Joint Committee Meeting

Of

SENATE HIGHER EDUCATION COMMITTEE

SENATE LEGISLATIVE OVERSIGHT COMMITTEE

"The Committees will receive testimony from Gabrielle Charette, Executive Director of the Higher Education Student Assistance Authority, and other invited guests on the administration of the New Jersey College Loans to Assist State Students (NJCLASS) Loan Program"

The following bill will be considered:

Senate Bill 743

LOCATION: Committee Room 4
State House Annex
Trenton, New Jersey

DATE: August 8, 2016
1:00 p.m.

MEMBERS OF COMMITTEES PRESENT:

Senator Sandra B. Cunningham, Chair
Senator Robert M. Gordon, Chair
Senator Loretta Weinberg, Vice Chair
Senator M. Teresa Ruiz
Senator Thomas H. Kean Jr.

ALSO PRESENT:

Sarah B. Haimowitz *Office of Legislative Services* *Committee Aide*	Rosa Farias Mark Magyar *Senate Majority* *Committee Aides*	Amanda von Leer *Senate Republican* *Committee Aide*

Meeting Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey

SANDRA B. CUNNINGHAM
Chair

NELLIE POU
Vice-Chair

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New Jersey State Legislature

SENATE HIGHER EDUCATION COMMITTEE

STATE HOUSE ANNEX
PO BOX 068
TRENTON NJ 08625-0068

COMMITTEE NOTICE

TO: MEMBERS OF THE SENATE HIGHER EDUCATION COMMITTEE

FROM: SENATOR SANDRA B. CUNNINGHAM, CHAIRWOMAN

SUBJECT: **COMMITTEE MEETING - AUGUST 8, 2016**

The public may address comments and questions to Sarah B. Haimowitz, Committee Aide, or make bill status and scheduling inquiries to Natalie Pagan, Secretary, at (609)847-3850, fax (609)984-9808, or e-mail: OLSAideSHI@njleg.org. Written and electronic comments, questions and testimony submitted to the committee by the public, as well as recordings and transcripts, if any, of oral testimony, are government records and will be available to the public upon request.

The Senate Higher Education Committee and Senate Legislative Oversight Committee will meet jointly on Monday, August 8, 2016 at 1:00 PM in Committee Room 4, 1st Floor, State House Annex, Trenton, New Jersey.

The committees will receive testimony from Gabrielle Charette, Executive Director of the Higher Education Student Assistance Authority, and other invited guests on the administration of the New Jersey College Loans to Assist State Students (NJCLASS) Loan Program.

Immediately following the joint meeting, the Senate Higher Education Committee will consider the following bill:

S-743 Beach/Sarlo	Directs Higher Education Student Assistance Authority to forgive certain student loans in the event of the borrower's death.

Issued 8/1/16

For reasonable accommodation of a disability call the telephone number or fax number above, or for persons with hearing loss dial 711 for NJ Relay. The provision of assistive listening devices requires 24 hours' notice. CART or sign language interpretation requires 5 days' notice.

For changes in schedule due to snow or other emergencies, see website http://www.njleg.state.nj.us or call 800-792-8630 (toll-free in NJ) or 609-847-3905.

ROBERT M. GORDON
Chairman

LORETTA WEINBERG
Vice-Chair

M. TERESA RUIZ
PAUL A. SARLO
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New Jersey State Legislature

SENATE LEGISLATIVE OVERSIGHT COMMITTEE
STATE HOUSE ANNEX
PO BOX 068
TRENTON NJ 08625-0068

COMMITTEE NOTICE

TO: MEMBERS OF THE SENATE LEGISLATIVE OVERSIGHT COMMITTEE

FROM: SENATOR ROBERT M. GORDON, CHAIRMAN

SUBJECT: **COMMITTEE MEETING - AUGUST 8, 2016**

The public may address comments and questions to Michael R. Molimock, Committee Aide, or make bill status and scheduling inquiries to Shirley Link, Secretary, at (609)847-3855, fax (609)292-0561, or e-mail: OLSAideSLO@njleg.org. Written and electronic comments, questions and testimony submitted to the committee by the public, as well as recordings and transcripts, if any, of oral testimony, are government records and will be available to the public upon request.

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Issued 8/1/16

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SENATE, No. 743

STATE OF NEW JERSEY

217th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2016 SESSION

Sponsored by:
Senator JAMES BEACH
District 6 (Burlington and Camden)
Senator PAUL A. SARLO
District 36 (Bergen and Passaic)
Senator M. TERESA RUIZ
District 29 (Essex)

Co-Sponsored by:
Senators Madden and Diegnan

SYNOPSIS

Directs Higher Education Student Assistance Authority to forgive certain student loans in the event of the borrower's death.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.

(Sponsorship Updated As Of: 8/2/2016)

AN ACT concerning student loans offered through the New Jersey College Loans to Assist State Students (NJCLASS) Loan Program and supplementing chapter 71C of Title 18A of the New Jersey Statutes.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. a. In the event of the death of an eligible student borrower, the authority shall fully discharge the obligation of the student borrower and a parent or guardian who cosigned the loan.

b. The executor or administrator of the student borrower's estate shall provide written notification to the authority of the student borrower's death and shall provide the authority with a certified copy of the death certificate within 120 days of the student borrower's death.

2. This act shall take effect immediately.

STATEMENT

This bill directs the Higher Education Student Assistance Authority (HESAA) to forgive student loans offered through the New Jersey College Loans to Assist State Students (NJCLASS) Loan Program in the event of a student borrower's death.

NJCLASS Loans are awarded by HESAA and may be used by undergraduate and graduate students to pay for school-related expenses including tuition and fees, books, supplies, and room and board. Under the program, if a borrower dies while the loan is still in repayment, a person who cosigned the loan (such as a parent) will assume responsibility for the debt's repayment. Student loans obtained through the federal government are generally discharged in the event of the borrower's death.

This bill provides that, in the event of an NJCLASS student borrower's death, HESAA must fully discharge the obligation of the student borrower and a parent or guardian who cosigned the loan. Under the bill, the executor or administrator of the student borrower's estate must provide written notification to the authority of the student borrower's death and must provide the authority with a certified copy of the death certificate within 120 days of the student borrower's death.

TABLE OF CONTENTS

TABLE OF CONTENTS (continued)

TABLE OF CONTENTS (continued)

APPENDIX (continued)

pnf:1-82

SENATOR ROBERT M. GORDON (Chair): Good afternoon, everyone, and welcome to the joint meeting of the Senate Legislative Oversight Committee and the Senate Higher Education Committee.

Would you all rise and please join me in the Pledge of Allegiance? (all recite pledge)

May I have a roll call, please?

MS. HAIMOWITZ: For the Senate Legislative Oversight Committee, Senator Kean is here.

SENATOR KEAN: (off mike) Here.

MS. HAIMOWITZ: Senator Weinberg is here.

SENATOR LORETTA WEINBERG (Vice Chair): (off mike) Here.

MS. HAIMOWITZ: Senator Gordon.

SENATOR GORDON: Here.

MS. HAIMOWITZ: And for the Senate Higher Education Committee, Senator Kean is here; Senator Weinberg is here.

Senator Cunningham.

SENATOR SANDRA B. CUNNINGHAM (Chair): Here.

SENATOR GORDON: Thank you very much.

Good afternoon, everyone, and welcome to today's joint hearing of the Senate Legislative Oversight and Senate Higher Education committees. We are here today to discuss issues related to the New Jersey Higher Education Student Assistance Authority, also known as HESAA. As many of you are aware, recent news reports have brought to light a number of very troubling complaints by students, their families, and advocates concerning the administration of our State student loan program. These reports feature students and borrowers who, for a number of reasons such as serious medical illness and/or loss of employment, are no longer able to keep up with their loan repayments and have subsequently been subjected to very aggressive efforts by the Authority to collect their debt.

In the worst instances, we have read about parents being forced to continue making loan repayments for a deceased child.

Contrary to many other State and Federal programs that provide for loan adjustment, deferment, or forgiveness in these cases, recent reports suggests that the Authority is extraordinarily rigid and uncompromising. Their loan collection tactics also appear extreme. For example, the Authority filed over 1,600 suits against their borrowers last year alone. In these cases, debt collectors have added an additional 30 percent over the outstanding loan amount in collection fees. And for those already struggling to repay their debt, these suits are a devastating blow, far too often leading to bankruptcy and financial ruin.

It is also important to note that HESAA loans are quite unique. Armed with the power of the State, the Authority can garnish wages, withhold State income tax refunds and lottery winnings, and revoke professional licenses -- all without court approval.

These reports would suggest a pattern of inflexibility and unwillingness to work with borrowers to establish reasonable repayment arrangements.

While we cannot simply allow borrowers to ignore their financial responsibilities, we must consider the consequences of such heavy-handed collection policies. I would argue that it is far more beneficial for the State as a whole to foster sound financial futures, particularly for our young students, than to drive individuals to bankruptcy and a lifetime of insurmountable debt. It is incumbent on us, as elected officials, to be sure our loan policies shape brighter futures, not stifle them.

We hope to learn more about the Authority's policies and their effect on borrowers here today.

I would like to note that Authority Executive Director Gabrielle Charette and Chief of Staff Marcia Karrow were invited to testify at this afternoon's hearing, but declined the opportunity to do so.

And at this point, in the interest of balance, I'd like to read into the record Ms. Charette's letter to me and Chairwoman Cunningham.

"Dear Senator Cunningham and Senator Gordon: Thank you for your invitations to Chief of Staff Marcia Karrow and me to testify at a joint meeting of the Senate Higher Education Committee and the Senate Legislative Oversight Committee on Monday, August 8, 2016, concerning the administration of the NJCLASS loan program. We understand the committees' interest, following recent news reports about this program.

"The Higher Education Student Assistance Authority has initiated a review of its voluntary Policy and Procedure for NJCLASS Forgiveness/Compromise due to Student Death or Total and Permanent Disability When There is a Surviving Party on the Loans, to ensure that the Policy and Procedures meet public policy goals and those of the State of New Jersey. I am attaching a copy of the current policy, which provides for forgiveness when the student borrower dies during the in-school period, and extends for the immediate six months following graduation.

"In addition to a review of this policy, in light of recent newspaper reports about the administration of the NJCLASS program, HESAA is undertaking a review of how the policy is working in practice when these tragic situations arise, to ensure that we are handling each case with appropriate compassion and consideration for the individual circumstances of the borrower and any cosigner, as balanced against our fiduciary obligation to be responsible stewards of public funds.

Given that these reviews are currently ongoing, I believe it is premature for me or my staff to appear before the committees to discuss the policy and procedures until we have complete information. We do, however, look forward to briefing the committees following the completion of these reviews."

It is truly unfortunate we're not able to speak directly with Ms. Charette or other Authority representatives about these important issues. And I sincerely hope that we will be able to do that in the near future.

That concludes my introductory comments.

Before we call our first witnesses, I'd like to provide my fellow Committee members with the opportunity to say a few opening words. And let me start with my Co-Chairwoman, Senator Cunningham.

SENATOR CUNNINGHAM: Good afternoon.

First of all, I want to thank everyone for being here today; and a special thank you to my colleague, Senator Gordon, for helping to put this together.

Now, we're here today to find answers to the alleged tactics being used by the Higher Education Student Assistance Authority. I was very disturbed by what was detailed in news reports, and want to hear directly from the families and from organizations about what they have experienced.

Our mission as a State is to help students to be successful; to give them the guidance they need and the support they need to obtain a higher education -- if that is what they decide -- and to assure that they can succeed in the workforce. The kind of tactics allegedly employed by this agency are counter to that mission.

I was deeply troubled by reports of a mother, who just lost her child, being told that the college loan taken out for her son's education would not be forgiven. This is a child who was actually murdered.

I was also troubled by reports of a young man who could not keep up with his loans after being stricken with non-Hodgkin lymphoma and was laid off by Goldman Sachs. It seems that HESAA -- as we will refer to them today -- allegedly refused to defer on his debt. He was terrified by what a default would mean to his credit rating, so he told the agency that he would stop paying for health insurance and use the money -- $200 per month -- to repay the loans. The agency rejected that offer, and he was still served with a lawsuit from the agency demanding over $260,000.

There are other families that were forced into bankruptcy, we're told; and there will be other families who will be testifying today. But I have to say the most heart-wrenching thought that I can think of about this was a quote that one mother had. "I never thought that sending my daughter to college would ruin our lives." That is not what the State of New Jersey wants.

So I'm looking forward to hearing from as many people as possible today and finding out what is really happening.

Thank you.

SENATOR GORDON: Thank you, Senator.

Any other comments?

Senator Weinberg.

SENATOR WEINBERG: Thank you to Co-Chairs of the Senate Legislative Oversight Committee, Bob Gordon; and the Higher Education Committee, Sandra Cunningham, for calling this important meeting today. And thank you to those of you who have come out and are planning to testify.

I would just like to make an observation. I looked at the list of the agency that is supposed to be running this program. I dare say, all of them -- with the exception of the ex-officio members -- are holdovers. Some of their terms go-- Well, at least one goes back almost to Governor Corzine's Administration.

SENATOR GORDON: Are you referring to the Board?

SENATOR CUNNINGHAM: The Board of Directors.

SENATOR WEINBERG: I'm referring to the Board, yes; I'm sorry. Most of them go back to 2011, 2012, 2013. So apparently-- I don't know whether the Governor has nominated replacements, renominated the Board members; but it would seem to me that one of the ways we can get this agency to operate in an appropriate manner is to have an appropriate Board governing the agency. So that's one comment.

