

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

of the

COMMITTEE ON HIGHER EDUCATION

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October 29, 2008

Start: 1:15pm

Recess: 2:10pm

HELD AT: Council Chambers
City Hall

B E F O R E: CHARLES BARRON
Chairperson

COUNCIL MEMBERS:
Tony Avella
Gale A. Brewer
Larry B. Seabrook
Miguel Martinez

A P P E A R A N C E S

Jim Murphy
Associate Dean for Enrollment
The City University of New York

Gail Baksh-Jarrett
Director, Student Financial Services
LaGuardia Community College

Ben Corpus
Vice President of Student Affairs
Baruch College

Lisa Simpson
Director of College and University Relations
New York State Higher Education Services Corporation

Kathy Crowder
Director of Communications
New York State Higher Education Services Corporation

Patrick Krug
Vice Chairperson
New York Public Interest Research Group

CHAIRPERSON BARRON: Good

afternoon. My name is Councilman Charles Barron. I'm Chair of the Higher Education Committee, CUNY, here in the City Council. I am probably one of the best Chairs in the City Council. I think they had a vote on that recently. I think there was some kind of meeting where it was discussed. And, no one else attended that meeting but me. So, by way of absence, I voted myself as the best Chair of any Committee in the City Council.

But, we have a very, very serious issue today. And, I want to thank Council Member Tony Avella for always being very, very supportive. And, you know how my hearings go. Give him a handclap, 'cause I like his-- give him a handclap, please, you know, or I'll have you removed. See, it's the opposite of Simcha. Simcha said if you clap, you'll be removed. If you don't clap here, I will remove you from the Committee Room. But, I want to thank Tony for always being very, very supportive of CUNY.

This is a very, very serious issue, so serious that today's hearing is really just introducing the issue. And, I do have a

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2 Resolution that has been introduced to the City
3 Council already regarding the impact of the credit
4 crisis and the lack of college students and their
5 credit for loans being included in the \$700
6 billion bailout. So, this is going to be the
7 launching of a movement toward that. In November,
8 we will have another hearing on the Resolution
9 itself to get the City Council to support Senator
10 Schumer's efforts and other senators' efforts to
11 see to it that college students are included in
12 this bailout; that it shouldn't just be for the
13 banks and should also be for homeowners to deal
14 with foreclosures. But, the credit crises brings
15 a real crises to college students as well.

16 So, I'm going to read my opening
17 statement for the record and then, we'll proceed
18 with our hearing. And then, after my opening
19 statement, Tony, if you'd like to say anything,
20 you're welcome.

21 Today's hearing examines the impact
22 of the recent economic crises on student loans,
23 using grants, loans and work-study programs,
24 federal student aid attempts to ensure that all
25 eligible individuals receive financial assistance

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2 for college tuition, room and board, books and
3 supplies and even transportation. While the
4 federal government is the nation's largest source
5 of student aid, accounting for approximately
6 three-quarters of student borrowing, the
7 government also partners with financial
8 institutions to deliver these services.

9 Private lending is often used by
10 students to plug the gap between federal and the
11 total cost of attendance. Recently, in the wake
12 of economic turmoil, some of the largest private
13 lenders, like Sallie Mae, have tightened their
14 credit standards and raised their interest rates.
15 In early October, Sallie Mae told colleges that
16 the current financial markets provide no other
17 choice. And, that once conditions improve, they
18 hope to relax their criteria and serve more
19 students.

20 Unfortunately, while Sallie Mae and
21 others are waiting for conditions to improve,
22 there are millions of students who need financial
23 aid to continue and complete their education. In
24 early October, students at the Sloan School of
25 Management, at MIT, received e-mails that, as a

1
2 result of the nationwide credit crises, Citibank
3 exercised its option to cancel the CitiAssist
4 student loan program. JP Morgan Chase and
5 Citibank have completely closed their doors to
6 students at community colleges and other
7 institutions that the banks consider less
8 competitive.

9 In recent months, more than 50
10 lenders have either suspended government-backed
11 student loans, left the program altogether or
12 begun raising interest rates. With so many
13 lenders downsizing their programs, this Committee
14 believes, and fears, that many more students will
15 fall victim to the credit crises and lose their
16 financial aid options.

17 During the 2007-2008 school year,
18 the U.S. Department of Education provided
19 approximately 83 billion in new aid to nearly 10
20 million postsecondary students. The statistics
21 demonstrate that financial aid is a crucial
22 element in achieving a college degree for a
23 majority of students.

24 This month, the Committee
25 introduced Resolution 1662, calling upon the

1
2 federal government to expand the \$700 billion
3 economic bailout plan to include student loans.
4 We will have a hearing in the future to discuss
5 and vote on this Resolution. The Committee on
6 Higher Education adamantly supports efforts to
7 help students obtain financial assistance to
8 complete their education. As the credit crises
9 continues, we must pay special attention to the
10 student loan market to ensure that students are
11 protected.

12 And, I want to add that, you know,
13 this is probably the biggest, largest welfare
14 check ever given out to the richest people on the
15 planet. There hasn't been a bigger welfare check
16 given out to anyone on this globe than the \$700
17 billion of free money given to the financial
18 institutions here in America. So, they should
19 never ever talk about the welfare state, talk
20 about how poor working class families are just
21 sapping the economy because you're giving them
22 free money. We never had that much free money
23 ever. And, at least, since we're the ones that
24 have to bear the burden to pay this back out of
25 the people of this country, they should at least

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2 protect the college loans for our students.

3 That's the criticalness of this issue. And, we're
4 hoping that it can go beyond a hearing. We wanted
5 to introduce it today and then, get more students
6 involved in it. And, it may not affect CUNY as
7 much. There are some students that'll be
8 affected. But, students all over the country and
9 all over this State and in this City will be
10 tremendously affected by this credit crises. And,
11 we're hoping that we can launch and ignite some
12 movement, some excitement about this so that we
13 can assure that our students receive the financial
14 assistance they need to complete their education.

15 With that, we'll call on the first
16 witnesses.

17 FEMALE VOICE: Jim Murphy, [pause]
18 Gail Baksh and Ben Corpus. [Pause]

19 JIM MURPHY: Light was on. I guess
20 it's not on. Good afternoon, Councilperson Barron
21 and members of the Committee. I am Jim Murphy,
22 University Associate Dean of Enrollment at The
23 City University of New York. Testifying with me
24 today are Gail Baksh-Jarrett, Director of Student
25 Financial Services at LaGuardia Community

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2 Colleges, and Ben Corpus, Vice President of the
3 Student Development at Baruch College.

4 I am grateful to have the
5 opportunity to speak with you today about the
6 impact of the economic crisis on student loans at
7 CUNY. And, I do want to apologize because I am
8 getting a bit of a cold. So, I'm going to have
9 to... I would first like to offer a little
10 background to explain why CUNY students are not
11 quite affected as other students may be by the
12 recent economic events. The two components of the
13 Federal Family Education Loan Program are the Ford
14 Direct program and the Stafford Loan program. The
15 major difference between the two is that in the
16 Ford Direct program, colleges and universities
17 lend students money with funds they receive
18 directly from the federal government. In the
19 Stafford Loan program, banks lend students money
20 and receive subsidies from the federal government.

