NEW YORK STATE PRIVATE STUDENT LOAN REFINANCING TASK FORCE

REPORT OF FINDINGS AND RECOMMENDATIONS TO THE GOVERNOR, PRESIDENT OF THE SENATE, AND SPEAKER OF THE ASSEMBLY

OCTOBER 2023

EXECUTIVE SUMMARY

The Private Student Loan Refinancing Task Force (the Task Force) has been convened to study and analyze ways to encourage lending institutions that offer private student loans to students of New York institutions of higher education to create student loan refinancing programs. It is a complex issue: while refinancing may help certain borrowers, others may risk forfeiting valuable benefits on their federal student loans.

The Task Force has drawn some broad conclusions based on its research and analysis. First, there does not appear to be an outstanding need for private student loan refinancing that would be ameliorated by further state involvement. Second, it appears that student borrowing is unequally distributed across racial and ethnic groups, with worse outcomes for communities of color and for older populations.

The Task Force also has developed consumer protection policy options for consideration with respect to private student loan refinancing. These include mandating that private lenders provide disclosures about potential risks to applicants before refinancing and increasing efforts to promote financial literacy among New Yorkers.

INTRODUCTION

The Legislature established the Task Force through Chapter 774 of the Laws of 2021 (signed by Governor Hochul on December 21, 2021), as amended by Chapter 85 of the Laws of 2022 (signed by Governor Hochul on February 24, 2022) (the Act). The Act sets forth the responsibility of the Task Force: "The purpose of such task force is to study and analyze ways lending institutions that offer non-federal student loans to students of New York institutions of higher education can be incentivized and encouraged to create student loan refinance programs.[1]"

The Task Force consists of "the superintendent of financial services, … the president of the higher education services corporation, … five members appointed by the governor, two members appointed by the temporary president of the senate, one member appointed by the minority leader of the senate, two members appointed by the speaker of the assembly, and one member appointed by the minority leader of the assembly.[2]"

The members of the Task Force were duly appointed by a variety of members of the legislative and executive branches of New York State. As of September 2022, sufficient appointments had been made for the Task Force to have a quorum for meetings, and the Task Force began its work. (Some seats remain unfilled.) The members of the Task Force are:

Adrienne A. Harris
Superintendent of Financial Services

[1] Act, § 1.
[2] *Id.* at § 2.

Dr. Guillermo Linares
President, New York State Higher Education Services Corporation

Winston Berkman-Breen
Legal Director, Student Borrower Protection Center

Beth Berlin
Chief Operating Officer, State University of New York

Lola Brabham
President, Commission on Independent Colleges and Universities

Rob Lavet
General Counsel, Social Finance Inc. (SoFi)

Felix Matos Rodríguez
Chancellor, City University of New York

David Rust
Chief Education Officer, Say Yes Buffalo

Michael Smingler
Chief Budget Examiner, Education and Arts Unit, NYS Division of the Budget

The Task Force met in November 2022, January 2023, March 2023, and July 2023. In addition to the Task Force's independent research using publicly available information, the Task Force issued a Request for Information (RFI) on November 8, 2022, which posed 19 questions regarding student loan refinancing in New York State for public feedback[3]. The RFI received five responses from a variety of industry participants and observers[4]. Several of these respondents were interviewed by designees of the Task Force.

BACKGROUND

Student Loans Generally

Student loans have become a significant burden on the public, not just in New York State but throughout the United States. It is estimated that one out of every eight Americans carries student loan debt[5], roughly 43 million people[6]. The student loan market consists primarily of federal

[3] New York State Private Student Loan Refinancing Task Force, *Request for Information Regarding Private Student Loan Refinancing in New York State* (Nov. 8, 2022), available at https://www.dfs.ny.gov/industry_guidance/industry_letters/il20221108_rfi_private_student_loan_financing_nys.
[4] The five responses to the RFI are attached as Appendices A-E to this Report.
[5] U.S. Census Bureau, *U.S. and World Population Clock*, available at https://www.census.gov/popclock/.
[6] Fed. Student Aid, *Federal Student Aid Portfolio Summary*, available at https://studentaid.gov/sites/default/files/fsawg/datacenter/library/PortfolioSummary.xls, cell J53 (Q1 2023).

loans, which make up roughly 92 percent of the student loan market[7]. Data on federal student loans is available on the U.S. Department of Education's website, including state-level data[8]. As of March 31, 2023, over 2.5 million New York State residents held federal student loan debt totaling $95.7 billion[9].

The federal government has enacted a series of programs and benefits to help borrowers manage and pay off federal student loans, including:

- Income-driven repayment plans, which set a borrower's monthly student loan payment at an amount that is intended to be affordable based on the borrower's income and family size[10];
- The Public Service Loan Forgiveness (PSLF) program, which forgives the remaining balance on a borrower's federal Direct Loans once the borrower has made 120 qualifying monthly payments while working full-time in public service, such as for a government or non-profit employer[11];
- Temporary coronavirus-related emergency relief, including a suspension of loan payments, no interest, and stopped collections on defaulted loans since March 2020, which expired at the end of August 2023[12];
- "Borrower defense to loan repayment" which discharges some or all of a borrower's federal student loan debt if an educational institution misleads the borrower or engages in other misconduct in violation of certain state laws[13]; and
- Discharges for borrowers with permanent disabilities or upon the death of the borrower[14].

Finally, in addition to loans made directly to students, loans to parents or other guarantors also make up a significant part of the student loan ecosystem. The federal Parent PLUS loan program allows parents to borrow money to help pay for their children's education[15]. While these loans can help families pay for higher education, they also create long-term burdens on parents.

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[7] *See, e.g.,* U.S. Chamber of Commerce, *Student Loan Statistics*, available at https://www.chamberofcommerce.org/student-loan-statistics/ (92% of student loan debt is federal); MeasureOne for PRNewswire, *Latest MeasureOne Data Confirms Private Student Loan Market Returning to Pre-Pandemic Norms* (Dec. 21, 2021), available at https://www.prnewswire.com/news-releases/latest-measureone-data-confirms-private-student-loan-market-returning-to-pre-pandemic-norms-301447849.html (92.4% of student loan debt is federal); BankRate, *Student Loan Debt Statistics,* available at https://www.bankrate.com/loans/student-loans/student-loan-debt-statistics/ (92.7% of student loan debt is federal).

[8] Fed. Student Aid, *Federal Student Loan Portfolio,* available at https://studentaid.gov/data-center/student/portfolio.

[9] Fed. Student Aid, *Portfolio by Location* (March 31, 2023), available at https://studentaid.gov/sites/default/files/fsawg/datacenter/library/Portfolio-by-Location.xls.

[10] Fed. Student Aid, *Income-Driven Repayment Plans,* available at https://studentaid.gov/manage-loans/repayment/plans/income-driven.

[11] Fed. Student Aid, *Public Service Loan Forgiveness (PSLF)*, available at https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service.

[12] Fed. Student Aid, *COVID-19 Emergency Relief and Federal Student Aid*, available at https://studentaid.gov/announcements-events/covid-19.

[13] Fed. Student Aid, *Apply for Borrower Defense Loan Discharge,* available at https://studentaid.gov/borrower-defense/.

[14] Fed. Student Aid, *Student Loan Forgiveness,* available at https://studentaid.gov/manage-loans/forgiveness-cancellation.

[15] Fed. Student Aid, *Parent PLUS Loans,* available at https://studentaid.gov/understand-aid/types/loans/plus/parent.

While federal student loans are subject to a host of protections and assistance programs, they still pose financial risks to borrowers. If a borrower defaults on a federal student loan by not making any payments for 270 days, the federal government can garnish the borrower's tax refund and/or part of the borrower's wages or Social Security income[16]. Further, the amount of money that an undergraduate student can borrow is limited. First and second year students can borrow up to $5,500, and students in their third year onward can borrow up to $7,500[17]. It should also be noted that although the PSLF program has been accused of mismanagement and abuse in the past[18]; in recent years, reforms have resulted in significantly more successful loan forgiveness applications under PSLF, with 53,000 New Yorkers collectively having $3.6 billion forgiven under the program[19].

Private Student Loans

While roughly 92 percent of student loan debt comes from federal loans, private student loans are also a notable part of the education financing ecosystem, especially for borrowers who have exhausted federal student aid options and require additional assistance in financing their education[20]. There are certain key differences between federal and private student loans, most notably that private loans do not typically offer income-driven repayment, PSLF benefits, disability benefits, or school-based discharges[21]. Additionally, while interest rates depend on both the individual loan and the broader interest rate environment, the Consumer Financial Protection Bureau (CFPB) has stated that private loans are generally more expensive than federal student loans[22]. Indeed, according to one source, while new federal undergraduate loans have a 5.50% interest rate as of this writing, interest rates on new private undergraduate loans range from 3.99% to 16.75%[23].

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[16] Consumer Fin. Prot. Bureau, *Choosing a Loan That's Right for You,* available at https://www.consumerfinance.gov/paying-for-college/choose-a-student-loan/.

[17] *Id.*

[18] Student Borrower Protection Center and Amer. Federation of Teachers, *Broken Promises: Employer Certification Failure,* Aug. 2020, available at https://protectborrowers.org/wp-content/uploads/2020/08/ECF-Failures.pdf.

[19] The Department of Financial Services has lead a comprehensive program to help New Yorkers access PSLF relief. DFS issued first-in-the-nation guidance outlining expectations for informing borrowers about the PSLF program and best practices to follow. *See* New York State Dep't of Fin. Serv., *Best Practices for Promoting Public Service Loan Forgiveness* (July 13, 2022), available at https://www.dfs.ny.gov/industry_guidance/industry_letters/il20220713_pslf. In addition, DFS led a campaign to inform New Yorkers of the temporary PSLF waiver and encourage eligible borrowers to apply for loan forgiveness. In 2022, DFS secured commitments from organizations representing more than 8500 public and not-for-profit employers to distribute information to their workforces and assist them in applying to the PSLF program before the expiration of the waiver. *See* Off. of Gov. Kathy Hochul, *Governor Hochul Signs Legislation to Expand Public Servants' Access to Student Loan Forgiveness* (Sept. 15, 2022), available at https://www.governor.ny.gov/news/governor-hochul-signs-legislation-expand-public-servants-access-student-loan-forgiveness. DFS also offered PSLF workshops across the state.

[20] Tim Maxwell, CBS News, "When Should You Apply for Student Loans?" (June 22, 2023), available at https://www.cbsnews.com/news/when-should-you-apply-for-student-loans/.

[21] Fed. Student Aid, *Federal Versus Private Loans,* available at https://studentaid.gov/understand-aid/types/loans/federal-vs-private.

[22] Consumer Fin. Prot. Bureau, *Choosing A Loan That's Right For You*, available at https://www.consumerfinance.gov/paying-for-college/choose-a-student-loan/.

[23] *See, e.g.,* Zina Kumok, LendEDU, "Current Student Loan Interest Rates" (October 1, 2023), available at https://lendedu.com/blog/student-loan-interest-rates; Kat Tretina, Money, "Everything You Need To Know About

Comprehensive public data on private student loans is largely based on estimates, in contrast to the readily available federal loan data. The Department of Financial Services exercises supervisory authority over student loan servicers[24], which are companies and organizations that collect payments on a student loan, respond to customer service inquiries, and perform other administrative tasks associated with maintaining a student loan[25]. However, DFS does not have the authority to register, license, examine, or otherwise supervise private student lenders themselves unless the entity also conducts other activities for which DFS does have supervisory authority. While DFS does not have direct access to data on the private student loan industry's activities in New York State, either on refinancing in particular or private student lending in general, reports provided to DFS by licensed student loan servicers offer a basis for estimates. Based on these reports, as of January 1, 2023, the 29 student loan servicers licensed in New York State serviced 454,947 private student loans totaling $11.05 billion, which includes 71,825 refinanced student loans totaling $4.38 billion.

Similarly, due to "limitations on available data" concerning "non-federal student loan origination activity," the annual report from the CFPB Education Loan Ombudsman relies on estimates about private student loans based on reporting by a variety of private and non-profit third parties[26]. Acknowledging those limitations, the CFPB estimates that, as of June 2022, across the U.S., there was $128 billion in outstanding private student loan debt, compared to $1.745 trillion in federal student loan debt[27]. Although the various regional Federal Reserve Banks also publish data related to the broader student loan market[28], their reports extrapolate using consumer credit data taken from only five percent of the subset of Americans with an Equifax credit report and are not broken down by industry actor or loan subtypes[29]. Other publicly available reports by private and/or industry groups[30] and responses to the Task Force's RFI also include estimates[31] that provide some insight into the larger private student loan market.

Student Loan Interest Rates" (August 21, 2023), available at https://money.com/student-loan-interest-rates/#private-loans.

[24] *See infra at* 12-13.

[25] Consumer Fin. Prot. Bureau, *What Is A Student Loan Servicer?*, available at https://www.consumerfinance.gov/ask-cfpb/what-is-student-loan-servicer-en-583/.

[26] Consumer Fin. Prot. Bureau, *Report of the CFPB Education Loan Ombudsman* 8 (Oct. 2022), available at https://files.consumerfinance.gov/f/documents/cfpb_education-loan-ombudsman_report_2022-10.pdf.

[27] *Id.*

[28] *See, e.g.,* Fed. Reserve Bank of N.Y., *Liberty Street Economics: Student Loans*, available at https://libertystreeteconomics.newyorkfed.org/student-loans/; Fed. Reserve Bank of San. Fran., *Student Loan Debt in the Bay Area: Interactive Maps*, https://www.frbsf.org/community-development/data/student-loan-debt-bay-area/.

[29] Daniel Mangrum, Joelle Scally, and Crystal Wang, Fed. Reserve Bank of N.Y., *Liberty Street Economics: Three Key Facts from the Center for Microeconomic Data's 2022 Student Loan Update,* (Aug. 9, 2022), available at https://libertystreeteconomics.newyorkfed.org/2022/08/three-key-facts-from-the-center-for-microeconomic-datas-2022-student-loan-update/.

[30] See, e.g., MeasureOne, *Private Student Loan Report Q3 2021* (Dec. 15, 2021); Student Borrower Prot. Center, *Private Student Lending* (April 2020), available at https://protectborrowers.org/private-student-lending-report/; Navient, *SFVegas 2022 - Investor Presentation* 7 (July 2022), available at https://navient.com/Images/SFVegas-2022-Investor-Presentation_tcm5-25984.pdf.

[31] *See, e.g.,* RBC Capital Markets, LLC, *Response to Request for Information Regarding Private Student Loan Refinancing in New York State* 2 (Dec. 8, 2022), attached hereto as Appendix A (characterizing the private student loan market as "difficult to measure due to the lack of public information provided by balance sheet

Private lenders also originate education financing loans to parents or other guarantors[32]. As with the federal Parent PLUS program, such loans can help families afford higher education, but they also result in long-term burdens on parents. In addition, the CFPB has reported that some parents who have guaranteed a student loan as a co-signer have found, often years later, that obtaining a co-signer release is more difficult than expected or even impossible[33]. As a result, parents may find themselves responsible for loans to finance their child's education for years or even decades after their child leaves school, whether or not the child has contributed to their student loan payments, with no remedy.

Demographics

Available data makes clear that student debt and its long-term challenges are not evenly distributed among households and instead exacerbate existing wealth disparities. However, most of the available data concerns student lending in general, not refinanced loans specifically, and fails to specify whether the data covers only federal student loans or the entire student loan market.

Nationally, U.S. Department of Education data indicates that more than 90 percent of Black and 72 percent of Latino undergraduate students take out loans, in comparison to 66 percent of white students[34]. This disparity in borrowing is, in part, due to longstanding wealth disparities. In 2022, Black families had about $957,000 less wealth, and Latino families about $982,000 less wealth, on average, than white families[35]. Additionally, while the typical white borrower pays down almost 95 percent of their loan in the 20 years after beginning college, their typical Black peer still owes 95 percent of their original balance after the same time period[36]. These data points suggest that increased loan amounts and less family wealth result in greater difficulty in paying back student debt. These disparities are apparent in student loan default rates as well: the Federal Reserve Bank of New York found that, before the COVID-19 payment pause, the default rate was 17.7 percent in Black-majority zip codes, 13 percent in Latino-majority zip codes, and 9

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lenders"); LendKey Technologies, Inc., *Response to Request for Information Regarding Private Student Loan Refinancing in New York State* 2 (Dec. 6, 2022), attached hereto as Appendix B.

[32] Erika Giovanetti, "Survey: 43% of Parents Regret Borrowing Student Loans for Their Children" (Aug. 31, 2022), *U.S. News & World Report,* available at https://money.usnews.com/loans/student-loans/articles/parent-student-loan-borrowers-survey.

[33] Consumer Fin. Prot. Bureau, *Mid-Year Update on Student Loan Complaints* 14-17 (June 2015), available at https://files.consumerfinance.gov/f/201506_cfpb_mid-year-update-on-student-loan-complaints.pdf.

[34] Aissa Canchola and Seth Frotman, "The Significant Impact Of Student Debt On Communities Of Color," Consumer Fin. Prot. Bureau (Sept. 15, 2016), available at https://www.consumerfinance.gov/about-us/blog/significant-impact-student-debt-communities-color/.

[35] Ana Hernández Kent and Lowell R. Ricketts, "Racial and Ethnic Household Wealth Trends and Wealth Inequality" (Nov. 29, 2022), Fed. Reserve Bank of St. Louis, available at https://www.stlouisfed.org/institute-for-economic-equity/the-real-state-of-family-wealth/racial-and-ethnic-household-wealth.

[36] Laura Sullivan, Tatjana Meschede, Thomas Shapiro, and Fernanda Escobar, Inst. on Assets and Soc. Policy, Heller Sch. for Soc. Policy and Mgmt., Brandeis Univ., *Stalling Dreams: How Student Debt is Disrupting Life Chances and Widening the Racial Wealth Gap* 4 (Sept. 2019), available at https://heller.brandeis.edu/iere/pdfs/racial-wealth-equity/racial-wealth-gap/stallingdreams-how-student-debt-is-disrupting-lifechances.pdf.

percent in white-majority zip codes[37]. Black-majority zip codes see the highest and fastest-growing student loan balances as well[38].

Student debt burdens are not limited to current students and recent graduates. The CFPB has noted that, between 2005 and 2015, the number of consumers aged 50 and older with outstanding student loan debt quadrupled, and the share of all borrowers aged 60 or older increased to 6.4 percent from 2.7 percent[39]. This growth is fueled both by borrowers carrying debts later into their lives and by older consumers taking out student loans to support their children's or grandchildren's educations[40]. Over half of the consumers who cosign private student loans are age 55 or older[41]. Older borrowers also struggle with these debts. In 2017, nearly 40 percent of federal student loan borrowers aged 65 or older were in default on their loans, as compared with nearly 30 percent for borrowers aged 55 to 64, and 17 percent for borrowers younger than 50. Defaults for older borrowers have serious repercussion; the federal government can garnish Social Security benefits to collect on defaulted federal student loans[42]. The CFPB has also reported that some older borrowers have complained about problems and errors with their federal student loan servicer[43], and it is reasonable to presume that at least some of these servicing errors have had a material financial impact on borrowers.

New York student borrower data reflects this same inequality. Data released in 2019 by the Federal Reserve Bank of New York indicates that, in the New York-Newark-Jersey City metropolitan area, the percent of the population with a student loan in majority-minority zip codes is higher than in majority-white zip codes, by a small margin, but that the percent of student loan borrowers in default in majority-minority zip codes is more than double the percent in majority-white zip codes[44]. These findings are consistent with reports by the New York City Department of Consumer and Worker Protection ("DCWP"), which has published several studies on the effect of student loan debt across various New York City neighborhoods[45]. DCWP's reports include data on degree attainment, as well as focus on specific geographic or demographic populations.

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[37] Andrew F. Haughwout, Donghoon Lee, Joelle Scally, and Wilbert van der Klaauw, Fed. Reserve Bank of N.Y., *Liberty Street Economics: Just Released: Racial Disparities in Student Loan Outcomes* (Nov. 13, 2019), available at https://libertystreeteconomics.newyorkfed.org/2019/11/just-released-racial-disparities-in-student-loan-outcomes/.
[38] *Id.*
[39] Off. for Older Americans & Off. for Students and Young Consumers, Consumer Fin. Prot. Bureau, *Snapshot of Older Consumers and Student Loan Debt* 5 (Jan. 2017), available at https://files.consumerfinance.gov/f/documents/201701_cfpb_OA-Student-Loan-Snapshot.pdf.
[40] *Id.* at 3.
[41] *Id.* at 11.
[42] U.S. Gov't Accountability Off., *Social Security Offsets: Improvements to Program Design Could Better Assist Older Student Loan Borrowers with Obtaining Permitted Relief* (Dec. 19, 2016), available at https://www.gao.gov/products/gao-17-45.
[43] Off. for Older Americans & Off. for Students and Young Consumers, Consumer Fin. Prot. Bureau, *Snapshot of Older Consumers and Student Loan Debt* 17-18 (Jan. 2017), available at https://files.consumerfinance.gov/f/documents/201701_cfpb_OA-Student-Loan-Snapshot.pdf.
[44] Fed. Reserve Bank of N.Y., *Booker-Requested Report From NY Fed Detailing Racial Disparities Student Loan Debt* 2-3 (Sept. 24, 2019), available at https://www.scribd.com/document/428472893/Booker-Requested-Report-from-NY-Fed-Detailing-Racial-Disparities-Student-Loan-Debt.
[45] New York City Dep't of Consumer and Worker Prot., *Student Loan Research Reports,* available at https://www.nyc.gov/site/dca/consumers/Student-Loans-Research.page.

Taken together, the data show that borrowing is unequally distributed across racial and ethnic groups and that outcomes are worse for communities of color. Student loans also appear to be carried long enough that older populations face the burdens of student debt, both for their own loans and any loans they may have co-signed for family members. Although much of the available data is national in scope, the Task Force has seen nothing to indicate that the same is not true about New York. Any policy intervention should seek to address and ameliorate these disparities and not to entrench them further.

STUDENT LOAN REFINANCING

Why Borrowers Refinance

Student loan borrowers may refinance their student loans for a variety of reasons. First, refinancing may result in lower interest rates, which could save borrowers a significant amount over the life of their loans[46]. Borrowers with high credit scores and good income can often qualify for lower interest rates than what they were originally offered[47]. Second, refinancing allows borrowers to change other terms of their loans, such as the duration of the loan or whether the interest rate is variable or fixed[48]. Third, borrowers can consolidate multiple loans into one, simplifying their repayment process/[49]. Fourth, some private lenders may offer sign-up benefits such as cash back for new refinancers[50]. Refinancing can be especially helpful for higher-income borrowers who do not need the benefits of federal student loans, such as income-driven repayment plans, but could still benefit from a lower interest rate[51].

Borrowers can refinance their loans through a variety of lenders; industry leaders in refinancing include fintechs, traditional banking institutions, and companies focused primarily on student loans[52].

What to Know Before Refinancing

Despite the benefits of refinancing for some borrowers, there could be downsides for federal student loan borrowers who seek to refinance into private loans. Borrowers who refinance lose the federal consumer protections that are specific to federal student loans, such as PSLF and

[46] Adam Barnes, The Hill, "How Do Borrowers Change Their Plans On A Student Loan?" (July 27, 2023).
[47] *Id.*
[48] Elizabeth Gravier, CNBC Select, "Consider These Pros and Cons Before Refinancing Your Student Loans" (Oct. 25, 2022), available at https://www.cnbc.com/select/refinancing-student-loans-pros-and-cons/.
[49] Consumer Fin. Prot. Bureau, *Should I Consolidate or Refinance My Student Loans?* (Dec. 7, 2022), available at https://www.consumerfinance.gov/ask-cfpb/should-i-consolidate-refinance-student-loans-en-561/.
[50] *See, e.g.,* Travis Hornsby, Student Loan Planner, "The Biggest Student Loan Refinance Bonus Offers Anywhere" (March 27, 2023), available at https://www.studentloanplanner.com/student-loan-refinancing-cash-back-bonuses/.
[51] Tom Anderson, CNBC, "This Student Debt Strategy Can Save You More Than $18,600" (July 20, 2017), available at https://www.cnbc.com/2017/06/07/this-student-debt-strategy-can-save-you-more-than-18600.html.
[52] Elizabeth Gravier, CNBC Select, "These Top Student Loan Refinance Companies Can Save You Hundreds of Dollars in Interest Each Month" (May 1, 2023), available at https://www.cnbc.com/select/best-student-loan-refinance-companies/. The Task Force does not take a position on whether any companies offering student loan refinancing are better than any others.

income-based repayment plans[53]. Borrowers unsure of their future income may not know if they will need to take advantage of those benefits over the life of their federal student loans. Separately, even in the situations where refinancing into a private loan would make sense, eligibility terms also may be too strict for some borrowers, especially in high-interest rate environments, given that private companies have limited risk appetites and can lend only to borrowers with certain risk profiles[54].

Further, as initially reported by Business Insider, some federal student loan borrowers have reported misleading marketing practices by some private student loan lenders, including the lenders' failing to explain that the borrowers would lose the benefits and protections of federal student loans when refinancing into private loans, and some advocates argue that not all student loan refinancing products include sufficient disclosures to borrowers[55]. Other types of loan applications, such as those for home mortgage or consumer loans, typically must include numerous disclosures intended to ensure transparency and to protect both the lender and borrower by providing comprehensive information about the terms, conditions, risks, and costs associated with the loan, thereby promoting informed decision-making and reducing potential conflicts or misunderstandings. While some lenders provide stronger disclosures voluntarily as part of the student loan refinancing application process[56], such disclosures are not required. Borrowers who refinance may not be fully aware that they will lose federal loan benefits and protections upon refinancing into a private loan.

Finally, although borrowers who refinance existing private student loans into other private loans do not risk losing federal student loan benefits, these borrowers may nonetheless lose certain legal claims or defenses related to the school they attended once they refinance. For example, while the Federal Trade Commission's Holder Rule provides that the lender and any subsequent holder of a private student loan may be liable for a borrower's claims or defenses against the school that the loan was used to finance, it is not clear that the liability persists after the borrower refinances the initial private student loan[57].

Private Student Loan Refinancing Market

The amount of outstanding private student loan debt is estimated to be approximately $128 billion[58]. It is important to note that sources for this estimate do not separate refinancing from

[53] Consumer Fin. Prot. Bureau, *Should I Consolidate or Refinance My Student Loans?* (Dec. 7, 2022), available at https://www.consumerfinance.gov/ask-cfpb/should-i-consolidate-refinance-student-loans-en-561/ .
[54] Mark Kantrowitz, USA Today, "Should You Refinance Your Student Loans?" (Feb. 21, 2023), available at https://www.usatoday.com/money/blueprint/student-loans/should-you-refinance-student-loans/.
[55] Business Insider, "Student-Loan Companies Are Raising 'Serious Concerns' By Offering Refinancing Options to Borrowers That Could Make Them Ineligible for Biden's Debt Cancellation" (Sept. 2, 2022), available at https://www.businessinsider.com/biden-student-loan-forgiveness-stripped-away-refinance-private-loan-debt-2022-8.
[56] SoFi, *Response to Request for Information Regarding Private Student Loan Refinancing in New York State* 4 (Dec. 8, 2022), attached hereto as Appendix C. Please note that the sample disclosures referenced therein may not reflect the current disclosures being used.
[57] *See* 16 CFR Part 433.
[58] *See, e.g.,* Consumer Fin. Prot. Bureau, *Report of the CFPB Education Loan Ombudsman* 8 (Oct. 2022), available at https://files.consumerfinance.gov/f/documents/cfpb_education-loan-ombudsman_report_2022-10.pdf (outstanding private student loan debt is roughly $128 billion); Melanie Hanson, Education Data Initiative, *Student Loan Debt*

other student lending, do not include state-by-state data, and sometimes lack clear sourcing, so observers can only draw broad conclusions about the size and nature of the refinancing market. Similarly, while the terms of common refinancing options can be found on the websites of major private student loan refinancing companies[59], public data is not available for each participant in the market, so these terms provide only a general idea of current rates and terms.

The student loan market has undergone major changes in recent years, with a particularly significant impact from the temporary federal payment pause. Since March 2020, payments on federal student loans were temporarily suspended at least eight times due to the coronavirus pandemic[60]. This moratorium, which ended on August 30, 2023, led to uncertainty in the student loan refinancing market, with some borrowers declining to refinance their federal student loans because they did not know when their federal payment requirements would resume[61].

In addition, since 2020, the interest rate environment has changed dramatically throughout the broader economy, including in the student loan refinancing market. While the payment pause provided short-term savings to federal borrowers, many have missed out on refinancing at lower rates. Borrowers entering repayment in the fall of 2023 will be met with higher interest rates if they seek to refinance[62].

Individual Perspectives

The experiences of individual borrowers can provide valuable insights into the challenges and opportunities facing borrowers refinancing into private student loans by helping policymakers understand borrowers' struggles and identify areas where policy changes may be necessary.

The Task Force received several accounts of borrowers' experiences from task force members, including the following borrowers who did not benefit from refinancing:

> Katherine is in her early 30s. She attended Argosy University and felt defeated after accumulating close to $100,000 for an Associate's degree. She was convinced that refinancing was the best way to tackle her debt. She refinanced her federal student loans into private loans in 2017, which her mother had to co-sign. She did not know she was forgoing federal relief programs by doing so. Had she not refinanced, her loans would have been discharged through the federal Borrower Defense to Repayment program. This is because the Department of Education found Argosy University to have defrauded students like Katherine, and consequently, students

Statistics (April 1, 2023), available at https://educationdata.org/student-loan-debt-statistics ("[t]he national private student loan balance exceeds $120 billion").

[59] *See, e.g.,* SoFi, *Student Loan Refinancing Rates & Terms,* available at https://www.sofi.com/refinance-student-loan/refinance-student-loan-rates/; LendKey, *Refinance Student Loans Rates & Terms,* available at https://partner.lendkey.com/navyfederal/refinance/rates_and_terms.

[60] Fed. Student Aid, *COVID-19 Emergency Relief and Federal Student Aid*, available at https://studentaid.gov/announcements-events/covid-19.

[61] Consumer Fin. Prot. Bureau, *Supervisory Highlights, Issue 27: Student Loan Servicing Special Edition* 3 (Fall 2022), available at https://files.consumerfinance.gov/f/documents/cfpb_student-loan-servicing-supervisory-highlights-special-edition_report_2022-09.pdf.

[62] *Id.*

> who took out federal loans to finance their Argosy University education were eligible for full discharge. Unfortunately, Katherine is now stuck with a private student loan that she struggles to repay. Katherine does not recall being informed about the consequences of consolidating her federal loans into private[63].
>
> * * *
>
> A borrower in Erie County had taken out approximately $132,000 in Parent Plus loans for her child's education. She was a state employee and was actively working towards PSLF under the COVID-19 waiver. The borrower's adult daughter decided to cut contact with her due to personal matters and left her with the high monthly payment without any contributions. The borrower decided to refinance the loan into a private one in hopes that it would lower her payment and absolve her of the full responsibility of paying the loan. She was unaware that by refinancing her loan, in one move she would lose all her credit towards PSLF, make herself ineligible for income-driven repayment plans, and prematurely put herself back into repayment after being in the COVID-19 forbearance. This was all due to a lack of education around private student loan refinancing[64].
>
> * * *
>
> A borrower refinanced her federal loans into private loans with a banking institution in 2019 without realizing the consequences of doing so. This not only eliminated affordable repayment options she would have had in an income-driven repayment plan, but also her ability to benefit from federal relief like cancellation. Had she not refinanced her loans, she would have been eligible for cancellation of $20,000 of her total $23,000 in student loans, leaving her with only $3,000 left to pay off[65].
>
> * * *

Task Force members also submitted accounts from borrowers who benefited from refinancing:

> "Time for a moment that I thought would never come, I am officially paid in full. Thanks to [lender] I was able to refinance my private student loans (undergrad and graduate school) back in 2017 at over 50% lower rates than the fixed rates from other lenders. With that discounted rate I made extra payments with every bonus or extra income I obtained. To those of you who are struggling with debt, this is the way to go - refinance to a lower rate, pay as much as you can each month beyond the minimum amount. As a first gen college graduate in my family, I am extremely proud of myself for this achievement and feel so much more relaxed in life[66]."

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[63] Student Borrower Protection Center, New Yorkers for Responsible Lending, and the National Consumer Law Center, *Response to Request for Information Regarding Private Student Loan Refinancing in New York State* 8 (Dec. 8, 2022), attached hereto as Appendix D.
[64] *Id.*
[65] *Id.*
[66] Borrower perspective provided by a Task Force member.

* * *

"This is my paid in full story! I'm a first generation college student in my family. I didn't have wise, experienced guidance on financing my education. Fast forward and I graduated from pharmacy school at a private university with over $200,000 borrowed. Some of my private loans had interest rates over 9% 😱 The minimum payments were high and that didn't allow me to put much extra into it. It took me way too long to realize that refinancing was even an option. Thanks [] for lowering my interest rate and helping me to conquer the debt [67]! 🥕"

* * *

"Finally paid in full. [W]hat a journey and thankful I am done, initially refinanced my private [] loans for grad school in 2018 cutting my interest rate in half, was aggressive in payoff just set my auto payments and was happy with the results, I ended up refinancing the rest of my student loans which were federal and was able to lower my rates as well. What worked for my situation:

- Set an aggressive payment amount which still allowed room for savings,
- Adjusted my payments during life events…ex: lower when I went on paternity leave 2 times to allow for savings in case needed, up when I changed jobs and got a pay raise.
- Don't let the loan take over your way of life, be mindful and make sacrifices as needed but budget accordingly to enjoy family, kids, hobbies, etc.
- Refinance when you can to lower the interest rate,
- I did my final refinance in 2020 to get a competitive lower rate.
- Just stick to the process and watching the principal shrink each year is worth it.
- Learn from others but also follow a plan that works for you. I try to absorb financial information from many different avenues and try to incorporate it as it fits my plans[68]."