And I know that this-- The second thing that I'm about to say was mentioned in newspaper articles -- and I know you, Senator Gordon, emphasized this: that one of the reasons for the kind of aggressive tactics that we're seeing here -- and I'd just like to lay this out in the framework too -- is that the student loans are financed through tax-exempt bonds. So the bondholders become much more important, it seems, than those who are trying to get a college education and their families.

So I just wanted to lay those two things out in terms of the framework here.

Thank you very much.

SENATOR GORDON: Senator Kean, did you--

SENATOR CUNNINGHAM: Excuse me, Senator Ruiz would like to say something.

SENATOR GORDON: Senator Ruiz.

SENATOR RUIZ: It takes me a little longer to walk through the hallways, so I apologize for my late entrance today. (laughter)

Good afternoon, everyone.

And I'm sorry if I'm touching on any base that people have covered. Did you want to go, Senator Kean?

SENATOR KEAN: No, after you.

SENATOR RUIZ: I'm very--

SENATOR KEAN: No. no, after you.

SENATOR RUIZ: I'm very -- I work across the lines that way to get to the finish. (laughter)

SENATOR KEAN: No, no, after you; after you.

SENATOR RUIZ: So I apologize if I'm repeating anything that was said. I know that the Majority Leader was talking about the membership on the Board, which could pose a potential problem.

But what I do recall is, as a Budget member -- and Senator Cunningham can attest to this, and remembered Senator Weinberg in her past years -- every time we get Higher Ed and HESAA before us, we have had the same types of questions -- whether it's constituents with issues; multiple areas -- a lack of understanding on behalf of families that once they sign on -- that it doesn't work the same way as a Federal loan does, regardless as to whether you find employment or not.

So I'm curious to see if we are being as forthcoming with information when we're giving out the loans. In some cases, OLS has demonstrated some examples that almost seem like predatory lending; in situations where we're overindulging in lending an amount of money that, when you look at the median income of the entire family, would be extraordinary to pay off that debt.

The other issue, which is one that's outside of the loan, but I think demonstrates some -- I probably should have stopped to catch my breath (laughter) -- capacity as to how the Division functions, is a while ago, when-- Senator Cunningham, I think you were my co-prime sponsor on this. When you are a citizen of New Jersey, but you had undocumented parents -- it was Higher Ed or HESAA, I'm not sure. Rosa, do you know which--

MS. FARIAS (Committee Aide): I believe it was HESAA.

SENATOR RUIZ: HESAA. The students were being blocked out from certain State grants or Federal loan grants because the form itself required parents to provide Social Security info and a signature. I drafted a piece of legislation; it was heard in the court system; and then finally, through a regulatory process, the Division decided to change it.

What I want to accomplish today, through both Chairs, is-- We know what the issues are. I want to see a Division that is helpful. We know what the problems are, and problems come before the Department year after year because-- If we rewind all of the Budget tapes -- I don't want to hear, "If we don't do this, the State will assume the debt." Let's do research on what other states are doing; what is it that we can do better; and how can we help our students and families as we move forward? Because there are too many examples of how we become obstacles, as opposed to becoming links to really having every child in the State of New Jersey achieve one of the parts of the American dream, and that's higher ed.

Thank you.

SENATOR GORDON: Thank you, Senator.

Senator Kean.

SENATOR KEAN: Thank you, Mr. Chairman; thank you, Madam Chair.

I too am disappointed that HESAA representatives chose not to show up today to discuss the products and the solutions.

You know, it seems to me -- to get to Senator Ruiz's point -- one of the aspects of the American dream is the opportunity to achieve an education and a higher education. And this needs to be looked at in the overall context -- not only in the lending capacity, but in every single way we can drive down the overall cost of higher education that exists. If the overall cost is less, the loans are less. Whether they be, as Senator Ruiz phrased them, *predatory* or otherwise, the overall focus needs to be that we need to figure out ways that we can drive down the cost of higher education and create opportunities for everybody in New Jersey to be able to afford the higher education.

And HESAA is an agency that, at least, has traditionally been seen to provide and encourage open access to higher educational opportunities for a great number of New Jersey residents and students. In fact, New Jersey students and residents are really at the forefront of achieving higher educational opportunities. And that's something of which we, as a state, should be proud.

But I am very interested in hearing the concerns and the experiences that students and parents alike have experienced in their interaction with this agency, and we can see where this agency is falling short or has not been -- as I think fellow members of this Committee have emphasized -- a partner to achieving the dream, and instead is an opponent to achieving the dream.

Far too many recent college graduates -- and whether it's 20 percent, or 30 percent, 40 percent, or higher -- are unemployed or underemployed. Some are working at jobs that simply do not provide enough to pay back their education expenses. We need to consider all the options to assist the struggling borrowers, and certainly those parents who are facing the unspeakable circumstances that come when they lose a child. And those options need to be flexible repayment schedules, more competitive interest rates, the ability of borrowers to catch up with payments, or even a refinance of their obligations. All of these possibilities -- and others that, hopefully, we'll hear some ideas today -- need to be on the table. It is our duty as a Legislature, whether it be on the Higher Education Committee -- and I'm honored to serve on that Committee -- or on the Oversight Committee -- of which I am also pleased to serve -- to ensure the agency's policies and their actions actually advance higher education affordability, higher education innovation, and transparency; and that these degrees that people sacrifice so much to achieve actually give these New Jersey students a path forward towards a prosperous and fulfilling career.

We need to have more conversation on this issue; we need to have more conversation on how to drive down the costs; and we need to figure out a better way to make sure that generations of New Jerseyans continue to be able to afford to live in the greatest state in the nation.

I want to thank this Committee for coming together; but more importantly, I want to thank these people who are here today to testify about their experiences, and their recommendations of how we can make a better state, going forward.

Thank you, Mr. Chairman.

SENATOR GORDON: Thank you, Senator.

Senator Ruiz, did you want to amend your comments?

SENATOR RUIZ: I apologize; I think notice of the Department not coming in came in late Friday; and I didn't see that letter until now. So I will restate my comments. It would be extraordinarily difficult for us to have a conversation in a vacuum without having the Division here who's responsible -- another indication of how irresponsible they continue to be.

SENATOR GORDON: Thank you, Senator.

If I could, I just wanted to comment on something that the Majority Leader said about the way we finance this program. I don't want to prejudge what the problems are here, but in just reviewing the materials for this hearing, and learning something about how other states provide assistance in their loan programs, it strikes me that this program was predestined to have problems just based on the way it was created and financed. Because by relying on the bond markets, you create an inherent conflict between the needs of the bondholders -- who want to see aggressive collections of revenue -- and the needs of the customers who need some flexibility when they're economic circumstances change. So I think we really need to take a look at the basic framework of this program and whether it should be funded by appropriations, which is the way, for example, Massachusetts does it.

Senator Weinberg.

SENATOR WEINBERG: Yes, I just want to say something -- Senator Kean touched on it; certainly Senator Ruiz did -- about the lack of the Administration coming here today, which always hamstrings us. It happens more often than I would like to see it happen when we have Legislative Oversight Committee meetings. So not particularly pertinent to today -- although it is -- I really believe the Senate Legislative Oversight Committee needs subpoena power when it comes to having a hearing when we need the Administration present--

SENATOR GORDON: Right.

SENATOR WEINBERG: --or representatives there of the Departments.

So I'm just laying that out there, because this is not the first Oversight meeting we've had without the principal players being here to exchange information with us and with the public.

Thank you.

SENATOR GORDON: Thank you.

In the interest of balance, I thought before we started hearing from our witnesses today I would read a couple of paragraphs from some material that was sent to the Committee by Chief of Staff Marcia Karrow at HESAA. And if you will just bear with me, I'd like to read that into the record.

"HESAA regulations -- New Jersey Administrative Code 9A:10-6.17 -- the NJCLASS Promissory Note, and the bond indentures allow for loan forgiveness only in the event of the death or the total and permanent disability of the borrower when there is no cosigner or other party, herein after *cosigner*, on the loan. When there is a cosigner on the loan, the regulations, the promissory note, and the bond indentures all provide that the cosigner is liable for the debt and make no provision for loan forgiveness based on the financial condition of the borrower or cosigner. In fact, the promissory note expressly states that the loan is not forgiven if there is a cosigner or any remaining parties on the loan.

"Regardless, HESAA has a well-established practice of providing loan forgiveness when the student on the loan dies and cosigners are able to establish a severe financial hardship. The policy was formalized in 2012, when Gabrielle Charette assumed the position of Executive Director, and it was adopted by the HESAA Board in October 2015. The policy includes the following definition of financial hardship. Severe financial hardship: situations where the overall financial circumstances of the individual seeking relief are such that he/she is unable to maintain a basic standard of living and still make debt payments; and these circumstances are likely to persist for the balance of the life of the loan.

"Loan forgiveness based upon the financial condition of a cosigner on the loan of a deceased student borrower is provided from HESAA's own funds, not from bond funds. And while HESAA has not declined an application for loan forgiveness based on the unavailability of funds, the ability of HESAA to forgive such debt remains dependent on the availability of funds to do so.

"In the last 10 years, July 2006 to June 2016, HESAA forgave 670 loans because of the death or permanent disability of a borrower, totaling $6,885,175. Of the 670 loans forgiven, 510 loans had a single borrower, and 160 loans had cosigners on the loan and were forgiven under the policy referenced above. The 160 loans with cosigners, totaling $1,783,828, were forgiven following the death or total and permanent disability of the borrower -- student -- and a determination by HESAA of financial hardship of the cosigner.

"Since the policy was formalized in 2012, during the period from July 2012 to July 2016, HESAA received 62 applications for loan forgiveness from cosigners of loans to deceased students; and 47 loans totaling $560,886 were approved for loan forgiveness -- about 76 percent -- and 15 were denied. Some denials were based upon the applicants' refusal to provide documentation of their financial condition."

That was an overview that Marcia Karrow provided to this Committee.

And with that, I would like to begin calling our witnesses; and I would like to begin with Mr. David McMillin of Legal Services.

Mr. McMillin, are you here?

Mr. McMillin, please proceed.

D A V I D G. M c M I L L I N, Esq.: Okay.

SENATOR GORDON: Welcome.

MR. McMILLIN: Thank you.

Is the microphone on? Yes.

My name is David McMillin; I'm from Legal Services of New Jersey. We provide legal services to low-income New Jersey residents.

We'd like to first express our appreciation to the Committees and to the Chairs -- Senator Gordon and Senator Cunningham -- for holding today's hearing and for extending an invitation to LSNJ to testify.

In a nutshell, we're here because one of the most difficult, if not the most difficult consumer problem for low-income households in New Jersey today is having an unaffordable New Jersey CLASS loan burden. That arises from two fundamental factors: one is bankruptcy discharges not available -- and we can't address that here, that's a Federal law issue -- and the other is the non-bankruptcy solutions are not available. And that is a matter of State law, and that we can address here.

Looking at the background: The design of any responsible student loan program must address the needs of the most vulnerable borrowers -- those who simply can't make payments on a standard repayment schedule. And no one can think about a student loan program without realizing that that cohort of borrowers will be there. When somebody takes out a student loan, they don't know what the future holds. And it's universal across student loan programs that some borrowers, through no fault of their own, don't have the income to meet the standard repayment schedule. A responsible student loan program comes up with alternatives to deal with that situation.

We have made a set of recommendations to the agency in response to their recent regulatory proposal. That's attached to the written testimony that we provided to the committees. And I wanted to focus in on two of those recommendations in particular. One is to implement an income-sensitive repayment option for borrowers who need that to remain on track. And the second is to implement a rehabilitation program which will allow borrowers who are in default to start making payments again and become -- and contribute directly to the bottom line of the loan program by making payments.

Those are important to think about in context. Both of those programs are readily available for Federal student loan borrowers; they have been part of the Federal student loan program for a long time. There are two different ways to rehabilitate after default; and it's not just possible, but it's available to every borrower to request and receive an income-sensitive repayment plan if their financial circumstances warrant it. The standards are well-developed; and in fact, HESAA is very familiar with these because it has acted as a guarantee agency for Federal student loans for many years in the past.

It's also instructive to look at what other states have been doing in this regard, as far as rehabilitation programs. Michigan has long had a rehabilitation program. Now, they're no longer making loans; but they still are servicing the loans that exist and still offer repayment of -- a rehabilitation program. Massachusetts has instituted a program by which they delay reporting of default. So they sort of -- they've taken a somewhat different approach and said, "Let's see if we can avert default, rather than having to cure it later." And so they don't report and they don't declare a loan defaulted if there are reasonable prospects for repayment during the first two years after they otherwise would find the loan in default. And that's important because once somebody is declared in default, their options have become much, much restricted. And so being able to -- alternatives to default is really very important.

And just this morning -- I have in front of me an application for loan rehabilitation for the DEAL loan program from North Dakota. It's right on the Internet; you can pull it out. It says, "By maintaining 9 voluntary payments over 10 months, payments made within 20 days of the scheduled due date, my loans may qualify to be sold to an approved lender, thereby eliminating default status. With proper financial documentation, I may qualify for a lower monthly payment that can be negotiated between myself and the lender."

We would urge going a step further, and saying if you default -- or if you cure default under that plan, you should automatically have available to you an income-sensitive repayment program. And is this something that's forbidden, or prevented, or the agency can't do? You know, it's common sense.

I looked at some numbers on the agency's financial report on all of their indentures. It seems to say that there are about $208 million in outstanding defaulted loans. Now, their current practice is there's only one thing they do after default. You can't rehabilitate, you can't get an income-sensitive program. The only thing that's available is that they send it to an attorney who files a debt collection lawsuit. And has that been successful? Well, they report here that they've recovered about $70 million of that $208 million through that plan. Would a system that allows people to get a realistic payment plan do better? Well, I think reasonable minds could say, "Yes, that's a very realistic possibility."