21 In the mid-1990s, CUNY made the
22 decision to participate in the Ford Direct program
23 rather than remain in the Stafford Loan program.
24 The University wanted to assure a continued flow
25 of loan dollars to its students in the case of an

1
2 economic downturn. We are fortunate that our
3 planning has allowed our students to continue to
4 receive student loans without problems now faced
5 by some students attending colleges that still
6 participate in the Stafford Loan program.

7 Both the Ford Direct and the
8 Stafford Loan programs offer subsidized loans,
9 which are need-based loans; unsubsidized loans,
10 which are open to all U.S. citizens and permanent
11 residents; and PLUS loans, which allow parents to
12 borrow for their dependent students' undergraduate
13 education. Dependent students can borrow, in
14 combined subsidized and unsubsidized loans, \$5,500
15 for the freshman year, 6,500 for sophomore and
16 7,500 for both junior and senior year.

17 Independent students can borrow an additional
18 \$4,000 per year. All graduate students can borrow
19 up to 20,500 per year. In addition, parents and
20 graduate students can borrow up to the cost of
21 education from the PLUS program. The interest
22 rates are 6.0% for subsidized loans, 6.8% for
23 unsubsidized loans, and 7.9% for PLUS loans.

24 At CUNY, 29,000 of our 242,000
25 undergraduates, about 12%, participate in the Ford

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2 Direct Loan program. Approximately 25,000 receive
3 a subsidized loan, with total borrowing amount of
4 95,900,000. About 15,000 receive a unsubsidized
5 loan, with a total borrowing amount of 64,700,000.
6 About 340 participate in the PLUS program for a
7 combined borrowing total of 2,100,000.

8 You will note that the total of
9 CUNY's Direct Loan recipients, about 29,000, is
10 smaller than the sum of the recipients from the
11 three programs. This is because some students
12 have loans from more than one program. The total
13 amount borrowed is \$162 million.

14 In addition to these loans,
15 alternative loans are offered by some banks.
16 These are not backed by the federal government and
17 usually require a cosigner. Interest rates vary
18 and depend on a borrower's credit. For the 2007-
19 2008 academic year, CUNY processed 2,146
20 alternative loans for a total of \$12,600,000.

21 The current financial situation has
22 impacted both the Stafford Loan program and the
23 alternative loans. Some lenders have dropped out
24 of both programs, while other lenders are limiting
25 the pool to whom they will lend. It is

1
2 particularly important that the students know the
3 differences among loan programs. We greatly
4 appreciate the Committee's efforts to highlight
5 and clarify the student loan situation.

6 CUNY has been engaged in its own
7 efforts to ensure that our students have the
8 information and guidance they need to make the
9 best financial decisions, including the use of
10 loans, grants and scholarships. Just this month,
11 we sent out an e-mail communication to all
12 students assuring them that the CUNY student loans
13 are safe because the University participates in
14 the federal Ford Direct program, which is not
15 affected by the current banking crisis. The e-
16 mail also reminds students that they may still
17 apply for student loans through the Ford Direct
18 program.

19 In addition, CUNY is developing a
20 plan to increase the number of financial aid
21 counselors at our campus. And, we are setting up
22 training sessions for financial aid staff to
23 ensure the consistency and frequency of financial
24 information our students receive across campus.

25 The University continues to offer a

1
2 number of tools to help students and their
3 families learn how to finance a higher education.
4 Over the last several years, CUNY has provided
5 free financial aid workshops to the community at
6 large in November, February and May. Five free
7 workshops are scheduled next month throughout the
8 boroughs. Financial aid personnel from CUNY's
9 central office and its campuses also staff
10 Financial Aid Nights at New York City high schools
11 to ensure that students and parents understand
12 what financial aid is available and how to access
13 it.

14 Individual CUNY campuses also
15 sponsor financial aid literacy workshops. One was
16 offered just last week by the New York State
17 Higher Education Services Corporation and Queens
18 College Offices of Financial Aid Services. In
19 addition, if a school, city or state agency, or
20 public official requests a speaker, we send a
21 financial aid representative to offer an overview
22 and answer questions.

23 CUNY's financial aid Web site also
24 has a comprehensive list of resources and answers
25 to frequently asked questions. Our online

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2 financial aid estimator is a tool that the
3 students and their families can use to determine
4 their likely financial aid at CUNY and compare it
5 to other universities. CUNY has offered this
6 service for the past two years. Beginning next
7 year, all colleges will be required to provide
8 such an estimator. That's all colleges throughout
9 the country will be required to provide such an
10 estimator. Our new brochure, *Paying for College:
11 Applying for Financial Aid*, is also on the Web,
12 and a print book version has been widely
13 distributed. I also have copies of that if you'd
14 like to see it.

15 Again, all of us at CUNY greatly
16 appreciate the Committee's efforts to make sure
17 students have access to financial information and
18 assistance they need to pursue a college
19 education. The University will continue to monitor
20 the financial events affecting our country and
21 City and to assist our students in every way
22 possible in financing their education. Their
23 success and their security remain our highest
24 priority. Thank you, again.

25 GAIL BAKSH-JARRETT: Good

1
2 afternoon, Chairman Barron and members of the
3 Higher Education Committee. I am the Senior
4 Director of Enrollment and Student Financial
5 Services at LaGuardia Community College. Thank
6 you for the opportunity to comment on the impact
7 of the current economic crisis on student loans
8 and the effects it has on our students. I would
9 like to thank the members of the Committee for
10 their continued support and their commitment to
11 financing higher ed, especially at the community
12 colleges.

13 The current economic crisis has
14 provided the opportunity for us to affirm that
15 investing in public higher education is the key to
16 sustaining economic growth. We must re-examine
17 the cost of higher ed, paying for college and the
18 benefits it provides to the individual and the
19 society. Declining grant aid has resulted in an
20 increasing reliance on student loans to finance
21 one's higher education. Many lenders are opting
22 not to continue to provide private loans to
23 students. Parents who are delinquent in paying
24 their bills are not eligible for a Parent Loan to
25 help finance their children's higher education.

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2 Although this is not a major issue for students at
3 LaGuardia Community College, it does impact a
4 small percentage of our students.

5 In 2007-'08 of the 15,000 plus
6 students enrolled in degree programs at LaGuardia,
7 52% received some form of financial aid; 78% are
8 minority, 54% attend full-time and 46% attend
9 part-time. Of the new students enrolled in fall
10 2007, 40% are employed full-time. Fifty-four
11 percent of our dependent students live with their
12 parents who earn less than \$25,000 annually.
13 Seventy-two percent of our independent students
14 also earn less than 25,000 per year. Even though
15 public community colleges traditionally cost
16 significantly less than private colleges, a small
17 percentage of our students are not eligible for
18 grants and have no choice but to borrow student
19 loans to finance their education.