New York State Support for Student Loan Borrowers

New York State has played an important role in the student loan market, both in terms of regulating industry participants and offering its own student loan programs. Two key entities within the state government have significant involvement in student loans: the New York State Department of Financial Services (DFS) and the New York State Higher Education Services Corporation (HESC).

DFS, among many other things, is responsible for licensing and supervising student loan servicers, the companies that manage the billing and other administrative tasks associated with student loans on behalf of lenders, who operate within New York State[69]. DFS conducts

[67] *Id.*
[68] *Id.*
[69] *See* New York Banking Law Article 14-A; 3 NYCRR Part 409.

examinations and investigations to oversee licensed student loan servicers' compliance with state and federal laws and regulations, investigates and addresses consumer complaints, and provides assistance to borrowers. DFS also maintains a broader expertise in the oversight of lending institutions and their offerings through its supervision of state-chartered banks and credit unions as well as other licensed lenders[70]. Finally, entities who are not licensed by DFS may still be subject to DFS authority for violations of consumer protection laws[71].

HESC is a separate state agency that provides a range of financial aid services to New York students, including administering the state's Tuition Assistance Program[72], the Excelsior Scholarship Program[73], and a variety of other scholarships and grants[74]. HESC also administers the New York Higher Education Loan Program (NYHELPs), which was launched in 2009 to help New Yorkers fill the gap between education costs and financial aid[75]. NYHELPs loans were made available only to New York State residents and for students attending a participating college in New York State[76]. Students and parents could apply for an NYHELPs loan to help pay for the total cost of attendance, including tuition, room and board, books, and transportation costs[77].

NYHELPs was conceived as a revenue-neutral program in which NYHELPs would earn sufficient revenue to cover its own expenses, which required that NYHELPs be funded by a bond issuance[78]. Although NYHELPs' interest rates were initially competitive with the private student loan market, as time went on, private lender rates declined, leaving NYHELPS rates higher. As a result of these higher interest rates and more stringent criteria for borrowers, in the long-term, NYHELPs struggled to compete in the marketplace, and the program ceased new originations after only a few years. Overall, the NYHELPs experience illustrates the difficulty of introducing a revenue-neutral state lending program in a high-interest-rate environment.

State Student Loan Refinancing Programs

In addition to its focus on incentivizing private student loan refinancing, the Task Force considered how other states have approached student loan refinancing. According to the Education Data Initiative, 15 states operate public student loan refinancing programs as of

[70] New York State Dep't of Fin. Serv., *Institution Definitions and Descriptions,* available at https://www.dfs.ny.gov/institution_definition.
[71] *See* New York Fin. Serv. Law § 404; New York State Dep't of Fin. Serv., *Enforcement and Discipline: Banking, Licensed Financial, and Other Products and Services,* available at https://www.dfs.ny.gov/industry_guidance/enforcement_actions_lfs.
[72] Higher Edu. Serv. Corp., *The New York State Tuition Assistance Program (TAP)*, available at https://www.hesc.ny.gov/pay-for-college/apply-for-financial-aid/nys-tap.html.
[73] Higher Edu. Serv. Corp., *Excelsior Scholarship Program*, available at https://www.hesc.ny.gov/pay-for-college/financial-aid/types-of-financial-aid/nys-grants-scholarships-awards/the-excelsior-scholarship.html.
[74] Higher Edu. Serv. Corp., *About HESC*, available at https://www.hesc.ny.gov/abouthesc.html
[75] Press Release, New York State Office of the Governor, *Governor Paterson Announces Favorable Loan Rates For New York Higher Education Loan Program* (Nov. 25, 2009).
[76] Dave Lucas, WAMC Northeast Public Radio, "NY Helps Students, Families Fill Tuition Gap" (July 16, 2010), available at https://www.wamc.org/new-york-news/2010-07-16/ny-helps-students-families-fill-tuition-gap.
[77] *Id.*
[78] *See* 8 NYCRR § 2213.5.

2022[79]. Unfortunately, there does not appear to be comprehensive publicly available data on the outcomes of these programs, but at least one market observer argues that, while these programs can provide refinancing at rates competitive with the private market, their underwriting criteria is as stringent as private lenders and often more so[80]. State-based lenders offering refinancing tend to have a holistic approach to assisting current and prospective students, including not only originating and refinancing loans, but also administering state grants, providing information on education financing, and administering the state's 529 Plan[81].

POLICY ACTIONS CONSIDERED

The Task Force did not identify consensus thinking on the role the state should play in incentivizing private refinancing programs. One RFI response states that "[t]he unmet need lies largely in those who have [private] student loan debt but might not qualify to refinance their loans with most lenders due to not having graduated, poor credit, or other repayment risk concerns" and lack federal loan benefits like income-driven repayment[82]. However, as noted above, other states that have adopted refinancing programs have found it difficult to avoid limiting eligibility to borrowers with strong profiles based on traditional factors for assessing creditworthiness. Another RFI response argues that "the supply of refi loan products is more than sufficient to meet demand" and "a compelling case to provide lender incentives to create new refi programs, in New York or elsewhere, does not exist[83]."

Disclosures to Borrowers

Consumers should be able to make informed decisions regarding the implications of refinancing a federal or private student loan. Consequently, the Task Force considered the possibility of requiring more disclosures for student loan refinancing in New York State. While some private lenders already provide disclosures during the process of refinancing a student loan, they are not required to do so.

Requiring disclosures may help interested consumers to make an informed decision about refinancing. Disclosures could note that borrowers may no longer be eligible for the federal benefits mentioned above, including forgiveness programs or defenses to repayment[84]. In addition to the disclosures described above, some task force members proposed requiring disclosures in private student loan promissory notes that would expressly describe specific federal student loan benefits that the borrower would give up, such as the federal income-based repayment and Public Service Loan Forgiveness programs.

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[79] Melanie Hanson, Educ. Data Initiative, *State-Affiliated Student Loan Refinancing* (Aug. 8, 2022), available at https://educationdata.org/state-student-loan-refinancing.

[80] Einstein Higher Edu Solutions, *Request for Information Regarding Private Student Loan Refinancing for New York State, Private Student Loan Refinancing Task Force* 5 (Dec. 1, 2022), attached hereto as Appendix E.

[81] RBC Capital Markets, LLC, *Response to Request for Information Regarding Private Student Loan Refinancing in New York State* 7 (Dec. 8, 2022), attached hereto as Appendix A.

[82] LendKey Technologies, Inc., *Response to Request for Information Regarding Private Student Loan Refinancing in New York State* 2 (Dec. 6, 2022), attached hereto as Appendix B.

[83] RBC Capital Markets, LLC, *Response to Request for Information Regarding Private Student Loan Refinancing in New York State* 2 (Dec. 8, 2022), attached hereto as Appendix A

[84] *See supra* at 4, 9.

For some borrowers, especially those who are unlikely to need those federal student loan benefits, it may make sense to refinance into a lower rate. Other borrowers who are unsure of their future income, however, may want the protections of federal student loans and would not choose to refinance. Borrowers, of course, regardless of circumstances, may simply want to receive sufficient information to be able to make an informed decision for themselves. In all these cases, fulsome disclosures can help borrowers without creating a significant burden for lenders.

However, some advocates, including some Task Force members, argue that disclosures, by themselves, are not a panacea for potential consumer harm in refinancing and should not be a substitute for increased oversight and consumer protection efforts. This view holds that increased disclosure should not be seen as mutually exclusive from more stringent state supervision.

Financial Literacy

Some Task Force members also believe that the state could indirectly help with these refinancing concerns by further promoting financial literacy. The U.S. Government Accountability Office defines "financial literacy" as "the ability to make informed judgments and take effective actions regarding the current and future use and management of money[85]," which, these members argue, would give New Yorkers the tools they need to make sound decisions about student borrowing and other financial topics. Therefore, these Task Force members support a state initiative to enhance financial literacy course requirements as part of the state education curriculum.

Currently, financial literacy is required only as part of an economics course for high school students[86]. Expanding these requirements at either the high school or college level or beyond in-school programs, could promote financial literacy for adults as well. Some Task Force members view better financial education as part of the solution to empower individuals to make informed decisions about their finances.

With expanded financial literacy education, New Yorkers would be better equipped to understand the terms and implications of student loans and make more informed decisions about their borrowing. Among other aspects of financial literacy, expanded education could include teaching students about the differences between federal and private student loans, the implications of refinancing, and the wide-ranging impact of credit scores. In the long run, such initiatives could help improve outcomes for New Yorkers struggling with student loan debt and promote greater overall financial stability and well-beings.

Here, too, as with disclosures to borrowers, some advocates, including Task Force members, stress that financial literacy should not be a substitute for strong consumer protections and industry oversight. Although it is critical for borrowers and their families to make informed financial decisions, certain harmful practices, such as predatory and discriminatory lending,

[85] U.S. Gov't Accountability Off., *Consumer Finance: Factors Affecting the Financial Literacy of Individuals with Limited English Proficiency* (May 2010), available at https://www.gao.gov/assets/gao-10-518.pdf.
[86] Am. Pub. Educ. Found., *The Nation's Report on Financial Literacy, 2021* 68 (Jan. 19, 2022), available at https://www.thenationsreportcard.org/_files/ugd/991d30_bf8f6323b33f4926911438ce0ed08045.pdf.

should not be addressed by individual borrower conduct alone. Those advocates argue that structural improvements to a broken system would be more effective than educating borrowers in how to navigate a potentially treacherous landscape, especially as New York State determines how to use its limited resources to address the student debt crisis.

Conclusion

There does not appear to be an outstanding need for private student loan refinancing that would be ameliorated by further state involvement. Nonetheless, there may be consumer protection policy options that may assist borrowers with respect to private student loan refinancing and education financing more generally.

New York State Department of Financial Services

Response to Request for Information Regarding Private Student Loan Refinancing in New York State

DECEMBER 8, 2022

Strictly Private and Confidential

RBC Capital Markets, LLC
Brookfield Place
200 Vesey Street, 9th Floor
New York, NY 10281

December 8, 2022

Terry McMahon, Esq.
Assistant General Counsel, Consumer Examinations
New York State Department of Financial Services
One State Street Plaza
New York, NY 10004

Dear Mr. McMahon:

RBC Capital Markets is pleased to present its response to the Request for Information Regarding Private Student Loan Refinancing in New York State dated November 8, 2022 (the "RFI"). As a leading investment bank with a national specialty practice in nonprofit and state agency student loan finance, we are considered national experts in the development and financing of loan programs for enrolled students and their parents, as well as programs that offer refinancing options for existing student debt. Our singular focus on state-based lenders has led us to take a keen interest in the New York student loan market, which as explained below and herein has a unique set of market dynamics. Moreover, as we are not a retail lender that offers either student or refinancing loans, we are uniquely positioned to provide unbiased advice and information regarding existing and prospective programs to the Private Student Loan Refinancing Task Force (the "Task Force").

It is our understanding that the Task Force is interested in exploring ways that lending institutions currently offering non-federal loans to students of New York institutions can be incentivized and encouraged to create student loan refinance programs. While not specifically noted in the RFI, we assume the Task Force may also be interested in assisting current New York residents who attended out-of-state institutions. Refinancing programs for both of these groups already exist, and in our view are meeting the demand presented by borrowers who meet their credit standards. For-profit lenders like Citizens Bank, College Avenue, Discover, Laurel Road, Navient / Earnest, PNC, Sallie Mae and SoFi, to name just a few, actively market their national programs to New York residents, as well as non-residents who may have attended New York institutions. In addition, several state-based student loan organizations make refinancing loans to New York residents and former New York students that meet their eligibility criteria.

Unlike the demand for private student loans, which is driven by students' "unmet need" after taking into account family resources, low-cost Federal Stafford loans, and other forms of aid, the demand for student debt refinancing ("refi") loans is driven by prevailing interest rates. Specifically, demand for student debt refinancing products in New York and elsewhere is dependent upon the difference between the cost of existing debt and prevailing refi loan interest rates. This is much like the home mortgage refi market, where aggregate demand does not equal the amount of mortgage debt outstanding, but rather the amount of such debt that can be refinanced for meaningful economic savings. When viewed in this way, we believe that the supply of refi loan products is more than sufficient to meet demand from this perspective—even prior to the recent run-up in interest rates—and that a compelling case to provide lender incentives to create new refi programs, in New York or elsewhere, does not exist.

While our thesis is that demand for student debt refinancing loans in New York is being met by existing programs, that is not to say New Yorkers could not benefit from either improvements to such programs, or from new, state-centric programs tailored to the needs of New York students and their families. As a way to help frame a discussion of current market challenges and how the Task Force can meet its objectives, we have summarized the key market metrics that best describe the current state of the New York student loan market below.

The New York market for federal student loans is among the largest in the nation. As of June 30, 2022 there were $1.62 trillion of federal student loans outstanding, and New York residents accounted for $93.6 billion, or 5.8% of the total. By this measure New York is the 4th largest federal student loan market in the country, behind California ($146.1 billion), Texas ($122.5 billion) and Florida ($102.8 billion). During the 2021-22 academic year alone, students and parents of students attending New York schools borrowed $5.5 billion under the Federal Stafford, Parent PLUS and GradPLUS loan programs, or 7.2% of all federal student loans disbursed.

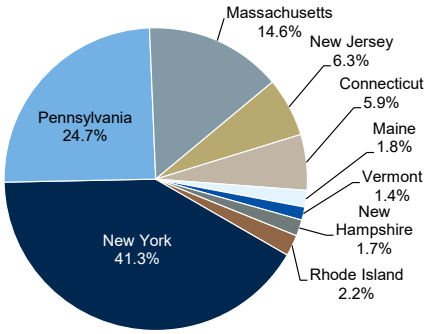
The New York market for private student loans may be the largest in the nation. Although difficult to measure due to the lack of public information provided by balance sheet lenders, an examination of student loan securitization activity during the past five years provides a good proxy for New York's share of the private student loan market. Since the beginning of 2018, four securitizing lenders financed $1.8 billion of "in-school" student loans to borrowers with New York addresses, making it the largest state represented in these public transactions. New York was followed by California ($1.6 billion), Pennsylvania ($1.5 billion), New Jersey ($1.2 billion) and Illinois ($878 million). Based upon public disclosures, Sallie Mae and Navient were the top two New York lenders during the past five years, with $1.18 billion and $475 million securitized, respectively, with College Ave. and CommonBond accounting for the remaining $150 million.

The New York market for private refinancing loans is among the largest in the nation. As is the case for loans to enrolled students, refinancing loan volume is difficult to measure due to the lack of public information provided by balance sheet lenders. Here we can also look to refinancing loan securitization activity as a proxy for New York's share of the private refinancing loan market. Since the beginning of 2018, six securitizing lenders financed $2.4 billion of refinancing loans to borrowers with New York addresses, making it the 2nd largest state behind California ($3.1 billion). Based upon public disclosures, Navient / Earnest and SoFi were the top two New York lenders during the past five years, with $1.5 billion and $650 million securitized, respectively, with Education Loan Finance, CommonBond and Laurel Road (a division of Key Bank) rounding out the top 5 New York refi lenders.

It is useful to note that refinancing loan securitization activity is down 74% year-over-year, which is driven by two factors. First is the Biden administration's proposed loan forgiveness plan, which has created a great deal of uncertainty in the market—particularly among those borrowers who may be eligible for the program, and second is the current interest rate environment, and the reduction in available borrower savings driven by lender adjustments to their refinancing loan interest rates.

Parents of New York undergraduates and New York graduate students borrow heavily under the federal PLUS programs. New York schools accounted for $2.1 billion of the $21.4 billion in federal PLUS and GradPLUS loans disbursed during the 2021-22 academic year. This figure represents 10% of all such loans disbursed nationally, and 41% of disbursements to borrowers enrolled at schools in the nine Northeast states. We believe this can be attributed to at least two factors. First, New York has a high concentration of expensive, non-profit colleges and universities, and parents are able to borrow the entire unmet need for the benefit of their dependent students. Second, many of these same institutions offer graduate and professional degree programs, and like with Parent PLUS, such students can meet their entire unmet need with a GradPLUS loan.

	Grad PLUS		Parent PLUS		Combined		
School Location	Amount Disbursed	Number of Borrowers	Amount Disbursed	Number of Borrowers	Amount Disbursed	Number of Borrowers	Average Loan Amt.
New York	$1,171,247,156	37,003	$958,549,451	44,648	$2,129,796,607	81,651	$26,084
Pennsylvania	506,364,630	19,746	764,414,313	39,583	1,270,778,943	59,329	21,419
Massachusetts	425,038,559	13,505	326,862,979	14,280	751,901,538	27,785	27,061
New Jersey	127,584,258	5,244	197,329,050	11,595	324,913,308	16,839	19,295
Connecticut	94,685,025	3,829	211,364,266	10,786	306,049,291	14,615	20,941
Maine	53,951,829	1,873	37,504,397	2,150	91,456,226	4,023	22,733
Vermont	33,202,268	1,398	39,063,991	1,805	72,266,259	3,203	22,562
New Hampshire	32,247,448	1,606	57,237,746	3,285	89,485,194	4,891	18,296
Rhode Island	23,005,525	932	91,867,590	4,261	114,873,115	5,193	22,121
Total	$2,467,326,698	85,136	$2,684,193,783	132,393	$5,151,520,481	217,529	$23,682



At the school level, New York University accounted for $458.0 million, or 21.5% of aggregate Parent and GradPLUS borrowing during the 2020-21 academic year, with 10,408 parents and students borrowing an average of $44,006. Following NYU in the top five New York schools are Columbia ($203.3 million across all colleges), Fordham ($85.9 million), Touro ($76.2 million), and St. John's ($71.4 million). The top 10 New York schools account for 56.7% of aggregate Parent and GradPLUS borrowing during the 2020-21 academic year, with 34,617 parents and students borrowing an average of $34,862.

Federal Parent and Grad PLUS loans are the most expensive federal student loans available. Federal PLUS loans have statutory interest rates and upfront fees that are significantly higher than those applicable for Federal Stafford Loans. For the 2022-23 academic year, Parent PLUS and Grad PLUS interest rates are 7.54%, not including a 4.23% upfront origination fee, compared to the undergraduate Stafford interest rate and origination fee of 4.99% and 1.06%, respectively. After taking loan origination fees into account, the APR on Parent PLUS loans is approximately 315 basis points higher than the APR on Stafford loans to dependent undergraduates, and the APR on GradPLUS Loans is approximately 155 basis points higher than the APR on Stafford loans to independent graduate students.

As described in more detail below and herein, 23 state-based lenders accomplish their central missions of reducing the cost of higher education by competing in this space. They do so by offering no-fee loans with interest rates that are generally between 150 and 350 basis points lower than those offered under the federal PLUS program, and between 350 and 550 basis points lower than loans offered by for-profit lenders. Since these lenders operate primarily within states having the highest concentrations of private colleges and universities—and therefore the greatest unmet need—the economic value added by their programs is substantial.

Refinancing loans are marketed to New Yorkers primarily through the "direct-to-consumer" channel. Unlike private student loans, which are also marketed through the traditional "school channel" vis-à-vis financial aid offices, borrowers with existing student debt are likely to receive offers directly from lenders. For those borrowers actively seeking refinancing options, internet searches will lead them either: (i) to an on-line marketplace, like Credible, NerdWallet or Student Loan Hero, that aggregates lender interest rates and terms in a way that allows prospective borrowers to make side-by-side comparisons—and in some cases determine which interest rates and repayment terms they qualify for; and/or (ii) to a site that advertises "the best student loans", which tend to focus exclusively on those for-profit lenders willing and able to pay fees for their inclusion.

The market for refinancing loans in New York is currently dominated by for-profit lenders. Due to their higher marketing costs and return on equity requirements, New Yorkers pay higher interest rates, on average, to refinance their student debt compared to borrowers with access to a state-based lender's refinancing loan program. The same is true for "in-school" loan products, where state-based lenders add significant value by leveraging their nonprofit missions, low funding costs, and lower return hurdles compared to for-profit lenders. In addition, for-profit lenders with uniform, national loan programs have neither the ability nor incentive to customize their programs or otherwise align their interests with the economic, higher education and workforce development goals of a particular state. This is in stark contrast to the programs offered by state-based lenders, who do exactly that. In addition to offering affordable loan terms and repayment options, such lenders provide a range of programs that closely align with their missions of promoting access to higher education opportunities and reducing its cost.

As the Task Force is surely aware, the State authorized a private loan program for the purpose of financing and refinancing higher education expenses in 2009, but suspended new originations in early 2012 after the program met with lackluster demand. While a complete discussion of the shortcomings of the NYHELPs program is beyond the scope of the RFI, we believe that all of the contributing factors are easily correctible within the statutory framework of the original program. While we understand that a restart of NYHELPs is not the focus of the RFI, herein you will find ample evidence that such a program, which could include a refinancing loan product—would be of great benefit not only to New York students and their families—who currently borrow under some of the most expensive and burdensome student loan programs in the country—but also to the State's economy. This is due to the follow-on impact that incremental disposable income in the pocket of students and their families would have on spending, employment and economic growth.

State-based lenders in the Northeast and elsewhere have successfully operated low-cost student loan programs to achieve these objectives for decades. These include programs in Connecticut (est. 1985), Massachusetts (est. 1983), New Hampshire (est. 1982), Maine (est. 1988), Vermont (est. 1994), Rhode Island (est. 1992), and New Jersey (est. 1999). More recently, Pennsylvania Higher Education Assistance Agency ("PHEAA") re-initiated a modernized version of its Keystone private student loan program, which operated between 1997 and 2008. Known as the PA Forward program, PHEAA began offering low-cost, fixed-rate loans to students and their parents, as well as refinancing loans to former students, in 2019.

The size of the New York student loan and refi loan markets are more than sufficient to support state-based programs. Given the size of the State's federal and private student loan markets, and the opportunity to provide substantial debt relief to former students through a low-cost refinancing loan program, we believe the State has a unique opportunity to deliver substantial economic savings to New Yorkers. In addition, the concentration of high cost, nonprofit colleges and universities located in the State, and the substantial "unmet need" that exists after taking low cost Federal Stafford Loans and other available aid into account, all creates a similar opportunity to reduce the cost of attendance for current New York students, as outlined below:

- We estimate that every $100 million of low-cost loans made by state-based programs generates borrower savings of $25.0 million compared to Federal PLUS loans and $53 million compared to for-profit loans;
- Through interest subsidies and/or loan forgiveness, the State can address critical workforce needs and assist underserved populations with targeted program enrollment and residency retention incentives;
- Low cost private student loan and refinancing loan programs would not only align with the State's higher education goals, but also complement the Excelsior Scholarship Program for low income families; and
- The creation of New York-centric programs would put the State on an equal footing with the eight surrounding Northeast states that have been operating successful, low-cost programs for decades.

In the interest of full disclosure, we would like the Task Force to be aware that we have held numerous discussions with and made several presentations to the State related to the case for state-based loan programs. These efforts, which commenced in late 2018, initially involved the Deputy Secretary for Education in the Cuomo administration, and more recently involved the staff members within the Department of Budget. While we were unaware that the Department of Financial Services ("DFS") was directly engaged in improving financing opportunities in the New York student loan market, we were very pleased to learn of it, and hope DFS will give us the opportunity to not only hear more about the State's student loan objectives, but also engage us in a dialogue related to how its objectives can be achieved.

A few words about RBC Capital Markets and our student loan team. Our parent company, Royal Bank of Canada ("RBC"), is the 5th largest bank in North America and the 9th largest bank in the world, with $1.4 trillion of total assets and a market capitalization of $136 billion. Founded in 1869, RBC and its subsidiaries serve some 17 million personal, business, and public sector clients with 95,000 employees in the U.S., Canada and 27 other countries. RBC's U.S. broker-dealer subsidiary, RBC Capital Markets ("RBCCM"), is a full-service investment bank with 6,900 employees operating from 63 offices in 18 countries.

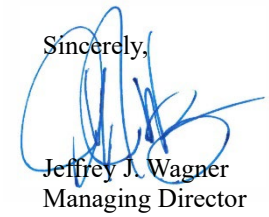
RBC has approximately 2,500 New York-based employees in 14 different offices, including RBCCM's global headquarters in New York City's financial district. Our substantial New York presence supports a deep, longstanding commitment to the State, its major debt financing agencies, and countless local governments. For example, during the past five years RBCCM has led significant New York transactions for the New York State Dormitory Authority, which included financings for Barnard College, CUNY, and RIT, the New York City Transitional Finance Authority, The City of New York, the New York State Thruway Authority, and the Metropolitan Transportation Authority. Our 7-member not-for-profit and state agency ("NFP") student loan team is a key component of our municipal capital markets platform which, with 366 professionals in 35 cities, is among the largest in the industry. Unlike other firms where banking professionals are responsible for any number of different financing disciplines, all of the individuals assigned to our student loan team are 100% focused on student loan finance. This year RBCCM achieved a 99% market share of underwriting private student loan transactions for NFP issuers, making us a dominant leader in the space.

A company's reputation is built in part by what others say about it, and RBC is privileged to receive frequent recognition for its corporate responsibility, sustainability, and diversity and inclusion initiatives. Recent recognitions include receiving a top score from the Human Rights Campaign on its 2022 Corporate Equality Index, being ranked #2 in Refinitiv's "Global Top 100 Most Diverse & Inclusive Companies", being named to Bloomberg's "Global Gender Equality Index", and receiving the 2021 Catalyst Award for initiatives that accelerate progress for women. Additional information regarding RBC and its corporate responsibility initiatives can be found here: *https://www.rbc.com/community-social-impact/reporting-performance/index.html* and here: *https://www.rbc.com/diversity-inclusion/reports.html*.

RBC is more than just a strong and stable financial institution with a rich history, preeminent capital markets platform, and distinguished student loan practice. We are a diverse collection of individuals who share a strong sense of belonging, purpose and conviction that our culture and commitment to "doing the right thing" for employees, clients and communities will withstand the test of time.

We appreciate the opportunity to submit a response to the Task Force's RFI, and hope you will allow us to present our ideas for promoting access to higher education opportunities and reducing their cost for New Yorkers. In the meantime, please feel free to contact me by telephone or e-mail if you have any questions or would like to receive any additional information.

Sincerely,



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DISCLAIMER

1. What options are available for student loan borrowers to refinance private student loans both in New York State and outside the state? Who is offering these loans? What are the terms? Are they limited to certain types of student loans?

Borrowers with outstanding private student loan debt, both within and outside the State, have a wide range of options to refinance their loans. These lenders can largely be segregated into either state agency / non-profit lenders ("NFPs" or "state-based lenders") or for-profit lenders ("for-profits"). The goals, size, addressable markets, and rates and terms offered by these two categories of lenders differ from each other. A list of several NFPs and For-Profits, along with their rates, terms and eligibility criteria, is included at the end of the response to this question, and included below are various logos of a select group of for-profit and state-based lenders active in the private refinancing loan space.

Selected For-Profit and Nonprofit Private Student Loan Refinancing Lenders

One key differentiator between state-based and for-profits are the lender's goals, or in the case of state-based lenders, their missions. State-based lenders are generally statutorily created entities with close ties to state government, in some cases administering the state's 529 Plan, state grants and other student aid programs. Their missions are rooted in the desire to aid current and prospective students and families with financial and informational resources to pursue and finance post-secondary education. State-based lenders tend to take a holistic approach to their constituents, beginning with the college planning process, educating families on the types of financial aid and how to obtain it, and equipping their communities with the tools necessary to make well-informed and responsible borrowing choices. While state support exists for a few of these programs, they are, for the most part, self-funded and self-sustaining programs is in the municipal bond market. Because NFPs' missions are centered around benefitting the public and their close ties to the state, NFPs are often allocated private activity bond volume cap (i.e. the ability to issue specified amounts of tax-exempt debt) to finance their loan programs on a tax-exempt basis, which reduces their overall cost of funds and creates the ability to provide lower interest rates to students. Some NFPs also issue taxable bonds when tax-exempt funding capacity either isn't available or the loans being financed are ineligible, but they still seek to provide the lowest possible borrowers interest rates that correspond to their incrementally higher funding costs.

For-profit lenders, on the other hand, operate for the benefit of the company and its owners or shareholders, as applicable. While there is inherent nobility in providing access to post-secondary education loans and refinancing loans, such lenders "missions" are profit-centric as opposed. For-profits lenders can further be segmented into those that securitize their loans in the term ABS market and those that either "originate and hold" or "originate and sell" their loans. While these are similar entities in terms of their business focus, we segregate them in this way primarily because of the availability of detailed public information for those lenders that securitize their loans in public transactions, which includes information related to borrower characteristics and disclosure of program details required by investors unavailable for non-securitizing lenders.

Lenders operating in the student debt refinancing space have few limitations on the types of loans they are able to refinance, so long as they were made to finance higher education expenses and the borrower is able to meet the lender's applicable eligibility criteria and creditworthiness standards. Any other limitations are generally related to compliance with applicable state lending laws, and in the case of state-based lenders issuing tax-exempt bonds, applicable tax laws. Lending laws vary from state to state, and if not adhered to, the enforceability of the promissory note can be challenged. For state-based lenders relying on tax-exempt funding, private activity bond volume cap must be secured, and certain tax regulations must be satisfied with respect to the underlying loans being refinanced. Generally speaking, such loans must satisfy the same requirements that a state-based lender would have to satisfy if they were making a traditional student loan to the same student. These requirements are explained in more detail in our response to Question 16 herein.

Please find a table listing options available to refinance their private student loans on the following pages.