And with income-sensitive repayment plans, I wanted to point out to the Committee that Rhode Island has adopted a broad-based income-sensitive repayment plan for its state alternative student loan program that is analogous to New Jersey's. They offer to borrowers -- for RISLA loans originated after July 1, 2013 -- payments under this program will be based on income and family size. Like Federal loans, after 25 years, if the borrower still has an outstanding balance then the balance is forgiven. The deal is you make 25 years of affordable payments, and that's your obligation, if you go onto a payment plan. And just as examples -- they say a family of two making $25,000 a year would pay about $22 a month; and a family of five making $45,000 per year would pay about $46 a month. And the point there is just a general point. This hits low-income households very hard. There are solutions that allow low-income households to stay on track, to keep their financial picture together, and to go forward as paying customers of the agency and the loan program.

I don't want to go and on. In conclusion, though, I do want to say we hope that these hearings will lead to continued Committee oversight and targeted legislative initiatives, especially if there are prompt measures on the part of the agency to live up to its commitment that its primary focus is on the interests of students and families.

So thank you, and I'd be happy to respond to any questions.

SENATOR GORDON: Thank you, Mr. McMillin.

I have a couple of questions. It gets back to the comment I made before about the source of the financing. You mentioned Rhode

Island, North Dakota, and Massachusetts. Do we know whether any of those states -- or any other state, for that matter, that has a student loan program -- rely on financing from Wall Street, the bond market? Or are they funded through appropriations?

MR. McMILLIN: I don't know, with respect to those programs. There are some other states that are bond-funded; I couldn't tell you off the top of my head which ones they are. I remember one member of the Committee did note that Massachusetts apparently is appropriation-funded rather than bond funded. And that may have consequences.

That said, the agency has said on several occasions that our bond indentures prevent us from doing any of these -- taking any of these steps. You know, I looked at it as best as I could, reading the very fine print of bond indentures. The bond indentures don't say anything about these programs. What they say, essentially, is that the agency should be prudent and exercise its best judgment in administering the program. That doesn't tell us, in and of itself, whether it's best to file suit first and not bother asking any questions later; or whether it's better to work with borrowers, find solutions that allow them to maintain their financial integrity as well as making payments, rather than being in an adversary situation; and, frankly, dealing with debt collection lawyers rather than any other servicing personnel.

SENATOR GORDON: My supposition is that even if there isn't a prohibition in the indenture -- and of course we can't confirm this without the agency being here -- my supposition is that there is pressure from the bond rating agencies or the Treasurer to maximize revenue flow to cover the bondholders. And that's, again, in direct conflict with the interest we might have in accommodating changes in economic conditions of the loan recipient.

One other recommendation that we've heard -- and I would be interested in your comments about this -- is there apparently is no cap on the total size of the loan that can be offered. And we've heard about at least one case where one family -- presumably with multiple students -- received loans totaling $800,000, five times the value of their home. I mean, shouldn't there be some kind of upper limit on the amount of loans that can be issued, just in the interest of trying to minimize the risk that the loan recipients would face?

MR. McMILLIN: Thank you, Senator. I believe there was such a limit in the New Jersey CLASS loan program at one time and it has, at some point, been lifted.

We haven't addressed that particular question as a policy matter within our organization. It does sound like it has a lot to recommend it. And certainly as loan size grows, the potential problems that borrowers can face later are greater.

SENATOR GORDON: We've also-- Somewhere in our briefing materials there was a recommendation that there be changes made, I think, in the Option C type of loan where the repayments are postponed until after college. And there was a statement made that in those situation, the loan recipient really hasn't gotten into the habit of, or presumably feeling the pressure of making loan repayments. And it just heightens the probability that there will be defaults in those loans. And it looks as if a preponderance of defaults are in that type of loan. Do you have any thoughts about that?

MR. McMILLIN: It sounds difficult to say where the causation there is. It may be that households that face the most financial challenges self-select into that option. You know, it is also true that the student's financial circumstances often change pretty significantly shortly after graduation. You know, it used to be the case that student loans were basically all Federal loans and were all deferred until after graduation. I don't know what I would have done as a student if I had had to make loan payments while I was going to school. That would have been a tremendous hardship.

SENATOR GORDON: Right.

MR. McMILLIN: So I have seen those numbers, as well, that say that the default rate is higher on the option for payments that begin later. But whether that's caused by the payments beginning later or whether for other reasons -- more challenged households choose that option -- I'm not sure. In either event, income-sensitive repayment plans would provide an alternative that would work for any of the repayment plan options that the New Jersey CLASS loan program offers.

SENATOR GORDON: Okay; thank you.

Any members of the Committee have questions for Mr. McMillin? (no response)

Thank you very much, Mr. McMillin.

MR. McMILLIN: Okay; thank you.

SENATOR GORDON: I would next like to call Marcia DeOliveira as our witness.

Ms. DeOliveira, welcome.

MARCIA DeOLIVEIRA-LONGINETTI: Hi.

SENATOR CUNNINGHAM: Hi.

MS. DeOLIVEIRA-LONGINETTI: I'm going to be brief. You know, it's very hard for me to talk on this situation, because I lost my son a year-and-a-half ago. So I'm trying to be clear; I don't have much to say.

Just that my son was a very, very bright kid. He was National Honor Society; he got many awards -- academic awards. And I am from another country; I went to college in my country, so I had no idea what was the process of going to college here.

So in 2008 when he was a junior in high school, I started to research as much as I could to find out what was the best way for him to go to college. And I went to seminars; I talked to people who knew about student loans and all the other things. And he applied to several colleges; I think it was six, if I'm not mistaken. He got approved in all of them, and one of them was TCNJ in New Jersey.

And when we got the award letters, all the colleges were very expensive for us. The only one that he could think of going to was the University of Vermont. He got, like, around $36,000 in scholarships and grants. And in New Jersey, we did not even get half of that. He was a New Jersey STARS student; he had the grants here. But compared to what he would get in Vermont, it was best for him to go there. And he had an aspiration of being doctor at the time, and Vermont was going to be an easy way for him because they have a medical school there.

So as a family, we sent our son off to college in Vermont.

When he got his award letter, we had to complement for him, to stay in school, around $4,000 or $5,000 a semester for a dorm and all the situation that -- he would be staying there. And he had to get a loan to complement the amount of money -- the tuition costs.

So he figured out himself that he had to apply for a loan outside of the school. And he came to me-- We had done the seminars at school, and the only option we really found out about was HESAA. So he applied himself, and it was denied; he needed a cosigner. So me and my husband sat down and we discussed it, and we decided to help him. It wasn't a lot of money, you know? It was going to be $9,000 during that year. And I cosigned it; I understand what cosigning means -- that, you know, I'm responsible if he defaults. And Kevin went off to school.

So after the four years that he was in school, for totally different reasons -- personal reasons -- we advised him to take a break. And he wasn't attending school when the horrible things happened -- that my son was murdered a year-and-a-half ago.

So after that, I knew automatically I had to pay for this student loan. My sister-in-law was handling all the paperwork for me; I was distraught for several months. I couldn't even read a paper. And she told me, "We're going to write an appeal letter just to see what they can negotiate for this student loan, because it's a horrible thing that he was murdered." And I said, "Do whatever you want; I'll just wait to hear." But in my mind I knew they weren't going to do anything, because I cosigned it. I went to law school, and I know what a contract means.

So she wrote the letter to the Congressman, and then he wrote a letter to HESAA. And he sent us a very nice letter saying his condolences and that he was going to try the best that he could to help us.

And then a few months later we got a letter from HESAA saying that they're sorry that my son passed away, but they needed more papers and they needed our income taxes. So we sent our income tax papers. And then the appeal committee -- which they have an appeal committee -- read our income tax papers and sent us a letter saying that we weren't in financial need, so I would still have to keep paying.

And that was it; there was no more appeal. The letter stated that that was the final decision.

And I'm here today just to say that as awful as this is for me-- My son wasn't sick, he wasn't like -- he didn't get into a car accident. He was murdered in his own home. I think that should be an exception, because this doesn't happen every day, you know? They're not wasting money forgiving this loan. Every month I have to write a check, for the next seven, eight years, reminding myself that my son's not going to graduate.

But what I would like to see changed in this whole thing is that I've been paying interest since the day that he got in school in 2009. I never missed one payment. So I've paid around $1,200, $1,500 a year since 2009. And since he passed away, I've paid more than $3,000. So I understand that he borrowed money. I think it's fair for me to pay back the money he borrowed. But what these people want is for me to pay back what he borrowed, and then double it. This is not fair. He's not going to graduate; he's not going to use that. So why can I not just pay what he borrowed, since I paid all this much money already?

So for me, that's the part that I really do not understand, and I think it needs to be changed.

And another thing that I really think is that parents should be aware that they need to have life insurance. It should be obligated for them to have that. In our case, it was just a matter of bad luck -- because we had life insurance, and because he wasn't going school he had gotten dropped off of our life insurance. But I know -- I've been getting letters and letters from other moms and other parents; they read the newspaper, and they have been telling me that they are in the same situation -- people who have been paying interest for 10 years or 15 years for kids who are dead. So I think that somebody needs to look into this and see that this is not fair; it's something that is a complete injustice.

That's it; thank you very much.

SENATOR GORDON: Thank you very much, and thank you very much for sharing your personal story with us.

SENATOR CUNNINGHAM: Thank you.

MS. DeOLIVEIRA-LONGINETTI: Thank you.

SENATOR GORDON: In the interest of time -- we do have a good number of people who want to testify -- I'm going to bring up panels of people. And I'd like to bring up three witnesses for the first panel, and that would consist of Ms. Deborah Carney, a parent; Ms. Tracey Timony, a parent, I believe, from Senator Ruiz's district; and Ms. Cassandra Alessio, a former student.

DEBORAH CARNEY-GUMPPER: Good afternoon.

SENATOR GORDON: Good afternoon.

MS. CARNEY-GUMPPER: My name is Deborah Carney.

First I would like to thank each and every one of you for holding this hearing. I've been trying to get attention on this subject for four years now; I finally have you all here today to listen. Thank you.

Today I'm going to be speaking to you as a mother of a New Jersey CLASS loan borrower, who was not only forced into default, he was ultimately forced into filing a Chapter 13 bankruptcy.

But before I speak about our personal dealings with HESAA, I think the following information is relevant.

I'm sure that each and every one of you have read stories or seen random news clips about the next financial bubble that is going to burst -- the student loan bubble. But have any of you actually ever seen what the bubble looks like? (refers to PowerPoint) That's the bubble; that total represents the outstanding balance of the nation's student loans. As I speak, this total increases. In fact, student loan debt is increasing by an estimated $2,800 every single second; $164,000 every single minute; $9.9 million every single hour; $236 million every single day. Today, the student loan debt is at almost $1.4 trillion. If we were to stack $1.4 trillion in $1 bills, it would stand 67,000 miles high.

I ask you now to stop and take a look at this; think about this for a moment. Look around the room; many faces here today represent the faces of New Jersey CLASS student loan borrowers, all of whom have been adversely harmed because of their New Jersey CLASS loan debt. The individuals here today are the borrowers, cosigners, and families; the young adults who carry the burden of New Jersey CLASS loan debt. New Jersey CLASS student loan debt allows this national clock to keep on going.

Now, I ask that each of you remember this clock; keep it ingrained in your memories. Because this debt is real; it's real enough to provide each and every one of us with a window into the growing risks student loan debt will have on New Jersey's economy, and real enough to provide a window into the growing risks it will have on all New Jersey CLASS loan borrowers, cosigners, and their families. Even more real is the financial turmoil these borrowers and families have suffered at the hands of HESAA.

If you ever find yourselves reflecting back on the debt clock, I want you to remember the realities of this debt and the faces you saw here today, because each and every one represents a New Jersey CLASS loan borrower who is forced to live with their own New Jersey CLASS debt clock. Except they don't have the luxury of reflecting back on the clock, because the repayment of their New Jersey CLASS loan is a nightmare they are forced to relive each and every single day.

Imagine not knowing what your future holds for you. Society said you have to obtain a college degree in order to get a decent paying job. So these young adults are graduating with overwhelming student loan debt they are unable to repay. But now society wants to say it's their fault for going to college. HESAA labels them *irresponsible* borrowers; *irresponsible* parents who borrowed *irresponsibly.*

The fact is, HESAA approved Option 3 New Jersey CLASS loans to any student borrower who had a creditworthy cosigner. HESAA failed to undertake any due diligence in underwriting Option 3 loans, and certainly never approved any Option 3 loan on a borrower's ability to repay.

Given the role HESAA played in creating this disaster, it would seem reasonable that HESAA should have done everything possible to help borrowers with unaffordable loan payments. It is apparent this has not occurred. HESAA had no problem saying “yes” to risky loans, and they are having no problem saying “no” when borrowers need help.

HESAA allowed a very large portion of New Jersey residents to borrow a profound amount of debt. We can’t keep going down this path. The unsustainable repayment required by Option 3 New Jersey CLASS loans is holding these young adults back from fulfilling their potentials, forcing them into default, and forcing them into bankruptcies.

But don’t be fooled; this debt doesn't just impact the borrower, it impacts all of us. College grads with significant debt are not starting new businesses; they can’t afford to move out of their parents’ home; they are unable to purchase cars and homes; they are holding off on getting married, if at all; and they are certainly less likely to start families, or even save for their own retirement.