20 At LaGuardia, student loans are
21 used to bridge the gap of declining grant aid.
22 Approximately 8% of the students request loans to
23 fund the gap between the aid awarded and the cost
24 of their education. Before a loan is considered,
25 all applicable grant aid options are explored and

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2 the students are advised of their rights and
3 obligations as borrowers. At LaGuardia, students
4 must take and pass a loan quiz to ensure they
5 understand their responsibilities and the impact
6 of their borrowing on their future earnings. Many
7 students do not consider a student loan as a form
8 of aid because it must be repaid. The average
9 student loan debt in 2007-'08 was \$9,300 for a
10 graduating student. This represents 37% of our
11 students' income.

12 LaGuardia Community College is
13 committed to student access and an affordable
14 higher education. As a result of funds from
15 donors, in 2007-'08 we were able to award over 200
16 institutional scholarships to our students to
17 reduce their student loan debt. We provide
18 financial literacy workshops to our students to
19 educate them about the federal, state and
20 institutional resources available to finance their
21 education. We also advise our students of the
22 dangers of excessive borrowing and loan defaults.

23 The economic crisis illustrates
24 that it is critical that our students understand
25 the impact of loans on their future income. We

1
2 must embark on a financial literacy campaign that
3 begins with the seniors in our high schools.

4 Experienced college financial aid officers must
5 educate our low-income students and encourage them
6 to pursue a higher education because it is
7 important to the future of the economy and their
8 livelihood.

9 Our neediest students are the most
10 at risk of attaining a higher education degree.

11 Let us assist them by providing much needed
12 financial literacy workshops to make them aware
13 that, despite the economic crisis, higher ed is
14 vital to their future and the economy. At
15 LaGuardia, our financial literacy programs have
16 enabled our students to make wise choices to avoid
17 potential loan default, which can have a negative
18 impact on their future earnings and their lives.

19 On behalf of the students earning
20 less than 25,000 a year, which is 62% of the
21 population at LaGuardia, I respectfully request
22 that the Higher Ed Committee embark on a financial
23 literacy campaign to advise our students that
24 investment in higher ed is an investment in New
25 York's economy. Specifically, conducting

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2 presentations at community centers, churches and
3 local libraries will demonstrate the ongoing
4 commitment and support for our most at-risk and
5 neediest students in our high schools and
6 colleges. These presentations can include topics
7 on financing one's education, personal finance,
8 budgeting and credit card usage.

9 Today a college degree has replaced
10 a high school diploma as the minimum educational
11 requirement for most jobs. Declining grant aid
12 has resulted in an increasing reliance on student
13 loans. Now, more than ever, the student loan
14 crisis and the current economic climate illustrate
15 the importance of financial literacy. Educating
16 our students to make wise borrowing decisions will
17 ensure that student loans are not a burden, but an
18 investment in their financial future and the
19 economy. Let us make certain that the future of
20 our youth is not mortgaged, so that they can
21 afford their daily living expenses. And, thank
22 you for your time and attention to this matter.

23 BEN CORPUS: Chairman Barron, thank
24 you very much for allowing us to speak today.
25 Councilman Avella, Councilwoman Brewer, good to

1
2 see you. My name is Ben Corpus. I'm Vice
3 President for Student Affairs at Baruch College.
4 And, I'm very pleased to see this issue being
5 engaged at the highest levels of City Council.

6 First, I wanted to give you an
7 outline of Baruch College to help you understand
8 where we are and where we sit and go into a little
9 bit of access and financial aid issues as related
10 to what my colleagues have just talked about. We
11 have about 16,000 students at Baruch College. Of
12 those, about 3,500 are graduate students. The
13 average household income of our undergraduates is
14 about \$49,000 a year. Seventy percent of our
15 undergrads are students of color and 51% are the
16 first in their family to attend college. And,
17 this has been slowly increasing over the years in
18 terms of the number who are the first to attend in
19 their family.

20 Sixty-five percent of our students
21 have parents who were not born in the United
22 States. And, the average number of people in a
23 household of our Baruch College students is 4.3,
24 with the average in New York City is about 3.2, I
25 believe. Half of our students mostly transferred

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2 into the college. Many of them come in from
3 colleges, like LaGuardia Community College, where
4 we have a very healthy pipeline of about 200
5 students a year coming in. And, they also come
6 Borough of Manhattan Community College and other
7 colleges in the City University of New York.

8 The financial aid of our student
9 population is very important to them. About 75%
10 receive financial aid. And, when you talk about
11 financial aid, you have to think about access,
12 which is a very critical component of our mission
13 at CUNY. At Baruch College, we are proud to say
14 that we are one of 20 colleges nationally where
15 over 50% of our students graduate in six years and
16 over 50% of our students receive Pell grants.
17 Pell grant is an indicator of how many students
18 need financial means to attend college.

19 But, comparatively, in terms of
20 private institutions and loans, it is true, as
21 Mr. Murphy had indicated, that our students fair a
22 little bit better than our private counterparts.
23 The Direct Loan program, as you know, allows
24 students to borrow directly from the federal
25 government instead of a bank. And, since CUNY

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2 participates in the Direct Student Loan Program,
3 our students have not been as affected by the
4 problem in terms of finding a bank that is still
5 participating. In addition, the annual maximum
6 that students may borrow has increased and that,
7 coupled with the reasonable cost of a public
8 higher education in New York City within CUNY, has
9 meant that students are usually able to borrow the
10 amount needed to cover their educational expenses
11 from the Direct Loan program.

12 The exception that we see may be
13 within-- we do have some exceptions. But, mostly,
14 we think about our international student
15 population, who are ineligible for federal loans.
16 Although we have not had major complaints, we have
17 heard concerns from this population. And, we're
18 undergoing a process to understand what those
19 issues can be. International students could be
20 affected because they have less likelihood of
21 finding alternative loans and, obviously,
22 cosigners for the guidelines required for those
23 loans.

24 Today, approximately 4% of our
25 freshmen take out student loans. Over the last

1
2 eight years, the average percentage of students
3 taking out loans has been about 3.5% and holding
4 steady. Of the freshmen who do take out loans,
5 the average that they take out is about \$3,000.
6 And, that doesn't include our graduate students,
7 obviously. And, their average is a lot higher.
8 And, the average loan that they take out per year
9 is about \$7,300.

10 We have seen parents taking out
11 loans more and more over the last seven years. In
12 the year 2000, only about ten parents took out
13 student loans. Today, that has increased
14 substantially to about 70 parents taking out loans
15 to the average tune of about \$6,100 a year, which
16 is an important trend to watch and think about.