Private Student Loan Refinancing Loan Options: Available Lenders and Respective Terms[1]

Entity	Makes Loans to New York Residents[2]	Makes Loans to Non-Residents	Fixed Rate Interest Rate	Variable Rate Interest Rate	Loan Term	Additional Credit Criteria
State Agency and Nonprofit Lenders						
Massachusetts Educational Financing Authority	✓	✓	4.75% - 7.15%	N/A	7-years, 10-years, or 15-years	● No history of default on education loans, nor deliquencies in the past 12-months ● Made 6 on-time payments in the most recent 6 months on all loans being refinanced
Higher Education Student Loan Authority (State of New Jersey)	✓	✓	3.75% - 5.30%	N/A	10-years or 15-years	● Minimum FICO score of 670 ● Minimum income of $40,000 ● No history of default on education loans, nor deliquencies in the past 12-months ● Made 6 on-time payments in the most recent 6 months on all loans being refinanced
New Hampshire Higher Education Loan Corporation[3]	✓	✓	5.91% - 9.53%	6.46% - 8.21%	5-years, 10-years, 15-years, or 20-years	● Minimum FICO score of 700 ● Minimum income of $30,000 for loan upto $100,000 and $50,000 for loan greatear than $100,000 ● No history of default on education loans, nor deliquencies ● No bankruptcies during the past ten years; no charge-offs in the past seven years
Connecticut Higher Education Supplemental Loan Authority[3]	✓	✓	3.50% - 4.74%	N/A	5-years, 10-years, or 15-years	● Minimum FICO score of 650, so long as a co-borrower with a FICO score of at least 675 is present ● Minimum FICO score of 675 if no co-borrower is present ● Maximum debt-to-income ratio of 43% ● All loans to be refinanced must be in repayment and in good standing
Brazos Higher Education Authority, Inc.[3]	✓	✓	3.85% - 5.75%	5.43% - 8.35%	5-years, 7-years, 10-years, 15-years, or 20-years	● Have a FICO score of at least 720, or 690 if applying with a qualified cosigner ● Have a minimum annual income of $60,000, or $30,000 if applying with a qualified cosigner ●Have a strong credit history and meet other credit requirements. ● Be employed or self-employed at the time of application or have accepted a firm offer of employment with a start date within sixty (60) days
Rhode Island Student Loan Authority[3]	✓	✓	5.29% - 7.74%	N/A	5-years, 10-years, or 15-years	● Minimum FICO score of 680 ● Minimum income requirement of $40,000 ● Maximum debt-to-income ratio of 50%. ● No bankruptcies during the past five years
ISL Education Lending[3]	✓	✓	3.94% - 9.08%	N/A	5-years, 7-years, 10-years, 15-years, or 20-years	● Aminimum FICO score of 670 for the primary borrower and co-borrower (if applicable) ● Adebt-to-income ratio not greater than 40% (45% for Medical Residents Program applicants and applicants with an income of $100,000 or more) of gross monthly income (if a mortgage or rent is not included, debt to income ratio cannot exceed 25%) for the primary borrower and co-borrower, if applicable ● No more than two accounts reporting 30 day delinquencies, and no delinquencies of 60 days or more during the previous two years ● No previous bankruptcies within the past seven years ● No charge-offs, repossessions, collection accounts, judgments, foreclosures, garnishments or tax liens
Pennsylvania Higher Education Assistance Authority[3]	✓	✓	2.48% - 6.36%	N/A	5-years, 7-years, 10-years, 15-years, or 20-years	● Aminimum FICO credit score of 680 (670-679 with compensating offsetting factors) ● Debt-to-income ratio of less than or equal to 45 percent (or 45 to 50 percent with compensating offsetting factors) ● Have a strong credit history and meet other credit requirements
Minnesota - Office of Higher Education	✓	✓	6.00% - 7.00%	6.00% - 7.25%	5-years, 10-years, or 15-years	● Minimum FICO score of 700 or 650 if have a co-signer ● Maximum debt-to-income ratio of 45% and maximum debt-to-income of 60% for co-signer ● Have no delinquencies on credit report ● Have no unpaid charge offs, liens or judgments totaling $300 or more
Kentucky Higher Education Loan Corporation[3]	✓	✓	3.54% - 6.82%	N/A	10-years, 15-years, or 20-years	● Have an "acceptable" income and credit history

Private Student Loan Refinancing Loan Options: Available Lenders and Respective Terms (Cont'd.)[1]

Entity	Makes Loans to New York Residents[2]	Makes Loans to Non-Residents	Fixed Rate Interest Rate	Variable Rate Interest Rate	Loan Term	Additional Credit Criteria
For-Profit Lenders (Securitizing)						
Social Finance[3]	✓	✓	4.49% - 8.94%	4.49% - 8.94%	5-years, 7-years, 10-years, 15-years, or 20-years	● Minimum FICO score of 650 ● Borrowers must be employed, have sufficient income from other sources, or have an offer of employment to start within the next 90 days. ● Loan eligibility depends on a number of additional factors, including financial history, credit score, and monthly income vs. expenses.
Navient (i.e. Earnest)[3]	✓	✓	3.99% - 8.99%	3.24% - 7.99%	5-years, 10-years, 15-years, or 20-years	● Minimum FICO score of 650 ● Employed or possess consistent income (in USD) ● Maximum debt-to-income ratio of 65%.
College Ave[3]	✓	✓	4.49% - 7.99%	3.69% - 7.99%	5-years, 10-years, or 15-years	● Minimum FICO score of 650 ● Minimum income requirement of $65,000 ● Maximum debt-to-income ratio of 50%
Education Loan Finance[3]	✓	✓	4.48% - 7.29%	2.99% - 7.24%	5-years, 7-years, 10-years, 15-years, or 20-years	● Minimum FICO score of 680 ● Minimum income requirement of $35,000 ● Must have a minimum credit history of 36 months
Laurel Road[3]	✓	✓	3.97% - 6.90%	1.98% - 6.80%	5-years, 7-years, 10-years, 15-years, or 20-years	● Minimum FICO score of 660 ● No bankruptcies during the past four years ● LRB's credit underwriting considered FICO scores, debt-to income, educational attainment, and employment
For-Profit Lenders (Non-Securitizing)						
Citizen's Bank[3]	✓	✓	5.39% - 11.88%	5.09% - 11.67%	5-years, 7-years, 10-years, 15-years, or 20-years	● Minimum FICO score of 700 ● Minimum income requirement of $24,000 ● Non-bachelor's degree-holders must make 12 payments on their loans after leaving school to qualify for refinancing
Discover Bank[3]	✓	✓	5.99% - 10.49%	5.49% - 9.24%	10-years or 20-years	● No prequalification; full credit history check
PNC Bank[4]	✓	✓	2.59% - 7.19%	4.89% - 9.39%	5-years, 10-years, or 15-years	● Borrowers who have not obtained an associate degree or higher must have made 24 consecutive payments on at least one education loan in the last two years ● No specific credit and income requirements published
LendKey[3]	✓	✓	3.99% - 10.68%	3.27% - 6.87%	5-years, 7-years, 10-years, 15-years, or 20-years	● Minimum FICO score of 660 ● Minimum income requirement of $24,000 or $12,000 per year with a co-signer ● Maximum debt-to-income ratio of 50% ● No bankruptcies during the past five years

(1) As of November 30, 2022. (2) Some NFP lenders can only make refinance loans of New York residents if the underlying loan is either previously originated loans by the lender (i.e. lender's in-school or graduate product) or the borrower is a current resident of their state. (3) Includes optional 0.25% ACH discount. (4) Includes optional 0.50% ACH rate discount.

2. What options are available for student loan borrowers to refinance federal student loans both in New York State and outside the state? Who is offering these loans? What are the terms? Are they limited to certain types of student loans?

Since lenders operating in the student debt refinancing space will refinance both federal and private student loans, the Task Force can refer to the preceding table for a list of lenders available to refinance federal student loans. There are, however, several exceptions in that some state-based lenders do not allow borrowers to refinance Federal Direct Loan Program loans ("Direct Loans"), due to concerns over burdensome regulatory compliance and scrutiny by the Consumer Finance Protection Board ("CFPB"). This is discussed briefly below and in further detail in our responses to Questions 6, 7, and 10.

Most students either graduate or otherwise "separate" with a mix of both federal and private student loans. When borrowers seek to refinance their outstanding loans, lenders will provide a single refinancing loan that repays all their eligible indebtedness. This new refinancing loan will carry a different, and typically lower, interest rate than the weighted average interest rate on their outstanding private and federal student loans, and in any case will be based upon the prevailing interest rates offered by a particular lender after taking into account the creditworthiness of the borrower and the term of the refinancing loan. As shown in the refinancing loan table on the seen on the prior page, refinancing loan interest rates vary from lender to lender.

The other option to address outstanding federal student loan debt is through Federal Direct Consolidation Loans, which differ from refinancing loans in several ways. Unlike private refinancing loans, which can refinance both federal and private student loans, a Direct Consolidation Loans can only consolidate different federal loans into a single, new federal loan. Furthermore, while a private refinancing loans carry interest rate that are unrelated to (ant typically lower than) the underlying loans being refinanced, interest rated on Direct Consolidation Loans are simply the weighted average of the underlying loans, rounded up to the nearest $1/8^{th}$ of one percent. Thus, Direct Consolidation Loans do not provide interest rate savings, and because longer repayment terms are available, many borrowers choose the lower monthly payments available from term extension, and end up paying more interest over the life of the new loan.

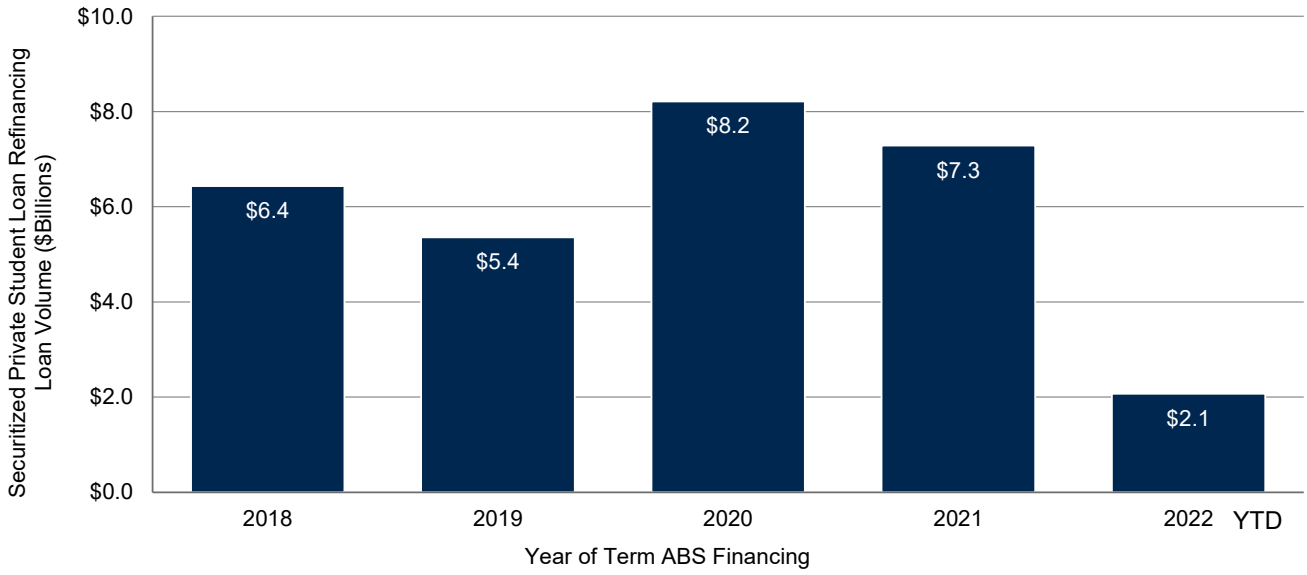
That is not to say Direct Consolidation Loans have not offered other avenues to borrower savings. Specifically, until recently borrowers with FFELP Loans, which are not eligible for President Biden's proposed loan forgiveness plan, could consolidated their FFELP Loans into a Direct Consolidation Loan in order to become so eligible. Direct Consolidation Loan borrowers also have access to various income-driven repayment plans that certain FFELP Loans are not eligible for. Another potential benefit of Direct Consolidation Loans related to older, variable rate federal loans, which if consolidated when the variable rate is very low becomes a low-interest fixed rate loan. Even in the absence of such a timing-based consolidation incentive, borrowers with multiple, variable rate federal loans may simply want to achieve the simplicity of a single loans and take interest rate risk off the table.

While borrowers can often achieve meaningful interest savings by refinancing their federal student loans, especially in the case of the more expensive Parent PLUS and GradPLUS program loans, such borrowers give up certain federal repayment benefits that they may qualify for. For example, borrowers who refinance their federal student loans with private refinancing loans lose the ability to qualify for federal student loan forgiveness, no longer have access to income-driven repayment plans, and no longer are able to benefit from the current—and any future—pause on federal student loan payments, during which interest is not accruing. Because of these three disadvantages, the CFPB and others have brought into question whether or not lenders should even be refinancing federal student loans that hold the potential to receive future federal benefits. In order to refinance such loans, lenders must provide a variety of legal disclaimers and other information to prospective borrowers. As an example, on-line lender SoFi not only discloses the aforementioned risk regarding the loss of federal benefits, but also advises borrowers to leave $10,000 of federal Direct Loans, and, if the borrower has any, $10,000 of Perkins Loans, outstanding so that they can benefit from the maximum amount of forgiveness they may become eligible for.

3. What is the volume of private student loans refinanced, the terms of the borrowers' prior loans, the terms of the borrowers' refinancing loans, the unmet need for student loan refinancing, and the impact of these refinancing loans in New York and nationwide?

According to the College Board, in-school private student loan market volume has ranged between $12 billion and $13 billion over the past five academic years. Virtually all of the lenders that offer private refinancing loans also offer in-school loan products. There are also additional private lenders not included in the lender table included in our response to Question 1 that offer in-school products, but not refinancing loans.

While we believe the College Board does a good job approximating the annual volume of private student loans originated by for-profit and state-based lenders, there is no publically available source of information for the amount of private student loans that are refinanced in a given year. The closest proxy we have is the annual volume of refinancing loans securitized by for-profit lenders in the term ABS market. As you will see in the chart below, the annual volume of the securitized refinancing loans has ranged between $5.4 billion and $8.2 billion between 2018 to 2021 and in the most recent year, only $2.1 billion of such loans were securitized (2022 YTD). It is important to note this data is just a proxy, since it exclude refinancing loans originated by non-securitizing lenders, such as Discover, PNC and Citizen's Bank, as well as refinancing loans originated by state-based lenders. While these lenders likely originate less volume in the aggregate than the largest lender, we want to make sure the Task Force understands the limitations of our data set in general, and the challenges involved in sizing the refinancing market in particular.



In the traditional private student loan market the "unmet need" is typically defined as the cost of attendance (as certified by the school), less other available aid. For this purpose, "other available aid" includes low-cost federal Stafford Loans, work-study, grants and scholarships, but does not include the more expensive federal PLUS or GradPLUS loans. These are fairly simple calculations that can be done for students attending any particular school, or at the school level based upon average aid and tuition discounting assumptions. Calculating the unmet need in the refinancing loan market, which is dynamic and determined by whether or not a refinancing loan produces an economic benefit at any particular point in time, is far more challenging, since such demand is driven by prevailing interest rates. Said another way, demand for student debt refinancing products in New York and elsewhere is dependent upon the difference between the cost of existing debt and prevailing refi loan interest rates. This is much like the home mortgage refi market, where aggregate demand does not equal the amount of mortgage debt outstanding, but rather the amount of such debt that can be refinanced for meaningful economic savings. When viewed in this way, we believe that the supply of refi loan products is more than sufficient to meet demand from this perspective

One relationship related to the unmet need for refinancing loans is the difference between refinancing loan interest rates and private student loan interest rates offered by the same lender. Assuming no meaningful shift in the interest rate environment between the enrollment period and separation, an opportunity would exist for borrowers to at least refinance their private student loans upon graduation. The type of student loan also comes into play here, since private refinancing loans require immediate repayment, compared to many private student loans that permit full deferment or interest only payments until six months after

graduation. Since deferred and interest only private student loans are the most expensive loans to finance, and therefore carry higher interest rates than immediate repayment loans, borrowers with these loans generally stand a good chance of achieving economic savings through a refinancing.

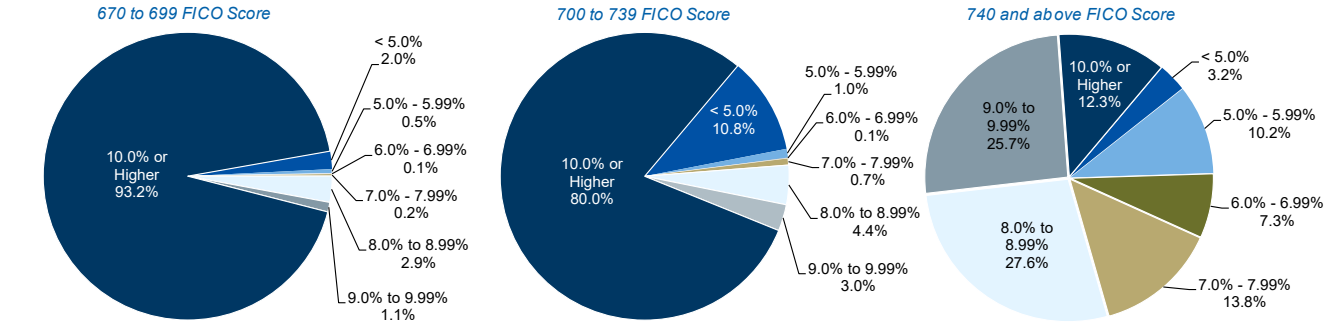
The terms of borrowers' student loans can vary greatly, depending on whether they were originated by a for-profit or stae-based lender. Furthermore, within the two categories of lenders, the interest rates, terms, and eligibility will all vary. In addition to the intrinsically lower interest rate on refinancing loans compared to in-school loans, for-profit lenders have historically charged borrowers high interest rates, regardless of their level of creditworthiness, especially when compared to state-based lenders. As an additional reference, we have included as Appendix B hereto the Education Finance Council's 2022 Report on Nonprofit and State-Based Private Education Loan Program, which contains general terms and other information related to both in-school and refinancing programs. As mentioned in our response to Question 1, the collective mission of state-based lenders is to provide the lowest-cost financing options to their residents, which in turn makes post-secondary education more affordable. Such lenders have succeeded for decades by delivering interest rates significantly lower than those offered by for-profit lenders.

As an example of this, the Massachusetts Educational Financing Authority ("MEFA"), which is the largest state-based lender as measure by dollar volume, brought their Series 2022 issue to market in June of this year with a weighted average fixed borrower interest rate of 5.58%. Sallie Mae, the largest securitizing for-profit lender, brought its Series 2022-C issue in August of this year with a weighted average fixed borrower interest rate of 9.73%, for a difference of 415 basis points. It might also be worth adding that due to PAB volume cap limitations MEFA finances a large portion of its loans using taxable bonds, which naturally are more costly than tax-exempt bonds. Thus, there are state-based lenders that are able to rely solely on tax-exempt funding who can offer even more savings to their borrowers.

To further highlight the interest rates charged by for-profit lenders, we examined all of a securitizing for-profit lenders 2022 transactions, and aggregated the financed loan portfolios into a single pool before separating them into various borrower interest rate buckets. We then parsed the data based upon borrower FICO score, which is the primary metric used by this and other lender to assess borrower creditworthiness. As shown in pie chart below right, which represents the interest rate breakdown for the least creditworthy segment of this lenders securitized private student loan portfolio (i.e., 670 – 699 FICO Score), 93.2% of the borrowers in this credit segment are paying interest rates of 10.0% or higher. Similarly, as shown in the pie chart below center, which represents the interest rate breakdown for the nest least creditworthy segment of this lenders securitized private student loan portfolio (i.e., 700 – 739 FICO Score), 80.0% of the borrowers in this credit segment are paying interest rates of 10.0% or higher. In our view the interest rate differential between these two credit segments does not fairly reflect the higher level of creditworthiness for the middle segment.

Finally, as shown in pie chart below right, which represents the interest rate breakdown of the most creditworthy segment of this lenders securitized private student loan portfolio (i.e., 740+ FICO Score), more than 65% of these borrowers are paying interest rates of 8.0% or more. What strikes us here is not so much the interest rate / creditworthiness differential, but rather how few borrowers in this segment (3.2%) qualified for their lowest interest rate (i.e., below 5.0%). This tells us two things: First, almost no one is qualifying for the "teaser rates" advertised on this lender's website; and second, no more than 13% oif this segment qualified for interest rates that were competitive with the aforementioned average MEFA Loan rate, which was again a portfolio average that included lower and higher interest rate loans. If nothing else, with some many loans in the 8.0% or more category, these loans could be refinanced for economic savings—even in the elevated interest rate environment we find ourselves in now.

Borrower Interest Rate Distribution by FICO Score Band: 2022 For-Profit Issuer Securitizations



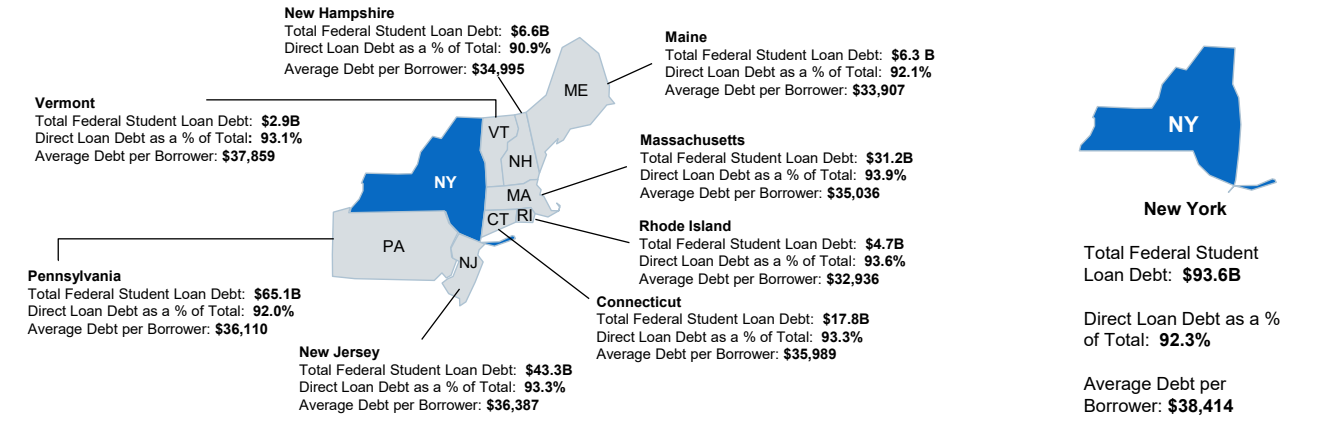
RBC Capital Markets

4. What is the volume of federal student loans refinanced, the terms of the borrowers' prior loans, the terms of the borrowers' refinancing loans, the unmet need for student loan refinancing, and the impact of these refinancing loans in New York and nationwide?

As we pointed out in our response to Question 3 herein, there is no way to pinpoint the exact volume of student loans being refinanced in any given year. Since private refinancing lenders are willing to refinance both private student loans and federal student loans for most borrowers, it is safe to assume that a portion of the proxy refi loan volume data presented in our response to Question 3 can be attributed to the refinancing of federal student loans. Since securitizing lenders do not disclose how much of their refinancing loans can be attributed to private student loans vs. federal student loans, it is next to impossible for us to provide an accurate figure to the Task Force.

The National Student Loan Data System, or NSLDS, tracks the amount of federal debt, regardless of type, outstanding on a state-by-state basis, and New York residents recently ranked 2nd in the nation for federal student loan debt outstanding. New York residents count for approximately 6.0% of federal student loan debt nationwide, with $93.6 billion outstanding as of June 30, 2022. The average federal student loan balance for New York residents is $38,414, which is notably higher than the national average of $35,779. The Direct Loan Program, which will be discussed below, accounts for approximately 92.3% of the federal debt outstanding within the state. A regional overview of the federal outstanding debt for the Northeast and how New York compares to neighboring states can be seen in the image below.

Northeast Regional Overview of Federal Student Loan Debt(1)



(1) Source: U.S. Department of Education as of June 30, 2022: https://studentaid.ed.gov/sa/about/data-center/student/portfolio (2) Source: https://www.finaid.org/loans/privatestudentloans.phtml

Currently, the Direct Loan Program offers Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans, and Direct Consolidation Loans. For the purposes of this response, we will be excluding Direct Consolidation Loans since they can already be considered a form of federal student loan "refinancing", as noted in our response to Question 2. Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans are all made to either undergraduate, graduate, or parent borrowers to finance post-secondary education. As seen in the adjacent table, the interest rates on these products vary depending on the type of loan. Each of these interest rates are determined on an academic year lending basis (i.e. reset annual in May, while going into effect on July 1) and are set according to federal law, as specified in sections 455(b)(8)(A) through (C) of the Higher Education Act of 1965, as amended.

Direct Loan Product	2022-23 Academic Year Interest Rate
Undergraduate Subsidized	4.99%
Undergraduate Unsubsidized	4.99%
Graduate Unsubsidized	6.54%
Parent PLUS	7.54%
GradPLUS	7.54%

The various Direct Loan interest rates are set annually in connection with the first auction of 10-year U.S. Treasuries occurring in May of each year. The math for calculating the interest rate is the 10-year UST yield, plus a spread that varies based upon the loan product. A spread of +2.05% is added for Direct Subsidized Loans and Direct Unsubsidized Loans made to undergraduate student borrowers, a spread of +3.60% is added for Direct Unsubsidized Loans made to graduate student borrowers, and a spread of +4.60% is added for Direct PLUS Loans made to parents and graduate students. For illustrative purposes, if interest rates remain constant from December 1, 2022, a hypothetical calculation of the Direct PLUS Loan interest rate would be set with the 10-year UST yielding a 3.53% plus the spread adjustment of +4.60%, resulting in an all-in interest rate of 8.13%. These interest rates do not reflect the actual cost of these loans, which are higher due to upfront fees, or "points" of 1.06% paid on all Direct Stafford Loans and 4.23% paid on all Direct PLUS Loans.

As previously noted, the "unmet need" for federal student loan refinancing, just like for private student loan refinancing, is determined by whether or not economic savings can be produced. While borrowers can refinance federal student loans with private student loan lenders, as seen in the table above, many of the federal student loan products carry interest rates lower than those borrowers would receive with a refinancing product. Unlike private student loans made by for-profit lenders, the interest rates on federal student loans made to undergraduate borrowers tends to result in dissavings if refinanced. That is not to say there are no federal student loans that should be refinanced, since the opposite is true for many borrowers who have taken out the more expensive Direct PLUS loans. As shown in the table below, there is significant annual volume of both Parent PLUS and GradPLUS loans being originated in a given academic year. Focusing on the 2021-22 academic year, there were approximately $21.4 billion of these loans originated. The Department of Education discloses which schools the Direct Loan volume is originated to attend, with the most recent academic year having $2.1 billion coming from institutions located within New York.

Nationwide Direct Loan Volume by Program

Academic Year	Undergraduate Subsidized	Undergraduate Unsubsidized	Graduate Unsubsidized	Parent PLUS	Grad PLUS	Total Direct Loan Program
2012-13	$27,800,701,695	$29,519,016,303	$26,975,169,854	$9,821,170,663	$7,603,795,406	$101,719,853,921
2013-14	$26,442,801,449	$28,008,719,529	$27,316,191,835	$10,283,530,865	$8,107,826,001	$100,159,069,679
2014-15	$24,661,724,006	$26,142,398,474	$26,586,148,046	$10,716,397,420	$8,350,949,290	$96,457,617,236
2015-16	$22,954,854,305	$24,090,667,959	$26,632,658,753	$11,961,759,369	$8,842,963,048	$94,482,903,434
2016-17	$21,653,374,526	$22,892,223,206	$27,025,284,075	$12,567,249,387	$9,645,335,408	$93,783,466,602
2017-18	$20,907,200,615	$21,650,768,114	$27,119,734,187	$12,747,251,228	$10,294,544,039	$92,719,498,183
2018-19	$19,815,898,430	$20,687,991,176	$27,230,757,504	$12,788,645,695	$10,739,031,016	$91,262,323,821
2019-20	$18,841,808,460	$20,318,771,296	$27,299,580,759	$12,352,813,739	$11,216,418,252	$90,029,392,506
2020-21	$16,559,404,906	$18,747,338,797	$27,581,158,194	$10,043,389,648	$11,753,049,092	$84,684,340,637
2021-22	$14,621,972,425	$16,072,612,551	$24,046,252,840	$10,221,783,552	$11,135,172,873	$76,097,794,241
10-Year Roll-Up	$214,259,740,817	$228,130,507,405	$267,812,936,047	$113,503,991,566	$97,689,084,425	$921,396,260,260

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5. What publicly available data should the Task Force review? Is there privately owned data that could be made available to the Task Force?

The Task Force can access a wide range of publicly available information to assist in assessing how private refinancing lenders are operating in the space. The data provided in the various links included in the list below can help provide the Task Force with references to current refinancing lender's qualitative information on program design, management, and social impact considerations, quantitative information to help measure performance and progress of their portfolios, and ultimately translate to a foundation of knowledge to create an actionable, measurable, and successful private student loan refinancing loan program.

While this list may not encompassing all types of data the Task Force would need in developing a private student loan refinancing program in the State, it serves as a great benchmark of resources covering key topics for formulating a refinancing loan program that achieves the desired social, financial, and programmatic impacts. The information included below can broadly be summarized into the following categories: (a) current terms, rates, and eligibility requirements of refinancing lenders, many of whom also offer in-school private student loans; (b) investor relation pages of lenders, both state-based lenders and NFPs and For-Profits that securitize their portfolios, which include periodic reports containing overall portfolio characteristics; (c) Federal student loan data made available by the Department of Education; and (d) additional information websites containing a broad range of information pertaining to the student loan industry.

Outside of the list of publicly available data included at the end of this question's response, the NSLDS, which can be viewed at the following link *https://nsldsfap.ed.gov/*, contains a wealth of data that is unfortunately not widely accessible. While non-student lending organizations like RBC cannot access the granular information stored on the NSLDS website, schools, and perhaps also FFELP lenders and FFELP guaranty agencies, have the ability to obtain the information in regards to their own institution or program. The information included on the NSLDS pertains to every federal student loan ever originated for the purposes of attending a specific institution. This data would allow a school to analyze long-term trends ranging from the general student loan debt profile to cohort default data. In order to access their information, the Task Force would have to partner with the SUNY or CUNY school systems to get individual campus information.

Although not considered "publicly available data", RBC's Municipal Finance Student Loan Group would make itself available to the Task Force at its convenience to provide additional background information and analysis on the student loan industry. The core members of our team trace their roots in the industry to between the late 1970's and mid-1980s, providing a depth of experience unrivalled in a complex industry. The majority of our current clients, all of whom are state-based lenders, have refinancing loan programs themselves, which gives us intimate knowledge of this specialized segment of the student loan industry, and a deep understanding of the approaches that work and those that do not. Additionally, our extensive history working with state-based lenders has engendered close relationships with the executive teams, finance and operational staff for these organizations. If the Task Force would find it useful, we would be happy to facilitate direct communications with various state-based lenders, which may provide the Task Force a different perspective than we are able to provide to the Task Force.

Entity or Data	URL
Refinancing Loan Program Website Page	
Massachusetts Educational Financing Authority	https://www.mefa.org/student-loans-refinancing
Higher Education Student Loan Authority (State of New Jersey)	https://www.hesaa.org/Pages/NJclasshome.aspx
New Hampshire Higher Education Loan Corporation	https://www.edvestinu.com/student-loan-refinancing/student-loan-refinancing
Connecticut Higher Education Supplemental Loan Authority	https://www.chesla.org/refi-ct
Brazos Higher Education Authority, Inc.	https://studentloans.com/student-loan-refinance.html
Rhode Island Student Loan Authorty	https://www.risla.com/refi-loans
ISL Education Lending	https://www.iowastudentloan.org/refinance-loan/
Pennsylvania Higher Education Assistance Authority	https://www.pheaa.org/student-loans/pa-forward/refinance.shtml
Minnesota - Office of Higher Education	http://www.selfrefi.state.mn.us/
Kentucky Higher Education Loan Corporation	https://www.advantageeducationloan.com/ael/ael/refi/home.faces#gsc.tab=0
Social Finance	https://www.sofi.com/refinance-student-loan/
Navient (i.e. Earnest)	https://www.earnest.com/refinance-student-loans
College Ave	https://www.collegeavestudentloans.com/student-loan-refinance/
Education Loan Finance	https://www.elfi.com/student-loan-refinancing/
Laurel Road	https://www.laurelroad.com/refinance-student-loans/
Citizen's Bank	https://www.citizensbank.com/student-lending/education-refinance-loan.aspx
Discover Bank	https://www.discover.com/student-loans/consolidation.html
PNC Bank	https://www.pnc.com/en/personal-banking/borrowing/private-student-loans/refinance-student-loans.html
LendKey	https://www.lendkey.com/student-loan-refinancing/?sk=GGL-Brand&gclid=EAIaIQobChMIkaOgoZPb-wIVCIMCh10SgA6EAAYASAAEgI8j_D_BwE
Securitizer's - Private Student Loan Refinancing Loan Investor Relation Page	
Massachusetts Educational Financing Authority	https://www.mefa.org/mefa-financing-transactions
New Hampshire Higher Education Loan Corporation	https://www.nhheaf.org/investor-relations.asp
Navient (i.e. Earnest)	https://navient.com/investors/fixed-income-information/asset-backed-securities/navient-student-loan-trusts
Federal Student Loan Data	
Overall Federal Student Loan Debt	https://studentaid.gov/data-center/student/portfolio
Title IV (Direct Loan) Statistics	https://studentaid.gov/data-center/student/title-iv
National Center for Education Statistics (Forgiveness Data)	https://nces.ed.gov/ipeds/
Navient (i.e. Earnest)	https://navient.com/investors/fixed-income-information/asset-backed-securities/navient-student-loan-trusts
Additional Links	
Education Finance Council	https://www.efc.org/#
The College Board	https://research.collegeboard.org/trends/student-aid
Economic Impact of a College Loan and Scholarship Program	https://www.chesla.org/content/chesla-economic-impact-study
Enterval	https://www.enterval.com/products/enterval-private-student-loan-report/
DBRS Morningstar	https://www.dbrsmorningstar.com/research/403669
Credible	https://www.credible.com/
Student Loan Hero	https://studentloanhero.com/
Specific Program to Entice Nurses	https://www.pheaa.org/funding-opportunities/loan-relief-for-nurses/
Specific Program to Entice Teachers	https://www.scstudentloan.org/school-loans/sc-teacher-loan-programs-forgiveness

6. Why do student loan borrowers in New York typically choose to refinance their student loans?

Refinancing multiple student loans carrying higher interest rates with a single refinancing loan carrying a lower interest rate can not only result in significant interest savings over time, but also simplify the student loan repayment process. In addition to this primary economic incentive, borrowers may refinance for other reasons to take advantage of benefits unrelated to interest savings. As a recent example, up until September 29, 2022, borrowers with loans originated under the Federal Family Education Loan Program (FFELP loans) were able to consolidate into the federal Direct Loan program to take advantage of potential federal loan forgiveness of $10,000 or $20,000, depending on eligibility. Additionally, up until October 31, 2022, borrowers with FFELP loans were able to consolidate into the federal Direct Loan program to take advantage of temporary, limited changes to the Public Service Loan Forgiveness (PSLF) Program rules. Although the deadlines have passed for both of these particular repayment benefits, borrowers may still consolidate into the federal Direct Loan program to take advantage of PSLF as well as access additional payment relief options, such as additional income–directed repayment plans. These potential and actual benefits around forgiveness and payment relief serve as incentives to consolidate into the Direct Loan program for borrowers with federal student loans. However, borrowers with private student loans are not able to consolidate their private student loans into the Direct Loan program. The economic incentives for this latter population of borrowers is discussed below.

The economic incentives to refinance are applicable nationally, not just for student loan borrowers who attended school and/or are employed in New York. However, the extent to which the above incentives drive refinancing activity may vary across populations. Along these lines, there are a number of characteristics unique to the student loan borrower population in New York, particularly with respect to the cost of education and average borrower indebtedness (ABI). Given federal Direct Loans amounted to approximately $76.1 billion of disbursements for the 2021-2022 academic year, and given the availability of data on the same, we can examine cost of education and ABI in the context of federal borrowing.