If we do nothing to alleviate this debt it will eventually take a toll on New Jersey's economy; it’s just a matter of time. New Jersey CLASS borrowers simply cannot make any significant contributions to this economy because their entire paycheck is going toward repaying their New Jersey CLASS loans. They don’t have anything left to give. If we continue to allow HESAA to operate status quo, without holding HESAA responsible for their failure to recognize a failing loan product or providing any relief to these New Jersey CLASS loan borrowers, this economy will suffer for the next 20 years.

It has become apparent over the last few years that HESAA lent irresponsibly. As indicated in their own Management Discussion Analysis and Financial Statements, Option 3 loans were defaulting at high rates. Let's face it, Option 3 loans were destined to fail. The monthly payments were too high for any recent college grad. Yet, HESAA continued to approve thousands of Option 3 loans. Consequently, HESAA's belated admissions in their Management Discussions and Financial Statements should be useful in future policy debates because they expose the inexcusable wishful thinking that they masked as business planning over the years. However, these *mea culpas* do nothing for troubled borrowers.

Prior to 2012, HESAA's only underwriting requirement for an Option 3 loan was a creditworthy cosigner. Why? Because HESAA knew the borrower could never repay, and they had a cosigner they could go after.

New Jersey CLASS loan debt is unescapable; it is a debt that lives on. It is not dischargeable through bankruptcy, and it's not dischargeable in death. And with the collection powers enumerated to HESAA by the New Jersey State Legislature -- powers which HESAA openly flaunts -- this was their perfect storm.

HESAA provides no assistance to struggling borrowers, unemployed borrowers, or underemployed borrowers. They don't care; they want their money and they don't care where it comes from. There are no flexible repayment options, no true deferment programs, no refinance options, and no loan rehabilitation options.

It is shortsighted not to work with borrowers who can repay. I can only speculate the reasons why HESAA is not doing more, other than the fact that no one has required them to do so. HESAA's failure to offer assistance to struggling borrowers has led to a significant increase in Option 3 loan defaults. Instead of reading the warning signs, HESAA told desperate borrowers to have garage sales, get second and third jobs, ask your grandparents -- and the list goes on.

HESAA also tells borrowers that if they cannot make their full monthly payment, then they shouldn't make any payment at all. This has resulted in a significant increase in Option 3 defaults and lawsuits being filed against borrowers, many who were making efforts to pay their loans. Despite HESAA's admission of the increase in Option 3 defaults, they did nothing to assist their borrowers. Instead, they decreased the volume in origination of Option 3 loans and increased the credit and income criteria for approval.

But they didn't stop there. They also blocked these struggling borrowers from qualifying for loan consolidation by increasing the credit and income criteria for approval. This was a program that could have saved borrowers a few hundred dollars a month, making payments somewhat more affordable. But rather than focusing on helping borrowers, it appears HESAA made changes to ratchet up their collections, continuously hiding behind the excuse that they cannot offer repayment options due to their bond indentures; and continuously hiding behind "the best interest of their investors." Wouldn't it be in the best interests of the investor for HESAA to restructure loans to ensure a continued stream of payments? Today, I challenge HESAA to provide this Committee with their "best interest investor" clause that excludes them from assisting the borrowers who could pay if their loans were restructured. I was unable to find one.

Now I'm going to briefly tell you our story.

In 2007, my son Brian committed to Fairleigh Dickinson University. After exhausting all Federal loans and maxing out on the family contribution, there was a deficit. I considered the Direct PLUS Parent Loan, but FDU's financial aid counselor recommended the New Jersey CLASS loan instead, explaining the New Jersey CLASS loan was a State-sponsored loan that was identical to the Federal loan except that it was offered to New Jersey residents only. The rates were much lower, and the servicing would be easier since it was considered a small loan agency. Nothing seemed out of the ordinary.

And when I went on to HESAA'S website, loans were advertised as "lowest rates," "flexible repayment options," "deferment and forbearance," and "consolidation" -- everything Federal loans offered. From 2007 to 2010, there was never any indication that HESAA was a private student loan.

Brian completed a five-minute online application with HESAA; his application was denied, and it required a cosigner. We contacted HESAA, as we had no one willing to obligate themselves to Brian's loans. The agent told us if we added a cosigner and chose Option 3, payments would be deferred while Brian was in school, and the cosigner would have no obligation to pay. She then stated that, upon graduation, HESAA would consolidate all New Jersey CLASS loans in Brian's name and the cosigner would be removed. Relying on this representation, my husband agreed to cosign Brian's loans.

For the next four years, we operated with the understanding that, upon graduation, HESAA would consolidate all New Jersey CLASS loans in Brian's name and my husband would be removed as cosigner.

Brian graduated in December 2011. A week after moving back home, he received a notice from HESAA that his loans were going into repayment and that his monthly payment of $1,046 would be due in March 2012. Barely unpacked from living at school for four years, and certainly not having found full-time employment, we contacted HESAA to request income-based repayment or consolidation. We were informed the funds for consolidation ran out, and HESAA did not offer income-based repayment.

HESAA placed the loans in a six-month recent grad deferment. HESAA also provided the names of three banks that we could contact for consolidation. That was the moment I realized New Jersey CLASS loans were private loans. This information was not disclosed in 2007; in fact, everything on HESAA's website was deceptive. HESAA manipulated its advertisement of the New Jersey CLASS loan program, making prospective borrowers believe there were flexible repayment options when there were none.

In April 2012, HESAA e-mailed Brian to advise that consolidation loans would be available in the next coming months. It also contained an approximate monthly payment of $850, and ended with the question, "Would that be doable?" Yes, $850 was certainly better than $1,064; so yes, it was doable. HESAA opened consolidation back up in July 2012. Brian applied, and his application was denied. HESAA required a cosigner. We were shocked because that was not what HESAA stated in 2007.

I demanded information concerning HESAA's credit and income criteria for consolidation. I received an e-mail, and was advised that this information was proprietary and could not be disclosed.

I began questioning more details into HESAA. I received a letter from HESAA's Compliance Director, who did provide the credit and income criteria. He also indicated that this information was public information. It's apparent that you get different answers from whomever you speak to; and, for the second time, I was provided with incorrect information. Why is it that the borrowers are the ones being punished for the mistakes of this agency? When is it going to be HESAA's turn to right all of the wrongs?

It took Brian a year-and-a-half to find full-time employment, with a starting salary of just $35,000 a year, which was not enough to afford the $1,064 monthly payment mandated by HESAA. Brian paid his loans in the amounts he could afford. While admittedly his payments weren't always the amount required by HESAA, he did make a good faith effort to pay something. In addition, he has always been in contact with HESAA regarding his loan accounts, sending numerous e-mails and letters to HESAA. HESAA was unforgiving and refused to work with him. HESAA staffers called my home and harassed my husband, the cosigner. Yet not one time did HESAA ever contact my house and ask to speak with Brian, the borrower. In fact, HESAA sent my husband a Notice of Wage Execution, threatening that if we did not pay $3,845 in 30 days, they were going to institute Wage Execution.

Naturally, we paid the $3,845. But, two weeks after HESAA cashed my check, I received a delinquency notice stating his loans were 135 days late, and a balance of $5,600 was past due. HESAA staffers also began calling my house demanding $5,600 and claiming they had no record of our recent check payment, which HESAA had already cashed.

During the repayment period, HESAA failed to send consistent monthly billing statements, if at all; they sent no quarterly billing statements during the two deferments they granted; and they failed to post two payments to our account. We sent numerous billing dispute and inquiry letters to their corporate address, many times with payment checks attached to them. They never responded to any of our letters, but they did remove our checks and cash them.

In March 2014, Brian filed a complaint against HESAA with the Consumer Financial Protection Bureau. At that time, he was also trying to consolidate with other lenders. In 2014, HESAA responded to the CFPB complaint by stating they were assisting Brian in his effort to consolidate elsewhere. HESAA also sent Brian a letter indicating they would assist him in his effort to consolidate.

Consequently, they never reached out to assist him once. But since HESAA represented they were going to assist him, on May 13, 2014, Brian sent a letter to Teresa Gervasio, HESAA's Director of Student Loans, and requested a temporary modification of his loan payment. He requested to pay $856 a month for 16 months. This was for him to enable himself to improve his credit score so that he could consolidate with another lender. That letter also sought clarification as to the status of his loans, and also advised Ms. Gervasio that he did not receive a billing statement for April or May.

Ms. Gervasio did not respond to this letter. On June 3, 2014, Brian e-mailed Ms. Gervasio and advised that he was denied consolidation from two lenders because of the adverse reporting of his New Jersey CLASS loans. On June 18, Ms. Gervasio sent Brian a letter defaulting his loans and directing him to cease all future communication with HESAA.

HESAA never informed my husband, the cosigner, they defaulted. My husband was never officially notified of default until he received HESAA's collection attorney's letter demanding full payment of the loan balance, which included a $22,211 attorney collection fee. My husband immediately replied, and sent Gabrielle Charette an e-mail and demanded the right to bring the loans current. Gabrielle Charette sent my husband a certified letter indicating the loans were in collection, directing him to cease all future communication with HESAA.

HESAA's collection attorney immediately filed a civil suit for judgment against Brian and my husband. We couldn't retain an attorney, since every attorney we consulted with said the State will prevail, and that any money spent on attorney fees would be better spent paying his loans down.

We did file an answer and a counter claim, *pro se*. The collection attorney served Brian with interrogatories: many questions related to payments that required us to order two years' of bank statements from three separate banks. Because there was not enough time do this, Brian sought an extension from the collection attorney to answer his interrogatories. The collection attorney refused and, at the same time, he underhandedly filed a request for default judgment, which the Court granted.

With no alternatives, my son was forced to file a Chapter 13 bankruptcy in order make payments on his New Jersey CLASS loan. For the next five years, he will make loan payments through a bankruptcy trustee. When these five years are up, we have to go back Superior Court to fight the default judgment, which is currently stayed during this bankruptcy.

There seems to be no end in sight. Brian can't move forward with his life. Today he is 27; he can't even consider moving out, buying a home, getting married, or starting his own family. As a borrower, he did nothing wrong. As a lender, HESAA was a loan shark.

Someone needs to put an end to the game that HESAA has been allowed to be a spectator in for far too long. Someone must hold HESAA responsible for their predatory and irresponsible lending. These young adults deserve a chance to get their lives back. Today, you all have the power to give it to them.

From the testimony you will hear today, there seems to be an overwhelming emerging theme: the unaffordable monthly payments mandated by HESAA, coupled with HESAA's refusal to help their borrowers. My son made over $10,000 in loan payments to HESAA during his 18-month loan repayment period. It is incomprehensible that he was forced into filing a Chapter 13 bankruptcy in order to continue to make his loan payments.

We need immediate legislation mandating HESAA to work with all struggling borrowers by restructuring loans. This is something you all have the power to make happen. While it may be impossible to get all borrowers back on track, it is clearly possible to help some. The fact that HESAA is hardly trying is a disgrace to the State. We cannot truly begin to reshape the future of New Jersey and improve access to education without redress for the New Jersey CLASS loan borrowers who were left behind.

So today, I call upon you to immediately institute a full investigation into the default rates of Option 3 New Jersey CLASS loans that were originated from the years 2007 to 2011. I believe an outside, nonpartisan firm should conduct this audit. HESAA must be compelled to report an accurate default rate.

I also request that you institute immediate relief for those borrowers, my son included, who were making payments on their loans, but were forced into default and bankruptcy due to HESAA's failure to help. None of these borrowers should have to feel that their college degree was the worst mistake of their lives. This is not the message we as a State should be sending to any of its young residents.

I forgot my PowerPoint in the middle; so, sorry. (laughter)

SENATOR GORDON: Thank you very much. You've given us a great deal of information to work with.

I'd like to think of this Committee as one that deals with issues that are amenable to change through legislation; or sometimes we bring about change just by focusing a bright light on the problem. I think this is the former. I'm sure we're going to be taking your information and considering what we need to do legislatively.

I know that there is at least one member who would like to raise some questions.

Senator Ruiz.

SENATOR RUIZ: Thank you, Chairman.

First, I would be remiss if I, too, didn't echo the sentiment of the Chair and the Co-Chair privately to the DeOliveira family for -- in the midst of tremendous mourning, for you to come here and express the full details of what is at stake here. More importantly, it was not missed by me that she studied law and completely was aware of what a *contract* means. And so, as a person who was a first-generation attendee to college, I can only imagine a parent who is cosigning a piece of paper that, perhaps, English is not their first language and you're just trying to get the last $1,500 to get to school. But you don't realize you're signing your life away.

It's kind of the same sentiments, Ms. Carney, that you're expressing this afternoon with us as well. I had staff-- I think I could-- English was my major in college, so I think I can fairly understand the language well. I'm looking through a brochure that's online for HESAA; and one of the clear issues that I see, just at firsthand-- In an effort to provide information on loans, they comingle Federal regulation and then private loan language. I'm not certain that a person who's signing up for NJCLASS recognizes that's considered a private loan. Perhaps they think a private loan is something that you would go directly to a bank for.

And so in this document, as far as I see, there isn't any one clear stark line that says, "You borrow, you don't pay, you're in trouble," which is what we need. If somebody wants to sign on that dotted line, then that's their personal business. But the lack of information directly on NJCLASS and what the liability is for not paying -- according to what they have on the website -- is not clear.

MS. CARNEY-GUMPPER: I didn't do my PowerPoint, because I was too nervous as I was speaking to you. (laughter) But basically these two are little snapshots from what was advertised in 2009 and 2011. And it clearly tells you that "flexible repayment options to help you save money." But what they don't tell you is that -- which we found out in 2012

-- was that those flexible repayment options are Option 1, Option 2, and Option 3. Option 1, basically, is you pay principal and interest while your child is in school; Option 2 is interest only; and Option 3 is full deferment of principal and interest.