17 The college's student loan default
18 rate, as mentioned, is one of the lowest in the
19 country at Baruch College. When students do take
20 out loans, if they're unable to pay them back,
21 they go into default. While nationally, the
22 default rates hover around 6%, at Baruch, it's
23 about 1.5%, some of that attributable to,
24 obviously, 80% of the students studying business.
25 We have a good career placement office; good

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2 financial aid counseling and they understand we
3 coincide all of the conversations about their
4 obligations to debt and credit as they take on
5 employment after they graduate and they're very
6 responsible about returning any loans that they
7 may have taken out.

8 How do students, though, get by
9 given some of the statistics that you've heard
10 today? Well, as you're well aware, they receive
11 Pell. They receive TAP. They receive the ACG
12 grants. They also receive the Vallone Scholarship
13 and for colleges like Baruch and Queens and
14 Hunter, this is a critical--

15 CHAIRPERSON BARRON: Just curious,
16 where do they get the Vallone Scholarships from?

17 BEN CORPUS: From this very
18 important body, I think, in the City--

19 CHAIRPERSON BARRON: Oh.

20 BEN CORPUS: -- of New York. I'm
21 not exactly sure. It might be the City Council.

22 CHAIRPERSON BARRON: This? Oh, oh,
23 oh.

24 BEN CORPUS: I was leading to my
25 thanks, but I didn't [laughter], which leads me to

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2 the appreciation that we have for what you've done
3 for the students, because it is a majority of the
4 students that come out of the public high schools
5 of New York City that get that grant. And,
6 therefore, do not have to take out loans. So,
7 that I cannot tell you is a very critical
8 component for financial aid for students at Baruch
9 College.

10 But, the other component is work-
11 study and students who work. Eighty-two percent
12 of the students coming into Baruch expect to work
13 outside of class, outside of campus, in order to
14 make ends meet. When they get there, after
15 realizing things like the generous Vallone
16 Scholarship, ACG grants, etcetera, they realize
17 that-- thank you-- they don't have to work as
18 much. But, a number still do. Seventy percent of
19 Baruch students do work off campus. Fifty-two
20 percent work more than 20 hours a week. And, 30%
21 work 30 hours a week, often at two or three jobs.
22 Juggling two or three jobs, juggling a household
23 family of about five at home, having a household
24 income of \$49,000 or less, makes it a challenge.

25 And, as we know, the research shows

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2 us and the practice indicates Latino and Black
3 families are less likely to go out for student
4 loans and less likely to move forward in thinking
5 about access to higher education with those
6 concerns. And, it's something that I'm very
7 pleased this Council is taking into consideration.

8 CHAIRPERSON BARRON: Well, I want
9 to thank all of you for your testimony. And, just
10 to say, you know, when we have a saying in the
11 black community when America catches a cold, the
12 black community gets pneumonia. And, when there's
13 a crises in the larger community, it usually
14 visits our community, you know, twice as badly.

15 I want to ask you this.
16 Understanding that they're talking about upwards
17 to a \$462 billion deficit in the federal
18 government and Barack Obama, who I believe will
19 become President in a week or two, he's even
20 talking about reducing the budget, cutting
21 spending. State, of course, is cutting spending;
22 took 50 million out of CUNY. The City is cutting
23 spending. The Ford Direct program that's counting
24 on federal monies, are you prepared in the event--
25 what would you do for students in the event that

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2 the money was cut back from that program? This is
3 why we feel that we're in a crises and things that
4 might be safe now, nothing is safe. Are there any
5 plans for dealing with the possibility that monies
6 will be cut from that program?

7 JIM MURPHY: We have no long range
8 plans at this time. I think our initial concern
9 would be that the--

10 CHAIRPERSON BARRON: Will you speak
11 into the mic, please.

12 JIM MURPHY: Sorry. I think our
13 initial concern is that the funds for Pell and
14 SEOG, the grant funds, would be cut first before
15 the loan programs. But, certainly, if there is a
16 shortfall, and they do cut the availability of
17 funds, it will create a problem.

18 CHAIRPERSON BARRON: Well, that's
19 why I think that we need to really be thinking
20 about some plans because it's a good-- we're going
21 to have to fight for TAP. We're going to have to
22 fight for Pell and we're going to have to fight
23 for all of that. And, there is no safe program
24 now in CUNY. So, I do want to encourage you to
25 development some kind of contingency plan in the

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2 event that we suffer the axe. But, right now,
3 you're saying nothing basically is on the books.

4 The Stafford loan program and the
5 alternative loan program, how are they faring
6 right now, because those are directly dealing with
7 the banks?

8 JIM MURPHY: Well, the problem with
9 the Stafford loan program and the alternative loan
10 program is that a number of banks have dropped out
11 of the programs, as you mentioned at the onset. I
12 just had a personal experience with one of the
13 banks you mentioned and an alternative loan for my
14 son, where, you know, apparently the interest
15 rates are going--

16 CHAIRPERSON BARRON: Right.

17 JIM MURPHY: -- are rising and
18 they're not telling anybody. And, of course, you
19 have to complain a little bit and the interest
20 rate comes down. But, not everybody knows that
21 you can, you know, protest your interest rates and
22 get them to come down. But, I have colleagues
23 that work at schools that participate in the
24 Stafford loan program. I could tell you that some
25 of the community colleges in the State, some of

1
2 the private proprietary type schools, they're
3 devastated. They're having--

4 CHAIRPERSON BARRON: Right.

5 JIM MURPHY: -- difficult times
6 finding lenders. And, I think ultimately, we're
7 going to see more students leave the Stafford
8 program and enter the Ford program. The
9 alternative loan program, as I mentioned before,
10 the amount of monies that's available is going
11 down and the interest rates are going up.

12 CHAIRPERSON BARRON: Let me ask you
13 this, why would a student who could leave the
14 Stafford program and go into the Ford program, why
15 would they go into the Stafford program in the
16 first place?

17 JIM MURPHY: It's not the student.
18 It's the--

19 CHAIRPERSON BARRON: It's the
20 banks, you mean?

21 JIM MURPHY: -- the college, I
22 mean. It's the college itself. Back in the
23 early, well, back before 1993 and '94, everybody
24 participated in the Stafford loan program. The
25 Ford program was introduced as an alternative in

1
2 the mid-'90s. And, a number of schools, including
3 the City University of New York, left the Stafford
4 program and went to the Ford program to ensure the
5 continued availability of funds.

6 CHAIRPERSON BARRON: What is the, I
7 know you probably mentioned in your testimony, the
8 percentage of students who are taking out loans
9 that are in the Ford program? And, what
10 percentage is in the Stafford? And, what
11 percentage is in the alternative loan program?

12 JIM MURPHY: In CUNY, we only
13 participate in the Stafford program, I mean the
14 Ford program. And, we have about 12% of our
15 students--

16 CHAIRPERSON BARRON: Twelve, that's
17 what you have--

18 JIM MURPHY: Now--

19 CHAIRPERSON BARRON: So, there's no
20 one participating in the Stafford or the...?

21 JIM MURPHY: Not in CUNY, no.

22 CHAIRPERSON BARRON: Right.

23 JIM MURPHY: The alternative loan
24 program, we have, I did mention, but we have a
25 total--

1
2 CHAIRPERSON BARRON: About 12
3 million.

