

I LIVE NEW YORK STUDENT LOAN PROGRAM

SUMMARY

clcu proposes a new program to help make college more affordable for students attending colleges and universities in New York State. The program would offer students access to low-cost capital to help meet college costs, and the possibility of full loan forgiveness for those who graduate and then live and work in New York State for five years following graduation. New York is the only large, urban state in the nation, and the only state in the northeast, that does not offer students attending college in the state a low-cost student loan program. For example, the state of Texas offers its students a loan at a 6% fixed interest rate, a rate one-third lower than comparable commercial loan rates in New York State.

The proposed **I Live New York Student Loan Program** would broaden access to low-cost capital, mitigate high-cost student loan debt, encourage degree completion, and offer a strong incentive for students to live and work in New York State after they graduate. The program has three goals:

- **ACCESS:** Eligible undergraduate and graduate students enrolled full-time in a degree program at a college or university in New York State could apply for a low-interest loan of up to \$6,000 a year to supplement other aid, up to a maximum of \$30,000, subsidized through state tax-exempt bonds;
- **SUCCESS:** Upon graduation from college, the accumulated loan balance and interest would be eligible for forgiveness; and
- **RETENTION:** If the student borrower remains in the state, working, for five consecutive years following graduation, 20% of the loan would be forgiven each year up to full loan forgiveness.

Fiscal Impact

The program will be cost neutral to the state for at least the first four years. In the fifth year, the program's cost will correspond to the number of students with I Live New York loans – estimated at \$20 million.

Rationale

Although New York is a national leader in helping students pay for college with its Tuition Assistance Program grant, students from low- and moderate-income families still face a significant gap after available state and federal grants are deducted from cost of attendance at public and private independent colleges and universities. For example, a student (at \$40,000 AGI) attending SUNY University at Buffalo could face an estimated college cost gap of \$13,000 after subtraction of state and federal grants; the gap for a student attending a private independent college or university will often be higher.

Background

Three in four (38) states currently provide college students with some form of tax-exempt student loan program to help students borrow money at an interest rate substantially below market rates offered by commercial lenders. New York is the only state in the northeast that does not offer students a loan program financed by tax-exempt debt.

In Texas, the College Access Loan Program is available to Texas students who are unable to meet the cost of attendance. The Texas program allows students to borrow up to the cost of attendance after other financial aid is exhausted at either a fixed 6% or a variable interest rate. These rates are considerably lower than most alternative loan products available in New York State.

Recently, several states have enacted plans to help students with college costs while also addressing the “brain drain” – the exodus of students who leave to attend college or work after graduation in another state:

- Maine recently passed a loan forgiveness program, Opportunity Maine, for residents who graduate from a two- or four-year Maine college. As long as the student remains in the state, the loan is forgiven over 10 years following graduation as annual state tax credits (\$2,100 for a four-year degree; \$1,000 for a two-year degree). The program is expected to cost the state \$50 million over the next 10 to 15 years.
- Illinois is currently piloting a new loan program at a number of institutions. The College Illinois! Capstone Loan Program offers benefits to encourage borrowers to remain in Illinois upon graduation through income-contingent interest rate or principal reductions.
- Legislators in Indiana have proposed a plan to forgive loans to high-ranking students who pledge to stay in the state after graduation.

Program Details

The I Live New York Loan Program, given the loan's intended low interest rate, and the explicit goal to keep our state's graduates living and working in New York, is very attractive. The program's strength and distinctiveness derives from its combined goals: ensuring access to college, encouraging completion, and offering students an incentive to remain in New York after graduation.

Eligibility

- Eligible students are undergraduate or graduate students enrolled full-time at an approved college or university in New York State.
- Following legislative enactment, the I Live New York Student Loan Program will be phased in with incoming first-time, first year, full-time undergraduate or graduate students.

Loan Levels

- Eligible students can borrow up to \$6,000 annually, or up to the cost of attendance, whichever is less, to meet remaining financial need, up to a maximum of \$30,000 after award of federal, state and other forms of financial aid for which they are eligible, including:
 - All federal and state grants; and
 - Other financial aid (scholarships, grants, work-study) the student is eligible to receive.

Interest Rate

- The interest rate will be set at cost of borrowing plus an allowance for administration. A target rate could be at or below the Texas model of 6%.

Repayment/Forgiveness

- Students who graduate from an approved college or university in New York State, reside in and remain employed in the state following graduation will be eligible for loan dismissal according to the following criteria:
 - Upon graduation, 20% of the loan will be forgiven incrementally over five years provided the student remains employed in New York State.