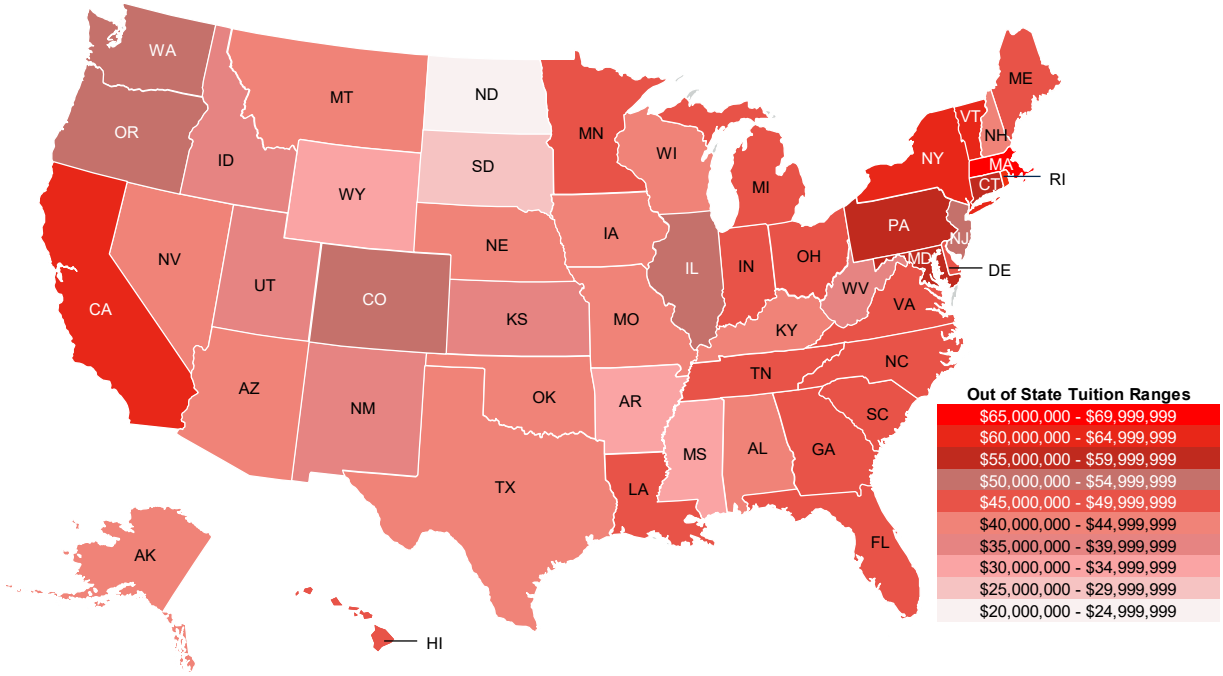
Compared to national averages, student loan borrowers in New York not only hold more federal student loan debt, but also accumulate federal student loan debt in excess of the maximum amounts permitted under the Direct Subsidized and Direct Unsubsidized Stafford programs (Direct Subsidized/Unsubsidized loans have undergraduate annual maximums ranging from $5,500 to $12,500, or up to $20,500 for graduate students, unlike Grad PLUS and Parent PLUS loans, which are only capped at the cost of attendance). For example, as illustrated in the tables below, student loan borrowers in New York hold 5.8% of all federal student loan debt outstanding, although they account for only 5.4% of all federal student loan borrowers. The story is the same with respect to recent distributions. Stripping out FFELP loans (discontinued July 1, 2010), Direct Subsidized/Unsubsidized loans (due to their aforementioned maximums), and Direct Consolidation loans, student loan borrowers in New York accounted for 10.52% and 9.38% of all Grad PLUS and Parent PLUS disbursements for the most recent 2021-2022 academic year, respectively, although they only accounted for 8.61% and 7.66% of Grad PLUS and Parent PLUS borrowers, respectively. Examining the most recent 2021-2022 academic year, student loan borrowers in New York accounted for 10.52% and 9.38% of all Grad PLUS and Parent PLUS disbursements, respectively, although they only accounted for 8.61% and 7.66% of Grad PLUS and Parent PLUS borrowers, respectively. In dollar terms, for the most recent academic year, the average student loan borrower in New York took out $5,754 and $3,943 more in federal Grad PLUS and Parent PLUS loans than the national averages, respectively.

	Total Federal Debt Outstanding	All Federal Debt ABI	Total Direct Loan Debt Outstanding	Direct LP Only ABI	2021-22AY Grad PLUS Disbursements	2021-22AY Grad PLUS ABI	2021-22AY Parent PLUS Disbursements	2021-22AY Parent PLUS ABI
NY	$93,600,000,000	$38,414	$86,400,000,000	$37,746	$1,171,247,156	$31,653	$958,549,451	$21,469
Nationwide	$1,619,600,000,000	$35,779	$1,397,900,000,000	$35,587	$11,135,172,873	$25,898	$10,221,783,552	$17,526
Δ or % of Total	**5.78%**	**+$2,635**	**6.18%**	**+$2,159**	**10.52%**	**+$5,754**	**9.38%**	**+$3,943**

	Total No. of Federal Debt Borrowers	Total Direct Loan Borrowers	22AY Grad PLUS Borrowers	22AY Parent PLUS Borrowers
NY	2,436,600	2,289,000	37,003	44,648
Nationwide	45,266,300	39,281,000	429,957	583,249
% of No. Borrowers	**5.38%**	**5.83%**	**8.61%**	**7.66%**
Compared to % Debt	**-0.40%**	**-0.35%**	**-1.91%**	**-1.72%**

The higher borrowing by student loan borrowers in New York is likely attributable to the concentration of higher cost schools in the State. We used publicly-available data from the Integrated Postsecondary Education Data System (IPEDS) on total cost of attendance for in-state and out-of-state students living on campus, and used federal Direct Loan disbursement data to derive, for schools for which cost of attendance data is available from IPEDS, the weighted average cost of attendance across schools in each state, weighted by federal Direct Loan disbursements. We found that New York ranked third for both in-state and out-of-state cost of attendance at weighted averages of $59,178 and $62,014, respectively, compared to national weighted averages of $42,315 and $50,470, respectively. As illustrated in the below map, New York, and the northeast region more broadly, includes higher-cost institutions relative to the rest of the country.

State-by-State Weighted Average Undergraduate Cost of Attendance(1)



(1)The cost of attendance and disbursement data are from the Integrated Postsecondary Education Data System (https://nces.ed.gov/) and the Federal Student Aid Data Center (https://studentaid.gov/data-center), respectively. The cost of attendance data reflects the cost of attendance for full-time, first-time degree/certificate seeking out-of-state undergraduate students living on campus for academic year 2021-2022. The weighting is on a school-by-school basis, based on 2021-2022 award year Direct Loan volume by school. The weighting excludes schools for which no cost of attendance data is available.

In summary, on a per-borrower basis and compared to national averages, student loan borrowers in New York have more federal debt outstanding and borrowed more federal student debt this most recent academic year. Moreover, on an aggregate basis and compared to national averages, student loan borrowers in New York hold and borrow federal student loan debt at levels disproportionate to borrower populations (e.g., as noted above, student loan borrowers in New York borrowed 10.52% of Grad PLUS disbursements for the 2021-2022 academic but only constitute 8.61% of the borrower population). Available data on the cost of education on a state-by-state basis seems to support the claim that the higher indebtedness of student loan borrowers in New York is a function of higher cost institutions. In this way, although the economic incentives behind refinancing may be applicable nationally, student loan borrowers in New York may have a greater debt burden and therefore greater potential interest savings associated with refinancing to a lower rate.

7. How does the prospect of government loan forgiveness or cancellation affect student loan refinancing?

Currently, federal student loan forgiveness is available to borrowers under a number of programs, detailed here: https://studentaid.gov/manage-loans/forgiveness-cancellation. These programs include the Public Service Loan Forgiveness (PSLF) Program, which is generally available to Direct Loan Program and Federal Family Education Loan Program (FFELP) borrowers after 120 qualifying monthly payments while working full-time for a qualifying government or not-for-profit employer. In addition to these currently-available programs, earlier this year the Biden-Harris Administration announced its student debt relief plan, which included one-time federal student loan forgiveness of $10,000 or $20,000, depending on eligibility. However, the plan will remain blocked until the Supreme Court rules on its legality.

Regardless of whether the federal forgiveness is actual or potential, the application is consistent in that it results in a reduction of the outstanding federal student loan debt burden of the forgiveness recipient, in some cases eliminating the debt altogether depending on the outstanding eligible debt and the details of the forgiveness program. For example, student loan borrowers in New York hold, on average, approximately $38,414 of federal student loan debt. Under the proposed Biden-Harris Administration's student debt relief plan, certain borrowers may be eligible to receive up to $20,000 in federal loan forgiveness, or over half of the average federal student loan debt for student loan borrowers in New York. The weighted average annual interest rate on federal loans held by student loan borrowers in New York – weighted based on program type and annual disbursements – has averaged approximately 5.54% over the last ten years. Assuming this interest rate on a balance of $38,414, ten years of repayment, and the borrower does not prepay, total interest paid over the life of the debt would amount to $11,705. With $20,000 of forgiveness, this amount is likewise reduced by over half, to $5,611. In short, forgiveness reduces the debt burden of student loan borrowers in terms of both principal and interest payments over time. This reduced debt burden may mean the borrower has increased cash flow to repay other debt, such as mortgages and credit cards, which in turn would increase their credit profile, qualifying them for more attractive refinancing opportunities. Alternatively, the borrower may save the increased cash flow or simply spend it. All of these questions about borrower behavior are challenging to answer given the limited long-term data on federal student loan forgiveness. However, a few considerations may help us better understand the potential impact of this reduced debt burden on student loan refinancing.

As explained in our response to the immediately preceding question, student loan refinancing is primarily driven by the economic incentive to take advantage of lower prevailing interest rates relative to the interest rates on outstanding student loans. Forgiveness does not impact interest rates, but it does potentially impact the magnitude of the economic incentive. The greater the debt principal burden, the greater the debt interest burden, and therefore the greater the incentive to reduce the debt interest burden via refinancing. If this debt principal burden is reduced significantly, the magnitude of the debt interest burden is likewise reduced and the incentive to refinance potentially diminished. However, a diminished incentive may not necessarily translate into a decision to not refinance.

In addition to impacting economic incentives, forgiveness may impact how borrowers view the benefits associated with having federal student loans. In some cases, these benefits may outweigh any economic incentives to refinance when prevailing interest rates offered by private refinance loan lenders are lower than the interest rates on outstanding federal student loans. For example, borrowers of federal student loans enjoy benefits that not only include the aforementioned forgiveness programs, but also significant payment relief if needed, by way of deferment, forbearance, and/or income-based repayment, which may not be available under a private student loan program. Moreover, the announcement of the Biden-Harris Administration's student debt relief plan may have long-term consequences in terms of the potential actual and perceived benefits of maintain federal student loans. In this way, these benefits may outweigh the economic incentive to refinance, at least to some extent.

8. What is the profile of student loan borrowers (including race, ethnicity, age, household income, highest level of educational attainment, type of degree, and any other demographics or groupings) who refinance private student loans in New York State, and how do they compare to student loan borrowers in New York State as a whole, as well as to New York State residents as a whole?

Since RBC is not a lender and does not have access to information on demographics of borrowers with either private refinancing loans or private in-school loans, we cannot make definitive statements about the exact profile of borrowers within any state, including New York. If the Task Force would like to access more accurate and exact information pertaining to the exact demographics of New York-based borrowers, it should partner with the SUNY and CUNY systems to access the information available on the NSLDS.

Broadly speaking, lenders do not disclose items such as race and ethnicity for the purposes of investor reporting because these factors do not contribute to the creditworthiness or eligibility of a borrower to obtain in-school and refinancing loans. Therefore, the only place to find data relating to these fields would be to access the federal student loan data on the NSLDS, partner with lenders who are privy to borrowers' confidential information of this nature, or to hire a third party contractor to do a market study themselves. That being said, many of the characteristics that are inherent to a person will be the same for the in-school borrower populous and refinancing loan populous because to be a candidate for a refinancing loan, you need to have been an in-school borrower at some point. Borrowers finance their post-education pursuits with in-school loans, so typically speaking a refinancing borrower would have a single level higher degree than when they were an in-school borrower. For the purposes of this response, we will not be comparing the borrower characteristics of this nature further.

The only statistic of this nature that tends to be disclosed by lenders who securitize their portfolios is the average borrower age of a product. New Hampshire Higher Education Loan Corporation ("NHHELCO") offers both in-school and refinancing private student loans. In September of 2022, NHHELCO securitized a mixed portfolio of loans they had originated over the past two years. The portfolio had average borrower or co-borrower ages of 52.5 years for the in-school loan product and 45.2 years for the refinancing loan product. This breakdown of age has a clear limitation in how it is captured because the lender discloses the older of the borrower or co-borrower age. In most cases, in-school loan product's eligibility criteria disqualifies a prospective students from taking out a loan without a cosigner. 78.1% of this portfolio has a cosigner associated with the loan causing the borrower to be significantly skewed towards the cosigning party and resulting in the average age not reflecting that of the student who the loan is taken out on behalf of.

Loan Product	Principal Balance	% of Total Portfolio	Average Borrower or Cosigner Age
In-School Loans	$118,905,832	53%	52.5
Refinancing Loans	105,749,266	47%	45.2
TOTAL	**$224,655,097**	**100%**	**49.1**

What information we do have in regards to borrowers of both in-school and refinancing private student loans is the Securitized For-Profits portfolio demographics, which are comprised of borrowers nation-wide and only represents the borrower's characteristics at the time of the financing. In order to compare the borrower profiles of New York residents with refinancing loans to those with in-school loans, we will use publicly available investor reporting data from the most recent offering documents of the largest refinancing lender, Navient, and the largest in-school lender, Sallie Mae Bank ("SMB"). Although the comparisons will contain information on Navient and SMB's overall portfolio, New York constitutes the largest percentage of SMB's portfolio, 9.6% of the total, and the second largest percentage of Navient's portfolio, 8.3% of the total. A complete breakdown of borrowers' address on a state-by-state basis for all Securitizing For-Profits are included below. In addition, the Task Force can use these two lists to see the states that drive the largest amounts of private student loan volume.

For-Profit Securitized Portfolio: In-School Loan Breakdown by State since January 1, 2018

State of Residence	Sallie Mae Bank	Navient	CommonBond	College Ave. Student Loans	Total For-Profit Loan Volume	% of Total Securitizations
New York	**$1,564,614,383**	**$475,817,140**	**$24,686,634**	**$122,833,491**	**$2,187,951,648**	**9.8%**
California	1,350,373,752	360,365,510	18,457,927	194,097,041	1,923,294,230	8.6%
Pennsylvania	1,359,189,324	311,086,553	19,908,338	110,176,159	1,800,360,374	8.0%
New Jersey	1,039,633,840	273,022,412	9,081,767	90,098,940	1,411,836,959	6.3%
Texas	753,696,107	242,830,150	10,517,912	81,067,850	1,088,112,020	4.9%
Illinois	734,574,648	236,455,052	12,723,059	70,645,267	1,054,398,027	4.7%
Massachusetts	666,655,411	262,491,804	9,650,728	41,246,777	980,044,720	4.4%
Ohio	589,929,573	250,843,564	6,641,193	47,367,023	894,781,353	4.0%
Florida	605,674,852	193,992,352	5,139,114	44,947,599	849,753,917	3.8%
Virginia	527,840,215	154,065,010	4,842,964	39,976,220	726,724,409	3.2%
Michigan	483,749,818	144,013,828	8,449,761	34,769,966	670,983,373	3.0%
Maryland	387,736,756	131,738,888	3,040,422	29,715,204	552,231,270	2.5%
Connecticut	376,258,194	121,113,866	5,471,427	30,901,573	533,745,060	2.4%
Georgia	374,793,301	115,534,145	4,499,802	26,558,965	521,386,213	2.3%
North Carolina	332,750,049	102,871,599	5,516,924	26,429,669	467,568,241	2.1%
Indiana	302,473,881	115,747,947	3,017,605	25,059,302	446,298,736	2.0%
Minnesota	267,178,491	62,990,103	2,270,867	26,887,378	359,326,840	1.6%
Colorado	223,892,944	76,686,429	2,265,581	36,457,311	339,302,265	1.5%
Missouri	247,601,871	60,853,476	1,513,860	15,890,905	325,860,112	1.5%
Tennessee	234,784,400	63,305,812	2,263,596	16,456,870	316,810,678	1.4%
Wisconsin	222,200,826	54,248,139	2,259,455	21,823,361	300,531,781	1.3%
Washington	202,607,509	72,138,568	2,624,516	17,176,100	294,546,693	1.3%
South Carolina	211,451,229	50,850,086	1,072,167	14,254,949	277,628,431	1.2%
Alabama	214,902,766	45,911,200	835,878	6,609,030	268,258,874	1.2%
Arizona	193,422,223	52,695,480	1,078,149	4,114,857	251,310,709	1.1%
Subtotal (25 States)	**$13,467,986,363**	**$4,031,669,113**	**$167,829,646**	**$1,175,561,809**	**$18,843,046,931**	**84.0%**
Other States	**$2,859,722,448**	**$563,785,126**	**$13,165,630**	**$150,466,886**	**$3,587,140,090**	**16.0%**
Total	**$16,327,708,811**	**$4,595,454,239**	**$180,995,276**	**$1,326,028,694**	**$22,430,187,020**	**100.0%**

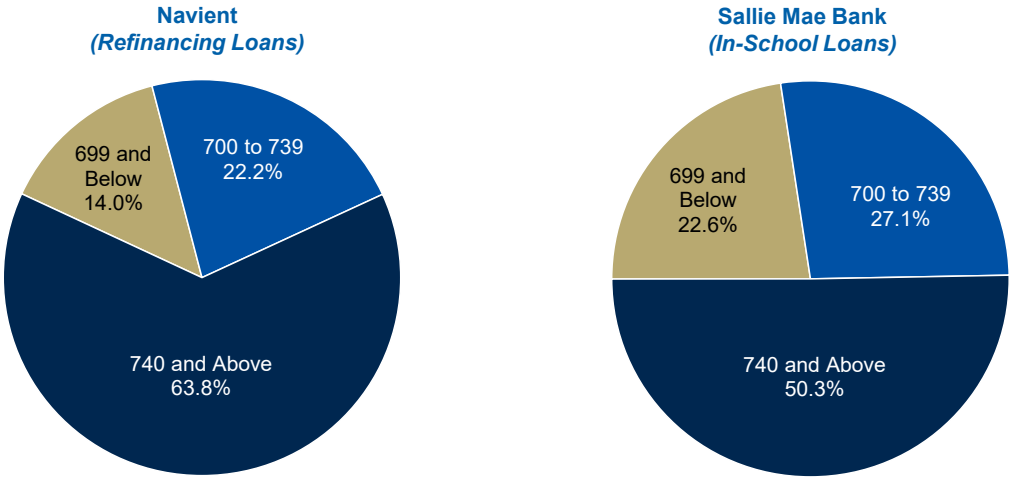
For-Profit Securitized Portfolio: Refinancing Loan Breakdown by State since January 1, 2018

State of Residence	Navient (Earnest)	Social Finance	Education Loan Finance	CommonBond	Laurel Road	MEFA	Total For-Profit Loan Volume	% of Total Securitizations
California	1,869,352,105	905,506,398	112,350,378	117,772,904	54,291,713	24,025,778	3,083,299,276	10.5%
New York	**1,464,282,996**	**649,668,034**	**99,149,485**	**106,783,144**	**52,297,545**	**28,887,805**	**2,401,069,009**	**8.2%**
Pennsylvania	1,258,026,503	490,484,279	101,956,686	61,698,810	44,527,054	22,401,063	1,979,094,394	6.7%
Texas	1,122,377,510	589,067,844	71,901,878	63,070,164	44,408,456	12,699,856	1,903,525,708	6.5%
Illinois	952,778,361	476,173,712	71,106,258	67,479,795	41,591,376	16,011,278	1,625,140,780	5.5%
New Jersey	904,426,247	354,741,503	69,718,429	52,781,425	29,821,618	18,213,797	1,429,703,019	4.9%
Florida	779,467,730	381,753,171	53,470,151	49,975,828	33,535,408	11,251,357	1,309,453,646	4.5%
Massachusetts	760,238,583	265,326,226	60,087,248	41,432,272	24,357,482	90,744,763	1,242,186,574	4.2%
Ohio	662,043,967	342,536,953	54,671,499	38,051,244	25,637,750	9,696,821	1,132,638,234	3.9%
Michigan	569,097,024	256,086,154	47,628,718	39,740,216	28,035,328	8,463,191	949,050,631	3.2%
Virginia	565,567,176	247,954,818	45,046,618	29,468,803	22,049,280	8,413,360	918,500,055	3.1%
North Carolina	517,293,977	208,190,936	43,308,173	24,337,714	18,497,089	7,311,285	818,939,174	2.8%
Washington	435,838,170	225,423,745	23,920,854	29,254,563	12,981,992	6,641,529	734,060,853	2.5%
Georgia	429,389,569	208,094,119	41,330,090	27,752,025	13,128,596	7,508,219	727,202,618	2.5%
Colorado	426,415,295	210,152,188	33,897,041	26,618,529	13,201,497	8,180,502	718,465,051	2.4%
Maryland	423,876,664	187,687,107	34,863,304	21,210,994	13,666,937	9,528,976	690,833,982	2.4%
Minnesota	406,996,488	188,797,336	35,736,444	28,954,779	14,624,705	8,967,724	684,077,475	2.3%
Wisconsin	344,032,201	148,627,346	25,861,298	14,740,967	12,503,241	6,082,199	551,847,252	1.9%
Arizona	306,922,518	155,274,243	20,489,582	17,814,270	13,791,988	4,986,285	519,278,886	1.8%
Indiana	303,534,450	142,885,230	23,097,588	17,770,165	15,133,241	4,904,823	507,325,497	1.7%
Connecticut	312,240,929	111,559,326	28,997,351	18,209,083	13,440,963	7,767,290	492,214,942	1.7%
Missouri	261,679,779	140,587,788	27,067,660	17,279,905	12,684,383	4,907,927	464,207,442	1.6%
Tennessee	256,178,367	113,147,902	31,197,317	9,941,973	12,644,445	4,084,990	427,194,994	1.5%
Oregon	224,533,898	89,647,275	18,087,337	12,356,870	5,611,792	4,877,649	355,114,821	1.2%
South Carolina	211,730,299	80,693,257	18,084,105	12,724,970	8,972,350	4,559,011	336,763,991	1.1%
Subtotal (25 States)	**$15,768,320,806**	**$7,170,066,889**	**$1,193,025,491**	**$947,221,410**	**$581,436,230**	**$341,117,478**	**$26,001,188,303**	**88.6%**
Other States	**$1,856,985,527**	**$1,034,491,324**	**$185,435,242**	**$124,375,896**	**$110,252,890**	**$42,501,440**	**$3,354,042,320**	**11.4%**
Total	**$17,625,306,333**	**$8,204,558,213**	**$1,378,460,733**	**$1,071,597,306**	**$691,689,120**	**$383,618,918**	**$29,355,230,623**	**100.0%**

As seen on the list included in our response to Question 1, there are several underwriting criteria that borrowers of refinancing loans must meet in order to be eligible to refinance their in-school loans. When thinking about a student loan program, regardless of in-school or refinancing, borrower creditworthiness is a very important metric to consider when tailoring a program's target market. The criteria to determine creditworthiness vary from lender to lender, however there are general

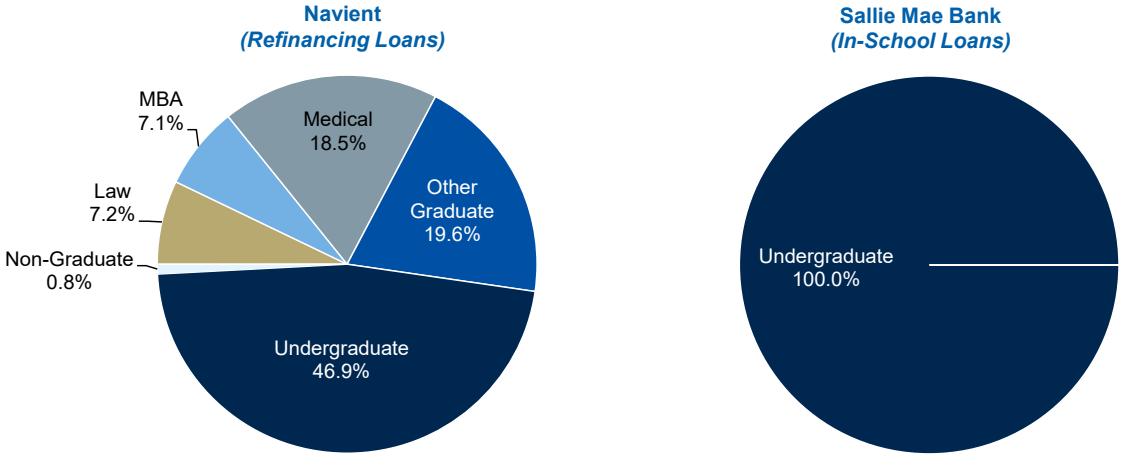
criteria that majority of lenders deploy in some fashion to determine eligibility. One of the most rudimentary, but effective, ways to measure creditworthiness is to look at the FICO score of the borrower and/or co-borrower. FICO score requirements tend to be slightly higher on average for refinancing loan products than in-school products. We've included below pie charts showing the breakdown of FICO scores into three categories. Borrower or Co-Borrower FICO Score at Origination of the Loan, Highest Level of Degree Obtained.

Borrower or Co-Borrower FICO Score at Origination



Borrowers finance their post-education pursuits with in-school loans, so typically speaking a refinancing borrower would have at least a single level higher degree than when they were an in-school borrower. Most refinancing loan lenders will not even make loans to a borrower who did not graduate, therefore the general profile of borrowers with refinancing loans tends to have obtained a higher degree than borrowers of in-school loans. The most recent SMB deal was solely comprised of undergraduate loans, while the Navient transaction 52% of the portfolio comprised of law degrees, medical degrees, MBAs, or other graduate programs.

Borrower Degree Type



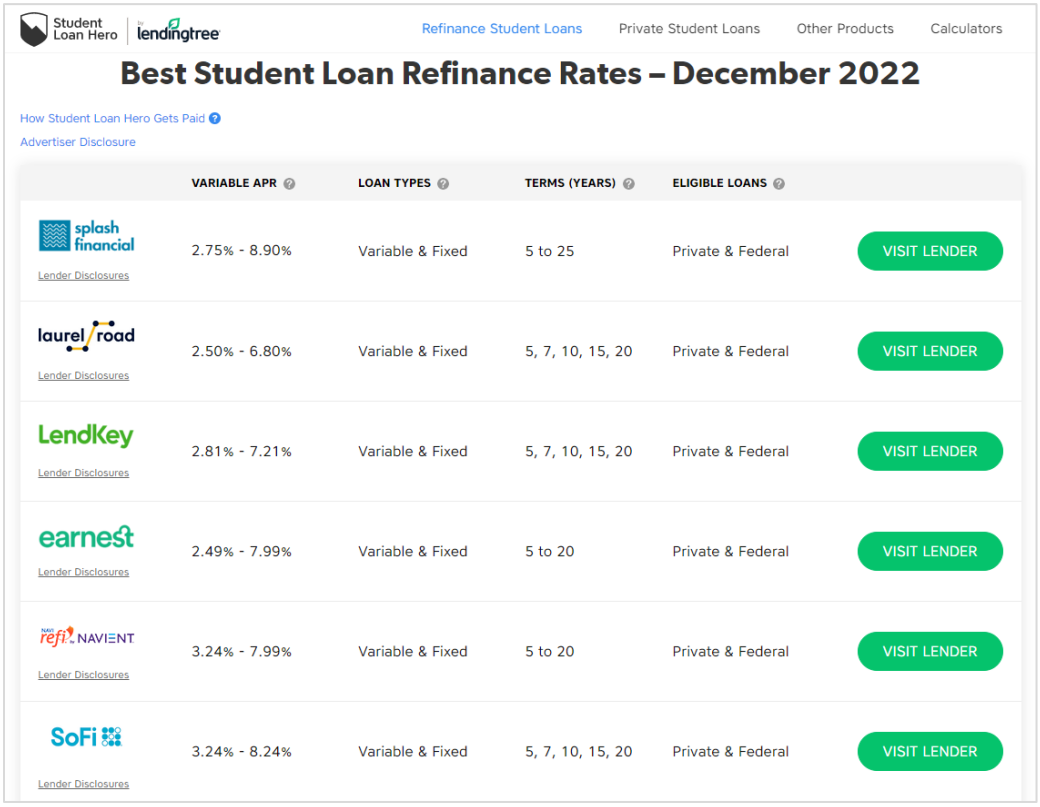
9. How and to whom is student loan refinancing currently marketed in New York State?

While every lender has their own marketing strategy, there are general practices that most private student loan refinancing organizations engage in. These marketing strategies reach individuals that both currently have student loans and individuals who do not. While marketing to the segment who already have student loans sounds like the most effective strategy for refinancing lenders, the reason behind marketing to individuals without student loans is to have their institution's name at the forefront of people's mind. There are so many potential lenders for borrowers to refinance their student loans, that name recognition carries a large weight when it comes to driving volume on a lender-by-lender basis. Since refinancing loan interest rates are relatively the same among for-profit lenders, when borrowers finally make the decision to refinance their student loans—and become inundated with all of the options available from various lenders, it is this name recognition that will ultimately push many borrowers to a particular lender. In general, marketing can be a costly practice for lenders, which is why we see the for-profit brands with the largest marketing budgets being the most recognizable (e.g., SoFi Stadium). Marketing drives sales, and the dominant share of the refinancing loan market captured by a relatively small number of for-profit lenders is a testament to the impact of these efforts.

Two other practices lenders engage in to reach a wide demographic of potential borrowers are physical mail and e-mail. Direct mail marketing is a tried and true practice to inform people of lender's products, and is generally sent to individuals regardless of whether or not they have student loans. The mail can contain general information about a lenders product, or it can be more tailored to an individual, such as marketing a refinancing loan product to a current borrower of an in-school product. In addition, lenders with in-school private student loan products will market their refinancing loan product to their current borrowers. Although this practice may sound like shooting yourself in the foot, lenders' rationale is generally that they would prefer to make a lower interest rate loan to an existing borrower than lose the loan to a refinancing loan provided by another lender.

As the prevalence of social media has grown exponentially over the past decade, lenders have also had success using these platforms as marketing tools. As discussed in our response to Question 3, current interest rates on private student loans offered by for-profits are well above the interest rates that most refinancing loan products can achieve. This discrepancy in interest rates generally results in borrowers refinancing their loans shortly after graduating, which means the average borrower age when first taking out a refinancing loan products tends to be relatively low, and is more likely to be reached through social channels.

While the above mentioned marketing strategies are more of an active approach, where lenders make the effort to reach potential borrowers, there are some effective ways lenders can market their products to borrowers who are seeking loan products. The main way lenders are able to use this strategy is through on-line lending platforms that market various lenders' products with side-by-side comparisons. These websites display everything from interest rates to the term of the loans, and will take potential borrowers to a lender's website with the click of a button. These websites can charge hefty fees to lenders for closed loan referrals, so that does limit the universe of lenders who are able to market their products in this manner. Two of the major websites which produce significant volume for lenders are Student Loan Hero and Credible, which are both included in the list of useful sources of information provided in our response to Question 5. The following page includes a screenshot of the Student Loan Hero website, in order to give the Task Force a general idea of its layout and content.



Student Loan Hero | lendingtree

Refinance Student Loans | Private Student Loans | Other Products | Calculators

Best Student Loan Refinance Rates – December 2022

How Student Loan Hero Gets Paid

Advertiser Disclosure

	VARIABLE APR	LOAN TYPES	TERMS (YEARS)	ELIGIBLE LOANS	
splash financial Lender Disclosures	2.75% - 8.90%	Variable & Fixed	5 to 25	Private & Federal	VISIT LENDER
laurel road Lender Disclosures	2.50% - 6.80%	Variable & Fixed	5, 7, 10, 15, 20	Private & Federal	VISIT LENDER
LendKey Lender Disclosures	2.81% - 7.21%	Variable & Fixed	5, 7, 10, 15, 20	Private & Federal	VISIT LENDER
earnest Lender Disclosures	2.49% - 7.99%	Variable & Fixed	5 to 20	Private & Federal	VISIT LENDER
refi NAVIENT Lender Disclosures	3.24% - 7.99%	Variable & Fixed	5 to 20	Private & Federal	VISIT LENDER
SoFi Lender Disclosures	3.24% - 8.24%	Variable & Fixed	5, 7, 10, 15, 20	Private & Federal	VISIT LENDER

10. What disclosures are made to borrowers who refinance into private loans, including disclosures concerning the effects of refinancing and the potential loss of any benefits on borrowers who refinance their federal loans? What disclosures should be required?

There are numerous federal and state consumer lending disclosure law requirements related to private student loan refinancing programs. An entity exploring this space would need to consult legal experts in consumer lending laws and the required disclosures, as well as whether additional disclosures above-and-beyond the required disclosures "should be required". However, for the purposes of responding to this question, we can provide a few resources around the same.

The Consumer Finance Protection Bureau (CFPB) may be used as a resource for better understanding general compliance with consumer lending laws, including disclosures. The CFPB's supervision extends to the practices of student loan lenders and servicers. The CFPB has established Education Loan Examination Procedures that include guidance for examination of student loan lending and servicing practices. These Procedures comprise seven modules, summarized below and detailed on the CFPB's website, https://www.consumerfinance.gov/. The below summary cites select rulemaking beneath each module and is not meant to be exhaustive.