4 JIM MURPHY: -- of 2,146 students
5 participate in the alternative loan program. That
6 number has actually come down over the past couple
7 of years because they've increased the
8 availability of PLUS loans and raised the loan
9 limits about \$2,000 per year. So, the number who
10 are taking out alternative loans has dropped in
11 the past couple of years.

12 CHAIRPERSON BARRON: And, that will
13 be directly affected by the banking and the credit
14 crises?

15 JIM MURPHY: The alternative loan
16 program, yes.

17 CHAIRPERSON BARRON: The
18 alternative loan program. And, for those, and I
19 noticed that you mentioned that with the Ford loan
20 program, it seems that students have to do a lot
21 of diversified things to really have their tuition
22 paid. You said some had to do work-study. Do
23 students do a combination of things or is the Ford
24 program sufficient for a student to have
25 everything taken care of?

1
2 JIM MURPHY: The Ford program, a
3 freshman can take out up to \$5,500 per year.

4 CHAIRPERSON BARRON: Would that
5 cover it all?

6 JIM MURPHY: That would cover, in
7 the CUNY, that would cover all their expenses.

8 CHAIRPERSON BARRON: I know their
9 tuition it will cover and everything else.

10 JIM MURPHY: It would cover their
11 books--

12 CHAIRPERSON BARRON: Right.

13 JIM MURPHY: -- and fees.

14 CHAIRPERSON BARRON: Books and
15 fees.

16 JIM MURPHY: There is, of course,
17 the housing and--

18 CHAIRPERSON BARRON: Right.

19 JIM MURPHY: -- transportation and
20 other that they may have to look towards other
21 sources. Usually, independent students, an
22 independent freshman, as I said before, could take
23 out \$4,000 more. So, he would be able, he or she,
24 would be able to take out \$9,500. So, they would
25 have a great deal of-- they would have \$9,500

1
2 available, in the case of an independent student,
3 to cover the cost of tuition, fees, books,
4 supplies, transportation and help with their
5 housing allowance.

6 CHAIRPERSON BARRON: What happens
7 to students who are not eligible for TAP or Pell
8 and don't have the credit score to get the loans?

9 JIM MURPHY: Well, the Ford loan is
10 a guaranteed loan. So, they don't need a credit
11 score.

12 CHAIRPERSON BARRON: They don't
13 need the credit score.

14 JIM MURPHY: You could be in
15 bankruptcy and still get the Ford loan.

16 CHAIRPERSON BARRON: And, still get
17 the Ford. So, that's guaranteed to the--

18 JIM MURPHY: Yes.

19 CHAIRPERSON BARRON: --student. I
20 want to thank my colleagues, Council Member Gale
21 Brewer and Council Member Larry Seabrook. And, I
22 think earlier Council Member Miguel Martinez was
23 here. I have a few more questions. But, I'll
24 turn it over to Council Member Gale Brewer, who
25 has some questions.

1
2 COUNCIL MEMBER BREWER: I just have
3 a quick question. I know a lot of students,
4 because of the working that you described, they
5 don't go through in four years, five years, six
6 years. So, how does the loan and/or grants
7 applicable to them, 'cause it's my experience,
8 since I end up paying some of these tuitions, that
9 if you don't get through in four years, then some
10 of these grants don't continue for the fifth or
11 sixth year? Or, maybe I'm wrong. Can you just
12 explain--

13 JIM MURPHY: No, no, you're--

14 COUNCIL MEMBER BREWER: -- that?

15 JIM MURPHY: -- you're correct.

16 COUNCIL MEMBER BREWER: 'Cause I
17 paid a lot of tuitions because there was nothing
18 else there. So, I'm just--

19 JIM MURPHY: The TAP--

20 COUNCIL MEMBER BREWER: [Crosstalk]
21 a lot.

22 JIM MURPHY: The New York State TAP
23 program has an eight semester limit on it. The
24 federal Pell program is a little bit more
25 generous. It has a six-year limit on it. The

1
2 loan programs have dollar amount limits. For
3 instance, somebody, I said before, a freshman
4 could take out \$5,500 a year. If they go through
5 their freshman year twice, they actually can take
6 \$5,500 per both year. And, there's a cap right
7 now of 23,000 for dependent undergrads, which we
8 expect to be raised to 31,000 soon, and 46,000 for
9 independent undergrads. So, there is some limits.
10 And, you know, unfortunately, the number of
11 students graduating in four years is declining.
12 Not that they're not graduating, but--

13 COUNCIL MEMBER BREWER: I saw it in
14 the MMR here, too. Yeah.

15 JIM MURPHY: And, there's a lot,
16 yeah, a lot of different reasons for that.

17 COUNCIL MEMBER BREWER: And so, how
18 do you find students coming to the financial aid
19 office on the fifth year trying to find other
20 funds? Or, how--

21 JIM MURPHY: In the fifth year--

22 COUNCIL MEMBER BREWER: Or, for
23 sixth year.

24 JIM MURPHY: In the fifth year, a
25 student is more likely to borrow than in the first

1
2 four years mainly, because their TAP eligibility
3 has been exhausted.

4 COUNCIL MEMBER BREWER: Right.

5 JIM MURPHY: If they were eligible
6 for the loan, they have a loan eligibility been
7 exhausted and they would have probably been left
8 at this point with just some Pell money, some
9 federal--

10 COUNCIL MEMBER BREWER: Okay. The
11 other question, again, I should know this, but I
12 sign a lot of Sallie Mae things. I'm always
13 signing them. So, I got like 30 or--

14 JIM MURPHY: I got a couple you
15 could sign if you'd like.

16 COUNCIL MEMBER BREWER: No, thank
17 you. I have like 30 of them right now. And, they
18 keep coming in the mail and coming in the mail.
19 And, I, you know, I call up the students from the
20 neighborhood and say excuse me, like, I got
21 another one. So, who signs all of these? I mean,
22 like all the parents are eligible to sign. Do
23 they have enough people in the family; have good
24 credit, etcetera? Is that an issue is what I'm--

25 JIM MURPHY: The--

1
2 COUNCIL MEMBER BREWER: Even to get
3 a loan could be a challenge.

4 JIM MURPHY: Let me just clarify.
5 Sallie Mae does a couple of things. They are a
6 lender in the Stafford loan program. They collect
7 loans for other entities--

8 COUNCIL MEMBER BREWER: Correct.

9 JIM MURPHY: -- other banks. And,
10 they also offer alternative loans.

11 COUNCIL MEMBER BREWER: Correct.

12 JIM MURPHY: The alternative loans
13 are where the parents would come into play so that
14 they would actually be cosigners on loans--

15 COUNCIL MEMBER BREWER: Right, but
16 sometimes--

17 JIM MURPHY: --and, in some cases--

18 COUNCIL MEMBER BREWER: -- there
19 are no parents.

20 JIM MURPHY: And, some cases, they
21 would be... So, in the case of the alternative
22 loan, that's when the parent would come into--

23 COUNCIL MEMBER BREWER: All right.
24 But, so there are enough parents and enough people
25 with credit, 'cause my experience, that's why I

1
2 have 30 of them, is that there's no parent and
3 there's nobody around with a credit record.