So their flexible repayment options that they advertise are what you choose when you first take the loan out -- which I think is completely deceptive.

SENATOR GORDON: Thank you.

I know that we have a number of questions. I think I'd like to hear from the other two panelists, and then we'll come back with some questions.

So whoever would like to speak next.

C A S S A N D R A A L E S S I O: Sure.

SENATOR GORDON: If you would just identify yourself for the record.

MS. ALESSIO: Sure; Cassandra Alessio, and I am an NJCLASS Option 3 borrower.

I want to first thank all of you for dedicating your time to learn more about HESAA and their NJCLASS loans.

In front of you -- which hopefully you have -- is a binder that illustrates the issues with NJCLASS loans. Unfortunately, NJCLASS loans are not assisting residents who need to borrow money to attend college. In fact, they are hindering not only borrowers, but the economic future of the State.

The survey included in your binder demonstrates the need for reform to not only protect future borrowers but, most importantly, to help those who have no options now.

The most astonishing fact learned through this survey is that the majority of borrowers thought NJCLASS loans were similar to Federal loans that provided protections if you could not afford payment; and did not know that they were private loans with State rights.

As you read through the stories, my hope is for you all to understand what it feels like to live with these loans and to truly understand the struggle of knowing that there is no escape without your help.

Imagine going to bed every night knowing tomorrow will not be a better day. You feel hopeless; you feel trapped. Imagine going to bed knowing that you can't get married because you have over $100,000 in debt -- that no person would even consider marrying. You're not only marrying a person, but you're also marrying this debt.

Imagine going to bed knowing that you might not ever be able to have a child. You might not ever be able to give someone the love that you want to give. You are never going to be able to teach someone to read or to ride a bike; you will not be able to experience these memorable moments. You will not be able to enjoy the best years of your life. You are robbed of the purest form of happiness.

The life I described is the life that many of us live today. There is no light at the end of the tunnel for borrowers; there is no end date in sight for paying back NJCLASS loans. The interest alone is causing borrowers to not even have the chance to touch the principal.

I, like all other borrowers, can't afford basic living costs. I can't afford to save for emergencies; I can't afford to save for retirement. I don't even want to think what will happen when my parents become of the age that requires around-the-clock full-time care.

The domino effect of these loans is not only detrimental to individuals, but to the economy as a whole. If you think the State of New Jersey's economy is bad today, wait 10 years and it will be a lot worse. Credit scores will be or are already ruined which, in turn, affects every decision you will have to make. I shouldn't have to make the decision between a roof over my head or a student loan payment.

I am not asking to live a life of luxury. I am asking to be able to afford basic living costs -- a home to sleep in, food to eat, a basic car to drive, medical care. My dreams were halted the moment I graduated college. My life was forever changed the day I decided that I wanted to attend college to make a better future for myself. I am now being punished for wanting to better my life.

HESAA has the capability to fix all these issues. You as legislators have the ability to help borrowers who are desperately struggling and don't know where to turn. You have the ability to fix a broken system. HESAA needs to offer lower payment options, lower interest rates, and end dates that are not 20 or 30 years from now. They need to give borrowers a chance, rather than setting them up for failure.

I'm not asking for a handout; I am not asking to forgive all my debt. I am asking for my life back. I am asking for a chance to have a future. I am asking to ignite my dreams again of buying a house, getting married, and having children. I want that American dream, the dream of working hard, paying off; the dream of possibly opening up a business or taking a career risk to better my future -- not the dream of starting adulthood with a six-figure debt and no future to chase. I want a second chance at life, and I hope you can help me and many others get that opportunity. I hope you are part of the movement to save lives and the economic future of New Jersey.

Thank you.

SENATOR GORDON: Thank you very much, Ms. Alessio, for your testimony, and also some very useful data in the survey. If you're not working as a consultant, I can make some recommendations to firms. (laughter)

Ms. Timony, would you like to make a comment?

T R A C E Y T I M O N Y: Yes.

Good afternoon, Honorable Senators and esteemed guests.

Laërtius, a Greek philosopher, said, "The foundation of every state is the education of its youth." But today that comes with a lifetime burden. Student loan debt is in crisis proportions, and is becoming a generational debt, which has surpassed our credit card debt and automobile loans.

Average student loan has more than doubled in the past 10 years due to the rising costs of education. Students saddled with exorbitant debt and a job market that has stagnated and even flattened are finding it impossible to obtain employment that will sustain not only their obligated loan payments, but basic survival.

More and more young students are falling into despair and hopelessness. This has consequential effects on the economy because they are not buying cars, renting apartments, or buying homes, which negatively impacts New Jersey's economy. Combine that with HESAA's misleading and unethical loan practices, and this is a disaster of crippling proportions. The business practices of HESAA in their administration of NJCLASS loans are unscrupulous, predatory, and manipulative.

Hi, my name is Tracey Timony; and as a parent, I sit here before you to admit I made the worst mistake of my life -- one that has destroyed my family. I may not be the most intelligent person, but I do know the difference between right and wrong and the truth and deception. And I fully believe that HESAA -- HESAA; however you want to say it -- has deceived not only my family, but hundreds of other young students and their families.

New Jersey CLASS loans, as we all heard, come in three payment options. Number 1, the borrower pays principal and interest while in school; Number 2, the borrower pays interest only while in school; and Number 3, you defer principal and interest until graduation. Our family chose Option 3. Little did I know at the time we made that choice that we would be signing our futures over to HESAA. Not only were our futures signed over to HESAA, but so was that of my 77-year-old mother, Barbara Devereux. She also was an Option 3 cosigner on loans for her grandson.

HESAA is holding all young students of New Jersey hostage by refusing to negotiate a modified payment or rehabilitate loans, causing emotional devastation and financial ruin to the youth of New Jersey. They are held back, like so many borrowers, from reaching all the milestones every young adult aspires to obtain. Most, if not all, of the people in attendance today are living this nightmare called *HESAA Hell*.

We are a hard-working, middle class family and lifelong residents of New Jersey who believed in the dream that with moral character, education, and hard work you can build a successful future. My daughter and nephew took out New Jersey CLASS loans so they can achieve college educations and start on the road to success. In 2013, my daughter graduated with honors from Hofstra University with a B.A. in Business Marketing and a minor in Creative Writing. That same year, my nephew also graduated, from Kean University with a B.A. in Criminal Justice. They both reached the first milestones in their lives, a college education. This was supposed to be the start of two bright futures. But unfortunately, that was the last dream either of them have ever been able to fulfill; because just 60 days after graduation, the dreams that took them four years to accomplish turned into a living nightmare the day they both received their bills for repayment of their New Jersey CLASS student loans.

My daughter and nephew graduated into one of the worst recessions this country has ever seen. We believed that their degrees would enable them to find sustainable employment. My daughter and nephew's loan payments were $1,328 and $816 per month, respectively. Neither of them was able to find gainful employment to support the astronomical monthly payment. By the end of 2014, my daughter found a job earning $25,000 a year in New York; and my nephew was only making $7,000 a year until I was able to help him obtain employment where I work.

I tried picking up the slack for both of them, but an extra $2,200 a month was extremely difficult, because who really has an extra $2,200 a month? Thankfully, my husband and I are blessed to be working full-time jobs. We put in 50 to 60 hours a week, but as salaried workers, we get no overtime. In order to make ends meet and make extra money, I began cleaning houses and cutting lawns just to put food on the table, pay the mortgage, keep the lights on, and pay whatever bills I have -- including NJCLASS loans.

But that was not even enough, so I started reaching out to HESAA for assistance. That soon turned to horror as well. I was told New Jersey CLASS could only re-age my loans. They must not have heard me correctly, because I'm telling them I'm struggling -- I'm struggling to pay the monthly payment now; and the only assistance you're offering me is to increase my payment? I begged for lower payments, or some type of viable relief -- even if it was only temporary -- but to no avail.

HESAA was quoted in a recent news article, "HESAA offers struggling borrowers a program to bring their accounts current. To avoid default, a borrower must make three consecutive on-time payments, and HESAA will re-age the loan and return it to current status."

I was outraged because this is not the solution. It was only a temporary Band-Aid that will last 30 days until my next monthly payment. Yet, I had no choice but to agree, since my daughter needed to share an apartment requiring a credit check so she could work that $25,000 per year job in an effort to assist with payments and to start her career.

By now, I was more than a frequent caller getting deeper into arrears with absolutely no relief in sight. While waiting on the phone 20 minutes to half-an-hour, I would be listening to that message, "Having trouble paying your loans? We can help."

I became a lunatic waiting for somebody to pick up. Again and again I implored HESAA, "Please remove that message." It was nothing more than blatant lies and false advertising. As I said that, I was told over and over again to, "Re-mortgage your home; other garnishments or litigation will be forthcoming; you signed the papers, you are responsible."

Yes, I did sign the papers. Yes, I know I'm responsible. And yes, I want to pay my debt, but I'm struggling and need a little help.

Then I read about loan consolidations to make my payments more affordable. I thought HESAA would assist me in that, to keep my loans from defaulting and keep the money coming in. But that, too, turned out to be a silly notion of mine. HESAA stated they don't offer loan consolidation. That was confusing to me, because all HESAA correspondence bears the State seal, and I assumed the consolidation program was available. It was at that time I found out New Jersey CLASS loans were private and they have no relationship to the State of New Jersey.

This important information was not disclosed to the majority of borrowers and, when questioned, even New Jersey CLASS representatives had a hard time answering that question. HESAA should have been mandated to provide clear disclosure so that borrowers could make informed decisions. The lack of clear disclosure is misleading and deceptive to the young people of New Jersey. Had I known this prior to signing the loan, I would have definitely looked into financing elsewhere.

HESAA has responded in a recent news article. "HESAA is a public, not a private, entity; and therefore, the term *private loan* is not appropriate for the New Jersey CLASS loan program." Yet, as HESAA stated, "they do not believe that this is misleading at all since all of their disclosures and information distinguishes New Jersey CLASS from Federal loans, as evidenced in their attached disclosures"

Even that response from HESAA is vague. Why not be clear and say, "We are a public agency, but New Jersey CLASS loans are private." Now, that is something anybody can understand.

By this time, my entire family was ruined mentally, emotionally, and financially. When I did consider a home equity loan, my credit was so ruined that most banks wouldn't even consider me. That was my last option. But the adverse reporting of the New Jersey CLASS loans took that away. The only good news was that HESAA finally removed the wait message. I was finally able to wait on hold without hearing those lies being repeated over and over again.

While researching, I came across some minutes from one of the HESAA meetings. Someone associated with the HESAA Board or committee had a family member apply for a loan. The HESAA Board member raved over the kindness, knowledge, and professional treatment their relative was given, without any prior knowledge of their relationship. That was the only positive comment I ever heard, experienced, or read about HESAA pertaining to New Jersey CLASS loans, and it's a shame that came from a member.

In the beginning of 2013, we were desperate. Every contact with HESAA resulted in intimidating comments such as, "If you couldn't afford the loans, you shouldn't have taken them out," or "You should just remortgage your house;" threats of wage garnishment or worse -- yet a very aggressive collection agency, which then leads to a judgment to officially destroy any credible existence for the young borrower's future.

I realized I was in collections when my account access was removed from the website. HESAA ceases all contact with the borrower once the account is referred to their collection attorney. This means no more payments can be made through HESAA, and interest is accruing needlessly. And as an extra kick, the collection attorney can add an additional 22 to 30 percent to the loan balance as a collection fee.

In 2016, in an effort to salvage my family's future, my husband and I were forced into declaring bankruptcy. Everything we worked together to establish for over 29 years -- while raising our two children, along with my sister's three children -- HESAA took in less than three years.

Bankruptcy was an extremely difficult concept for me, and I still have trouble accepting it. I still can't believe it's real. My bankruptcy attorney told me all the things HESAA can do, and one of them was to put a lien on mine or my mother's home. To me, that's the equivalent of taking it. My heart sunk. So many times I asked that question to numerous HESAA representatives, and the answer was always, "No; no, we can't do that."

Now me and my family will truly have nothing. Everything will be gone unless the laws change to support the citizens who always supported New Jersey.

The stress caused my daughter and nephew severe anxiety, depression, and low self-esteem for fear that their once bright futures were hopeless due to the mounting crippling debt. Both had thoughts of suicide on multiple occasions. How is this possible that these children -- who are beautiful, talented, smart, and all-around great kid -- can feel so destitute that they would even contemplate such thoughts?

I was ignorant to the college process; I will admit that. But HESAA's slandered propaganda was promoted at our local high school, and

I fell for it. These loans are costing me my fun-loving, smiling, ambitious daughter and nephew. But worst of all, I lost the ability to help my son. He suffered the greatest loss by my decision to co-borrow, and for that I am truly sorry. And I only hope that one day he forgives me.

I tried to be optimistic, but their depressed outlook on life was rubbing off on me. I, too, lost my zest for life until I found Deborah Carney. She gave me hope; and, boy, did I need it. I am here fighting for my children and every other young student and family in the same unfortunate position as me. I cannot allow HESAA to continue their quest to obliterate the hopes and dreams of my children or anybody else's children.

New Jersey CLASS Option 3 loans,taken out between 2005 through 2011, that went into repayment from 2011 to present, show the largest increase in defaults. At a November 2015 affordability meeting, Gabrielle Charrette, Executive Director of HESAA, implied, "We are irresponsible, and we should have known better." (*sic*) The fact is, it took five minutes to complete that application online, and we were approved in less than one minute, in some cases. HESAA provided no counseling or contact of any sort. They did not ask for proof of income -- mine or my daughter's -- the loan was just (snaps fingers) quick, easy, and you got it.