- **Advertising, Marketing, and Lead Generation**
  - Truth in Lending Act (TILA) and Regulation Z
  - Equal Credit Opportunity Act (ECOA) and Regulation B
- **Customer Application, Qualification, Loan Origination, and Disbursement**
  - TILA and Regulation Z
  - ECOA and Regulation B
- **Student Loan Servicing**
  - Electronic Fund Transfer Act (EFTA) and Regulation E
  - TILA and Regulation Z
  - Fair Credit Reporting Act (FCRA) and ECOA
- **Borrower Inquiries and Complaints**
- **Collections, Accounts in Default, and Credit Reporting**
  - Fair Debt Collection Practices Act (FDCPA)
  - FCRA and Regulation V (Furnisher Requirements)
- **Information Sharing and Privacy**
  - Gramm-Leach-Bliley Act (GLBA) and Regulation P (Privacy Notices)
- **Examination Conclusion and Wrap-up**

As detailed on the CFPB's website, the federal Truth-in-Lending Act (TILA), implemented by the Federal Reserve Board's Regulation Z, requires written disclosures about certain consumer credit terms, among other requirements. According to the Federal Reserve Board's website, https://www.federalreserve.gov/, the "The Truth in Lending Act is intended to ensure that credit terms are disclosed in a meaningful way so consumers can compare credit terms more readily and knowledgeably… providing a uniform system for disclosures." These terms include annual percentage rates, amount financed, total amount of payments, and fees and penalties, with Regulation Z including a subpart that details special/additional rules for student loans. More broadly, borrowers refinancing into a private student loan may receive TILA disclosures that include an Application and Solicitation Disclosure, Approval Disclosure, and Final Disclosure. Additional disclosures may include, but are not limited to, the following:

- Electronic Communications Election
- eSign Election
- Mobile Communications Election
- Terms and Conditions
- Privacy Policy
- Federal Loan Disclosure

Regarding the effect of refinancing and the potential loss of any benefits to borrowers who refinance their federal loans, additional and/or applicable disclosure language is captured by way of lenders' websites as well as marketplace websites. Below are several examples from EDvestinU, a not-for-profit lender, as well as Credible.com, a marketplace website.

For example, EDvestinU's student loan refinance page, https://www.edvestinu.com/student-loan-refinancing/student-loan-refinancing, presents visitors with the below disclosure regarding potential loss of federal benefits for borrowers contemplating refinancing federal loans.

> *Please be aware that due to the ongoing pandemic, Federal Direct Loans and government-owned FFELP Loans will not accrue interest or require payments until at least June 30, 2023. These benefits, as well as others, will be lost if you refinance these types of loans with EDvestinU. As always, we encourage you to carefully consider which loans you wish to refinance. Additionally, current and potential future loan forgiveness provisions for Federal student loans would be lost if eligible Federal loans are included when refinancing with EDvestinU.*
>
> *The Department of Education announced that they will be providing an account adjustment for Income-Driven Repayment borrowers seeking forgiveness. Learn More.*

Additionally, all student loan borrowers refinancing with EDvestinU receive the Federal Loan Disclosure, of which partial language is provided below.

FEDERAL LOAN DISCLOSURE

Federal Loan Disclosure

IMPORTANT DISCLOSURE ABOUT REFINANCING YOUR STUDENT LOANS

You have indicated that one or more of your loans to refinance are Federal student loan(s). Please note that if you refinance a Federal student loan(s) with your other loans you may no longer be eligible for certain benefits that you may have been eligible for under the federal program (i.e. Direct Loan, FFELP or Perkins). Those benefits may include things such as income-driven repayment plans, certain periods of deferment and forbearance, as well as loan discharge and loan forgiveness options. For more information regarding the specific benefits associated with your Federal loan, please contact the servicer of these loan or visit www.studentaid.ed.gov.

Finally, Credible.com's student loan refinance page, https://www.credible.com/refinance-student-loans, presents visitors with information regarding potential loss of federal benefits for borrowers contemplating refinancing federal loans.

- **If you have federal student loans,** it's likely better to wait for updates on the CARES Act and forgiveness plans before consolidating with a private lender. Due to the pandemic, federals student loan payments and interest accrual have been suspended during the pandemic into 2023. If you refinance your federal student loans, you'll lose access to this suspension as well as other federal benefits and protections, such as income-driven repayment plans and student loan forgiveness programs.

11. Identify any predatory practices in the private student loan refinancing market in or outside New York State.

While the lenders listed in Question 1 who offer true private student loan refinancing products do not engage in any types of predatory practices, there does appear to be a recurring problem of general debt consolidation schemes that are predatory in nature. Current New York Attorney General, Letitia James, has made numerous comments about these scams, and even created an individual web page solely dedicated to warning current and prospective student loan borrowers titled "Protecting Yourself from Scams", which guides victims to file complaints directly with her office.

These debt consolidation schemes are not unique either to student loan repayment in general or within the State, but rather encompass credit card and other personal debts, and occur throughout the nation. These debt consolidation schemes prey on unknowing borrowers in many ways, all of which are rooted in false claims around aiding debtors in improving their financial situation. These harmful practices can range from providing "services" to help borrowers consolidate their loans, often charging large sums of money to utilize external programs that would otherwise be free, to more extreme cases of having borrowers cease communication with their lenders and instead have borrowers funnel their monthly loan payments directly to the fraudulent consolidator.

These predatory scams could largely be avoided if the victims were more knowledgeable about the various products and ways available to refinance and/or consolidation their debt. This lack of knowledge partially derives from an overwhelming amount of conflicting information available online, which conveys information often in confusing ways. State-based lenders across the nation are also wary of the importance of educating their constituents to make the most informed decisions when it comes to borrowing. If the State were to pursue implementing a private student loan refinancing loan program, the Task Force could explore the idea of implementing a similar practice of educating prospective borrowers about the various financing approaches available in connection with such a program.

12. What qualitative information should the Task Force consider regarding student loan refinancing and the experiences student loan borrowers have had regarding refinancing?

Because private student loans and private refinancing loans are, at their core, financial instruments that involve the risk of financial loss to the lender, discussions of interest rates, terms, demand, supply, and other market forces tend to be highly "data driven". Similarly, the experience of individual borrowers seeking to refinance their student loans also represent "data points"—however subject to interpretation they may be. With that in mind, the greatest challenge we see for the Task Force with respect to qualitative information is collecting reliable information, as explained below.

It is difficult to find a consumer products company with an on-line delivery platform, financial or otherwise, that does not post customer testimonials to their website. This of course applies to student loan refinancing lenders, where sound bites like "easy to work with", "smooth application process" and "fast disbursement" are quite common, and negative testimonials are, not surprisingly, few and far between. In a few cases—but not very many based upon our investigation—these testimonials will mention the amount of interest rate reduction or overall dollar savings a borrower may have achieved through refinancing.

Third-party reviews of borrower experiences with refi lenders can be especially challenging to interpret, since there are no product pictures to compare, or user assessments regarding how well "Product A" worked compared to "Product B", or didn't work. Said another way, if the borrower ultimately took out the refi loan, it must have worked well enough for the borrower to close on the loan. If a borrower's feedback is "terrible experience!" there is no way to know who is at fault. It could be because they didn't qualify for the loan they wanted, or like the way the credit denial was communicated. Neither of these criticisms would be fair, since each lender has a right to determine its own credit standards, and adverse action notices are required to contain specific information (i.e., credit reporting agency, credit score and contributing factors), and are processed in a routine manner in accordance with applicable consumer lending laws. On the other hand, if a prospective borrower feels they were either deceived or discriminated against during the application process, or if incorrect information regarding their credit was used, such borrowers could be entitled to relief under either the Truth in Lending Act, Equal Credit Opportunity Act, or Fair Credit Reporting Act.

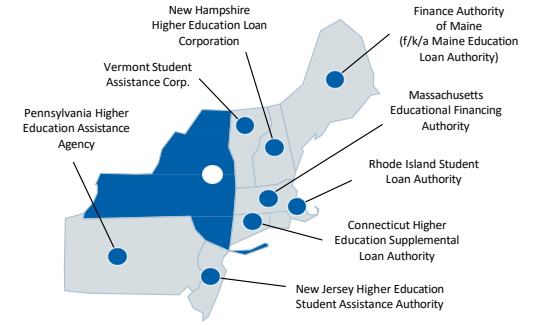
The other issue with product reviews generally is that anonymous submissions by unverified product users are typically permitted on third-party review sites. In addition, we are aware that some student and refi lenders pay fees for their products to be included on websites that purport to aggregate "the top 10 student loans". An alternative the Task Force could consider is analyzing reviews only by lenders who use services like TrustSpot, which is a business review and reputation management platform that allows lenders to automatically gather only verified borrower reviews. Since only actual borrowers are permitted to post reviews, the Task Force could at least be confident that any assessment it might make based upon information gathered is untainted by anonymous and/or fake reviews.

Finally, it has to be said that for-profit refi lenders, in the end, are motivated by creating value for themselves and their stakeholders, not for the borrowers who are the source of that value. That is not to say that for-profit refi lenders are dismissive of the value of a positive customer experience. In fact, the opposite is true. The easier a lender can make it for a borrower to take out their loan—regardless of whether or not such loan represents a responsible financial move by the borrower—the more profit the lender will generate for its stakeholders. We believe there are several ways to discover which lenders are the most purposeful about providing top notch customer experiences AND delivering positive loan outcomes, and are interested in working with the Task Force to explore how this could most easily be accomplished.

13. What programs do state or federal agencies support to help students loan borrowers refinance their private student loans? What information is available on the effectiveness of these programs?

State Agencies & Nonprofits. As described briefly in our cover letter and in more detail in our response to Questions 1 and 2 herein, there are currently 23 nonprofit / state agency student loan programs in operation across the United States. As shown in the adjacent graphic, eight of these lenders are located in the Northeast, where the high cost of attendance at private colleges and universities, coupled with federal Stafford loan limits that have not been increased by Congress since 2009, drive a substantial unmet need. Most of these programs were established between the early 1980s and mid-1990s, demonstrating the sustainability of their programs, the viability of their funding models, and most importantly, their ability to deliver a meaningful financial benefit to students who would otherwise borrow under more expensive loan programs, or in some cases not enroll.

Northeast Nonprofit / State Agency Student Lenders



In addition to the Northeast programs noted above, state-based loan programs are currently operating in 15 other states, the largest of which are located in Iowa, Minnesota and Texas. All of these programs are self-funded, meaning they do not receive ongoing appropriations or direct financial support from their respective states, and self-sustaining, in that earnings from existing programs are sufficient to continue operations in perpetuity.

All but one of the programs operating in the Northeast also offer low-cost refinancing loans to assist students seeking to refinance their federal and private student loans. In some cases such loans are limited to residents of their respective states, in other cases non-residents can refinance so long as their private loans were originated by the state-based lender. A few state-based programs operate nationally (i.e., without an in-state residency requirement), although the applicable interest rate is often higher for non-residents.

Federal Agencies. At the present time there are no federal agencies that sponsor programs that enable students to refinance their private student loans. The Task Force is likely aware of the federal Direct Consolidation Loan Program, which loans are different from refinancing loans in that Federal Direct Loans ("Direct Loans") and loans originated under the discontinued Federal Family Education Loan Program ("FFELP Loans") are eligible for consolidation. It is useful to note that in addition to being limited to Direct Loans and FFELP Loans, a Direct Consolidation Loan will not lower a borrower's interest rate, since interest rates on such loans are set at the weighted average interest rate of all loans being consolidated, rounded up to the nearest 1/8 of one percent. While it is true that borrowers can extend the repayment terms on their existing federal loans to as long as 30 years—thereby lowering their monthly payments, extending the loan term increases the aggregate amount of interest paid over the life of the new loan. This as opposed to refinancing loans, which not only produce interest rate savings, but also can reduce the aggregate amount of interest paid over the life of the new loan if a similar repayment term is selected.

Refinancing Program Effectiveness. Other than borrower testimonials that may include references to savings achieved, we are not aware of any published information related to refinancing program effectiveness, either with respect to specific lenders or at the industry level. As a general matter, however, refinancing student debt has been an effective tool that has the potential to provide a number of benefits to borrowers. Most programs allow borrowers who qualify the flexibility to customize their interest rates and repayment terms to achieve their overall financial goals, which may include:

- Achieving a lower interest rate and extending the repayment term, in order to increase free cash flow;
- Achieving a lower interest rate without extending the repayment term, in order to increase free cash flow and reduce aggregate debt service payments;
- Achieving a lower interest rate over a shorter repayment term, which may increase monthly payments but would reduce aggregate debt service payments;
- Simplifying loan repayment to the extent multiple existing lenders are involved;
- Removing a co-signer from existing private loans;
- Adding a co-signer in order to qualify for more attractive interest rates and repayment terms
- Refinancing parent loans as a way to acknowledge their important role in achieving higher education goals;

As a general rule, shorter repayment terms are typically associated with the lowest end of a lender's interest rate offerings, and longer repayment terms typically carry the highest interest rates. Most lenders also use credit "tiering", such that the lowest interest rates available are offered to the most creditworthy borrowers (e.g. 800+ FICO score) selecting the shortest repayment term (e.g. 5-years). This is simply a function of lender funding costs and credit loss expectations, and is often referred to as "risk-based pricing".

In some cases borrowers are motivated to refinance their student debt as a way to improve their financial metrics during the process of applying for a home mortgage loan. These could include monthly debt-to-income ratios or monthly free cash flow, both of which can be improved by tailoring a refinancing loan to achieve the desired improvement. Borrowers seeking to achieve these and other goals are best served by lenders who provide the lowest interest rates and the most flexible repayment terms across the full range of credit tiers, and who publish the tightest range of interest rates across their product set. This as opposed to lenders that publish double-digit spreads between their minimum and maximum interest rates, which is an indication that the lowest end of the range is unattainable for most applicants, and that interest rate achieved for the vast majority of borrowers is closer to the maximum interest rate.

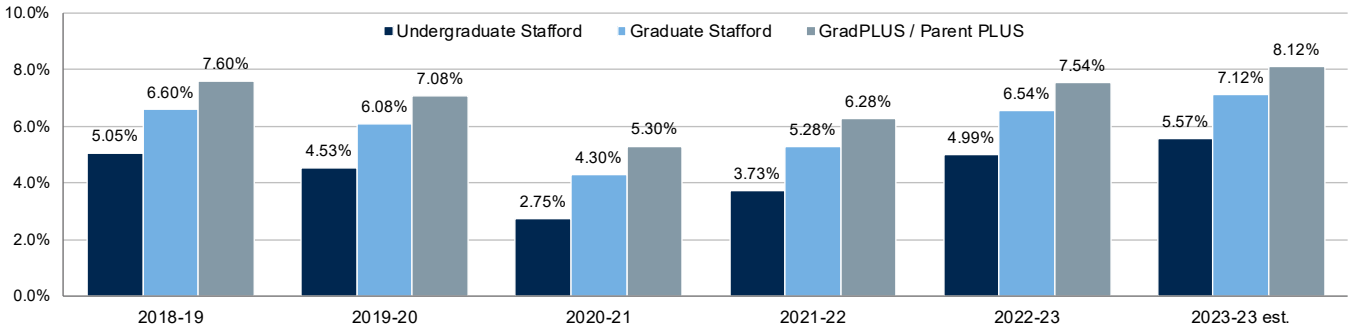
14. What factors limit the availability of private student loan refinancing in the private sector?

Social Finance, better known as SoFi, was the first lender to introduce refinancing products for federal and private student loans in 2013, and since that time the number of active lenders in the space has grown steadily. Excluding small credit unions and community banks, we estimate there to be 36 active participants in the space, which includes 14 for-profit lenders (8 banks, 6 non-banks), 5 large, federal credit unions, and 17 state-based lenders. As previously discussed, we believe aggregate demand for student debt refinancing products—at prevailing interest rates—is currently being met through existing programs. This is not to say that incremental demand would not emerge were more attractive interest rates available. It certainly would, but the true measure of aggregate demand at any point in time is the amount of outstanding student debt that could be refinanced for economic savings. Even that measure overstates actual demand, since there will always be borrowers who could achieve savings, but for whatever reason choose not to.

Factors Likely to Impact Demand. We do, however, expect demand for refinancing products to increase, both nationally and in New York, at some point in the near future. This is not only because new federal and private student loan borrowings, which have averaged over $90 billion during the past three years, keep adding to the national aggregate student debt total, but also because the interest rates on new federal and private student loans has been increasing. Moreover, student loan interest rates are expected to continue increasing for at least one more academic year, given the current expectation for a mid-2023 end for the Fed's current tightening cycle. This will have the effect of increasing the average interest rate on outstanding student loan debt over time, which in turn will increase the aggregate amount of loans that can be refinanced for economic savings once prevailing interest rates normalize.

To illustrate this point, the chart below depicts federal student loan interest rates since the 2018-19 academic year, which represents their most recent high. As shown in the chart, interest rates declined between AY 2018-19 and AY 2019-20 (-0.52%), and dropped again for AY 2020-21 (-1.78%) as pandemic-induced central bank support measures drove interest rates to historic lows. During the two academic years since the onset of the pandemic, however, these interest rate declines were largely erased by a 0.98% increase for AY 2021-22, which was followed by a 1.26% increase for AY 2022-23. Even if we assume no further increase to current interest rate, federal student loan interest rates for AY 2023-24 would increase by another 0.58%, for a cumulative, 3-year increase of 2.82%. While it is difficult to collect accurate historical interest rate information for private student loans, it is safe to assume that they too, have been increasing in line with lender funding cost increases.

Recent Federal Direct Student Loan Interest Rates by Academic Year (Excludes Impact of Loan Origination Fees)



Factors Likely to Impact Supply: Balance Sheet Lenders. The amount of capital lenders allocate to the refi space ebbs and flows for a variety of lender-specific and market-specific reasons. With respect to for-profit lenders that do not securitize their loans in the ABS market (i.e., "balance sheet lenders"), decisions regarding capital allocated to student debt refinancing loans are typically part of a broader discussion involving a range of loan and other capital-consuming products competing for a finite amount of capital. As a result, product-level metrics like funding costs, return on equity, net interest margin after servicing costs and credit losses, product risk profile, and overall risk appetite ultimately determine the allocation of capital across lender product menus. General market conditions also have an impact on banks' willingness to lend, particularly during economic downturns, which are almost always associated with a strong "risk-off" sentiment within the lending community. Earnings performance and regulatory capital requirements also influence the size of a given bank's lending book over time, and any determination to shrink the lending book in order to maintain capital adequacy will have a negative impact on new capital allocations, particularly for those products viewed as adding the lowest risk-adjusted return to the bottom line.

Factors Likely to Impact Supply: For-Profit, Securitizing Lenders. For-profit lenders that securitize their refi loans in the ABS market (i.e., "securitizing lenders") generally fall into one of two categories. Some are securitizing banks, which typically offer a broad range of deposit accounts and lending products, while others are niche specialty finance companies focused on the student loan market. For example, SoFi, now a nationally chartered bank, Laurel Road, a finance company acquired by

Key Bank in 2019, and Education Loan Finance, a division of Southeast Bank, fall into the securitizing bank category. Decisions regarding capital allocated to student debt refinancing loans among this sub-group will be influenced by the same factors note above for balance sheet lenders, as well their views on conditions in the securitization market, which will ultimately determine the long-term cost of capital applicable for a given loan origination cohort.

Navient and its Earnest affiliate, as well as College Avenue, fall into the securitizing, specialty finance company category of for-profit lenders, which is an important distinction. Unlike banks, non-bank lenders rely heavily on short-term, revolving credit facilities to fund disbursements, and the securitization market for permanent funding. While decisions regarding capital available for student debt refinancing loans among this sub-group may not be influenced by the multitude of factors listed above for banks, other factors are still at play. For example, the velocity of refi loan originations, the general direction of interest rates, interest rate hedging costs, and securitization market conditions all play a significant role in how confident a lender will be about its interest rate package and the ability to secure attractive, permanent funding. This is because the vast majority of refinancing loans have fixed rates of interest, and such rates are determined *before* the lender's permanent funding costs are known. This "warehouse to term" funding model, which is unique to securitizing finance companies, exposes these lenders to interest rate risk, or the risk that fixed rate loans they originate today, which may be profitable based upon prevailing funding costs in the ABS market, become less profitable—or unprofitable—if either the general level of interest rates or ABS credit spreads increase during the interim funding period. While it may seem like these structural differences and the inherent funding risks would detract from a lender's willingness to provide capital to the refi space, these represent financing challenges that can be overcome by properly managing interest rate risk and ensuring sufficient liquidity, and to date these financing challenges have not impacted supply.

A good example of meeting these challenges and keeping the loan origination engine running at full throttle is Navient and its Earnest affiliate, who have achieved sufficient refi loan origination flow to permit periodic, efficiently-sized securitizations (i.e., generally quarterly), thereby minimizing their interest rate risk exposure. Navient also has substantial warehouse facility capacity across multiple providers, and while this extra liquidity comes at a cost, it allows them to ride out unfavorable securitization market conditions. In fact, this is just the market circumstances we find ourselves in right now, and Navient's recent securitization pattern reflects a pivot away from the norm. Specifically, Navient has closed two refi loan securitizations YTD, one for $952 million in February and another for $715 million in May, and while we would have expected to see them back in the market in August, perhaps with a smaller transaction reflecting the reduction in demand for refi loans, deteriorating ABS market conditions have kept them on the sidelines. Absent sufficient liquidity to carry their funded loans until market conditions improve, Navient—or any other refi lender facing a similar situation—would have been forced to either securitize a portion of its warehoused loans in an uneconomic securitization transaction to create capacity for new originations, or pull back on the loan origination throttle. For the purpose of more favorable optics, this would likely be accomplished through a significant, upward adjustment to its refi loan interest rates, as opposed to temporarily closing its loan application portal.

Factors Likely to Impact Supply: Nonprofit / State-Based Lenders. State-based refinancing loan programs are unique in many ways, as are the factors that influence the availability of refi loan capital for this group of lenders. Firstly, these mission-driven lenders do not have "stakeholders" in the traditional sense, nor are they constrained by ROE hurdles, earnings targets or capital adequacy requirements. Their collective mandate is to promote access to, and reduce the cost of, higher education opportunities, by all means possible, for their constituents. This is among the competitive advantages that have allowed these lenders to compete successfully in the student loan market for decades, and in the refi loan market since it began to take hold in 2015.

Other factors that impact all lenders, like funding costs, net interest margin after accounting for servicing costs and credit losses, and overall risk appetite naturally influence their ability and willingness to provide capital to the refi loan space. Importantly, state-based lenders do not have unlimited access to loan funds, since they operate self-funded, self-sustaining programs, and unlike for-profit lenders, do not have the ability to raise equity capital. Instead, these lenders generally raise capital each academic year through the issuance of tax-exempt and/or taxable bonds, based upon their expectations of demand for their in-school student and parent loan products and their refinancing loan products. From a product-level allocation perspective, bond proceeds are generally allocated in a way that ensures loan demand from enrolled students can be satisfied first, since the interest cost savings vis-à-vis for profit loans and PLUS loans is more significant. The portion of bond proceeds originally designated for refinancing loans, together with any excess proceeds not needed to make in-school program disbursements, would be available for the origination of new refi loans.

15. What can the public or private sectors do to make safe and affordable private student loan refinancing more accessible to borrowers?

In the interest of brevity, our response to this question is included as a component of our response to Question 16, and appears immediately below.

16. Are there any statutory or regulatory actions that could make private student loan refinancing safer, more affordable, and more accessible? Are there other programs or public incentives that could make private student loan refinancing safer, more affordable, and more accessible? What are the estimated costs, benefits, outcomes, and other effects of these programs?

Although we are not experts in either consumer lending laws generally, or how the various safeguards currently in place to protect borrowers from bad actors and bad outcomes can be improved, we believe there are other opportunities for reform of the legal framework around student lending in general, and bonds issued to finance student loans in particular, that could have a positive impact on the State and its residents. Each of these is discussed in the paragraphs below:

Reclassify bonds issued by state-based lenders as "governmental bonds" under the Federal Tax Code. Tax-exempt bonds issued by state-based lenders to finance private student loans and private refinancing loans are currently treated as Private Activity Bonds, or PABs, under the tax code. This creates two unnecessary cost inefficiencies for student lenders that, if corrected, would be transformative for students and their families in New York and elsewhere.

The first inefficiency is that the amount of PABs that can be issued within a given year is severely restricted. Specifically, each state is required to annually allocate its "per capita-based" bonding authority for affordable housing, student loan, airports, and industrial development projects. This is known as PAB Volume Cap, and does not apply to other types of municipal bonds deemed to have a public purpose sufficient to warrant unrestricted issuance. For state-based student loan authorities, the PAB classification has the effect of: (a) restricting the amount of low-cost loans they are able to offer to the amount of annual PAB Volume Cap allocation; or (b) requiring the issuance of more expensive taxable bonds in order to satisfy the demand for their low-cost loan products. Neither of these outcomes benefits students and their families, since in the first case supply is restricted, forcing many borrowers into more expensive loans, and in the second case the higher funding costs applicable to taxable bonds translates to higher borrower interest rates.

The second cost efficiency related to PABs relates to the federal tax treatment of interest on such bonds, which artificially increases their cost relative to other types of municipal bonds. This is due to the Tax Reform Act of 1986, pursuant to which interest received by investors on new PABs became subject to the Alternative Minimum Tax ("AMT"). It is interesting to note that neither bonds issued to finance capital projects at nonprofit colleges and universities, nor bonds issued to finance hospitals, fell into the AMT trap, but we digress. Despite the fact that very few investors in student loan bonds are actually subject to the AMT, the market still extracts an unnecessary interest premium for this special category of bonds that does not apply to non-PABs. The AMT premium has varied since the rule was first implemented, and while it has moderated over time as the investor community's argument for it has weakened, it can add between 0.50% and 0.75% to a lender's cost of funds, all of which could otherwise be used to reduce borrower interest rates.

Taken together, these proposals would not only increase the amount of state-based student and refinancing loans available in the marketplace, but also would dramatically reduce their cost. To be clear, for-profit lenders would not benefit from either of these tax reform proposals, nor would they have any cause to support them. This is simply because anything that increases the ability of state-based lenders to offer lower interest rate loans to borrowers commensurately reduces the amount of higher interest rate loans for-profit lenders are able to originate and profit from. If the federal government's goal is to reduce the cost of higher education across the country, these tax reforms would be a cost-effective and permanent way to accomplish that. This as compared to President Biden's plan to forgive existing federal loans for a certain subset of borrowers, which only provides modest relief to a subset of existing borrowers, which by definition is neither a long-term nor forward-looking solution.

Clarify, and reduce the burden of complying with, tax code restrictions on refinancing loans. Federal tax laws related to the eligibility of private student loans for low-cost, tax-exempt financing are clear and easy to interpret, but this is not the case for private refinancing loans. With respect to private student loans, the tax code allows eligible, state-based lenders to access tax-exempt funding so long as: (i) the student benefitting from the loan is either a resident of the state, or a non-resident attending a school located within the State *(this is often referred to as the "state nexus" requirement);* and (ii) the amount of the private loan does not exceed the cost of attendance (as certified by the school), less other available aid (the "COA" test). For this purpose, "other available aid" includes federal Stafford Loans, work-study, grants and scholarships, but does not include the more expensive Federal PLUS or GradPLUS loans. With respect to private refinancing loans, which did not emerge as an asset class until 2013, the lack of specific tax code provisions has led to a degree of uncertainty regarding which refinancing loans,

or portions thereof, can be funded with tax-exempt bonds. This is important because a lender with access to tax-exempt funding for refinancing loans can offer interests between 0.75% and 1.0% lower than would be possible with taxable bonds.

Applying tax code provisions specifically designed for student loan financings to refinancing loans presents a few challenges, with the first being the state nexus requirement. While it is quite easy to determine the first prong of the tax code test (i.e., the student or former student is a resident of the state), it is impossible to know—at least with absolute certainty—whether all of the student loans to be refinanced by a non-resident of the state related to attendance at a school located within the state. In addition, while all federal student loans, by definition, meet the COA test, as do private loans made by state-based lenders, it is impossible to know whether or not any of the private student loans made by for-profit lenders met the COA test when they were made.

As a result of this uncertainty, state-based lenders have taken the most conservative tax position possible, which is to limit the availability of their lowest cost refinancing loans (i.e., those than can safely be financed with tax-exempt bonds) to residents of the state seeking to refinance federal loans and/or private loans made by a state-based lender. Borrowers whose refinancing loans do not meet this narrow criteria must be financed with taxable bonds, and therefore carry a higher interest rate. Since the downside of non-compliance with the tax code is quite severe—tax-exempt bonds could retroactively be declared taxable—it is easy to understand why lenders are currently restricting the availability of their lowest cost refinancing loans. In the same vein, it is easy to understand how the clarification of the tax code as it relates to refinancing loans would be of great benefit to borrowers.

Reduce the burden placed on colleges and universities related to Preferred Lender Lists. Prior to 2008 private student loans were generally packaged with FFELP loans by financial aid offices through the use of "preferred lender lists". During this time competition among lenders to not only appear on such lists, but also to get top billing, could be described as fierce. This gave a distinct advantage to for-profit lenders, since they had the marketing budgets to lavish on financial aid directors, some of whom were determined to have been "induced" to refer certain private loans, which may or may not have been the best loans, Reform soon followed with amendments to the Higher Education Act in 2008 that largely eliminated the ability for lenders making private loans through the school channel to receive preferential treatment. This was accomplished by the introduction of an overly burdensome set of requirements that financial aid offices were required to meet in order to maintain a preferred lender list. The requirements were deemed to be so burdensome, and fraught with legal risk, that most schools eliminated them entirely.

In our view this was very much an over-correction, and has been a great disservice to students and their families. Just as shopping on-line for just about anything has proliferated, the marketing of expensive private student loans is everywhere on the internet. In the absence of guidance from a knowledgeable financial aid officer, students and their families go shopping for student loans on-line, and the outcome of a simple Google search is predictable. Type in "Best Student Loans", and you will be directed to for-profit lenders like Sallie Mae, College Ave., Earnest and Ascent, all of whom pay site listing fees to be include in what can hardly be described as an unbiased list. There is ample empirical evidence that these loans are being made to New York residents in large numbers, as we laid out for the Task Force in our responses to Question 1 and Question 2 herein.

There are a number of ways to increase the financial literacy of students and their families, including how to compare loan products and promote responsible borrowing. Raising the awareness of lower cost loan programs, which prospective borrowers will not find anywhere near the top of Google search results due to the prohibitive cost of achieving top billing, is another idea that has gained traction, and would directly address the aforementioned over-correction. In April of this year Congressman Pete Sessions (R-TX) introduced H.R. 7588, which is known as the State-Based Education Loan Awareness Act. This bill would exempt stated-based education loan programs from certain requirements of the aforementioned 2008 Higher Education Act amendments related to preferred lender lists, thereby allowing financial aid offices to make students aware of loan programs that may benefit them. The bill referred to the Committee on Education and Labor, but is not expected to progress further until the 118th Congress convenes in January.

While we understand that New York does not have a state-based student loan program, we thought it was important to make the Task Force aware of this proposed legislation. Its passage would not only reduce borrower reliance on higher cost student loans generally, but also bolster what is already a strong demand-side argument for re-initiating a modernized version of the dormant NYHELPs program.

Make a Stronger, More Tangible Commitment to Prospective, Current and Former New York Students. While we readily acknowledge that neither the Task Force nor the State are in a position to foster the statutory and regulatory reforms proposed in the preceding paragraphs, the State is well-positioned to address the subject question (i.e., Are there any statutory or regulatory actions that could make private student loan refinancing safer, more affordable, and more accessible?) head on. We have already outlined the case for the State to become more directly involved in the New York student loan and refinancing loan markets, and believe it can exert greater control over student borrower outcomes by increasing commitment of resources

to the New York student loan market. With that in mind, we have attempted to summarize some of the benefits we believe would accrue from such a commitment.