4 JIM MURPHY: You're right.

5 COUNCIL MEMBER BREWER: So, I'm
6 yours truly.

7 JIM MURPHY: The alternative loans
8 are based on student credit.

9 COUNCIL MEMBER BREWER: Okay.

10 JIM MURPHY: And, you know, as I
11 told a little bit before, I have a son who's at
12 college and I--

13 COUNCIL MEMBER BREWER: Right.

14 JIM MURPHY: -- took out a-- I had
15 to cosign an alternative loan for him. He has
16 nothing wrong with his credit. But, he's a
17 sophomore in college. He paid whatever he had to
18 pay last year. But, I still had to cosign the
19 loan--

20 COUNCIL MEMBER BREWER: Okay.

21 JIM MURPHY: -- and, fortunately, I
22 have a good credit rating.

23 COUNCIL MEMBER BREWER: Yeah.

24 JIM MURPHY: Not everybody's that
25 fortunate.

2 COUNCIL MEMBER BREWER: Right.

3 JIM MURPHY: I think we're going to
4 see a major problem in the next couple of years at
5 a lot of the private universities in the country,
6 where students are just not going to be able to
7 afford to go to school.

8 COUNCIL MEMBER BREWER: Right,
9 because there's nobody around with the credit to--

10 JIM MURPHY: Right.

11 COUNCIL MEMBER BREWER: -- cosign.
12 So, okay. Thank you.

13 CHAIRPERSON BARRON: [Pause] ask
14 you a few questions about the interest rate. Is
15 it, you know, adjustable? Is it fixed on the,
16 particularly whether Federal Stafford or
17 alternative loan?

18 JIM MURPHY: The Federal Stafford
19 loan program, the interest rate, as I mentioned
20 before, was 6% for the subsidized, yeah, 6.8% for
21 unsubsidized and-- what was the last one-- 7.9% or
22 7.8% for the--

23 CHAIRPERSON BARRON: Would this--

24 JIM MURPHY: -- PLUS loan.

25 CHAIRPERSON BARRON: Would this

1
2 crises have any impact on that?

3 JIM MURPHY: Well, right now, in
4 legislation, the interest rates are scheduled to
5 come down next year. I think the interest rate
6 for a subsidized loan is going to fall to either
7 5.5 or 5.6 for the following year.

8 CHAIRPERSON BARRON: You think
9 that's going to happen even in the midst--

10 JIM MURPHY: Yes.

11 CHAIRPERSON BARRON: -- of all
12 this?

13 JIM MURPHY: It's already in
14 legislation. And, the funds have been
15 appropriated. So, I assume it's going to happen.

16 CHAIRPERSON BARRON: Um, hm.

17 JIM MURPHY: Of course, they could
18 always take the appropriation back. But, they
19 wouldn't do that.

20 CHAIRPERSON BARRON: Right. You
21 better be right. We got him on record and he
22 better be right. I'm going to look you up the
23 minute I see that money come back. I'll come
24 looking for you. We want to thank you so much for
25 your testimony. Once again, this is very valuable

1
2 information. I just want to strongly suggest,
3 again, that we have some contingency plans, 'cause
4 anything could happen. Who would have thought
5 that we would be in this situation that we're in
6 now. And, certainly, anything can happen in the
7 next couple of years and even in the next fiscal
8 year, I can see some major radical things happen
9 with the financial institutions, the federal
10 government. It's just a mess. So, just rethink
11 that just in case they cut the program in half.
12 You only have two-thirds, how would you handle
13 those kinds of situations. Thank you very much--

14 JIM MURPHY: Thank you.

15 CHAIRPERSON BARRON: -- for your
16 testimony.

17 BEN CORPUS: Thank you.

18 CHAIRPERSON BARRON: Next.

19 FEMALE VOICE: Kathy Crowder, New
20 York State Higher Education Services, Lisa
21 Simpson, New York State Higher Education Services
22 and Patrick Krug.

23 LISA SIMPSON: Good afternoon,
24 members of the City Council and fellow witnesses.
25 Thank you for this opportunity to appear today.

1
2 I'm Lisa Simpson. And, I'm the Director of
3 College and University Relations for the New York
4 State Higher Education Services Corporation, HESC.
5 I'm here today with Kathy Crowder, who is the
6 Director of Communications at HESC.

7 We all share a commitment to
8 postsecondary students in New York State. The New
9 York State Higher Education Services Corp, HESC,
10 and its 700 employees provide comprehensive
11 college financial aid services to students and
12 families seeking to obtain access to a higher
13 education. Scores of public and private colleges
14 and universities in New York State, and tens of
15 thousands of students, have received unparalleled
16 service from the Federal Family Education Loan,
17 FFEL, program in which HESC participates. Here in
18 New York City alone, this year, FFEL will serve
19 more than 220,000 students, who receive about 2.27
20 billion in student loans paid to more than 80
21 colleges.

22 As the State agency that helps
23 people pay for college, HESC offers much more
24 beyond loans. We administer two college awareness
25 programs, the Gaining Early Awareness and

1
2 Readiness for Undergraduate Program, GEAR UP and
3 the newly established College Access Challenge
4 Grant Program, as well as 18 need-based
5 scholarships and loan forgiveness programs,
6 including the New York State Tuition Assistance,
7 or TAP, Program.

8 Our staff provides financial aid
9 guidance to college administrators and high school
10 counselors, as well as to students and their
11 families. And now, more than ever, our
12 comprehensive collection of services and programs
13 focus on financial literacy tools and outreach and
14 critical debt management and default avoidance
15 counseling.

16 We appreciate the Council's concern
17 about the availability of student loans. We are
18 pleased with the collaborative efforts of the
19 higher education community in these past months
20 and the success we have had in averting a crisis
21 this year with the help of federal legislation and
22 the Department of the Treasury programs designed
23 to loosen up the credit market for student loans.

24 In the last few months we have seen
25 reauthorization of the Higher Education Act; the

1
2 enactment of the Ensuring Continued Access to
3 Student Loan Acts of 2008 that provides new
4 liquidity to the market, and the specific
5 inclusion of student loans in the Financial
6 Services Recovery Plan. As a result, many lenders
7 have been able to reconfirm their commitment to
8 making FFEL loans.

9 These efforts are working and we
10 are confident that they will continue to protect
11 the availability of these loans until the economy
12 stabilizes. We are well into the academic year
13 and every student who has wanted to obtain a FFEL
14 loan has been able to do so. And, we are
15 confident this year's high school seniors and
16 their families will have loans available for
17 college attendance in the fall semester, 2009.