When I did make inquiries about the loan program, I was told if I could not make the payments selecting Option 1 or 2, then I should choose 3. There was no inquiry by HESAA as to our ability to re-pay; no question as to the amount of the loan requested; nothing. In fact, as I look back on the application process, there is no doubt in my mind that my daughter and nephew's New Jersey CLASS loan applications should have been denied. Any responsible lender would have denied those applications or, at the very least, had more stringent underwriting policies in place to assure that the borrower, not the cosigner, would be able to repay the loans that they were approving. I call that *irresponsible lending* or *subprime lending.*

The New Jersey CLASS philosophy is fast becoming the next great financial crisis in New Jersey. This is the same irresponsible lending practice that led to the housing crash in 2008. Option 3 loans are subprime loans destined to fail with our young students as collateral damage. In fact, according to HESAA, they do not have a specific dollar cap on loans; loans are limited to the cost of attendance, less any financial aid. This provision helps to prevent over borrowing. Then how did one family end up borrowing a total of $800,000 in New Jersey CLASS loans? Why are Option 3 loans defaulting at such a rapid rate once they're in repayment? Does that mean HESAA only reviews current loan periods without attention to prior balances?

In 2012, hidden in the Managerial and Budget Analysis, HESAA acknowledged the significant increase in Option 3 loans, yet they did nothing to assist borrowers. New Jersey CLASS loans are discriminatory and nothing more than legalized loan sharking by taking advantage of young students and their families.

We fully acknowledge the debt. As responsible borrowers, we want to pay the debt. But HESAA has denied us the support, the means, and the opportunity. Lowering interest rates, income-based payments and, most importantly, loan rehabilitation are the only ways to restore affordable payments and rebuild credit while offering hope to the future of New Jersey. Hope is one of the most important and powerful human emotions.

Life is meaningless without hope, yet HESAA continues to destroy all hope for New Jersey students seeking help, seeking a life, and trying to start a future.

I realize I am the example by which my children look towards, so I must raise the bar and provide hope and vision back into their lives. Feeling sorry for myself does not change the circumstances; it is up to me to do that. I always told my children that you have the power to change things; that it starts with a single voice. Then that voice is joined by others, until it is impossible to ignore. Everything that is done in this world--

SENATOR GORDON: Ms. Timony, if I could just ask you to wrap up because we have some questions we want to ask of you--

MS. TIMONY: Yes.

SENATOR GORDON: --and we also want to have an opportunity to hear from the others.

MS. TIMONY: I will be done.

"Everything that is done in this world is done by hope," and that was said by Martin Luther King (*sic*). I am a parent, I am a voice, and I do have hope. I believe in the goodness, fairness, and sincerity of New Jersey and its people. The recently legislated Bill, S-743, is a great start, and I commend your courage for addressing this heartbreaking issue. But addressing this isolated issue leaves thousands of New Jersey CLASS loan borrowers exactly where they remain -- destitute.

Death and disability represent a small fraction of what is wrong with the New Jersey CLASS loan program, but there are thousands of other young adults who are crying out for help. You must not allow this Bill to create an obstacle in addressing the remaining issues, and forcing young students into bankruptcy and default. Someone has to address these issues. Every day a New Jersey CLASS loan borrower defaults or are filing bankruptcies. How much longer will you allow this to go on?

Franklin Delano Roosevelt said, “We cannot always build a future for our children, but we can build our children for the future.” New Jersey residents are under siege, and I believe the elected officials have the power and a moral obligation to do what’s right and protect them.

I have hope as well. You are the catalyst of hope.

Please help our children, please be our voice, and please give us hope. Together you have the power to effect change and give us a chance to get our lives back. Our fate is in your hands, and all I can do now is pray.

SENATOR GORDON: Ms. Timony, thank you very much for a very comprehensive report on your experience.

I have a couple of questions I’d like to ask the whole panel, but I know Senator Cunningham has a question. Let me defer to her.

SENATOR CUNNINGHAM: First of all, I want to thank you three ladies. I know that you worked together on letting the world know about HESAA, and we are really appreciative of that.

Ms. Timony, you said one thing that was just interesting. You said that when you look back on it, your nephew’s and your daughter’s, I think, applications should have been rejected.

MS. TIMONY: Yes.

SENATOR CUNNINGHAM: Specifically, what did you have to submit with the application? What kind of paperwork or proof of anything?

MS. TIMONY: Nothing.

MS. CARNEY-GUMPPER: Nothing.

SENATOR CUNNINGHAM: Nothing?

MS. TIMONY: Nothing.

MS. CARNEY-GUMPPER: It takes less than five minutes.

SENATOR CUNNINGHAM: It takes less than five minutes.

MS. CARNEY-GUMPPER: Yes.

SENATOR CUNNINGHAM: So I could get a loan for, let's say, $800,000 without submitting anything?

MS. CARNEY-GUMPPER: I don't know how much you can get it for, but you can get a loan as long as you're enrolled in a college.

SENATOR CUNNINGHAM: You can?

MS. CARNEY-GUMPPER: Yes.

SENATOR CUNNINGHAM: That's unbelievable.

SENATOR GORDON: You know, I was going to ask the same question. I mean, any of us who have applied to refinance our mortgage or take out a home equity loan, (laughter) where you fill out all these applications -- they want to know the financial viability of your great-grandfather--

MS. CARNEY-GUMPPER: No; no, it's not--

SENATOR CUNNINGHAM: The time you were born.

SENATOR GORDON: Your blood type--

MS. CARNEY-GUMPPER: No.

SENATOR GORDON: And you folks just had to file an application online; there was no kind of financial analysis--

MS. CARNEY-GUMPPER: Nope.

MS. TIMONY: No.

SENATOR GORDON: --tax returns, personal balance sheets--

SENATOR CUNNINGHAM: Nothing?

SENATOR GORDON: --cash flow--

MS. CARNEY-GUMPPER: I believe, if I'm not mistaken, back in 2007 when Brian applied, you had to have a 630 credit score, which most people probably have. I don't know that he had--

SENATOR GORDON: I think you have to hit your button. (referring to PA microphone)

SENATOR CUNNINGHAM: Hit the red button.

MS. CARNEY-GUMPPER: Oh, I'm sorry. I don't know that my son had any credit. He did have a job through high school, but I don't know if -- he didn't have any credit cards or anything. So of course, they ask for the cosigner.

But what you must know is they don't go after the borrower if there's a cosigner on. They go straight to the cosigner. So they're looking at the cosigner's income. You have to put the cosigner's income on it, but you can lie. They don't ask for a W-2.

SENATOR CUNNINGHAM: There's no proof?

MS. CARNEY-GUMPPER: They don't ask for an income tax return.

SENATOR CUNNINGHAM: I love it.

MS. CARNEY-GUMPPER: They go by your word.

MS. TIMONY: And these are children coming out of high school. They don't have credit. Most of them don't even know what credit is. (laughter)

SENATOR GORDON: This strikes me as more of a--

SENATOR CUNNINGHAM: It's a scam.

SENATOR GORDON: --scam than a public service.

SENATOR CUNNINGHAM: Right; it sounds like a scam.

MS. CARNEY-GUMPPER: It's reckless.

MS. TIMONY: It is reckless.

MS. CARNEY-GUMPPER: It's reckless.

MS. TIMONY: And if you go to the Federal site, they make you complete counseling on the website. Everything's filed on the web, but there is a counseling program that you have to go through in order for your loan to even be thought of to be validated. There is nothing here.

SENATOR GORDON: There was no-- Did you have any kind of meeting with HESAA staff--

MS. TIMONY: No.

SENATOR GORDON: --counseling--

MS. CARNEY-GUMPPER: None.

SENATOR GORDON: No kind of interview?

MS. TIMONY: None. When they were going to garnish my husband's wages, I went there in person to pay them. And the security guard there was watching me at the desk. He goes, "That's a lot of money." And I said, "That's just one; there's more." And he goes, "How do you afford that?" And I said, "I can't. That's why I've been calling here like a maniac. Is there anybody here I can talk to?" "No."

SENATOR GORDON: Okay.

Any--

SENATOR CUNNINGHAM: Let me just--

SENATOR GORDON: Senator Kean, do you have a question?

SENATOR KEAN: If I may.

Again, this application process -- number one, has this changed since 2007, as far as you know, number one? And number two, does HESAA have access to all your FAFSA information, or not? Is that-- And so I guess the question is, how do they -- how is that included in the process of getting that background information in a way -- the State or even the Federal government may or may not have?

MS. CARNEY-GUMPPER: I don't believe that they have access to our FAFSA.

SENATOR KEAN: There may be a discrepancy on the panel. I'm sorry.

MS. TIMONY: Well, on their website it says you have to complete it.

SENATOR KEAN: You do have to complete the FAFSA.

MS. TIMONY: Yes.

SENATOR KEAN: But I'm saying -- the question is, do they have-- As you say, you're submitting the application online. So first and foremost, they don't have the issue of the counseling since at least 2007.

But secondly, on the approval process -- do they have access to your FAFSA process?

MS. TIMONY: On their website it says you must complete it. So they never ask for it, so they must have access to it.

SENATOR KEAN: Okay.

MS. CARNEY-GUMPPER: No, they do not.

SENATOR KEAN: What was that?

MS. CARNEY-GUMPPER: I don't believe that they have access. I think you would have to give them permission to have access. It's like if you have a Federal loan, and you want to -- you want an income-based repayment. You have to sign -- you have to electronically sign for the Federal government to get a copy of your tax return, because it goes directly to them so you can prove your income.

With HESAA we didn't have to do any of that. It's a very simple--

SENATOR KEAN: But if you--

MS. CARNEY-GUMPPER: Actually, I should have brought an application for you, because I have all my son's applications. It's two pages long, and it asks, maybe, five questions.

SENATOR KEAN: I would appreciate that, because-- And if we could get clarity, going forward. Because it seems to me, at least in the conversations here, if you say you applied to every other Federal or other grants within that process, through that process they then understand that they will then have access to your FAFSA information.

If we can, through the Chair, get a better sense of that. Because I think, again, the back office nature of the filings and the understanding of how these loans originate and are dealt with, what information they use--

SENATOR CUNNINGHAM: We can check that and get that information.

SENATOR KEAN: It seems to go to the core of this hearing.

SENATOR GORDON: Right.

SENATOR KEAN: Because that's part of what-- You're putting people-- If you are knowingly putting people on the hook for loans you know they can never repay, that's a significant issue, going forward.

SENATOR CUNNINGHAM: Right.

SENATOR KEAN: So if we can--

SENATOR GORDON: It may be a crime.

MS. CARNEY-GUMPPER: Can I just add one more thing?

As we were discussing refinancing, I don't know if you all know this, but HESAA is rolling out, in the fall of 2016, a refinancing program. But it's not going to help any of these kids. So basically I just jotted down -- while Mr. McMillin was speaking, I quickly researched it online. I was going to touch upon it, but I didn't. I do know of five states that do offer refinancing programs, and that's Michigan, Connecticut, Minnesota, North Dakota, and Rhode Island. Michigan, also, is probably the only state that offers a loan rehabilitation program for defaulted borrowers and borrowers with default judgments. Because the Federal law literally strictly prohibits a default judgment from rehabilitating; Michigan does not. I don't know what the rates are; I have an e-mail into their state treasurer to get, basically, legislation on why they no longer offer their supplemental loan, which I think is because it failed, like ours is failing.

But they do -- they are offering their constituents rehabilitation. So they're supposed to be sending me more information; and as I get that, I can certainly get it over to both of your committees. Iowa, California, and Maine -- they just recently passed legislation for a refinance.

But HESAA's rolled-out program that they're rolling out -- basically, I'm going to just sum it up for you. You have to have a $40,000 income; the lowest FICO score that you can have is 670, or you need a cosigner; and your debt-to-income ratio is 40 percent. Well, most every one of them up here has over $100,000 in loans, so you're going to have to be making a lot of money in order to cover that income-to-debt ratio. So it's not going to work for any of them.

And then, quickly, the credit scores. If you have a 780 or higher credit score, 4.9 percent; if you have a 720 to 779, it's 5.7 percent; 670 to 719 credit score is 6.9 percent; anything under 670, you have to have a cosigner, so that rate could be determined by them.

But even a 6.9 is not -- it will save-- I figured it out; it would save my son about $12 a month, which is not substantial. And they also have an origination fee and some other kinds of fees. So they may be adding over $2,000 to your loan in order for you to refinance it. And that's supposed to be a pilot program that comes out this fall.

SENATOR GORDON: Thank you very much for that information. I greatly appreciate the information that you've provided.

We have a number of people still to testify, so I'd like to thank you for your testimony--

MS. CARNEY-GUMPPER: Thank you.

MS. TIMONY: Thank you for your time.

SENATOR GORDON: --and bring up the next group.

In light of some of the detailed testimony we've received, I would encourage those coming up to try to keep your comments as succinct as you can.

The next two persons I'd like to bring up are Mr. Dan Liebenthal and Ms. Melissa Dammer.

SENATOR WEINBERG: Senator Gordon, while they're coming up--

SENATOR GORDON: Majority Leader.

SENATOR WEINBERG: In the practices we heard, would HESAA qualify under our predatory loan legislation?

SENATOR GORDON: I think maybe we should talk to the U.S. Attorney about that.

SENATOR WEINBERG: It seems to me--

SENATOR CUNNINGHAM: That sounds like a good idea.

SENATOR WEINBERG: You know, the old story about getting your own house in order.

SENATOR GORDON: Right.