- Introduce a low-cost, tax-exempt funded student loan program, similar to what neighboring states have been operating for decades;
  - ✓ Significant borrower savings, more disposable income, and positive, follow-on economic impact
  - ✓ Reduced need for future refinancing
  - ✓ Ensure that private student loan borrowers fully exhaust their federal Stafford Loan limits before using private loans product. Some borrowers reported that they did not know they had fewer options when repaying their private student loans than they did with their federal student loans
  - ✓ Support the State's strategic goals, such as those outlined in Governor Hochul's 2022 State of the State address (e.g., retain health care workers, rebuild the teacher workforce, reimagine higher education, assist middle income families, et. al.), through targeted interest rate subsidies and loan forgiveness incentives
  - ✓ Leverages an existing asset by repurposing the dormant NYHELPs program infrastructure and program equity in a beneficial way
  - ✓ Leverages unused PAB volume cap allocated through the State's Division of the Budget;
  - ✓ Complements the Excelsior Scholarship program, since SUNY and CUNY students: (i) have less reliance on private student loans compared to students at higher cost institutions; and (ii) many Excelsior Scholarship recipients would have difficulty qualifying for an NYHELPS loan anyway
- Introduce a low-cost, partially tax-exempt funded refinancing loan program, similar to what most neighboring states have introduced during the past five or so years;
  - ✓ Significant borrower savings, more disposable income, and positive, follow-on economic impact
  - ✓ Address the various concerns noted by the Task Force regarding product / borrower safety, predatory / deceptive lending, unfair collection practices, etc., by having more control over the assets being originated and serviced
  - ✓ Ability to incentivize the refinancing of parent loans by students, to acknowledge their important role in achieving higher education goals;
  - ✓ Leverages unused PAB volume cap allocated through the State's Division of the Budget, to the extent available for this purpose;
  - ✓ Support the State's strategic goals, such as those outlined in Governor Hochul's 2022 State of the State address (e.g., retain health care workers, rebuild the teacher workforce, reimagine higher education, assist middle income families, et. al.), through targeted interest rate subsidies and loan forgiveness incentives
- A more direct investment of the State's resources will foster greater communication with students, parents and schools, which in turn will provide valuable and actionable higher education market intelligence
  - ✓ Provide a stronger platform for improving / enhancing the delivery of existing outreach and financial literacy programs that educate prospective students and borrowers
  - ✓ Ensure that private student loan borrowers fully exhaust their federal Stafford Loan limits before using private loans product
  - ✓ Ensure that borrowers understand the important differences between federal and private student loans, especially that fewer repayment and relief options are available for private student loans
  - ✓ Builds stronger brand awareness as a trusted financial partner

With respect to the economic impact of state-based loan programs, the Task Force may want to refer to the recent report published by the Connecticut Higher Education Supplemental Loan Authority, which quantifies the substantial economic impact of its college loan and scholarship program. This report is available at *https://www.chesla.org/content/chesla-economic-impact-study*.

17. Are there successful public or private refinancing programs addressing debts other than student loans that could serve as a model for a student loan refinancing program?

Unlike lenders that make new mortgage loans to refinance existing mortgage debt, or loans to finance new vehicle purchases, lenders offering student debt refinancing products do not have a security interest in any property of the borrower, and the vast majority of such loans do not have a co-borrower. Moreover, federal insurance that protects lenders against credit losses on certain mortgage products is not available to lenders making student debt refinancing loans. As a result, the credit risk profile for student debt refinancing loans is quite different. In these and other ways, private, unsecured loans made for the purpose of refinancing previously incurred federal and private student loan debt are somewhat unique when compared to most other loan products. To illustrate this point, we have selected a range of consumer lending products and compared them across a variety of salient characteristics in the table below.

Comparison of Primary Loan Product Characteristics

	Type of Loan Product						
Loan Characteristic	**Home Mortgages / Mortgage Refis**	**Auto / Other Vehicle Loans**	**Federal Direct Student Loans (Stafford)**	**Federal Direct Student Loans (PLUS/GradPLUS)**	**Private Student Loans (In-School)**	**Private Student Loans (Refinance)**	**Personal Loans[1]**
Lender Security Interest	Real Property	Vehicle	None	None	None	**None**	None
Credit Risk Profile	Low to Medium	Low	High	Medium to High	Low to Medium	**Low to Medium**	Medium to High
Loan Origination Fees	Points; Mortgage Insurance	None	Mandatory Origination Fees Apply	None	Origination Fees are Not Typical	**None**	None
Typical Term	15 to 30 years	3 to 5 years	10 years	10 years	10 to 20 years	**5 to 20 years**	1 to 10 years
Interest Rate Type	Fixed & Variable	Fixed	Fixed	Fixed	Fixed & Variable	**Fixed & Variable**	Fixed & Variable
Relative Interest Rates	Low	Low	Medium	Medium	Low to High	**Low to High**	Medium to High
Third-Party Insurance or Federal Guaranty	Yes	No	Yes	Yes	No	**No**	No
Co-Borrower	Not Required, but Common for Married Couples	Not Required, but Common for Married Couples	Not Applicable	Not Applicable	Typically needed for student to meet credit standards	**Not typical; but may improve interest rate**	Not typical; but may improve interest rate
Down Payment / Equity	Required	Typically Required	Not Required	Not Required	Not Required	**Not Required**	Not Required
Credit Underwriting	Yes	Yes	No[2]	No	Yes	**Yes**	Yes
Limitations on Use of Loan Proceeds	Purchase /. Refi of Real Property	Purchase of Vehicle	Higher Education Expenses	Consolidate Existing Federal Student Loans	Higher Education Expenses	**Refi Higher Education Expenses**	No Restrictions
Securitization Market (ABS)	Mature	Mature	Mature	Mature	~20 years[3]	**~10 years[4]**	Emerging
Historical Performance Date (Default / Prepayment)	Extensive	Extensive	Limited	Limited	Tracked by Most Lenders	**Tracked by Most Lenders**	Unknown

(1) Includes debt consolidation loans, unsecured home improvement loans, travel loans, medical loans, and other types of personal loans; excludes payday loans, which are typically collateralized;
(2) Successful applicants for Federal PLUS Loans must be "credit ready" (I.e., no derogatory credit history);
(3) Sallie Mae completed its first securitization of private student loans in 2002;
(4) Social Finance (d/b/a SoFi), completed its first securitization or private refinancing loans in 2013.

As shown in the table above, private refinancing loans (shown in the shaded column), share many characteristics with private student loans, shown to the immediate left, and personal loans, shown to the immediate right. With respect to private student loans, the key differences are: (i) the presence of co-signers, which are uncommon for refinance loans but almost always required for private student loans (due to the inability of most students to meet minimum FICO score and income-based tests); (ii) the use of loan proceeds, which is really more of a nuance than a substantive difference (i.e., refinancing vs. financing higher education expenses); and (iii) the maturity of their respective securitization markets, for which private student loans have a 10-year advantage over refinancing loans. With respect to unsecured personal loans, the key differences are: (i) credit risk profile, for which refinancing loans benefit from positive selection bias (i.e., college education); (ii) the use of loan proceeds, which is unrestricted for personal loans; (iii) the maturity of their respective securitization markets, for which refinancing loans hold a distinct advantage due to its 10-year history of frequent, sizeable issuance.

A key difference not highlighted in the table above are the operational challenges that are unique private refinancing loan programs. While in the mortgage refi market it wouldn't be unusual for borrowers seeking to refinance their homes to roll primary and secondary mortgages into a new loan, the number of underlying student loans typically refinanced is much higher. For example, it is not inconceivable for borrows to have Subsidized Stafford Loans, Unsubsidized Stafford Loans and private loans for each year of a 4-year undergraduate program (12 loans), and Unsubsidized Stafford Loans and either GradPLUS or private loans for each year of graduate study (4 to 8 loans, depending upon program length). There are also borrowers who

have taken out more than one private loan during the same academic year, as well as law students who received Bar Exam Prep loans and medical students with Medical Residency loans. This not only makes lender payoffs incrementally more complicated, but also makes borrower savings analyses more complex, particularly one or more of the underlying loans bears a variable rate of interest. Lenders and their loan origination partners have clearly overcome these operational challenges with efficient solutions, given the substantial volume of student debt that has been refinanced in this manner during the past 10 years, but we thought it useful to point out all of the unique characteristics of refinancing loans along to the Task Force.

Based upon the foregoing, in our view the existing loan products most closely correlated with private refinancing loans across the relevant range of credit and other characteristics are private student loans, followed by unsecured personal loans. Since the Task Force asked specifically about "refinancing programs addressing other debts that could serves as a model", the answer to that narrower question would obviously point to unsecured personal loans, since they are often used for credit card and other debt consolidation. Despite this similarity, we do not believe there is anything to be gained by redesigning the basic pillars of existing refinancing loan programs based upon another product model. That is not to say ongoing improvements are not needed—we believe they are, particularly from a borrower affordability perspective, but such changes will only require knocking down a few walls and renovating the plumbing, while leaving the basic foundation intact.

18. Are there student loan refinancing opportunities that exist outside of New York State, and what are the main obstacles for those opportunities to become available in New York State?

As described in more detail in our responses to Question 1 and Question 2 of the RFI, the vast majority of refinancing loan opportunities available to residents of other states are also available to New Yorkers. This is because over 90% of refinancing loans are originated by for-profit lenders operating national programs. Moreover, since on-line, "FinCo" lenders like Navient (Earnest), Sofi and College Ave. dominate the refi loan space, and further that New York "bricks and mortar" lenders also market their programs through on-line lending platforms, we do not believe New Yorkers face significant obstacles in terms of either learning about or accessing refinancing loan products.

Though not significant, it is true that New York's lack of a state-based lender does impact the ability of New Yorkers to access the lowest cost refinancing loans available compared to residents of certain other states. We view this as a disadvantage rather than an obstacle, since the largest state-based refi loan programs, which are located in Massachusetts (the MEFA REFI Program) and New Hampshire (the EDvestinU Program), operate on a national scale without in-state residency requirements. As an example, New York residents represented between 7% and 8% of the refinancing loans included in MEFA's two most recent refinancing loan transactions, based upon their public offering documents, with together totaled just under $30.0 million. Thus, while it would be difficult to argue that New York's lack of a state-based lender represents a meaningful obstacle for New Yorkers seeking refinancing loans, it is also true that a state-based lender operating a tax-exempt funded program could deliver lower interest rate than are currently available to New Yorkers.

19. Are there policy solutions for private student loan borrowers other than refinancing that New York State can offer to assist borrowers who currently are seeking to refinance their loans?

The only ways to reduce the financial burden of borrowers with existing student loan debt, other than a refinancing for economic savings, is either through loan forgiveness (full or partial) or payment subsidies. Either type of program could be funded by the State, by participating employers within the State, or by a combination of the two. As the Task Force is surely aware, the State sponsors and administers a number of student loan payment relief programs targeted that are targeted to assist New Yorkers working in certain professions, as well as others in need of debt relief. For example, the State instituted a limited payment relief plan in 2015 for federal student loan borrowers who earned a New York high school diploma or equivalency diploma, earned an undergraduate degree from a New York college or university after December of 2014, and who are enrolled in either the "10%" Income Based Repayment Plan or one of the Pay as You Earn repayment plans. Known as the "Get on Your Feet Program", or GOYF, the program provides up to 24 months of payment relief for borrowers with adjusted gross incomes of less than $50,000, so long as they have resided in the State for at least 12 continuous months, have primary work location in the State, and meet certain other criteria. In addition to the GOYF Program, the State currently sponsors student loan forgiveness programs for eligible primary care physicians practicing in underserved areas, elementary and secondary school teachers, nurse faculty, young farmers and licensed social workers, among others.

Given the tight labor market, many companies continue to struggle attracting and retaining talent, and have begun to appreciate the value student loan repayment tools can have as a component of their overall employee benefit packages. According to Candidly, an on-line platform dedicated to student debt solutions, 75% of workers say student loan tools would increase their commitment to their employer, 86% of workers between the ages of 22 and 33 would commit to a company for 5+ years if they received student loan repayment benefits, and 8 in 10 professionals with student loans say cite it as source of "significant" or "very significant" stress. The federal government currently provides a tax benefit for company-sponsored student loan relief benefits pursuant to the Consolidated Appropriations Act, which was signed into law in late 2020 as part of their pandemic relief efforts. Specifically, employers can offer up to $5,250 in tax-free student loan repayment benefits to their employees through 2025. Any benefit amounts paid above that threshold would be considered taxable income. While the number of companies offering student loan repayment benefits is still small, and there is no way to predict whether or not the 2020 law will sunset in 2025 or be extended, we expect more companies to add student loan repayment benefits in the future, especially once the moratorium on federal student loan repayment ends, which is now scheduled for some time in 2023.

The primary challenges associated with employer-sponsored student loan benefit programs, which are not difficult to administer, are purely financial in nature, in that they require direct outlays of cash to existing lenders. Whether or not the State provides incentives to employers to offer such programs, makes direct contributions to support its workforce development goals, or operates its own, targeted repayment benefit program, there would be direct, dollar-for-dollar budget implications to account for these outlays. This is as opposed to a refinancing loan program operated by the State, which could be debt-financed with a much smaller amount of program support capital. Moreover, any capital investment made by the State for such purpose would grow, through net program receipts over time, and ultimately be returned to the State.

20. What other information should the Task Force consider in its review and analysis?

As we have suggested in various places throughout our response to the RFI, our view is that the refinancing market for student loan debt in New York is working relatively well. Do we believe students are graduating with too much debt? We absolutely do, but that is a problem that can only be addressed through lower tuition, fees and living expenses, more scholarships, grants and other forms of direct aid, more affordable student loans, and in connection therewith, more responsible borrowing. Perhaps shorter, more focused academic programs could also be added to the mix. Said another way, solutions to the $1.8+ trillion student debt problem that encompasses some 45 million Americans will not be found in the refinancing loan market, unless of course the federal government steps in with a refinancing program that helps the most disadvantaged borrowers.

In the absence of a federal refinancing loan solution that would benefit borrowers in all states, which seems highly unlikely, we are not aware of any inherent structural disadvantages or impediments—regulatory, market-based or otherwise—that limit the opportunities of New Yorkers seeking to refinance their student loan debt compared to similarly situated borrowers in other states. As we have noted herein, we count 20 active for-profit lenders, excluding small credit unions and community banks, as being active in the space, and another 17 state-based lenders. All of the for-profit refi lenders operate nationally, essentially as on-line lenders, as do several of the state-based lenders who access taxable financing for such loans. It is important to remember that from an interest rate savings perspective the refinancing market for student debt is no different from other debt, in that opportunities to refinance for savings are highly sensitive to prevailing market conditions generally, which impacts lender risk appetite, and the general level and perceived direction of interest rates, which impacts lender interest rates.

We believe our views on the strength of the student loan refi market in New York are supported by empirical data, some of which has been presented herein. For example, New York residents were responsible for the second highest share of refinancing loans financed by the five securitizing, for-profit lenders during the past five years, which at over 8.0% is second only to California's 10.5%. Comparing these figures to annual federal student loan origination data, we observe that New York's share of the national total is not only fairly consistent, at 7.1% of new federal loans over the past five years and 7.0% of new federal loans over the past 10 years, but also less than New York's share of total refinancing loan volume. In addition, New York's current share of total outstanding federal student loan debt is only the 4th largest, at 5.8% of the national total, which together with the figures noted above suggests New Yorkers are finding refinancing opportunities in a manner consistent with their outstanding debt load, and perhaps even more so. As we have noted elsewhere in our response to the RFI, none of this is to say that refinancing opportunities for New Yorkers could not be improved on the margins, or that financial incentives could not be offered to accomplish key employment or residency retention objectives; we just don't see anything that even approaches a crisis brewing here.

Switching gears, the RFI makes clear that the Task Force is focused exclusively on improving the state of the refinancing loan market in New York, which is another way of saying the focus is on assisting students who have already accumulated student loan debt, as opposed to improving the prospects of current and future students. This seems to us a clear choice, and makes us wonder whether the State will soon issue a separate RFI dedicated to the "in-school" sector of the student loan market, or if the prevailing view is that no improvements are needed there. We raise this question because the work we have done in connection with our prior discussions with the State, which includes various in-depth analyses of the state of the New York student loan market, confirms that New York students and their families not only rely heavily on very expensive private student loans, but also are among the most prolific users of Parent PLUS and GradPLUS loans, which are the most expensive federal loans available.

Neither of these facts are surprising, given New York's concentration of high-cost undergraduate, graduate and professional schools, but it does highlight the fact that there are significant, untapped cost savings available to New Yorkers in this space. Based upon our standing as experts in the student loan market in general, and in the operation and financing of state-based student loan and refinancing loan programs in particular, we believe the State could make a far greater impact reducing the ultimate cost of higher education for New Yorkers by diverting its focus from the refinancing loan market, where potential, incremental borrower savings is, at best, on the margins, to the market for prospective and enrolled students, where the potential for incremental borrower savings is enormous.

Appendix A

Professional Biographies for
the Investment Banking Team

RBC Capital Markets

Professional Biographies

Professional biographies for the primary investment banking team members are provided below.

Jeffrey J. Wagner, Managing Director
Head, Student Loan Finance Group

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Head, Municipal Finance
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Jeff Wagner is a Managing Director and head of RBCCM's Municipal Finance Student Loan Group. Based in the Firm's Phoenix office, he has primary coverage responsibility for many of the Firm's nonprofit and agency student loan clients, delivering balance sheet products and capital markets solutions from the highest rated bank operating in the municipal marketplace.

Mr. Wagner began his investment banking career in New York in 1986 when he joined the public finance department of Manufacturers Hanover Securities Corporation as a quantitative analyst. After six years at "Manny Hanny" he joined PaineWebber in 1992 as one of four founding members of its New York-based education loan finance team. He spent four years at PaineWebber before departing in 1996 for an opportunity to launch a national education loan finance practice for one of RBC Capital Markets' predecessor firms. By 2007 he had grown this effort from a two-person team in Phoenix to 13 professionals operating from three different offices. The Firm's student loan practice remains one of the most productive and well-respected practices of its kind, and consistently ranks as the most active lead manager for nonprofit and state agency issuers.

He has completed over $52 billion in financings on behalf of 35 separate organizations since 1986, and is responsible for introducing numerous new financing products, debt structuring techniques and computer modeling innovations. His recent student loan engagements include senior managed transactions for Connecticut Higher Education Supplemental Loan Authority, Iowa Student Loan Liquidity Corporation, Massachusetts Educational Financing Authority, Minnesota Office of Higher Education, New Hampshire Higher Education Loan Corporation, Northstar Education Finance, Midwestern University (MWU Foundation), Pennsylvania Higher Education Assistance Agency, Rhode Island Student Loan Authority and Utah State Board of Regents.

Mr. Wagner is a registered securities representative, currently holding Series 7, 53, 63 and 79 licenses, and received a B.S. in Business Administration from the State University of New York at Albany, with concentrations in Finance and Management Information Systems, in 1986, and an M.B.A. in Finance from Columbia University's Graduate School of Business in 1991.

Paul B. Sheldon, Managing Director
Student Loan Finance

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Paul B. Sheldon
Managing Director
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Prior to joining RBC Capital markets in December, 2018, Mr. Sheldon was a principal at S L Capital Strategies LLC, a company he founded in 2007 to provide student loan companies with transactional and strategic advice.

Prior to forming SLCS, Mr. Sheldon worked on Wall Street with specialties in Municipal Finance and Student Loan Finance for 27 years, first at Chase Manhattan Bank (now JPMorgan), and for 16 years at Citigroup and its predecessors. At Chase and Citigroup, Mr. Sheldon handled numerous student loan assignments. During his years as head of Citigroup's student loan investment banking effort, Citigroup ranked as the dominant bank, both in the issuance of
debt, and in serving as advisor on various M&A assignments, strategic assignments, and portfolio sale and valuations.

In addition to management responsibilities for Citi's student loan group, Mr. Sheldon was the key officer handling many of the firm's clients. He has executed every type of debt security used in student loan finance, including all fixed and variable structures, all taxable and tax-exempt structures, all types of liquidity and other credit enhancing structures, warehousing facilities, etc.

Mr. Sheldon received a B.S. degree from the University of Massachusetts, Amherst and graduated from Columbia Business School with an MBA.

Gary D. Wolf, Director
Student Loan Finance

Mr. Wolf first began working in the student loan finance industry in 1978, and is one of the pioneers of student loan financial analysis. During the formative years of the student loan capital markets, Gary helped build the student loan finance practice at Blyth Eastman PaineWebber, created their proprietary student loan software and helped many state secondary markets obtain their initial capitalization. In 1984 he joined Manufacturers Hanover's public finance team (later Chemical Securities), where he headed their analytics group until 1995. In addition to his significant student loan work, Gary was a key member of the special advisory team that resulted in the U.S.D.A. creating the first-ever securitization of federal direct loans.

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Gary left the investment banking arena in 1995 to concentrate on software development, first at Trepp LLC, and later at subsidiaries of GMAC Commercial Mortgage, where he created software for modeling and processing the origination of commercial mortgages. Gary developed a reputation as the leading Excel designer in the commercial real estate finance industry, and his Excel-based automated underwriting models were used by large conduit and portfolio lenders in three countries.

Gary joined RBC in 2006 to manage its student loan analytics team. Since then he has engineered many billions of dollars in bonds, asset-backed securities, and credit facilities financing both private credit and federally guaranteed student loans. He is also responsible for analytics on public finance projects that require unique, complex, or customized modeling, and manages the public finance department's training programs.

Mr. Wolf is a registered securities representative, currently holding Series 7 and Series 63 licenses, and received a B.S. in Mathematics from Tulane University.

Hing C. Loi, Director
Student Loan Finance

Mr. Loi joined RBC Capital Markets in New York in 2011 as a senior quantitative banker supporting RBCCM's student loan and state housing agency clients. Hing also enjoyed a 21-year career at Citi, where he was the senior quantitative banker in their student loan group for over a decade, and the lead banker for numerous accounts. Prior to that, he provided banking services to both state housing agencies and student loan authorities at Citi. Hing has structured over $150 billion in taxable and tax-exempt debt financings over the course of his long career in public finance.

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Hing, aside from his bond underwriting experiences on behalf of private student loan clients, also co-founded a private student loan company (LendKey, f.k.a Fynanz Inc.) for which he served as Chief Finance Officer and Chief Risk Officer for 2 ½ years (from 2008 to 2010), during which he developed the underwriting criteria for over
$60 million of private student loans originated by Fynanz (and over $600 million of total private student loan applications) during his tenure. During this time, he was also responsible for presentation of the company to the rating agencies and investors, as well as overseeing the operations of originating and servicing of the portfolio.

Hing received an Executive M.B.A. from Fordham University's School of Business, graduating with the highest academic honors, and a B.A. in Computer Science from Columbia University.

Brian Kares, Vice President
Student Loan Finance

Brian Kares is a Vice President of RBCCM's Student Loan Finance team. Based in the Firm's New York office, he brings 12 years of professional experience to the firm, including the six years with S&P Global Ratings, where he held the positions of Associate, Associate Director and most recently Director and Lead Analyst within S&P's U.S. Structured Finance Group.

During his time at S&P, Mr. Kares created the in-house cash flow model currently used to analyze state agency and nonprofit ("NFP") student loan transactions, and performed the credit analysis or cash flow modeling duties for dozens of municipal and ABS student loan issues representing 13 different NFPs. Most recently, he supervised the team of S&P analysts responsible for cash flow modeling in support of all U.S. ABS and RMBS ratings, which included the hiring and training of new cash flow analysts.

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Prior to joining S&P's U.S. Structured Finance Group, Mr. Kares spent five years with S&P Fixed Income Risk Management Services, first as a Financial Analyst creating cash flow models and later as Manager of a cash flow team running ABSXchange, a commercial structured finance analytics platform. Mr. Kares received a Bachelor of Arts in International Studies from Johns Hopkins University in 2006, and a Master of Arts in Applied Economics, also from Johns Hopkins, in 2008.

Tyler Walsh, Associate
Student Loan Finance

Tyler Walsh joined RBC Capital Markets in July 2019 after completing a summer internship with the Municipal Finance group in 2018.

Tyler provides support with rating stress, data mining & static pool analysis support; transaction logistics and presentation support

Mr. Walsh graduated from Goizueta Business School of Emory University with a Bachelor of Business Administration in Finance and Real Estate, where he was also a 4-year member of the Men's Varsity Soccer Team. He currently holds FINRA Series 52, 63 and SIE licenses.

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Rakchhya Poudel, Analyst
Student Loan Finance

Rakchhya Poudel joined RBC Capital Markets in July 2021 after completing a summer internship with the Municipal Finance group in 2020.

Rakchhya provides support with research, transactional logistics, internal compliance, and rating agency, issuer and investor presentations.

Ms. Poudel graduated from Emory University with a Bachelor of Business Administration in Finance and Accounting, and Bachelor of Science in Quantitative Science. She currently holds FINRA Series 52, 63 and SIE licenses.

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Appendix B

Education Finance Council
2022 Nonprofit and State-Based Private Education Loan Program Details

RBC Capital Markets

EFC Education Finance Council™

2022 Nonprofit and State-based Private Education Loan Programs Detail

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Alaska Student Loan Corporation

Alaska Supplemental Education Loan

Interest Rates	5.03%-7.93% fixed
Discounts	0.25% Auto-pay
Borrowing Limits	**Annual Loan Limits** Undergraduate: • On-time: $14,000 • Full-time: $12,500 • Half-time: $7,500 Graduate: • Full-time: $15,000 • Half-time: $7,500 Career & Technical Programs: • Certificate: $10,000 • Flight Program: $10,000 **Aggregate Loan Limits** Undergraduate (including career/technical/flight): $56,000 Graduate: $60,000 Combined total: $87,000
Repayment Options	Deferment and forbearance options available upon request
Repayment Terms	10 or 15 years
Grace Period	Payments are deferred until student drops below half-time enrollment status
Deferment/Forbearance	Deferment options during qualified periods, and temporary forbearance if they do not meet requirements for deferment
Cosigner Requirements	Cosigner required if under 17 years old, does not meet credit requirements, or has defaulted on prior education loan
Eligibility	• Complete FAFSA • Be a US citizen, eligible non-citizen, Alaskan resident, or attending Alaskan institution • Be enrolled at least half-time • Not delinquent or in default on prior loans or child support • Minimum credit history of 650 • Have complied with any applicable military selective service registration requirements

Alaska Student Loan Corporation offers additional loan programs such as the Winn Brindle Loan, the Professional Student Exchange Loan Program, and the WWAMI Medical Education Loan Program.

Family Education Loan

Interest Rates	5.75%-6.00% fixed
Discounts	0.25% Auto-pay
Borrowing Limits	**Annual Loan Limits** Undergraduate: • On-time: $14,000 • Full-time: $12,500 Graduate: • Full-time: $15,000 Career & Technical: • Certificate: $10,000 **Cumulative Loan Maximums** Undergraduate: $56,000 Graduate: $60,000 Combined total: $87,000
Repayment Options	Offers reduced payment plan for up to 6 months due to financial hardship
Repayment Terms	10 and 15 years
Deferment/Forbearance	No deferment, temporary forbearance if they meet certain requirements
Cosigner Requirements	Cosigner required if borrower is under 16 years old, does not meet credit requirements, or has defaulted on prior loan
Eligibility	• Be a US citizen, eligible non-citizen, Alaskan resident • Not delinquent or in default on prior loans or child support • Meet credit requirements • Have complied with any applicable military selective service registration requirements

Alaska Education Loan Refinancing Program

Interest Rates	4.05%-5.50% fixed
Borrowing Limits	No loan maximum, subject to credit requirements over $80,000
Repayment Options	Extended repayment plans
Repayment Terms	5, 10, or 15-year plan
Deferment/Forbearance	May be granted temporary forbearance if they meet certain requirements
Cosigner Requirements	Cosigner required is borrower is under 16 years old, does not meet the credit requirements, or has defaulted on prior loan
Eligibility	• Be a US citizen, eligible non-citizen, Alaskan resident • Be an obligated party or student beneficiary of loan • Have good credit history

Arkansas Student Loan Authority

Arkansas Education Loan Program

Interest Rates	2.95%-6.65% fixed
Discounts	0.25% Auto-pay
Borrowing Limits	$100,000
Repayment Options	Immediate Repay, Interest Only, and Deferred Repayment
Repayment Terms	5, 10, 15 years
Grace Period	6 months
Deferment/Forbearance	Both available
Cosigner Requirements	Cosigner required if borrower does not meet credit requirements
Eligibility	Credit rating of 670 or higher, plus acceptable debt-to-income

The Family (Parent) Loan

Interest Rates	2.95%-6.42% fixed
Discounts	0.25% Auto-pay
Borrowing Limits	$100,000
Repayment Options	Immediate Repay, Interest Only
Repayment Terms	5, 10, 15 years
Deferment/Forbearance	Both available
Cosigner Requirements	Cosigner required if borrower does not meet credit requirements
Eligibility	Credit rating of 670 or higher, plus acceptable debt-to-income

The Refinancing Loan

Interest Rates	3.25%-7.48% fixed
Discounts	0.25% Auto-pay
Borrowing Limits	$250,000
Repayment Options	Immediate Repay, Interest Only
Repayment Terms	5, 10, 15 years
Deferment/Forbearance	Both available
Cosigner Requirements	Cosigner required if borrower does not meet credit requirements
Eligibility	Credit rating of 670 or higher, plus acceptable debt-to-income

Bank of North Dakota

DEAL Student Loan

Interest Rates As of 7/1/22	• Fixed: In State 6.15%, Out of State 7.15% • Variable: In State 3.5% Out of State 4.5%
Discounts	0.25% Auto-pay
Borrowing Limits	Undergraduate: $50,000 Graduate: $50,000
Repayment Options	Options available for deferment or forbearance
Repayment Terms	Standard: 10 years Extended: 25 years
Grace Period	6 months
Deferment/Forbearance	Both low- and no-pay options for deferment or forbearance
Cosigner Requirements	Cosigner required if borrower does not meet credit requirements
Eligibility	• You are a US citizen, attending eligible school, making satisfactory progress in accredited program, and do not have any loans in default • You will attend school more than half-time and completed the FAFSA • The school certifies your enrollment • You are a North Dakota high school student participating in a dual credit program • You (or cosigner) meet specific credit criteria

DEAL One Refinancing Loan

Interest Rates As of 7/1/22	• Fixed: 6.15% • Variable: 3.5%
Discounts	0.25% Auto-pay
Borrowing Limits	Credit criteria and eligibility requirements vary depending on the loan amount requested
Repayment Options	Repayment begins 30 days after loan is made
Repayment Terms	10-25 years based on amount of loan
Deferment/Forbearance	Both low- and no-pay options for deferment or forbearance
Cosigner Requirements	Cosigner required if borrower does not meet credit requirements
Eligibility	• Lived at a physical address in North Dakota for the last 6 months • You (or cosigner) meet specific credit criteria • Must be a US citizen • Your loans must be in grace or repayment status • Your loans cannot be delinquent or in default

Connecticut Higher Supplemental Loan Authority

MyCHESLA Student Loan

Interest Rates	5.49% fixed & NO FEES!
Borrowing Limits	Yearly max is net cost of tuition; cumulative maximum of $125,000
Repayment Options	• Undergraduate: Required to pay interest only payments while in school • Graduate: Have option to make interest only payments while in school, or to defer principal and interest and capitalize interest annually
Repayment Terms	140 months
Grace Period	6 months
Deferment/Forbearance	Hardship Forbearance available upon request
Cosigner Requirements	Cosigner required if borrower does not meet credit requirements
Eligibility	• Minimum annual gross income of $20,000 • A debt-to-income ratio that does not exceed 43% • Creditworthy • Must live in Connecticut or attend Connecticut school • Must attend a nonprofit degree granting institution on at least half-time basis

Refi CT

Interest Rates	3.75%-4.99% fixed & NO FEES!
Discounts	0.25% Auto-pay
Borrowing Limits	$125,000
Repayment Options	Immediate Principal and Interest payments required
Repayment Terms	5, 10, and 15 years
Deferment/Forbearance	Hardship forbearance available upon request
Eligibility	• Debt-to-income ratio does not exceed 43% • Creditworthy • Must live in Connecticut at time of application • Must have attended nonprofit degree granting institution

Georgia Student Finance Commission

Student Access Loan

Interest Rates	1% increases to 5% upon default
Borrowing Limits	Annual Loan Limits • Public/Private: $8,000 • Technical: $3,000 Aggregate Loan Limits • Public/Private: $36,000 • Technical: $12,000
Repayment Options	Borrower may get loan discharged by working as STEM teacher or in public service defined by regulations; borrower attending technical college may get loan discharged by maintaining 3.5 GPA
Repayment Terms	15 years
Grace Period	6 months
Deferment/Forbearance	Both are available
Eligibility	• Must be a US citizen or eligible non-citizen • Must be a Georgia resident as defined by postsecondary institution • Must complete FAFSA • Must be obtaining undergraduate associate or baccalaureate program, certificate, diploma, or degree program • Must not be in default on Federal Title IV loan or a loan with the State of Georgia

Georgia Student Finance Commission also provides an Engineering Loan, and three Military loan programs: University of North Georgia Military Loan, Georgia Military College Loan, and Georgia National Guard Loan.

