secretary of Higher Education, we have begun discussing the design and roll-out of CCOG with the state's 19 county colleges, and I look forward to dialogue with members of the legislature on our plans for implementing this new program.

The budget also increases funding for the Tuition Aid Grant (TAG) program by \$7 million over the prior year's level, enabling 3,500 additional students to receive TAG grants to help pay for education at one of New Jersey's two-year or four-year degree programs. This level of funding for the TAG program is essential to strengthen New Jersey's commitment to providing need-based financial aid, thus enabling our state's neediest students to earn the postsecondary credentials that are vital to their successful participation in the labor market. One-third of all full-time undergraduate New Jersey residents who attend New Jersey postsecondary institutions receive support through TAG. The TAG program is nationally recognized for its excellence in helping low- and moderate-income students pay for college; in a recent survey by the National Association of State Student Grant and Aid Programs, New Jersey was ranked number one in the nation in awarding need-based aid dollars per undergraduate student enrolled.

In addition to the programs supported by the General Fund, I would like to briefly address HESAA's efforts to provide the information and funding students need for success in postsecondary education.

This coming year, we will expand our outreach to students, parents, and community groups, while continuing to communicate with our traditional partners among secondary school guidance counselors and postsecondary institution staff in financial aid and other offices. We will deliver crucial information to a broader set of community-based audiences, so more New Jersey residents can learn about options to pay for college, understand the importance of FAFSA completion, and build their financial literacy.

We are working to address the student debt crisis, by developing new tools to help student borrowers, including those whose economic circumstances make it more difficult for them to repay their student loans. This includes providing better information to all parties to an NJCLASS loan, as well as developing new approaches to help borrowers avoid defaults through affordable repayment options, and, in those cases where borrowers' loans are in default, by reforming HESAA's collection practices and protocols. I want to thank the members of the legislature who have highlighted the imperative of aiding borrowers who are struggling with paying off their loans. Our new initiatives are aligned with the goals that many of you have recommended, and I look forward to continuing to work with the legislature on feasible loan repayment solutions for students and their families.

HESAA has issued a request for proposals to design and develop a new student loan servicing system with modernized technology that will enable HESAA's staff to assist borrowers more efficiently and effectively. Also, because 93% of NJCLASS loans have more than one party to the loan (typically a family member is the co-signer), we refer to NJCLASS as a "Family Loan for Higher Education." To assist co-signers in fully understanding their role, we recently embedded in the online NJ CLASS loan application a new short video – which all parties to the loan must view before a co-signer commits to a loan – explaining the responsibilities of co-signing a student loan and directing applicants to third-party consumer information.

We are also developing better approaches to individuals who are delinquent on their student loans, helping to avoid defaults by offering affordable repayment options. Starting with loans originating in June 2018, we will offer additional repayment assistance through our new Household Income Affordable Repayment Plan ("HIARP") program. Subject to available funds, HIARP will offer reduced, affordable monthly payments for borrowers whose economic hardships extend beyond the maximum two-year timeframe of the Repayment Assistance Program (RAP) that was introduced in 2017. HESAA will use the RAP and HIARP programs in tandem to help borrowers avert defaults, by offering more affordable repayment plans in cases where all the parties to a NJCLASS loan have experienced material changes in their combined economic circumstances.

In addition, for those with loans that are in default, we are reforming HESAA's collection practices and protocols. We are now reviewing and revising HESAA's policies and procedures governing the collection of FFELP and NJCLASS loans that are in default. HESAA's mission is to make higher education accessible for New Jersey families, not only by helping them finance their education but also by assisting them in paying off their debts. We are working to identify ways to better assist struggling defaulted borrowers by offering more flexible payment structures that seek to balance borrowers' debt obligations with their ability to pay.

Thank you again for the opportunity to testify today on how HESAA will contribute to the Governor's priorities for building a stronger and fairer New Jersey. I look forward to answering your questions.