SENATOR WEINBERG: We've passed some pretty far-reaching legislation to protect people; we probably might have started right here.

SENATOR GORDON: I see our next group is up.

Whichever one of you would like to begin, please do so. Just identify yourself for the record.

DANIEL K. LIEBENTHAL: Hi, my name is Daniel Liebenthal.

I took out a loan with HESAA when I went to college in 2009 for $94,000. My mother is a single parent; she is the cosigner on the loan. She's here with me today; this is Christal Liebenthal.

So I went to school; I graduated. I was chosen by my peers and by my teachers to receive the highest award upon graduation. I spoke at my graduation. And, unfortunately, that was the last proud moment in my academic career I ever had.

Following that, I was immediately contacted by HESAA that my loan repayment would begin. They were asking for over $800 a month, which, at the time, was impossible. I was unemployed for a good amount of time, looking for work in my field. I went to school for -- I achieved a bachelor's of science in computer animation. Unfortunately, I had a very difficult time finding work in that field.

Since then I have worked at a shoe store briefly, and then made sandwiches for about four years. The highest income I've ever received was about $27,000 a year. Payments of $800 were impossible.

I contacted HESAA numerous times. At one point, we were calling about twice a month looking for help. We documented everything. The representatives offered no help. We inquired about programs for repaying our loans. We were told there was nothing that could be done because we had fallen behind on our payments.

It should be noted that we did make payments; they weren't the over $800 that they were requiring but, in good faith, I paid everything that I possibly could. Unfortunately, we were told that it wasn't even worth paying that money unless we were making the full payments.

Deferrals were denied because the loan had to be current, which it wasn't. We filled out financial statements; there were no income-based payments available. We were told by a representative that the loan could be re-aged if we caught up on payments. We borrowed money from family to do that. We caught up on the current loan, and they told us they wouldn't re-age the loan. We received a letter saying that we were in default.

We tried contacting HESAA to find out more about what happened with the re-aging and why the loan had gone to default. And they told us they could no longer help us, and that we had to speak with the collections agent, who also didn't really offer any solution. We contacted him numerous times, sent letters, and none of the information we requested was returned. These were all certified letters that we sent.

We've-- Basically, the best answer we got from HESAA was that we needed to pay $824 per month, plus an additional $3,115.50 every month for three months to bring it up-to-date. That was the best they could do; that was the answer we were given. We tried to get help from loan consolidation companies and were denied because the loan was not current. We received Intent to Garnish -- garnish our wages -- and the loan was $12,143 past due. We tried to explain to them our financial obligations, and none of that was taken into account. We received the letter from the attorney for HESAA, stating that he was retained by them to make collections. Any contact we've made with the attorney -- he has not sent us any statements or anything showing what's been paid, how much of my interest was paid while I was in college. We've called HESAA numerous times and they still refuse to talk to us.

We've complained to the State Department of Consumer Affairs about the company not helping in any way; going into default. HESAA automatically took our State tax returns. We've received court summonses; we've appeared in court already. They entered a judgment-- (speaking to his mother off-mike) You know a little bit more about that.

C H R I S T A L A. L I E B E N T H A L: A judgement was entered against us, saying that they would not enforce it. We had 18 months to try to get the full amount of over $130,000. The loan started out at $94,000; with interest and the $25,000 that the attorney tacked on, it became $133,000; and they gave us 18 months to pay off the amount in full.

Just recently, in the last month, we received a subpoena for information on any personal property we own -- on what our personal property is worth. And they are going to go after wage garnishment again, which I cannot afford. I was out of work for four months when this loan originally started falling behind. I was in the hospital and out of work for four months because of the hospital.

And when it fell behind and we asked for help, it was denied over and over. And like he said, I have every phone call documented and what was said to us, asking for any kind of help with consolidation, holding off on interest-- We were given a deferment, which ended up making the loan worse. The payments -- $800 a month; I live paycheck-to-paycheck as it is. And this just turned into a complete nightmare.

We've been making payments all along. The only time we stopped making payments -- where we made payments to an account while the thing was in court -- while the loan was in court with the judgment. Now I have a lien on my house. I live in an area where the neighborhood is changing, and I would like to get out; I'm never going to be able to. In fact, the attorney for this told us we would probably have this -- the loan, both of us -- for the rest of our lives.

MR. LIEBENTHAL: Yes, I mean, to that note -- I was always told my entire life to go to college, try my best to do what I want to do for a living so I could enjoy work and enjoy making money and doing something I love. I've worked towards that since I was 8 years old -- that's when I began teaching myself 3D animation programs. I'm an Eagle Scout; I am proud of what I accomplished while I was in college. And now this loan is preventing me from even pursuing that career. I can't afford the software or the hardware I need to continue pursuing a job in my industry. It's been a complete nightmare. Every day of my life when I wake up I have to remind myself that there's no way out of it right now. It's causing extreme emotional distress. I lost most of my hair, which is why I've just shaved it off completely at this point. I've dealt with thoughts of suicide on numerous occasions. I have a girlfriend who I constantly have to remind that we can't move in together; we can't even consider marriage right now because there's no way I can afford it. I still live at home; I'm 27 years old. I have done nothing but work towards the future, and I am being punished day after day for that.

And this is the first moment where there seems like there's any hope -- being able to speak to you. So I really do appreciate your time in listening.

MS. LIEBENTHAL: Thank you.

SENATOR GORDON: Thank you very much.

SENATOR CUNNINGHAM: Thank you.

SENATOR GORDON: There's nothing I can say in any detail; I don't want to raise your expectations. But I think this Committee is committed to try to find a way out for you and others who have been damaged by State policy.

Ms. Dammer, would you like to comment?

MELISSA DAMMER: Yes, thank you for letting me speak today.

My son, Kyle, passed away October 2, 2014, unexpectedly at the age of 24. And he had several school loans. Most of them were all forgiven, except for the HESAA loan. And after sending out a death certificate to them, their response was, "You need to read the fine print."

I didn't find that to be a very consoling answer, and that loan is a total of $46,000, which my husband and I now have to pay back, which is impacting our lives. We both work; we're middle-class people. It's a lot of money, $46,000. So I just want them to realize that a response of "please read the small print; it was your responsibility" -- I think a little bit of a kinder response would have been nicer, considering the circumstances.

So I just want to put that out there, that a little compassion wouldn't hurt.

SENATOR RUIZ: Senator Gordon.

SENATOR GORDON: Thank you.

Senator Ruiz.

SENATOR RUIZ: It just-- For the parents who are getting these letters that have kind of these responses that are stiff and not compassionate -- if you could, through the Chairman, forward it to us so that we can have it as part of our fact-finding mission.

SENATOR GORDON: Right.

SENATOR RUIZ: Thank you.

SENATOR GORDON: Before you leave today, we'll be happy to share some e-mail addresses with you so that you can easily forward that information to us.

Anyone else on the Committee with questions?

Senator.

SENATOR CUNNINGHAM: And also I just wanted to add -- if you have the names of someone who you spoke to at HESAA who said any of these things to you -- if we could have their names, that would be appreciated.

SENATOR GORDON: Thank you all very much.

We're next going to hear from Mr. Frank Freyre, the Latino Action Network.

FRANK ARGOTE-FREYRE, Ph.D.: Thank you, Senators, for holding this hearing. I think we're arriving at the point where everything has been said, but not everyone has said it. So I'll be brief, as you asked.

We represent two Civil Rights organizations from New Jersey -- the Latino Action Network and the Latino Coalition. I'm Frank Argote-Freyre; my colleague to my right is Rudy Rodas. I'm a Professor at Kean University, and Rudy is a student who finished a few years ago and has had some experience. We want to add that testimony to your record. And we thank all the Senators again for holding this very, very important hearing.

So as I mentioned, I'm a faculty member at Kean University -- Frank Argote-Freyre -- and a Latin American historian. I strongly support S-743, which would direct the Higher Education Student Assistance Authority to forgive student loan debt upon the death of the borrower.

I have to say, I was very saddened to see that the folks heading the New Jersey agency weren't here to testify. I think that really shows a lack of respect for the taxpayers.

Anyway, like all of you I read with shock the stories of the mother forced to pay her son's student loan debt even after his untimely death. And if that injustice can be fixed though this legislation, then that is a step in the right direction. And I really was profoundly moved by the testimony of the parents who spoke here today.

However, I want to be clear that there's a student loan crisis in our nation. We have turned student loans into a national profit center. And in the case of the New Jersey program, the loans are offered at above-market interest rates and there is little room for compromise -- repayment with a mindless profit-making bureaucracy.

Every year I am touched by the stories of my students who, despite working several jobs, are forced to take out larger and larger loans. They are burdened by debt and creditors who would make some of Charles Dickens' characters blush.

After graduating, their lives are delayed; first homes cannot be purchased; weddings postpones. And so it's deeply moving to me, as a Professor.

In some cases, student loan debt consumes the finances of the entire family. Parents must delay retirement and cosign loans to try and secure the dream of a better life for their children. This is not the way our system is supposed to work.

I am also the Director of the Latino Coalition and President Emeritus of the Latino Action Network. And I know from our members that this is a problem that hits hardest at the working poor. Students should pay market interest rates on their loans; interest accrual should be delayed when a former student can document a medical or personal setback;

interest should not accrue until six months after a student graduates. I had that benefit as a student myself. I had some student loans, and I did not have to pay interest on them until I graduated, and then I had time after I graduated to have some six months to a year -- I forget the exact amount of time -- to get my bearings, financially, to pay that back. And I don't understand where we lost the compassion in this system. I don't know that I would have been able to achieve what I have been able to achieve without that graciousness from our government at the time.

One of the topics of greatest interest -- I just add this from my classwork -- to my students is the free education offered by the Cuban Revolution. Of course, there are political strings attached to that free education, but it always leaves my students wondering how a relatively small and poor nation can offer free college education, and the nation with the world's largest economy cannot even come close.

In summary, the piece of legislation before you is important, and I urge you to vote in favor of it. But don't let your inquiry end there. New Jersey and our nation can and must do a better job of financing higher education, and the future of our nation depends on it.

So thank you very much.

SENATOR GORDON: Thank you very much.

Sir, did you want to add some comments?

R U D Y A. R O D A S, Esq. Yes, I have some prepared comments, and then I wanted to make a few points on some of the--

SENATOR WEINBERG: Your microphone.

MR. RODAS: --comments that were made previously.

SENATOR GORDON: Use your microphone; hit the red button.

MR. RODAS: Sorry.

Yes, I have some prepared comments and then, afterward, I just want to touch on some of the comments that were made previously by the other people testifying.

Good afternoon; my name is Rudy Rodas, and I'm on the Steering Committee of the Latino Action Network. I am here to share my personal experiences with the HESAA.

I am currently paying off my New Jersey Student Class Loan, which I obtained when I began law school in 2008.

I am fortunate that I have not experienced some of the horror stories recently published in the *New York Times.* I have not gone bankrupt or had to go seek a loan discharge, but I believe I can provide insight to what many borrowers have experienced.

I do not believe that HESAA and its current practices are acceptable for the taxpayers of the state and the student borrowers who are seeking to further their education and enhance their professional careers.

I know that a lot of the speakers earlier mentioned that HESAA had deceptive practices. I would actually charge that they are predatory lenders, based on some of the stories that you hear. And I'll share my story really quickly.

I graduated high school (*sic*) in May, 2011. A few months before, in April 2011, HESAA sent me an e-mail regarding the payments that were due on my loan, and they told me that I had to pay on May 15,

2011. So this was a few weeks before my actual graduation, probably around the time I was taking final exams.

Unlike Federal and private student loan providers, it was very difficult to contact anyone at the agency. When I called, I received a "call back later" message, and it took me about two weeks to finally speak to someone. I had not yet found a job by the time I graduated, and I required a forbearance.

When I first spoke to a representative, they first said there was nothing they can do. And then eventually, after calling many different times, speaking to different agents and representatives, they told me that I could apply for a hardship forbearance that was not longer than six months, regardless if I was employed or not. During this time, the interest would accrue. So regardless of whether I had a job or not, they made it clear: "You're going to pay it."

And although I had not found a job within the forbearance time, I was still forced to make the payments. I found the resources through my family to pay the first couple of payments and, luckily, within eight months of graduation, I found a job.

Along with my New Jersey loan, I have other student loans as well with Navient, which is an offshoot from Sallie Mae -- it's a Federal loan provider -- and two private banks, Citibank and Discover. Between the Federal student loans, the private loans, and HESAA, our State agency offers the worst services. For example, my New Jersey student CLASS loan has an interest rate of 8.7 percent. This is more than double the interest rate of private loans, and 2 percent more than my Navient Federal loan.

Navient and Sallie Mae, which has been derided nationally and has faced a lot of criticism nationally, has offered more response and offered a longer forbearance time than HESAA did.

Student loan debt is a national crisis and it is a State crisis. It's getting increasingly difficult for the graduates of my generation to save for a home, start a business, or save for retirement due to student loans. It is not enough to change the policies and operations of HESAA; student loan debt is a burden that is keeping an entire generation from reaching their economic potential.

I just want to go back to the point that HESAA just appears to be a scam -- a predatory lender. My family-- I'm a first-generation college student, law school graduate. My parents are immigrants from Guatemala. I can't imagine them being here, because they just do not have the poise or the know-how that the mothers who came beforehand have. So going back to Senator Ruiz's point -- there are a lot of students who don't have the guidance from their parents because they don't have the experience with the American educational system. And sometimes these parents are just signing off on the applications, and I think that's a really big problem.