INvestEd

INvestEd Student Loan

Interest Rates	• Fixed: 3.57%-7.69% • Variable: 1.94%-5.65%
Discounts	0.25% Auto-pay
Borrowing Limits	Maximum annual amount: cost of attendance minus other aid; $120,000 maximum cumulative amount
Repayment Options	Immediate Payment, Interest-Only, Deferred Repayment
Repayment Terms	5, 10, 15 years
Grace Period	6 months
Cosigner Requirements	Cosigner required if borrower does not meet credit requirements
Eligibility	• Minimum credit score of 670 • Must be Indiana resident enrolled at least half-time at an eligible institution • Must be Indiana resident attending eligible institution or non-Indiana resident attending eligible institution in Indiana • Must be a US citizen or permanent resident • Must have established credit history and meet monthly income or debt-to-income requirements

INvestEd Parent Loan

Interest Rates	• Fixed: 4.07%-7.64% • Variable: 1.94%-5.35%
Discounts	0.25% Auto-pay
Borrowing Limits	Maximum annual amount: cost of attendance minus other aid; $120,000 maximum cumulative amount
Repayment Terms	5, 10, and 15 years
Cosigner Requirements	Cosigner required if borrower does not meet credit requirements
Eligibility	• Minimum credit score of 670 • Must be Indiana resident borrowing on behalf of a student attending an eligible institution, enrolled at least half-time • Must be US citizen or permanent resident • Must have established credit history and meet annual income or debt-to-income requirements

INvestEd Refi Loan

Interest Rates	• Fixed: 3.71%-6.82% • Variable: 2.69%-6.33%
Discounts	0.25% Auto-pay
Borrowing Limits	$250,000
Repayment Terms	5, 10, 15, and 20 years
Eligibility	• Minimum credit score of 670 • Must be Indiana resident or attended an Indiana college or university • Must be US citizen or permanent resident • Must have established credit, meet annual income and debt-to-income requirements

ISL Education Lending

Partnership Advance Education Loan

Interest Rates	• Fixed: 3.19% – 7.83% • Variable: 1.66% – 6.78%
Discounts	0.25% Auto-pay
Borrowing Limits	Cost of attendance minus other aid; $100,000 cumulative
Repayment Options	Immediate, Interest-Only, Deferred
Repayment Terms	10 and 15 years
Grace Period	6 months
Deferment/Forbearance	Deferment options available
Eligibility	• Must be accepted, enrolled, or attending any nonprofit, Title IV eligible, degree granting, accredited college or university • Making satisfactory academic progress in eligible program

College Family Loan

Interest Rates	3.19 – 7.83 fixed
Discounts	0.25% Auto-pay
Borrowing Limits	Student's cost of attendance minus other aid; $200,000 cumulative
Repayment Options	Immediate, Interest-Only, Deferred
Repayment Terms	10 and 15 years
Grace Period	6 months
Deferment/Forbearance	Deferment options available
Eligibility	• Must be accepted, enrolled, or attending any nonprofit, Title IV eligible, degree granting, accredited college or university • Making satisfactory academic progress in eligible program

Reset Refinance Loan

Interest Rates	3.94% – 8.48% fixed
Discounts	0.25% Auto-pay
Borrowing Limits	$300,000
Repayment Options	Immediate
Repayment Terms	5, 7, 10, 15, and 20 years
Deferment/Forbearance	Deferment options available
Cosigner Requirements	Not required
Eligibility	• Available to borrowers looking to refinance outstanding federal or private education loan debt • Cosigners not required but help borrowers meet underwriting requirements or receive better rate

Iowa Student Loan also offers a refinancing loan program specifically for medical residents.

Kentucky Higher Education Student Loan Corporation

Advantage Education Loan

Interest Rates	3.09%-6.48% fixed
Discounts	0.25% Auto-pay
Borrowing Limits	$1,000 minimum
Repayment Options	Immediate, Interest-Only, Deferred
Repayment Terms	10 years
Grace Period	6 months
Deferment/Forbearance	Both options available
Cosigner Requirements	Cosigner required if borrower does not meet income or credit requirements
Eligibility	• Must be enrolled in eligible school • Must be age of the majority at time of application based on your state of permanent residence • Must be a US citizen or eligible non-citizen • Must have acceptable income and credit history

Advantage Refinance Loan

Interest Rates	3.19%-6.49% fixed
Discounts	0.25% Auto-pay
Borrowing Limits	$7,500 minimum
Repayment Terms	10, 15, and 20 years
Deferment/Forbearance	Forbearance options available
Eligibility	• Must be a US citizen or eligible non-citizen • Must have acceptable income and credit history

Louisiana Education Loan Authority

Lela CHOICE Student Loan

Interest Rates	2.94%-6.37% fixed
Discounts	.25% for Auto-pay
Borrowing Limits	$100,000
Repayment Options	Flexible repayment options
Repayment Terms	No interest capitalization
Eligibility	• Be of majority age and a Louisiana resident or student • Not have defaulted on any private or government student loan • Be accepted, enrolled or attending on at least a half-time basis and be making satisfactory academic progress in an eligible education program • Be a citizen or permanent resident of the United States.

Lela CHOICE Parent Loan

Interest Rates	2.94%-6.37% fixed
Discounts	.25% for Auto-pay
Borrowing Limits	$200,000
Repayment Options	Flexible repayment options
Repayment Terms	No interest capitalization
Eligibility	• Louisiana resident or be applying for a loan for a student attending an eligible Louisiana college • Not have defaulted on any private or government student loan • Student must be accepted, enrolled or attending on at least a half-time basis and be making satisfactory academic progress in an eligible education program • Be a citizen or permanent resident of the United States.

Lela ReFi Help

Interest Rates	3.25%-6.78% fixed
Discounts	.25% for Auto-pay; 1% On-Time Payment
Borrowing Limits	Minimum loan amount of $5,000; Maximum loan amount of $150,000
Repayment Options	Flexible repayment options
Repayment Terms	No interest capitalization

Massachusetts Educational Financing Authority

Undergraduate Education Loan 2022-23 Academic Year

Interest Rates	• Fixed Rate for Immediate 10-Year Repayment: 4.89-6.64% APR • Fixed Rate for Immediate 15-Year Repayment: 5.24-6.74% APR • Fixed Rate for Interest-Only 15-Year Repayment: 5.74-6.94% APR • Fixed Rate for Deferred 15-Year Repayment: 5.89-6.89% APR • Fixed Rate for Deferred 15-Year Repayment with Co-Borrower Release: 6.04-6.99% APR
Repayment Options	Immediate, Interest-Only, Deferred
Repayment Terms	10 and 15 years
Grace Period	6 months

Graduate Education Loan 2022-23 Academic Year

Interest Rates	• Fixed Rate for Interest-Only 15-Year Repayment: 5.74-6.94% APR • Fixed Rate for Deferred 15-Year Repayment: 5.89-6.89% APR
Repayment Options	Interest-Only, Deferred
Repayment Terms	15 years
Grace Period	6 months

MEFA Education Refinancing Loan as of 7/15/22

Interest Rates	Fixed Rate: 4.05-7.20% APR
Borrowing Limits	$10,000 minimum
Repayment Terms	7, 10, and 15 years
Eligibility	• Loans must have been used to fund the cost of attendance at an eligible, non-profit, degree-granting college or university • Open to all individuals nationwide • Can be federal or private education loans

Massachusetts Education Loan Authority also provides a specific loan for Graduate students called the Graduate Education Loan.

Midwestern University

MWU Loan Program

Interest Rates	5.25% fixed
Discounts	0.25% Auto-pay
Borrowing Limits	$100,000 annual, $200,000 total
Repayment Options	Standard, Graduated, Extended
Repayment Terms	10 and 15 years
Grace Period	6 months
Deferment/Forbearance	Both options available
Cosigner Requirements	Cosigner required if borrower does not meet credit requirements
Eligibility	• FICO score of 700 or higher • No prior bankruptcies, defaults on loans • No foreclosures, wage garnishments, or unpaid taxes for past 7 years • Must be Midwestern University student • Must be full-time student • Must be making satisfactory academic progress • Only available for certain programs and years of programs

Midwestern University also offers an Osteopathic specific loan called the Osteopathic Student Loan Program.

New Mexico Educational Assistance Foundation

New Mexico Student Loan

Interest Rates	4.39% - 5.89% fixed
Discounts	0.25% Auto-pay; 0.25% Graduation; 0.25% 24 on time payments
Borrowing Limits	$20,000 Annual maximum; $100,000 cumulative
Repayment Options	Immediate, Interest-Only, Deferred
Repayment Terms	5-20 years
Grace Period	6 months
Cosigner Requirements	Cosigner required if borrower does not meet credit and income requirements
Eligibility	• Must be US citizen • Must be enrolled at least half-time • Must be a New Mexico resident or attend a New Mexico college or university • Must have average credit score of 680 • Must have annual income of $30,000

The NHHEAF Network

EDvestinU Private Loan

Interest Rates	• Fixed: 4.50% - 8.50% • Variable: 1 month LIBOR + (3.59% - 6.69%)
Discounts	• 0.50% Auto-pay • 0.25% First Payment within 90 Days, NH Nexus – Variable Rate • 1.0% First Payment within 90 days, NH Nexus – Fixed Rate • 1.0% Full payments while in school (immediate repayment) • 0.5% Interest only payments while in school
Borrowing Limits	• Loan Minimum: $1,000 • Individual Loan Maximum: Cost of attendance minus other aid annual • Cumulative EDvestinU Loan Maximum: $200,000 • Total Borrower Student Loan Indebtedness: $250,000
Repayment Options	Immediate, Interest-Only, Deferred
Repayment Terms	7, 10, or 15 years
Deferment / Forbearance	Up to 12 months of economic hardship deferment and up to 12 months of forbearance. Military deferment is also available.
Grace Period	6 months
Eligibility	• Borrower/student or cosigner (if applicable) must be a U.S. citizen or permanent resident • International students are eligible with a credit-worthy U.S. citizen or permanent resident cosigner • Student must be enrolled at least half-time at an eligible, U.S.-based, Title IV eligible postsecondary school • The borrower or cosigner (if applicable) must have a minimum earned income of $30,000

EDvestinU Refinance Loan

Interest Rates	• Fixed: 4.16% - 6.53% • Variable: 1 month LIBOR + (1.97% - 4.34%)
Discounts	0.25% Auto-pay
Borrowing Limits	• Loan Minimum: $7,500 • Loan Maximum: $200,000 • Cumulative EDvestinU Loan Maximum: $200,000 • Total Borrower Student Loan Indebtedness: $250,000
Repayment Options	Immediate
Repayment Terms	5, 10, 15, or 20 years
Deferment / Forbearance	Up to 12 months of economic hardship deferment and up to 12 months of forbearance. Military deferment is also available.
Grace Period	N/A
Eligibility	• Borrower or cosigner (if applicable) must be a U.S. citizen or permanent resident and at least 18 years old • Borrower must be the primary borrower on all loans included • All underlying federal or private loans to be included in the refinance loan must have been issued for attendance at an eligible Title IV, degree-granting college or university • The borrower or cosigner must have a minimum earned income of $30,000 for loan balances up to $100,000; balances greater than $100,000 require a minimum income of $50,000

North Texas
HIGHER EDUCATION AUTHORITY, INC.

North Texas Higher Education Authority

Texas Extra Credit Student Loan

Interest Rates	3.21%-8.26% fixed (as of 6-27-2022)
Discounts	0.25% Auto Pay Discount 0.25% Graduation Discount
Borrowing Limits	$1,000 minimum $65,000 annual limit $150,000 aggregate limit
Repayment Options	Immediate Interest-Only Fully Deferred
Repayment Terms	5, 10 and 15-years
Grace Period	6 months for Interest-Only and Deferred Repayment Options
Deferment/Forbearance	Armed Forces Deferment Hardship Forbearance Administrative Forbearance Natural Disaster Forbearance
Cosigner Requirements	Cosigner required if borrower does not meet credit or income requirements
Eligibility	• Student borrower must be enrolled at least half-time in degree granting program at an approved school • Student borrower and cosigner, if applicable, must be permanent residents of Texas • Applicant must meet income and credit underwriting criteria • Student borrower and cosigner, if applicable, must be US citizens or eligible non-citizens • Student borrower and cosigner, if applicable, must be at least 18 years old

North Texas
HIGHER EDUCATION AUTHORITY, INC.

Texas Extra Credit Parent Loan

Interest Rates	3.21%-8.26% fixed (as of 6-27-2022)
Discounts	0.25% Auto Pay Discount
Borrowing Limits	$1,000 minimum $65,000 annual limit $150,000 aggregate limit
Repayment Options	Immediate Interest-Only Fully Deferred
Repayment Terms	5, 10 and 15-years
Grace Period	6 months for Interest-Only and Deferred Repayment Options
Deferment/Forbearance	Armed Forces Deferment Hardship Forbearance Administrative Forbearance Natural Disaster Forbearance
Cosigner Requirements	We do not offer a cosigner option for our Parent loan
Eligibility	• Student beneficiary must be enrolled at least half-time in degree granting program at an approved school • Applicant must be permanent resident of Texas • Applicant must meet income and credit underwriting criteria • Applicant be US citizen or eligible non-citizen • Applicant must be at least 18 years old

Pennsylvania Higher Education Assistance Agency

PA Forward Student Loan Program

Interest Rates	Undergraduate/Graduate: 2.73% - 7.69%
Discounts	0.25% Auto-pay; 0.50% Graduation
Borrowing Limits	Aggregate Loan Limits • Undergraduate: $150,000 • Graduate: $300,000
Repayment Options	Immediate, Interest-Only, Partial Interest, Deferred
Repayment Terms	10 and 15 years
Grace Period	6 months
Deferment/Forbearance	Both options are available
Eligibility	• Resident of Pennsylvania, Maryland, Delaware, New York, Ohio, Virginia, or West Virginia • Must be enrolled at eligible school in Pennsylvania or a Pennsylvania resident attending an eligible school nationwide

PA Forward Refinancing Student Loan Program

Interest Rates	Undergraduate/Graduate: 2.73% - 6.36%
Discounts	0.25% Auto-pay
Borrowing Limits	Up to $300,000
Repayment Options	Immediate, Interest-Only, Partial Interest, Deferred
Repayment Terms	5, 7, 10, 15, and 20 years
Eligibility	• Resident of Pennsylvania, Maryland, Delaware, New York, Ohio, Virginia, or West Virginia

Pennsylvania Higher Education Assistance Agency also offers Family Loans Loans.

Rhode Island Student Loan Authority

RISLA Student Loan

Interest Rates	5.24% fixed for immediate repayment 6.99% fixed for deferred repayment
Discounts	0.25% Auto-pay
Borrowing Limits	$45,000 annual, $150,000 cumulative
Repayment Options	Immediate or Deferred
Repayment Terms	10 or 15 years, Income-Based Repayment Plan available
Grace Period	6 months available
Deferment/Forbearance	12-month forbearance available
Cosigner Requirements	Cosigner required is borrower does not meet credit or income requirements
Eligibility	• May be full- or half-time, or less than half-time • Must have an annual income of $40,000 • Must pass credit check

RISLA Parent Loan

Interest Rates	6.59% fixed
Discounts	0.25% Auto-pay
Borrowing Limits	$45,000 annual, $150,000 cumulative
Repayment Options	Immediate Repayment
Repayment Terms	10 years
Deferment/Forbearance	12-month forbearance available

RISLA Refinancing Loan

Interest Rates	4.54%-7.34% fixed
Discounts	0.25% Auto-pay
Repayment Options	Immediate Repayment and deferred
Repayment Terms	5, 10, and 15 years
Deferment/Forbearance	12-month forbearance available

Request for Information:

In light of the foregoing, the Task Force is seeking responses to the following questions concerning private-sector refinancing of student loans, in order to help guide the work of the Task Force:

1. **What options are available for student loan borrowers to refinance private student loans both in New York State and outside the state? Who is offering these loans? What are the terms? Are they limited to certain types of student loans?**
    1. SoFi offers 5, 7, 10, 15, 20 year term options with a rate range of 4.49%-8.99% with autopay as of 12/1/22
2. **What options are available for student loan borrowers to refinance federal student loans both in New York State and outside the state? Who is offering these loans? What are the terms? Are they limited to certain types of student loans?**
    1. SoFi offers 5, 7, 10, 15, 20 year term options with a rate range of 4.49%-8.99% with autopay (as of 12/1/22)
    2. Refinancing these loans will result in the borrower losing any federal student loan benefits
3. **What is the volume of private student loans refinanced, the terms of the borrowers' prior loans, the terms of the borrowers' refinancing loans, the unmet need for student loan refinancing, and the impact of these refinancing loans in New York and nationwide?**

1. No information found on volume of yearly private student loans refinanced in NY or nationwide

4. **What is the volume of federal student loans refinanced, the terms of the borrowers' prior loans, the terms of the borrowers' refinancing loans, the unmet need for student loan refinancing, and the impact of these refinancing loans in New York and nationwide?**
    1. No information found on volume of yearly federal student loans refinanced in NY or nationwide
    2. Average internal initial term of refinanced loans = 10.2 years [THIS IS A SOFI INTERNAL NUMBER]
    3. Total SLR orig 2022 YTD is $1.97B ($550M Federal volume and $1.42B in Private volume)
5. **What publicly available data should the Task Force review? Is there privately owned data that could be made available to the Task Force?**
    1. SoFi, Navient, Nelnet, KeyBank, and Laurel Road are public companies that have securities filings available for review that include information on student loan refinancing information
6. **Why do student loan borrowers in New York typically choose to refinance their student loans?**
    1. Student loan borrowers in New York refinance to get a lower interest rate or lower monthly payment
7. **How does the prospect of government loan forgiveness or cancellation affect student loan refinancing?**

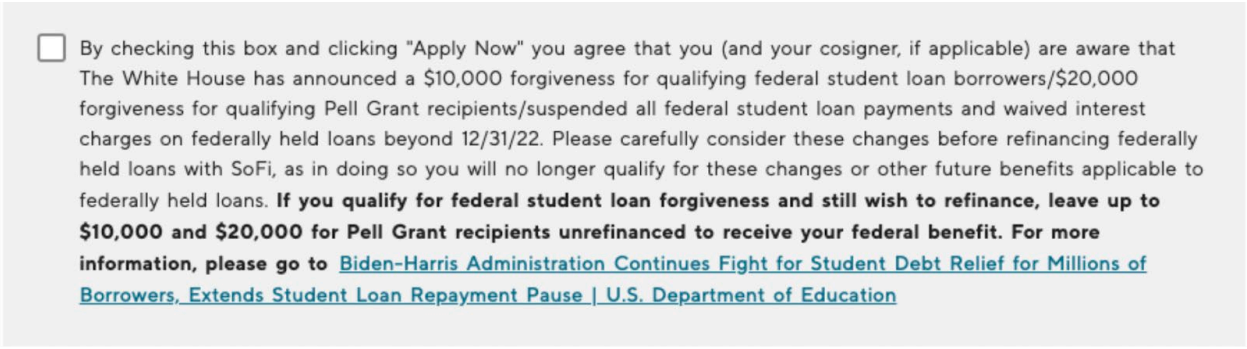
1. The payment moratorium on student loans has given borrowers less incentive to refinance since they do not have to make payments or accrue interest on their loans. Additionally, government loan forgiveness has reduced the addressable market since a significant number of federal borrowers will see the entirety of their federal loan balance discharged.

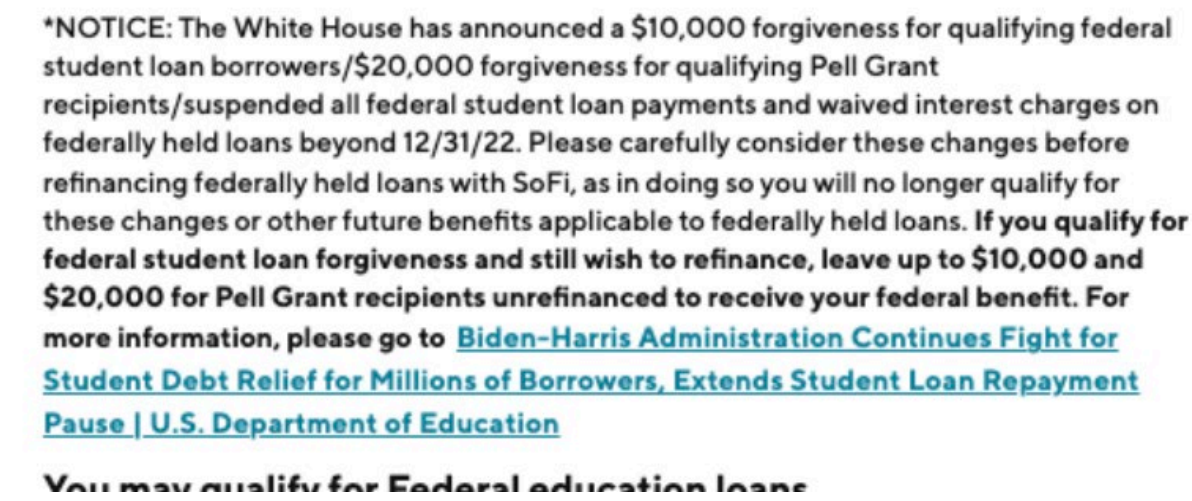
8. **What is the profile of student loan borrowers (including race, ethnicity, age, household income, highest level of educational attainment, type of degree, and any other demographics or groupings) who refinance private student loans in New York State, and how do they compare to student loan borrowers in New York State as a whole, as well as to New York State residents as a whole?**
    1. Average private NY loan amt per borrower = $59,796, Average overall NY loan amt per borrower= $68,956 [THIS IS A SOFI INTERNAL NUMBER]
    2. Average private NY income per borrower= $131,367, Average overall NY income per borrower= $136,045 [THIS IS A SOFI INTERNAL NUMBER]
    3. Average private NY age = 32, average overall NY age = 34 [THIS IS A SOFI INTERNAL NUMBER]
    4. It is a 50/50 split between grad/ undergrad for both private and overall NY borrowers [THIS IS A SOFI INTERNAL NUMBER]
9. **How and to whom is student loan refinancing currently marketed in New York State?**

1. NY residents who would prequalify or are included in DM campaigns, in addition lenders such as SoFi market through SEM, lead generators, and media advertising.

10. What disclosures are made to borrowers who refinance into private loans, including disclosures concerning the effects of refinancing and the potential loss of any benefits on borrowers who refinance their federal loans? What disclosures should be required?

1. **<u>SoFi:</u>**





11. Identify any predatory practices in the private student loan refinancing market in or outside New York State.

1. We are not aware of any predatory practices

12. **What qualitative information should the Task Force consider regarding student loan refinancing and the experiences student loan borrowers have had regarding refinancing?**
    1. The task force should consider doing a sampling poll of borrowers who have refinanced their student loans to determine any issues or ways to improve the process
13. **What programs do state or federal agencies support to help students loan borrowers refinance their private student loans? What information is available on the effectiveness of these programs?**
    1. NYDFS should request data from other states that sponsor refinancing programs
14. **What factors limit the availability of private student loan refinancing in the private sector?**
    1. The general interest rate environment
    2. Credit quality of applicants
15. **What can the public or private sectors do to make safe and affordable private student loan refinancing more accessible to borrowers?**
    1. Look at analogous programs in the mortgage space where states may have provided incentives to borrowers
16. **Are there any statutory or regulatory actions that could make private student loan refinancing safer, more affordable, and more accessible? Are there other programs or public incentives that could make private student**

loan refinancing safer, more affordable, and more accessible? What are the estimated costs, benefits, outcomes, and other effects of these programs?

1. Nothing that SoFi is aware of at this time

17. **Are there successful public or private refinancing programs addressing debts other than student loans that could serve as a model for a student loan refinancing program?**
    1. Nothing that SoFi is aware of at this time
18. **Are there student loan refinancing opportunities that exist outside of New York State, and what are the main obstacles for those opportunities to become available in New York State?**
    1. Some states have refinancing programs available to their state residents. For example, New Jersey FAMS Higher Education Student Assistance Authority offers NJCLASS Loan Consolidation and refi to current New Jersey residents (https://www.hesaa.org/Pages/ReFi+Info.aspx)
19. **Are there policy solutions for private student loan borrowers other than refinancing that New York State can offer to assist borrowers who currently are seeking to refinance their loans?**
    1. Nothing that SoFi is aware of at this time
20. **What other information should the Task Force consider in its review and analysis?**
    1. Nothing that SoFi is aware of at this time

December 8, 2022

Private Student Loan Refinancing Task Force
New York State
c/o Terry McMahon
Assistant Counsel, Consumer Examinations
N.Y. Department of Financial Services
terry.mcmahan@dfs.ny.gov

VIA EMAIL SUBMISSION

Re: Request for Information Regarding Private Student Loan Refinancing in New York State

Members of the Private Student Loan Refinancing Task Force:

The Student Borrower Protection Center, New Yorkers for Responsible Lending, and the National Consumer Law Center submit this response to the Private Student Loan Refinancing Task Force's ("Task Force") request for information regarding private student loan refinancing in New York State ("RFI").[1] As discussed in greater detail below, refinancing poses significant risks for New York's 2.6 million student loan borrowers, and the private student loan market operates without meaningful government scrutiny.

For the vast majority of student loan borrowers in the state, privately refinancing their student loans risks dramatically limiting their repayment options and ability to benefit from federal debt relief programs, including programs to cancel some or all of a borrower's debt. The private lenders who promote and originate these loans are not all required to be licensed by federal or state regulators, and even those who are licensed are generally not required to report on their private refinancing activities in specificity, which leaves New York policymakers with little to no state-specific market data.

Rather than making recommendations related to encouraging the creation of student loan refinancing programs, we therefore urge the Task Force to focus on analyzing the existing market in New York State and ensuring sufficient regulatory and supervisory mechanisms are in place, and on identifying opportunities to increase and improve these mechanisms, before deciding whether more refinancing is in New Yorkers' best interests.

[1] *See* New York State Private Student Loan Refinancing Task Force, *Request for Information Regarding Private Student Loan Refinancing* (Nov. 8, 2022), https://www.dfs.ny.gov/industry_guidance/industry_letters/il20221108_rfi_private_student_loan_financing_nys.

There exists little data on the private student loan industry.[2]

The private student loan market is extremely opaque, with little authoritative data and minimal regular market monitoring by any reliable third party. It is also a large market. Over 2.6 million New Yorkers owe nearly $100 billion in student loan debt, of which approximately $93 billion is federal student debt and $7 billion is private student debt, including private loans used to refinance federal and private student loans.[3] Unlike the federal student loan portfolio, which is almost entirely held by the federal government,[4] operates pursuant to the federal Higher Education Act,[5] and about which data are routinely made available,[6] the private student lending industry, including refinance lenders, is not centrally regulated. Although there are state and federal laws related to consumer finance and consumer protection, these are of general applicability. Even where these laws do have provisions specific to student loans, they do not create oversight or supervisory regimes.[7]

As a result, there exists little data about the private student loan industry. Due to "limitations on available data" concerning "non-federal student loan origination activity," the annual report from the federal Consumer Financial Protection Bureau's Education Loan Ombudsman relies only on estimates about private student loans based on reporting by a variety of private and non-profit third parties.[8] Although the various regional Federal Reserve Banks publish data related to the broader student loan market,[9] these reports extrapolate using consumer credit panel data from credit reporting agencies that only represent 5 percent of the national population with credit

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[2] For the purpose of replying to this RFI, respondents do not treat refinance loans differently than other private student loans, unless otherwise specified. There are few, if any, differences between the two loan types as regulated consumer finance products, and the available industry data generally do not distinguish between the two or otherwise disaggregate.

[3] Fed. Student Aid, U.S. Dep't of Educ., *Portfolio by Location* (June 30, 2022), https://studentaid.gov/sites/default/files/fsawg/datacenter/library/Portfolio-by-Location.xls; private student loan balance as estimated by Student Borrower Protection Center as of 12/31/2021 using federal *Portfolio by Location* data, *see id.*, and Daniel Mangrum, Joelle Scally, & Crystal Wang, Fed. Reserve Bank of N.Y., *2022 Student Loan Update* (Aug. 9, 2022), https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/xls/student-loan_update_2022_mangrum.xlsx.

[4] Consumer Fin. Prot. Bureau, *Report of the CFPB Education Loan Ombudsman* 8 (Oct. 2022), https://files.consumerfinance.gov/f/documents/cfpb_education-loan-ombudsman_report_2022-10.pdf ("CFPB Education Loan Ombudsman Report") (distinguishing between the 84 percent of student loans held by the federal government and the 8 percent of federal student loans held by commercial lenders).

[5] *See* 20 U.S.C. §§ 1070-1099d.

[6] *See Federal Student Loan Portfolio*, Fed. Student Aid, U.S. Dep't of Educ., https://studentaid.gov/data-center/student/portfolio.

[7] *See*, *e.g.*, 12 C.F.R. Part 1026.46 (providing specific consumer disclosure requirements for private education loans under the federal Truth in Lending Act, not additional supervision specific to these credit products).

[8] CFPB Education Loan Ombudsman Report at 9.

[9] *See*, *e.g.*, *Liberty Street Economics*, Fed. Reserve Bank of N.Y., https://libertystreeteconomics.newyorkfed.org/student-loans/ (last visited Dec. 6, 2022) ("Liberty Street Economics: Student Loans"); Fed. Reserve Bank of San. Fran., *Student Loan Debt in the Bay Area: Interactive Maps*, https://www.frbsf.org/community-development/data/student-loan-debt-bay-area/ (last visited Dec. 6, 2022).

reports,[10] and that are not broken down by industry actor or loan subtypes. There are other reports by private and/or industry groups,[11] which provide helpful insights into the larger private student loan market, but again these reports do not offer a complete overview of the market.

This is in large part because there are no comprehensive industry reporting requirements. Further, in the absence of such requirements, there is no assurance that data that are available are readily comparable across lenders. For example, whereas federal student loans are considered delinquent for up to 270 days before being considered in default,[12] payment obligations and delinquency and default triggers are contract provisions that vary between private lenders. Even where industry does voluntarily share some data, those data may not disaggregate private loans used to directly fund education from those used to refinance student loans, or may not report on refinance loans at all.[13]

In New York, private student loan companies may even operate without first seeking a license from the state's financial regulator, the Department of Financial Services, and may have no routine interactions with the agency. Under the New York Banking Law, non-bank lenders need only obtain a license to operate in the state if they originate loans that are both smaller than $25,000 and at an interest rate above 16 percent.[14] Since interest rates for private student loans are generally lower than 16 percent,[15] few, if any, of these lenders are required to be licensed under New York law. This creates an alarming blind spot for the state, given the increasing role that non-bank lenders play in the private student loan market. Outside analysts estimate that more than half of private student loans, including refinance loans, are held by non-bank lenders.[16] Moreover, the general trend is toward the non-bank sector, as more major banks such as Bank of America, Chase, and Wells Fargo leave the student loan market.[17] Some banks still

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[10] Daniel Mangrum, Joelle Scally, and Crystal Wang, *Liberty Street Economics*, Fed. Reserve Bank of N.Y., "Three Key Facts from the Center for Microeconomic Data's 2022 Student Loan Update," (Aug. 9, 2022), *https://libertystreeteconomics.newyorkfed.org/2022/08/three-key-facts-from-the-center-for-microeconomic-datas-2022-student-loan-update/*.

[11] *See*, *e.g.*, MesureOne, *Private Student Loan Report Q3 2021* (Dec. 15, 2021), https://fs.hubspotusercontent00.net/hubfs/6171800/assets/downloads/MeasureOne%20Private%20Student%20Loan%20Report%20Q3%202021%20FINAL%20VERSION.pdf ("MeasureOne Report"); Student Borrower Prot. Center, *Private Student Lending* (April 2020), https://protectborrowers.org/private-student-lending-report/ ("SBPC Private Student Lending Report"); Navient, *SFVegas 2022 - Investor Presentation* (July 2022), https://navient.com/Images/SFVegas-2022-Investor-Presentation_tcm5-25984.pdf#page=7.

[12] *Student Loan Delinquency and Default*, Fed. Student Aid, U.S. Dep't of Educ., https://studentaid.gov/manage-loans/default (last viewed Dec. 6, 2022).

[13] *See*, *e.g.*, MeasureOne Report at 7 (noting that refinance loans are not included in the calculation of performance metrics covered in the report).

[14] N.Y. Banking Law § 340.

[15] *See* Anna Helhoski, NedWallet, *Current Student Loan Interest Rates and How they Work* (Oct. 13, 2022), https://www.nerdwallet.com/article/loans/student-loans/student-loan-interest-rates.

[16] SBPC Private Student Lending Report at 17.

[17] Jordi Lippe-McGraw, Student Loan Hero, *Bank of America No Longer Offers Student Loan. Now What?* (May 18, 2020), https://studentloanhero.com/featured/bank-of-america-student-loans-review-know/ (discussing Bank of America's and Chase's exit from student loan market); BusinessWire, *Wells Fargo Agrees to Sell Private Student Loan Portfolio* (Dec. 18, 2020),

originate student loans, and may be federally or state regulated. However, even in these instances, or when a non-bank lender is required to be licensed, regulators generally do not require reporting on student loan-specific activity.

Still, what we do know about the national student loan market or, with even less certainty, the New York State market, makes clear that the industry is growing at an alarming rate. Since the financial crisis of 2008, student loan balances' growth has outpaced every other type of household consumer credit, and today is the second largest type of household credit after only home mortgages.[18] In the years following the Great Recession, between the 2010-11 and 2018-19 academic years, when federal student loan origination declined by more than 25 percent, annual private student loan originations grew by almost 78 percent.[19] According to one study of data provided by 14 private student loan companies, 89.41 percent of private student loans origination in academic year 2021-22 were cosigned, up from 72.62 percent in 2008-09.[20] These rates are concerning in large part because evidence suggests that this market is rife with harm and abuse, with lenders regularly misleading borrowers about their rights and pushing them to pay on unenforceable debts. Notable examples of misconduct in the private student loan market have taken place right here in New York,[21] and are discussed in more detail below.

The federal student loan system provides borrowers with important safety mechanisms and debt cancellation opportunities.

The past nearly 3 years offer a natural experiment about why federal student loan borrowers, in particular, should be wary of refinancing their student loans. Beginning in March 2020 and in response to the COVID-19 pandemic, the federal government paused payments for the federal student loans in its portfolio, reduced their interest rates to 0 percent, and stayed involuntary collections. Currently set to expire in 2023, these relief measures have been extended 8 times by two different presidential administrations,[22] and have offered a lifeline to millions of federal student borrowers as they navigate the pandemic's economic fallouts.

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https://www.businesswire.com/news/home/20201218005687/en/Wells-Fargo-Agrees-to-Sell-Private-Student-Loan-Portfolio.

[18] CFPB Education Loan Ombudsman Report at 6.

[19] SBPC Private Student Lending Report at 6.

[20] MeasureOne Report at 24.