18 At the state level, we have been
19 working for almost a year now to make sure all
20 eligible students in the state can obtain the
21 federal student loans they need to pursue
22 postsecondary education and training. As the
23 public's concern grew, lenders and HESC secured
24 federal student loans for all who needed them. We
25 worked responsibly with individual colleges and

1
2 financial aid personnel to maintain efficient
3 borrowing and to eliminate unnecessary processing
4 delays.

5 We identified any school-specific
6 lender restrictions and we have updated our system
7 to ensure borrowers only see the lenders who are
8 making student loans at that school. We have also
9 contacted those borrowers whose lender
10 relationships were affected and provided them with
11 the information they needed to help them choose a
12 new lender.

13 In response to a possible lack of
14 adequate liquidity in the marketplace, HESC has
15 also established a Lender-of-Last-Resort program
16 with the approval of the Department of Education.
17 So far, we have not had to use it. But
18 nonetheless, it is an important safety net for our
19 students.

20 As you know, the current economic
21 condition is not a student loan issue. It is a
22 global issue. But we have been able to meet the
23 challenge because of HESC's experience and the
24 fundamental soundness of the program itself. For
25 34 years, HESC has delivered cutting-edge

1
2 technology and programs that help lenders and
3 colleges process grants, scholarships and loans
4 precisely and more efficiently, and help students
5 apply for and receive those scholarships and
6 loans. HESC has always been, and will continue to
7 be, available to the constituencies we share.

8 We, at HESC, look forward to
9 working with you to ensure continue availability
10 of higher education financing using the best tools
11 available. Thank you very much.

12 CHAIRPERSON BARRON: Thank you.

13 Yes, next.

14 PATRICK KRUG: Good afternoon.

15 [Pause] This one? Is that better? Okay. I'm
16 also a student at Brooklyn College. Okay, great.

17 We are deeply concerned about the
18 rising cost of college, the heavy debt burden that
19 many students are forced to carry and the impact
20 the current economy will have on access to
21 affordable, quality education, so I thank you for
22 the opportunity to speak today.

23 Before I address our main topic, I
24 want to remind you that the trouble in the economy
25 is not just affecting student loans. It's also

1
2 driving up students' cost of attending college
3 with higher fees, more expensive supplies and
4 rising transportation costs. Higher costs make it
5 hard to pay for school by squeezing family budgets
6 and shrinking investments; and, in the case of
7 CUNY students, threatening to undermine the
8 quality of our education because of draconian
9 budget cuts.

10 Council Members can be attentive
11 watchdogs and influential advocates for smart
12 student loan policy. That said, I remind you that
13 the most important thing you can do to protect
14 access to affordable, quality higher education in
15 New York City is to fight aggressively protecting
16 funding for financial aid, opportunity programs
17 and the City University. In this economy,
18 students need you to have our back now more than
19 ever.

20 Regarding student loans, the good
21 news is that experts seem to agree that there's no
22 shortage of federal student loans, which are the
23 loans most students get. We haven't come across
24 any students who were unable to get federal loans
25 at any of our NYPIRG chapters. That's not to say

1
2 there isn't bad news. There is. The credit
3 crisis precipitated by the sub-prime mortgage mess
4 has impacted student loans in two major ways.
5 First, some lenders who participate in the Federal
6 Family Education Loan Program, or FFEL, have
7 either pulled out of the student loan business
8 altogether, or have stopped lending to students at
9 what they perceive to be high-risk institutions,
10 such as community colleges, trade schools and
11 other institutions where students graduate with
12 lower loan balances, or colleges with lower
13 graduation or high default rates. Students who
14 borrow private student loans, sometimes called
15 alternative loans which are not backed by the
16 federal government and are dependent on an
17 applicant's or a cosigner's credit rating, are
18 having a tough time. Borrowers with decent credit
19 are paying higher interest rates, and some
20 borrowers with no or so-so credit may not be able
21 to find private loans at all.

22 Increasing numbers of colleges
23 around the country have exited the FFEL Program in
24 favor of the Direct Loan Program, so that their
25 students can borrow directly from the federal

1
2 government and avoid the confusion and hassles
3 that might arise if an FFEL lender stops serving
4 their campus. And, as you heard earlier, CUNY has
5 long been a part of the Direct Loan Program.

6 According to the Project on Student
7 Debt, about 8% of undergraduates borrow private
8 loans. Even before the credit market seized up,
9 private loans typically featured much worse terms
10 than their federal counterparts. Higher interest
11 rates and fees, less flexible repayment options,
12 fewer deferment options and other less-than-ideal
13 terms are all reasons why advocates and financial
14 aid experts often counsel students to avoid
15 private student loans whenever possible. Setting
16 aside the problems with private student loans, the
17 fact that they may cost even more and become
18 harder to get is a real problem for the students
19 who depend on them.

20 One of the most common reasons
21 students turn to private loans is that they have
22 maxed out on their annual federal loan eligibility
23 but they still need more money to pay for school.
24 The Ensuring Continued Education Access to Student
25 Loans Act has increased the annual loan limits on

1
2 federal unsubsidized loans by \$2,000 for
3 undergraduate students, and increased the total
4 loan limit over the course of a student's
5 education to \$31,000 for dependent undergraduates.
6 That should provide some relief, especially to
7 CUNY students. But now, that the cost of
8 attending some local private colleges and
9 universities has reached the \$50,000 a year mark,
10 there will be no doubt that some students who
11 can't get the private loan they need to attend the
12 school of their choice.

13 The measures I've spoken about were
14 all implemented before the most recent round of
15 bank failures and the passage of the federal
16 bailout package. Thankfully, it was clear to
17 policymakers last spring that federally-backed
18 segment of the student loan industry was going to
19 need a bailout of its own. As you know, the
20 federal government has this week started to
21 distribute money to major financial institutions
22 and regional banks in exchange for ownership
23 stakes. Hopefully, the broader bailout will
24 unfreeze the credit markets and, by extension,
25 help make banks more willing and able to provide

1
2 private loans at more reasonable rates. Again, we
3 don't think private student loans are a
4 particularly good option for students, but they
5 should be available to students who have no other
6 choice.

7 So, in closing, we thank the
8 Council's Higher Education Committee for your
9 concern about this issue, and for your record of
10 fighting for affordable and accessible higher
11 education. While we recognize that the City
12 Council doesn't set student loan policy, there are
13 steps we believe you can take to help in this
14 regard. First, direct resources, and lend your
15 name and energy, to efforts to educate students
16 and families about federally-backed student loans.
17 The Department of Education estimates that 40 to
18 60% of students who borrow non-federal private
19 loans are not taking advantage of all the federal
20 grants and low-cost loans for which they are
21 eligible. That's costing them money.

22 Second, you could sound the alarm.
23 Keep drawing attention to the rising cost of
24 higher education, the struggles of students and
25 their families and challenges that they face in

1
2 the student loan market and elsewhere. Help us
3 make the case for affordable, accessible higher
4 education to our state and federal
5 representatives.