I also want to point out that HESAA -- there's a big controversy with immigrant students, where -- actually, American students, students who were born in the United State, where they were denied student loans because their parents were undocumented immigrants and couldn't provide a Social Security number. And what I think is interesting is that earlier a lot of the speakers said -- so they applied for a loan, they were denied, and then they went and got the parent, because they knew the parents could pay. What I find interesting is that, when it was an American student -- a United States-born citizen -- when the parent wasn't an American citizen, or they were undocumented, they denied the application and then they denied it again because there is no cosigner. So, I mean, just looking at it from that perspective, it looks like a scam, it looks like predatory lending. So I think that's something that really needs inquiry from the Legislature.

Thank you.

SENATOR GORDON: Thank you very much.

Questions from the Committee?

SENATOR RUIZ: Chairman, I'm just -- it's my under-- I brought this up earlier when I gave my opening remarks. It's my understanding that that scenario has been fixed, as far as--

MR. RODAS: Right, but after-- I'm sorry to interrupt.

SENATOR RUIZ: That's okay.

MR. RODAS: That was after a lot of lawsuits--

SENATOR RUIZ: Oh, yes, I know.

MR. RODAS: Yes, it was--

SENATOR RUIZ: I put the whole history on the record.

MR. RODAS: You're right.

SENATOR RUIZ: Yes, it was something that they could have done on their own, but they were forced to do via-- One way legislatively, on our end -- that we were ready; and through the courts system that finally rendered an opinion.

Okay, thank you.

SENATOR GORDON: Thank you very much.

Thank you for putting this in, I think, the proper perspective.

DR. ARGOTE-FREYRE: Thank you very much. And again, we appreciate your time.

SENATOR GORDON: Thank you.

We have one final panel this afternoon; and I'd like to call up Ms. Kathleen Spurka, Mr. Rudy Rodas -- oh, we just heard from Rudy; thank you -- and Mr. Eric Solomon.

Is Ms. Spurka here? (no response)

I guess not.

E R I C R. S O L O M O N: I guess it's just me?

SENATOR GORDON: Mr. Solomon, proceed.

MR. SOLOMON: I'll be brief.

I first wanted to preface this by saying thank you so much to the Senators here who are listening to me.

I think it's very important to realize that somebody out there is actually listening and showing compassion. I see on your faces a compassion and the genuine caring that you have to our plights. And I'll say *plight,* but I can't even compare to the plights of the prior speakers who have been in Chapter 13 bankruptcy -- different bankruptcy proceedings, and have lost children to this.

But I think my point is important, because it shows the scope of the problem. I'm not going to say that I have six digits worth of debt; and fortunately, I haven't had any deaths in the family. But, you know, I'm kind of a typical lender (*sic*), and yet I've still had such terrible experiences with HESAA.

So today I'd like to share my very personal story that's been the last five years of dealing with HESAA and the NJCLASS loan program, specifically, and how they have thoroughly failed their student borrowers.

I'd like to add also how unconscionable it is that they are not here to face us and look us in the eye -- about how they've really ruined probably hundreds, or even thousands, of our lives. So I would like it noted on the record that it's ridiculous that they're not here to even advocate on their own behalf.

But I digress.

So I would also like to thank the *New York Times* and *ProPublica* that have shed some light and kind of began this process that we've been shedding some light on -- HESAA's practices.

I graduated with honors from Rutgers University in May 2012, in part thanks to about $13,000 from HESAA in the form of NJCLASS loans. After maxing out on merit scholarships, grants, and Federal loans, I had a shortfall of only about $6,500 a year for just two of my four undergraduate years.

Naturally we chose HESAA, as we were told these State-backed loans would be our best bet compared to private loans. We trusted the State to care about its citizen borrowers; that HESAA was there to help smart, ambitious students like myself graduate from college.

My parents dutifully paid interest payments while I was in school, and I graduated with a manageable debt level compared to many of my peers.

After graduation my Federal loans had a six-month grace period before repayments began. This was exceedingly helpful, as the day I started my first full-time job -- three months after graduation, after delivering pizzas to make sure I would be economically self-sufficient while interviewing -- I had only $20 in my checking account.

This lack of a grace period is an untenable and unjust option that immediately puts people behind the eight ball and leads to a spiraling inability to pay, and further debt issues.

Federal loans, other states' loans, and even private loans all have this grace period, a logical feature that allows borrowers to get on their feet and get a job after graduation -- which is absolutely not a given in this economy -- and save up a little money to help make payments. But HESAA does not allow this, because they don't care if their borrowers pay.

The last sentence seems to be accusatory and presumptuous, but my experience in dealing with HESAA's irresponsible, cold, and unprofessional customer service allows me to safely make the assumption that they absolutely in no way care about their loan borrowers' financial situations. I was having trouble making my monthly loan payments, and wanted to see if I could work out a lower monthly payment plan with HESAA. Even if I was able to make contact with someone from HESAA -- which I was not -- this would probably be a fruitless pursuit as, according to the articles, they come with extremely stringent provisions that prevent the ability to negotiate lower payments.

I and my parents tried calling multiple times; at one point, my mom was put on hold for two hours and then hung up on after 8 p.m., when the hours of operation are done. My father, my mother, and I tried calling multiple times, and were never once able to speak to a representative about fixing our loan payments.

During this time I was having difficulty making my monthly payments, and I was going through some pretty bad health problems as well, while working full time and trying to keep everything together. All I wanted to do was have someone take even a slightest shred of interest in my personal situation and show just one iota of compassion so I could find a better way to pay off my loans as best as my situation would allow at the time -- until my situation improved and I could fulfill my obligations in full.

HESAA never gave me that option, or any other option. Because without even once contacting me to see why I was having difficulty making my payments and without trying to work out an equitable compromise, at only 90 days after my last payment my loans were defaulted, discharged, and sold off to a collection firm.

To this day I have been unable to contact HESAA regarding the situation. As previous people said, they discharged the loans and they close your portal online; you're not able to access documents. They confiscated my New Jersey 2014 tax refund without any documentation that it was even applied towards my loan balance. And when I called to protest, I again was put on an indefinite hold and my e-mails were never responded to.

It's not as if I was trying to shirk my financial responsibilities, or that I was being lazy. I was simply trying to juggle my new loan responsibilities with paying my bills, adjusting to work, and trying to stabilize my health situation. Ninety days after I made my previous payment, I was notified that my loan was in default. To my knowledge, Federal loans allow 270 days before defaulting. I was blindsided. My father and I tried contacting HESAA and we tried to log on and deal with it online, as I said, only to see that our account was frozen and original loan documents were inaccessible, as they remain to this day.

The collection firm was as inaccessible as HESAA. My father had to physically go to their office to finally find someone who would talk to him, and was able to work out a legitimate payment schedule. On top of everything, the firm charged over 25 percent in attorney fees upfront. My loan remains perpetually in default, even as I've made monthly payments, as agreed to, by this collection firm until I pay off the loan in its entirety.

This has negatively affected my credit score; and all I've wanted to do for the past five years is fix this problem, responsibly pay my loan, and honor my commitment. But HESAA's absolute disregard for me -- and, as I'm now learning, many others as well -- has prevented this and led to my current situation.

HESAA and its affiliated collection agencies need serious reform. Having terms that mirror Federal loans would be a good start. A loan with such a high and increasing default rate clearly shows a systemic flaw in the system and with the lender. HESAA should grant borrowers a post-graduation period; sufficiently staff its customer service department with competent, helpful, respectful professionals that actually respond to repeated customer inquiries; and have readily advertised ways to work with borrowers.

Their callous, illogically strict requirements truly set many borrowers up for failure and financial ruin. I strongly believe HESAA has suffered from an unfortunate lack of oversight. It's been allowed to continue its draconian lending practices for years unabated, churning out defaults and lawsuits to appease bondholders and keep up its bond rating.

For a private company this greed would be saddening, but not necessarily unexpected. But for a State agency, these practices are an embarrassment to a State that's overall public education system consistently ranks in the top national rankings.

I truly believe that New Jersey's students would be wholly better off taking any possible available loan rather than utilizing HESAA's services. The borrowers it lends to would be better served taking their business elsewhere because if, God forbid, they get three months behind on their payments for any legitimate reason, they will be in the same situation that I am here testifying about today.

In conclusion, something needs to be done. This is not a one- or a two-person problem -- as I think you've seen today -- but a systemic problem that direly needs your oversight. Thousands of lives can be bettered with legislation or directives to help rehab our bad loans, and to prevent this from happening in the future.

I thank you for taking the time to listen to my testimony. And I hope that you think hard about the reputation that HESAA brings to the State of New Jersey, and the role that this venerable body has in righting these wrongs.

SENATOR CUNNINGHAM: Thank you.

SENATOR GORDON: Thank you very much, Mr. Solomon, particularly for your recommendations.

Anyone on the Committee have any questions or comments? (no response)

Thank you very much.

MR. SOLOMON: Thank you.

SENATOR GORDON: This concludes our testimony.

I can only speak for-- I'm sorry; Senator Cunningham.

SENATOR CUNNINGHAM: We do have a Higher Education Bill.

SENATOR GORDON: Oh, we do have a-- I'm reminded that we do have a Higher Education Bill that the Committee is going to hear.

I do just want to sort of close out this portion of the hearing by thanking all those who appeared here, once again, for putting a face on this problem. I personally am outraged by what I heard.

You know, at the end of World War II, at the Federal level, Congress passed something called the *GI Bill,* which became an engine for the prosperity that followed in America in the decades after World War II. In contrast, here in New Jersey, we've developed a student loan program which seems to, perhaps -- not its goal, but is having the effect of ruining hundreds, if not thousands of lives. And it seems to me that we need to just end this program, start over from scratch, find ways of providing assistance for students so that they can get their higher education without bankrupting them -- by building in some flexibility, by being more concerned about our residents than the investors on Wall Street. And I'm hoping that a number of us can get together and develop some legislation.

I know we have a bill -- I know Senator Cunningham wants to say something about that -- it deals with forgiving loans for those who are deceased. But from what I've heard today, we really need something much broader; we really need to recreate this program and do it in a way that serves our state. I just can't imagine any kind of private organization operating this way.

Are there other comments? I'd like to give my colleagues an opportunity just to make some closing remarks.

Senator Cunningham, did you want to talk about this Bill?

SENATOR CUNNINGHAM: First of all, I just want to thank everyone for being here. Believe me, the information that you gave us today is absolutely invaluable. We take it very seriously, and we are going to try to do whatever we can to make this -- to rectify this in some way.

I do agree with Senator Gordon; perhaps we need to start all over again. But it's painful to see young people who are starting their lives in the hole, you know? It's very painful to see young people who are starting their lives already in debt that is way above-- And it is just absolutely ridiculous to see people who are paying for life, it seems, to go to college or to send someone to school.

So believe me, your being here today has done a wonderful thing for all of us, because it's opened our eyes to what needs to be done. And we're going to be looking for ways to do that.

Just because you're still all here-- To start with, Senators Kean, Ruiz, and myself are dropping a piece of legislation today that requires HESAA to obtain a court order prior to pursuing the following collection efforts on a defaulted New Jersey CLASS loan: that's offsetting a State income tax refund, or State lottery prize winnings, initiating wage garnishment, or suspending an occupational or professional license.

So this, at least, will help some people -- that they will not be able to just, because they feel like it, sue or take you to court.

So we're looking forward to this piece of legislation.

Thank you so much; I think we're going to close this meeting and open another.

SENATOR GORDON: Yes, thank you, Senator Cunningham.

We're going to adjourn this joint meeting of the Senate Legislative Oversight Committee and the Committee on Higher Education, and then I'm going to turn it over to my erstwhile colleague, Senator Cunningham. (laughter)

SENATOR CUNNINGHAM: You can hit the gavel again for it; why not? (laughter)

MS. HAIMOWITZ: Senate Bill 743 directs Higher Education Student Assistance Authority to forgive certain student loans in the event of the borrower's death.

If anybody is here to testify on that Bill, there are witness slips at the back and you can bring it up to one of the staff.

SENATOR CUNNINGHAM: We have one person, Pat Brannigan, New Jersey Catholic Conference, in favor, no need to testify.

Is there anyone else? You're standing; do you-- Do you want to testify, sir?

G O D W I N E T U K (phonetic spelling): (off mike) Yes; I thought we had (indiscernible). I can testify.

SENATOR CUNNINGHAM: Come forward.

You could go-- Yes.

MR. ETUK: Yes, my name is Godwin Etuk.

SENATOR KEAN: Could you push the button, sir?

SENATOR CUNNINGHAM: Press the red button.

MR. ETUK: Okay.

My name is Godwin Etuk. I want to thank all of you for inviting us to come. I was surprised to get the e-mail, because I thought that we don't have hope or anybody to help us.

I cosigned for my son--

SENATOR CUNNINGHAM: Oh, okay.

Sir, we're going to be talking, right now, on the Bill 743.

MR. ETUK: Oh, okay; sorry.

SENATOR CUNNINGHAM: That's okay.

MR. ETUK: That's all right; okay.

SENATOR CUNNINGHAM: Okay; so there's no one else to testify on 743, so let's move it.

SENATOR KEAN: Move the Bill.

SENATOR CUNNINGHAM: Yes.

MS. HAIMOWITZ: Okay, this is a vote on Senate Bill 743.

Senator Kean.

SENATOR KEAN: Yes.

MS. HAIMOWITZ: Senator Weinberg.

SENATOR WEINBERG: Yes.

MS. HAIMOWITZ: Senator Ruiz.

SENATOR RUIZ: Yes.

MS. HAIMOWITZ: Senator Cunningham.

SENATOR CUNNINGHAM: Yes.

So moved. Thank you, everyone.

(MEETING CONCLUDED)