[21] Press Release, N.Y. Dep't of Fin. Servs., *DFS Superintendent Linda A. Lacewell Announces Settlement with National Student Loan Servicer of For-Profit Schools* (Aug. 15, 2019), https://www.dfs.ny.gov/reports_and_publications/press_releases/pr1908151.

[22] Press Release, Student Borrower Prot. Center, *After Hearing From Thousands of Student Loan Borrowers and hundred of Organizations, Biden Administration Extends Payment Pause* (Nov. 22, 2022), https://protectborrowers.org/after-hearing-from-thousands-of-student-loan-borrowers-and-hundreds-of-organizations-biden-administration-extends-payment-pause/.

At the same time, the Biden administration has implemented several short- and long-term adjustments to federal student loan discharge programs. Specifically, it:

- Waived certain requirements of the Public Service Loan Forgiveness (PSLF) program, extending debt cancellation to over 236,000 public service workers whose time in repayment was previously ineligible[23];
- Announced a one-time adjustment of borrower accounts to count time toward the income-driven repayment (IDR) plans' debt cancellation provisions, in response to industry steering and misconduct, regardless of whether borrowers had actually enrolled in an IDR plan, which will result in at least an additional 40,000 federal student loan borrowers having their debts cancelled under PSLF and several thousand receiving cancellation under IDR[24]; and
- Committed to cancelling up to $20,000 in federal student loan debt for borrowers whose individual income is below $125,000 or whose household income is below $250,000.[25]

The U.S. Department of Education is also in the process of revising its rules to make PSLF, IDR, and other discharge programs, as well as various administrative features of the federal student loan system, work better for borrowers.

Taken together, although imperfect, the payment pause and these additional executive and administrative actions reflect a federal student loan landscape that is working to address emerging borrower hardships and that offers a variety of repayment and debt cancellation options.

The private student loan market offers borrowers few protections, and has a documented history of consumer abuses.

Unlike federal student loans, for which borrower protections, repayment options, and discharge programs are provided by federal law, there are no uniform terms and conditions for private student loans. Even where federal and state laws and regulations apply to private student loans, these laws are general consumer protections or financial regulations—not specific to student loan products—and often emphasize disclosure over terms-specific regulations. Indeed, private student loan borrowers are typically subject to whatever terms and conditions their individual lenders and student loan servicers are willing to offer. Any IDR equivalents in the private student

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[23] Press Release, U.S. Dep't of Educ., *Education Department Announces Permanent Improvements to the Public Service Loan Forgiveness Program and One-Time Payment Count Adjustment to Bring Borrowers Closer to Forgiveness* (Oct. 25, 2022), https://www.ed.gov/news/press-releases/education-department-announces-permanent-improvements-public-service-loan-forgiveness-program-and-one-time-payment-count-adjustment-bring-borrowers-closer-forgiveness?utm_content=&utm_medium=email&utm_name=&utm_source=govdelivery&utm_term=.

[24] *Income-Driven Repayment and Public Service Loan Forgiveness Program Account Adjustment*, Fed. Student Aid, U.S. Dep't of Educ., https://studentaid.gov/announcements-events/idr-account-adjustment (last visited Dec. 6, 2022).

[25] Press Release, White House, *Fact Sheet: The Biden-Harris Administration's Plan for Student Debt Relief Could Benefit Tens of Millions of Borrowers in All Fifty States* (Sept. 20, 2022), https://www.whitehouse.gov/briefing-room/statements-releases/2022/09/20/fact-sheet-the-biden-harris-administrations-plan-for-student-debt-relief-could-benefit-tens-of-millions-of-borrowers-in-all-fifty-states/.

loan market are voluntary and uncommon, and there are essentially no available debt discharge or cancellation opportunities equivalent to federal student loans.[26]

This disparity has become acutely apparent since the beginning of the pandemic, as the payment pause described above is not available to private student loan borrowers. Despite an early initiative led by New York State to coordinate private lender relief programs,[27] private lenders and servicers have not been required to offer COVID-related relief to private student loan borrowers, nor has any available voluntary relief been uniform across the industry. Further, private student loan borrowers, both those who initially took out a private student loan and those who privately refinanced a federal student loan, are not eligible for the Biden administration cancellation, PSFL, or IDR initiatives described above, which only apply to federal student loans. These borrowers therefore have extremely limited options when it comes to managing their day to day debt burden.

To make matters worse, private lenders and servicers target federal student loan borrowers to refinance their loans, perhaps offering a lower interest rate or monthly payment, but without explaining the tradeoffs. In light of the number of improvements to the federal student loan system and opportunities for federal student loan borrowers to cancel their debts over the past year, innumerable stories have arisen about borrowers who recently refinanced their federal student loans into private student loans, who were not told that they would lose access to federal programs such as PSLF, and who are now stuck repaying debt that the federal government determined should otherwise be discharged. In response to reports that Navient's refinancing company, NaviRefi, was soliciting federal student loan borrowers to refinance their loans after President Biden's cancellation announcement and without adequately explaining that refinancing would render their loans ineligible for up to $20,000 in cancellation, U.S. Senator Elizabeth Warren and Congresswoman Ayanna Pressley in September 2022 sent the company a letter outlining its deceptive marketing practices, underscoring the ways in which its incentives were contrary to federal student loan borrowers' best interests, and requesting that it provide additional information.[28] Other companies engaged in similar patterns of misrepresentation with respect to both the administration's broad-based debt cancellation and PSLF eligibility have been documented, as well.[29]

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[26] *See*, *e.g.*, U.S. Gov't Accountability Office, *Private Student Loans* (May 2019), https://www.gao.gov/assets/gao-19-430-highlights.pdf.

[27] Press Release, N.Y. Dep't of Fin. Servs., *DFS Obtains Relief for Approximately 300,000 NY Student Loan Borrowers Not Covered by Federal CARES Act* (April 7, 2020), https://www.dfs.ny.gov/reports_and_publications/press_releases/pr202004072.

[28] Letter to John Remondi, CEO of Navient Corporation, from Senator Elizabeth Warren and Congresswoman Ayanna Pressley (Sept. 13, 2022), https://www.warren.senate.gov/imo/media/doc/Letters%20to%20Servicers.pdf.

[29] *See* Ayelet Sheffey, Business Insider, *Meet a government worker who regrets refinancing her student debt because she didn't know it would block her from federal loan forgiveness: "I never would have done that"* (Sept. 25, 2022), https://www.businessinsider.com/student-loan-borrower-privately-refinanced-miss-biden-debt-cancellation-relief-2022-9.

This recent misconduct takes place in a market already rife with consumer abuses. For example, the Federal Trade Commission found that private student loan refinancing companies overstate borrowers' benefits of refinancing their federal student loans.[30] Additionally, several states have sued private student lenders, including for misrepresenting to cosigners their ability to be removed from the loan,[31] which is alarming given that, as discussed above, nearly 90 percent of private student loans have cosigners.

When taken together, the benefits of having federal student loans and the relative lack of protections and opportunities in the private student loan market make clear that refinancing federal loans into private loans exposes borrowers to significant and irreversible risk. Although this may be an appropriate tradeoff for extremely high earning borrowers with stable employment who work in the private sector, and who do not foresee any income shocks or other challenges that would necessitate the federal student loan system's safety nets—indeed, one refinance company coined the term HENRYs to describe these consumers: High Earners, Not Rich Yet[32]—the vast majority of student loan borrowers do not fit this profile.[33] All evidence suggests that borrowers who do refinance are not given all of the information they would need to determine if this tradeoff is appropriate for them.

New Yorkers have already experienced harm and lost opportunities by refinancing out of the federal student loan portfolio.

Although we lack sufficient state-specific data to understand the full scope of the problem, borrower experiences make clear that New Yorkers are missing out on opportunities to make their student loans affordable or, even better, obtain cancellation. These accounts are all the more troubling in light of the evidence discussed above that private refinancing lenders have targeted federal student loan borrowers by offering low interest rates, but without making clear that their new private student loans would lack the suite of protections that the federal programs offer.

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[30] Press Release, Fed. Trade Comm'n, *Online Student Loan Refinance Company SoFi Settles FTC Charges, Agrees to Stop Making False Claims About Loan Refinancing Savings* (Oct. 29, 2018), https://www.ftc.gov/news-events/news/press-releases/2018/10/online-student-loan-refinance-company-sofi-settles-ftc-charges-agrees-stop-making-false-claims-about.

[31] Press Release, Office of the Att'y General of Wash. State, *AG Ferguson: Judge rules national student loan servicer Navient broke law in servicing student loan debt* (Mar. 5, 2021), https://www.atg.wa.gov/news/news-releases/ag-ferguson-judge-rules-national-student-loan-servicer-navient-broke-law.

[32] Nitasha Tiku, BuzzFeed, *Even Good-Guy Student Loan Startups Still Favor the Rich* (Feb. 4, 2017), https://www.buzzfeednews.com/article/nitashatiku/sofi-earnest-student-loan-refinancing.

[33] *See* Press Release, White House, *Fact Sheet: The Biden-Harris Administration's Plan for Student Debt Relief Could Benefit Tens of Millions of Borrowers in All Fifty States* (Sept. 20, 2022), https://www.whitehouse.gov/briefing-room/statements-releases/2022/09/20/fact-sheet-the-biden-harris-administrations-plan-for-student-debt-relief-could-benefit-tens-of-millions-of-borrowers-in-all-fifty-states/ (nearly 90% of federal student loan debt is owed by borrowers earning less than $75,000 a year).

The Education Debt Consumer Assistance Program ("EDCAP") at the Community Service Society of New York, a NYRL member organization, shared the following client story:

> *Katherine is in her early 30s. She attended Argosy University and felt defeated after accumulating close to $100,000 for an Associates Degree. She was convinced that refinancing was the best way to tackle her debt. She refinanced her federal student loans into private loans in 2017, which her mother had to co-sign. She did not know she was forgoing federal relief programs by doing so. Had she not refinanced, her loans would have been discharged through the federal Borrower Defense to Repayment program. The Department of Education found Argosy University to have defrauded students like Katherine and borrowers with outstanding federal loans are now eligible for full discharge. Unfortunately, Katherine is now stuck with a private student loan that she struggles to repay. Katherine does not recall being informed about the consequences of consolidating her federal loans into private.*

The Empire Justice Center, also a NYRL member organization and now providing services to student debt borrowers in upstate New York under EDCAP, shared the following client story:

> *A borrower in Erie County had approximately $132,000 in Parent Plus loans taken out for her child's education. She was a state employee and was actively working towards PSLF under the COVID-19 waiver. The borrower's adult daughter decided to cut contact with her due to personal matters and left her with the high monthly payment without any contributions. The client decided to refinance the loan into a private one in hopes that it would lower her payment and absolve her of the full responsibility of paying the loan. The client was unaware that by refinancing her loan, in one move she would lose all her credit towards PSLF, make herself ineligible for income-driven repayment plans, and prematurely put herself back into repayment after being in the COVID-19 forbearance. This was all due to a lack of education around private student loan refinancing.*

Legal Assistance of Western New York, a NYRL member organization that assists student debt borrowers in upstate New York, shared the following borrower story:

> *A borrower refinanced her federal loans in 2019 with Citizens Bank without realizing the consequences of doing so. This not only eliminated her ability to have access to affordable repayment options like she would have had in an IDR plan, but also her ability to benefit from federal relief like cancellation. Had she not refinanced her loans, she would have been eligible to have $20,000 of her total $23,000 in loans cancelled, leaving her with only $3,000 left in student loans to pay off.*

Additionally, the undersigned organizations have heard from numerous New York borrowers who recently privately refinanced their federal student loans and are now ineligible for the relief programs described above, especially President Biden's broad-based cancellation program, asking if there is any way to reverse the refinancing process or otherwise qualify. Unfortunately these borrowers' loans are permanently ineligible for federal relief. The harms from missing out

on these federal programs are not abstract. For example, an estimated more than 1-in-5 New York student loan borrowers work in public service, and so could qualify to have their debt cancelled under the federal Public Service Loan Forgiveness program, but only if they retain their federal student loan and do not refinance into a private loan.[34]

Responses to the Task Force's RFI.

As discussed in greater detail above, we are concerned that the State currently lacks sufficient data about the private student loan market, including refinance loans, to determine whether or not it is in borrowers' best interest to support refinancing. Further, the potential harms to borrowers of exiting the federal student loan system, intentionally or inadvertently, are great. We therefore applaud the Task Force for issuing this RFI, to which we have provided responses below to each specific question. Overall, however, we urge the Task Force and the State to focus on ensuring long-term supervision and data collection from the private student loan industry, as well as to uphold and enforce all applicable consumer protections.

1. *What options are available for student loan borrowers to refinance private student loans both in New York State and outside the state? Who is offering these loans? What are the terms? Are they limited to certain types of student loans?*

As discussed in greater detail above, there is insufficient comprehensive and publicly available information to provide a detailed answer to this question.

2. *What options are available for student loan borrowers to refinance federal student loans both in New York State and outside the state? Who is offering these loans? What are the terms? Are they limited to certain types of student loans?*

As discussed in greater detail above, there is insufficient comprehensive and publicly available information to provide a detailed answer to this question.

3. *What is the volume of private student loans refinanced, the terms of the borrowers' prior loans, the terms of the borrowers' refinancing loans, the unmet need for student loan refinancing, and the impact of these refinancing loans in New York and nationwide?*

As discussed in greater detail above, there is insufficient comprehensive and publicly available information to provide a detailed answer to this question.

[34] Press Release, Student Borrower Prot. Center, *New Analysis: More Than 9 Million Public Service Workers with Federal Student Loans Eligible to Pursue Debt Cancellation, Fewer Than 2 Percent Have Received Relief, and only 15 Percent on Track* (June 9, 2022), https://protectborrowers.org/new-analysis-more-than-9-million-public-service-workers-with-federal-student-loans-eligible-for-debt-cancellation-fewer-than-2-percent-have-received-relief-and-only-15-percent-on-track/.

4. *What is the volume of federal student loans refinanced, the terms of the borrowers' prior loans, the terms of the borrowers' refinancing loans, the unmet need for student loan refinancing, and the impact of these refinancing loans in New York and nationwide?*

As discussed in greater detail above, there is insufficient comprehensive and publicly available information to provide a detailed answer to this question.

5. *What publicly available data should the Task Force review? Is there privately owned data that could be made available to the Task Force?*

As discussed in greater detail above, there are no comprehensive datasets that provide sufficiently granular and state-specific information about student loan refinancing. However, partial data have been made available by the Consumer Financial Protection Bureau, the regional Federal Reserve Banks, MeasureOne, and advocacy organizations.[35]

6. *Why do student loan borrowers in New York typically choose to refinance their student loans?*

As discussed in greater detail above, New Yorkers typically choose to refinance their student loans if they believe doing so will result in a lower monthly payment, or because they believe it will simply their finances, however, they generally refinance without sufficient information about the pros and cons of doing so, or with reliance on misinformation from their lender.

7. *How does the prospect of government loan forgiveness or cancellation affect student loan refinancing?*

As discussed in greater detail above, the availability of government loan forgiveness or cancellation should reduce consumer interest in refinancing, as privately refinanced loans are not eligible for federal student loan programs. This creates the risk of perverse incentives for lenders to understate the benefits of federal student loans or inaccurately state the tradeoffs to potential refinancing clients.

8. *What is the profile of student loan borrowers (including race, ethnicity, age, household income, highest level of educational attainment, type of degree, and any other demographics or groupings) who refinance private student loans in New York State, and how do they compare to student loan borrowers in New York State as a whole, as well as to New York State residents as a whole?*

As discussed in greater detail above, there is insufficient comprehensive and publicly available information to provide a detailed answer to this question. Although for some high-income New Yorkers, refinancing might be a sound decision, low-income borrowers report having refinanced their federal student loans without full knowledge of what they would be losing.

9. *How and to whom is student loan refinancing currently marketed in New York State?*

As discussed in greater detail above, there is insufficient comprehensive and publicly available information to provide a detailed answer to this question.

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[35] *See*, *e.g.*, CFPB Education Loan Ombudsman Report; Liberty Street Economics: Student Loans; MeasureOne Report; SBPC Private Student Lending Report.

10. *What disclosures are made to borrowers who refinance into private loans, including disclosures concerning the effects of refinancing and the potential loss of any benefits on borrowers who refinance their federal loans? What disclosures should be required?*

To our knowledge, there are no disclosures that are specific to student loan refinancing. As credit transactions, refinance loans are subject to a variety of disclosures pursuant to the Truth in Lending Act, including disclosures specific to refinance loans.[36] However, these disclosures are not specific to student loans and do not include the implications of refinancing a federal or private student loan, such as the risk of losing access to repayment and discharge programs or claims and defenses to repayment, all of which are necessary for a consumer to make an informed decision. Enhanced disclosures specific to student lending would be good, however, disclosure is not an adequate replacement for stronger regulations prescribing best practices and prohibiting unfair, abusive, deceptive and predatory practices.

11. *Identify any predatory practices in the private student loan refinancing market in or outside New York State.*

As discussed in greater detail above, there is insufficient comprehensive and publicly available information about the New York market specifically. However, there is no reason to believe that the general predatory practices discussed above are not also taking place in the state. This is especially true given the history of lender and servicer misconduct in New York.[37]

12. *What qualitative information should the Task Force consider regarding student loan refinancing and the experiences student loan borrowers have had regarding refinancing?*

The Task Force should at least consider the substance of advertisements and disclosures made to New York consumers, lender call center scripts, and language access opportunities.

13. *What programs do state or federal agencies support to help students loan borrowers refinance their private student loans? What information is available on the effectiveness of these programs?*

According to the National Conference of State Legislatures, as of 2017, 12 states operated refinancing programs.[38] According to the Education Data Initiative, that number has increased to 15 in 2022.[39] There do not appear to be comprehensive publicly available data on the outcomes of these programs. Additionally, increasingly states are providing funds to community-based

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[36] *See* 12 C.F.R. Part 1026.20(a).

[37] *See*, *e.g.*, Press Release, N.Y. Dep't of Fin. Servs., *DFS Superintendent Linda A. Lacewell Announces Settlement with National Student Loan Servicer of For-Profit Schools* (Aug. 15, 2019), https://www.dfs.ny.gov/reports_and_publications/press_releases/pr1908151; Press Release, N.Y. Office of Att'y General, *Attorney General James Secures Student Debt Relief for Thousands of New Yorkers* (April 27, 2022), https://ag.ny.gov/press-release/2022/attorney-general-james-secures-student-debt-relief-thousands-new-yorkers.

[38] Dustin Weeden, Nat'l Conf. of State Legs., *Refinancing Student Loans*, Vol. 25, No. 8 (Feb. 2017), https://www.ncsl.org/research/education/refinancing-student-loans.aspx.

[39] Melanie Hanson, Educ. Data Initiative, *State-Affiliated Student Loan Refinancing* (Aug. 8, 2022), https://educationdata.org/state-student-loan-refinancing.

organizations to offer direct borrower assistance that can include counseling borrowers about refinancing.[40]

14. What factors limit the availability of private student loan refinancing in the private sector?

This question is best directed to private student loan lenders.

15. What can the public or private sectors do to make safe and affordable private student loan refinancing more accessible to borrowers?

First the State must decide whether making private student loan refinancing more accessible is in the best interest of New York borrowers. This should involve identifying the market participants and ensuring that the market is adequately regulated. Once this is accomplished, it can address potential harms and ways to direct refinancing opportunities to the populations who are most likely to benefit from it.

16. Are there any statutory or regulatory actions that could make private student loan refinancing safer, more affordable, and more accessible? Are there other programs or public incentives that could make private student loan refinancing safer, more affordable, and more accessible? What are the estimated costs, benefits, outcomes, and other effects of these programs?

Ensuring that the private student loan refinancing companies regularly report their activities and portfolio compositions to the State would help to identify well-performing and poor-performing actors, and would allow the State to intervene as needed to protect borrowers. Although disclosures about the pros and cons of refinancing are critical, disclosures alone do not prevent consumer harm and cannot be the extent of the State's action.

17. Are there successful public or private refinancing programs addressing debts other than student loans that could serve as a model for a student loan refinancing program?

In the wake of the Great Recession, New Yorkers had access to the Mortgage Assistance Program, a public-private partnership mortgage program through which homeowners at risk of foreclosure could access 0% interest mortgage loans with favorable repayment and forgiveness terms in order to help them keep their homes. The MAP program also helped connect these homeowners with housing counselors and legal services providers. Any refinancing program, whether styled after MAP or otherwise, should ensure that borrowers do not lose any rights, claims, or defenses related to the loan that they are refinancing.

[40] *See*, *e.g.*, *Who We Are*, Educ. Debt Consumer Assist. Prog., Community Service Society of N.Y., https://www.edcapny.org/who-we-are/ ("We are funded by New York State.") (last visited Dec. 6, 2022); Press Release, Cal. Dep't of Fin. Prot. and Innovation, *Student Loan Borrower Campaign Gains 2022-23 Budget Funding* (July 2022), https://dfpi.ca.gov/2022/07/13/july-2022-monthly-bulletin/ ("$7.25 million will be dedicated to creating a grant program to provide resources to community-based organizations that provide direct assistance to student loan borrowers.").

18. Are there student loan refinancing opportunities that exist outside of New York State, and what are the main obstacles for those opportunities to become available in New York State?

Although there are likely opportunities elsewhere that may benefit New Yorkers if made available, the State should first establish a clear regulatory framework and set of minimum consumer protections for the market, and ensure that any new entrant conforms with those standards.

19. Are there policy solutions for private student loan borrowers other than refinancing that New York State can offer to assist borrowers who currently are seeking to refinance their loans?

See the set of policy recommendations below.

20. What other information should the Task Force consider in its review and analysis?

The Task Force should assess whether the State has the sufficient tools and authorities already in place to properly supervise this industry and protect borrowers and, if not, create a set of recommendations to put those tools and authorities in place.

Policy Recommendations

The Task Force is in a position to make recommendations that would dramatically improve borrowers' outcomes and wellbeing. Particularly at a time when the federal government is taking so many steps to assist borrowers with federal student loans, we urge the Task Force not to focus narrowly on increasing refinancing, and instead to probe whether refinancing is an appropriate option for New Yorkers and to ensure that state authorities and programs are in place and well supported. To that end, we offer the following three recommendations:

- First, New York can join five other states in sunlighting the private student loan market, including refinancing. California, Colorado, Illinois, Louisiana, and Maine have all passed laws that require private student loan lenders to register with their state if they are not already licensed and to provide annual reporting on their activities.[41] These data are made public so that consumers can make informed decisions and that policymakers and advocates can understand the market better. To date, Colorado is the first state to publish these records, which have become a trove of critical and previously unavailable data for the state.[42] Especially because New York's threshold for requiring consumer lending licensure is so high, at 16% APR, requiring these lenders to at least identify themselves and provide reports would help the Task Force and the State make data-driven decisions about the market in New York, using New York-specific data.

[41] *See* Cal. Fin. Code § 90009; C.R.S. 5-20-200 et seq. (Col.); Pub. Act. 102-0583 (Ill. 2021); H.B. 789 (La. 2022); Title 9-A M.R.S.A. Art. 15 (Me. 2021).
[42] *Private Education Lender Registration*, Consumer Credit Unit, Col. Dep't of Law, https://coag.gov/office-sections/consumer-protection/consumer-credit-unit/student-loan-servicers-act/private-education-lender-registration/ (last visited Dec. 6, 2022).

- Second, if the State decides to promote student loan refinancing, it should consider creating a state-run program to help New Yorkers refinance out of existing private student loans with high rates and unfavorable terms and to replace them with low or 0% interest loans held by the State. Any state-run program should mirror the federal student loan program's various repayment and forgiveness options, including the opportunity to make $0 payments for low-income borrowers through an income-driven repayment plan. Directing refinancing activity toward the State rather than the private sector would help ensure that borrowers' interests are protected and prioritized.

- Finally, New York should support existing borrower assistance programs. New York already offers both financial aid and loan payment assistance programs for borrowers who meet certain eligibility criteria.[43] These programs help reduce New Yorkers' need to take out loans and help existing borrowers manage their debts. Additionally, New York's Education Debt Consumer Assistance Program ("EDCAP") offers direct and individualized loan counseling to student loan borrowers in New York, including advising on the best repayment plan and whether refinancing is an appropriate option. Increasing financial support for these programs will likely reduce the instance of borrowers unnecessarily refinancing their student loans, while helping them to maintain access to federal repayment and discharge programs and generally improve outcomes and affordability.

Conclusion

We are encouraged that New York State is taking steps to help its residents with student loan debt ,and thank the Task Force for the opportunity to reply to this RFI. Please contact Winston Berkman-Breen, Policy Counsel and Deputy Director for Advocacy at the Student Borrower Protect Center, at winston@protectborrowers.org if you have any questions or would like to discuss this response further. We welcome the opportunity to discuss these matters further.

Sincerely,

Student Borrower Protection Center
New Yorkers for Responsible Lending
National Consumer Law Center (on behalf of its low-income clients)

The Student Borrower Protection Center *("SBPC") is a nonprofit organization focused on alleviating the burden of student debt for millions of Americans. The SBPC engages in advocacy, policymaking, and litigation strategy to rein in industry abuses, protect borrowers' rights, and advance economic opportunity for the next generation of students.*

[43] *See Loan Forgiveness, Cancellation and Discharge*, N.Y. Higher Educ. Serv. Corp., https://www.hesc.ny.gov/repay-your-loans/repayment-options-assistance/loan-forgiveness-cancellation-and-discharge.html (last visited Dec. 6, 2022) (describing various state programs to support student loan repayment for specific professions).

New Yorkers for Responsible Lending *("NYRL") is a statewide coalition of 160 non-profit organizations, promotes economic justice as a matter of racial and community equity. A list of NYRL members is available at https://www.nyrl.org.*

The National Consumer Law Center® (NCLC®) *works for economic justice for low-income and other disadvantaged people in the U.S. through policy analysis and advocacy, publications, litigation, and training. NCLC's Student Loan Borrower Assistance Project provides information about student loan rights and responsibilities for borrowers and advocates. We also seek to increase public understanding of student lending issues and to identify policy solutions to promote access to education, lessen student debt burdens, and make loan repayment more manageable.*

einstein
Higher Edu Solutions

Request for Information Regarding Private Student Loan Refinancing

for New York State, Private Student Loan Refinancing Task Force

December 1, 2022

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December 1, 2022

To the NYS, Private Student Loan Refinancing Taskforce:

I am the former Chief Risk Officer of NYS HESC for the NYHELPs student loan program from 2009 to 2013. My experience in private student loan and refinance student loans extends over 27 years. I will be brief with my responses but can expand on those responses at your request.

1. What options are available for student loan borrowers to refinance private student loans both in New York State and outside the state? Who is offering these loans? What are the terms? Are they limited to certain types of student loans?

   Response: Several private student loan lenders and non-profit lenders provide private student loan refinancing ('PSL Refi') options to New York State residents and outside the state. It's a crowded field of lenders. PSL Refi repayment terms range 5 to 15 years and fixed interest rates range 5.74% to 9.24%, although average rates are typically well above 7%. Federal and private student loans are eligible for refinancing.

2. What is the volume of private student loans refinanced, the terms of the borrowers' prior loans, the terms of the borrowers' refinancing loans, the unmet need for student loan refinancing, and the impact of these refinancing loans in New York and nationwide?

Response: The volume of PSL Refi historically has been approximately $12 billion a year, but recently has been reduced to roughly $6 billion a year due to rising interest rates, the extended pause on direct federal student loans payments and the uncertainty of federal student loan forgiveness.

Federal PLUS loans have rates of 6-7.6% over the last 5 years for 10-year repayment terms, while private student loans have average rates of 8.5-9.5% for 10–15-year repayment terms.

The approval rate for PSL Refi is approximately 35-45% because of the stringent credit underwriting criteria. That leaves an unmet refinancing need of 55-65% for student loan borrowers who are not able to pass the stringent credit underwriting criteria. I estimate that volume to be up to $6 billion a year nationwide.

3. What is the volume of federal student loans refinanced, the terms of the borrowers' prior loans, the terms of the borrowers' refinancing loans, the unmet need for student loan refinancing, and the impact of these refinancing loans in New York and nationwide?

   Response: The volume of federal student loans is approximately 65% of PSL Refi loans or nearly $4 billion in today's interest rate environment. Federal PLUS loans have rates of 6-7.6% over the last 5 years for 10-year repayment terms. PSL Refi repayment terms range 5 to 15 years and fixed interest rates range 5.74% to 9.24%, although average rates are typically well above 7%.

4. What publicly available data should the Task Force review? Is there privately owned data that could be made available to the Task Force?

   Response: Sofi and Navient, two publicly traded companies, have securitization investor data that can be reviewed in addition to quarterly SEC filings of earnings.

5. Why do student loan borrowers in New York typically choose to refinance their student loans?

Response: There are 2 primary reasons:

(1) Lower the monthly student loan payment, and/or

(2) Lower the interest rate

6. What is the profile of student loan borrowers (including race, ethnicity, age, household income, highest level of educational attainment, type of degree, and any other demographics or groupings) who refinance private student loans in New York State, and how do they compare to student loan borrowers in New York State as a whole, as well as to New York State residents as a whole?

   Response: Approximately 65% of PSL Refi balances are for graduate students while 45% are for undergraduate students. The average annual income for graduate students is over $100,000 while undergraduates are approximately $65,000 due to the stringent credit underwriting criteria of lenders. I cannot speak to race, but its clear that lower income borrowers are missing out on the refinancing opportunity.

7. How and to whom is student loan refinancing currently marketed in New York State?

   Response: Direct mail solicitations, Google key word searches, Google paid-for banner ads, bus kiosks in major metropolitan areas and TV commercials.

8. What disclosures are made to borrowers who refinance into private loans, including disclosures concerning the effects of refinancing and the potential loss of any benefits on borrowers who refinance their federal loans? What disclosures should be required?

   Response: For example, SOFI communicates to potential borrowers:

   NOTICE: The White House has announced a $10,000 forgiveness for qualifying federal student loan borrowers/$20,000 forgiveness for qualifying Pell Grant recipients/suspended all federal student loan payments and waived interest charges on federally held loans beyond 12/31/22. Please carefully consider these changes before refinancing federally held loans with SoFi, as in doing so you will no longer qualify for these changes or other future benefits applicable to federally held loans. If you qualify for federal student loan forgiveness and still wish to

refinance, leave up to $10,000 and $20,000 for Pell Grant recipients unrefinanced to receive your federal benefit. For more information, please go to https://www.ed.gov/news/press-releases/biden-harris-administration-continues-fight-student-debt-relief-millions-borrowers-extends-student-loan-repayment-pause

Beyond this static disclosure, lenders should provide borrowers a brief dynamic, question and answer session. This will better address each prospective borrower's circumstances. It will better communicate the appropriateness of refinancing their different loans. In the end, this will allow for more informative decisions.

9. Identify any predatory practices in the private student loan refinancing market in or outside New York State.

   Response: The marketing of the 'as low as' interest rate is misleading. Less than 10% of borrowers qualify for the lender's lowest interest rate while the average interest rate can be 1.5-2% higher. Lenders should disclose upfront, their average interest rate over the last 6 months of lending volume.

10. What qualitative information should the Task Force consider regarding student loan refinancing and the experiences student loan borrowers have had regarding refinancing?

    Response: I can answer this question at a future date after more reflection.

11. What programs do state or federal agencies support to help students loan borrowers refinance their private student loans? What information is available on the effectiveness of these programs?

    Response: State agencies, state authorities and state not-for-profit lenders sometimes provide PSL Refi loans on better terms than private lenders. Their advertised rates and average interest rate (privately available information) are typically lower than private lenders. Unfortunately, their credit

underwriting criteria is as stringent or more than private lenders. This makes it difficult for prospective borrowers to qualify for their low interest rates.

12. What factors limit the availability of private student loan refinancing in the private sector?

    Response: There are two primary factors:

    (1) Stringent credit underwriting criteria

    (2) Rising interest rates

13. What can the public or private sectors do to make safe and affordable private student loan refinancing more accessible to borrowers?

    Response: There are two actions that can be taken:

    1. Transparency: Lenders should disclose upfront, their average interest rate over the last 6 months of lending volume.
    2. Financial Literacy: Lenders should provide borrowers a brief dynamic, question and answer session. This will better address each prospective borrower's circumstances. It will better communicate the appropriateness of refinancing their different loans. In the end, this will allow for more informative decisions.

14. Are there any statutory or regulatory actions that could make private student loan refinancing safer, more affordable, and more accessible? Are there other programs or public incentives that could make private student loan refinancing safer, more affordable, and more accessible? What are the estimated costs, benefits, outcomes, and other effects of these programs?

    Response: I can answer this question at a future date after more reflection.

15. Are there successful public or private refinancing programs addressing debts other than student loans that could serve as a model for a student loan refinancing program?

Response: No.

16. Are there student loan refinancing opportunities that exist outside of New York State, and what are the main obstacles for those opportunities to become available in New York State?

    Response: No.

17. Are there policy solutions for private student loan borrowers other than refinancing that New York State can offer to assist borrowers who currently are seeking to refinance their loans?

    Response: Provide borrowers two methods for counselling by phone and by chatbot.

18. What other information should the Task Force consider in its review and analysis?

Response: I can answer this question at a future date after more reflection.

I look forward to assisting the NYS, Private Student Loan Refinancing Taskforce in any capacity to improve private student loan refinancing decisions of the citizens of the State of New York.

Aaron Pisacane

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