6 Third, keep financial aid programs,
7 like Vallone Scholarships and the Safety Net, well
8 funded, even in tough times. Every grant dollar
9 that students get is one less dollar they have to
10 borrow.

11 And, finally, fight to keep CUNY's
12 community colleges well funded. Our community
13 colleges are the first place New Yorkers turn when
14 they need to broaden their skills, improve their
15 resume or compete in a tight job market. We need
16 to make sure that they are affordable and we need
17 to protect the quality of the education they
18 provide. And, I thank you very much for your
19 time.

20 CHAIRPERSON BARRON: Thank you. I
21 want to thank you for your testimony. Very, very
22 interesting. First, I'll ask the same question we
23 asked the CUNY representatives. On the state
24 level, you know, the Governor is talking about
25 some major, major cuts. I think he predicted that

1
2 there'd be a 40-some odd billion dollar deficit in
3 the next five years, maybe 10 billion next year.
4 How do you foresee that impacting the loan
5 program?

6 LISA SIMPSON: Well, as I said in
7 my testimony, right now, we have not seen, on the
8 federal Stafford loans, where anyone has had an
9 issue. We did implement the Lender-of-Last-Resort
10 program in case, as a safety net for the students.
11 That is approved by the U.S. Department of
12 Education, if a borrower were not able to get a
13 FFEL lender.

14 CHAIRPERSON BARRON: Um, hm.

15 LISA SIMPSON: On the alternative
16 side, things are going to get tougher.

17 CHAIRPERSON BARRON: Right.

18 LISA SIMPSON: And so, we don't
19 administer the alternative loan--

20 CHAIRPERSON BARRON: Right.

21 LISA SIMPSON: -- but, having a
22 background from coming from a college, I can see
23 where that could be something that could be a
24 challenge, 'cause the interest rates are going up.
25 And--

1
2 CHAIRPERSON BARRON: Right.

3 LISA SIMPSON: -- the selectivity
4 is getting tougher to get one.

5 CHAIRPERSON BARRON: Could you tell
6 me more about the Lender-of-Last-Resort program?

7 LISA SIMPSON: Yeah, it was
8 something that we set up so access for students
9 would be there. It was something with the
10 Department of Education that we had to set up that
11 if the borrower were not able to get a loan with a
12 bank in the Stafford loan program, that we would
13 become the lender. And, we would initiate the
14 loan. And, it's, in part, a legislation with the
15 federal government. It's an arrangement that
16 guarantors had to implement. So, we have it there
17 as a safety net. We have not had to use it. And,
18 even though some of the community colleges have
19 been not-- some lenders have said they will not
20 participate with community colleges, we still find
21 that there are options out there for those
22 borrowers in the federal program.

23 CHAIRPERSON BARRON: I just wanted
24 to ask the NYPIRG representative, very well, good
25 presentation.

1
2 PATRICK KRUG: Thank you.

3 CHAIRPERSON BARRON: It's going to
4 really help us with a lot of stuff. You're saying
5 that some of the lenders have pulled out of some
6 of the student loan programs altogether. And, are
7 you projecting a greater crises than what we have
8 now? Or, not being in absolute crises now, but
9 are you projecting that in the future, if this
10 trend continues, that there would be a greater
11 crises for students? And, you also was wise to
12 mention that so many other things that students
13 need money for and how are students are faring?

14 PATRICK KRUG: Well, I don't know
15 that we're projecting that. I think we're fearful
16 of it. And, I can tell you, from my personal
17 experience, I'm a little bit older than most
18 undergraduates. And, I go to Brooklyn College,
19 which is not a community college. And, I have to
20 fund this myself because I don't have rich
21 parents. And, I don't live at home anymore.

22 CHAIRPERSON BARRON: Um, hm.

23 PATRICK KRUG: So, last year, I was
24 eligible for a private loan to help me augment,
25 you know, the federal loans that I got with no

1
2 problem. This year, I got the federal loans, also
3 with no problem. But, I'm no longer eligible for
4 the private loans. They wanted me to get a
5 cosigner and nothing's really changed with my
6 status. They've just made it more difficult. I
7 think they're taking a closer look at people. So,
8 I've had to go to work more, which puts me on,
9 what I call the five-year plan. It's going to
10 take me five years to graduate, unfortunately.

11 CHAIRPERSON BARRON: Are a lot of
12 students in your predicament? Do you have any--

13 PATRICK KRUG: Sure. I've
14 encountered a lot of students in my position.
15 People are having trouble affording books because
16 they're outrageously expensive.

17 CHAIRPERSON BARRON: Yeah, books
18 are...

19 PATRICK KRUG: And, people are
20 simply lacking the time to get their school work
21 done because they have to go to work.

22 CHAIRPERSON BARRON: Gale.

23 COUNCIL MEMBER BREWER: What would
24 you and NYPIRG suggest? I mean, I know you made
25 some suggestions as to education. But, are there

1
2 other ways that you think government could be
3 helpful? In other words, maybe we should have a
4 five-year program at the federal level, as opposed
5 to four years. And, should there be, if possible,
6 more work-study or more-- it's easier to work on
7 campus than off campus, is another example. But,
8 again, all this takes resources.

9 PATRICK KRUG: That's true.

10 COUNCIL MEMBER BREWER: What are
11 some ideas that you might have? I was thinking
12 more online books would help, because a lot of the
13 books are not possible to get online. Now, you
14 could argue we all need the text. I'm a real, I
15 mean, I like the text, too. But, some of the
16 funds that the schools get can only be used for
17 books, as opposed to some more software online.
18 So, I don't know. These are some ideas that I
19 have thought of because the books are unbelievably
20 expensive, \$100 just gets you--

21 CHAIRPERSON BARRON: That's right.

22 COUNCIL MEMBER BREWER: -- to get
23 started with the book.

24 PATRICK KRUG: That's right. What-

25 -

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2 COUNCIL MEMBER BREWER: Again, I'm
3 paying for a lot of these things, so I know cost.

4 PATRICK KRUG: That's a great idea.
5 And, it's something we've actually been working
6 on. Textbook pricing is a big deal for us. I
7 mean I paid \$600 at the beginning of the semester
8 for just this semester. And, we had--

9 CHAIRPERSON BARRON: Just for your
10 textbooks? Just for your...

11 PATRICK KRUG: Just for textbooks.
12 And, we--

13 COUNCIL MEMBER BREWER: And,
14 there's--

15 PATRICK KRUG: -- actually have an
16 online book exchange that we're trying to get
17 started up. But, we're also interested in, maybe
18 legislation or something like that to, you know,
19 get the schools and the professors to, you know,
20 before classes start, put the ISBN numbers and
21 such for the books out there so that we can order
22 them online.

23 COUNCIL MEMBER BREWER: Right. So,
24 that you can do more online and then, download
25 what you need. But, you don't have to buy the

1
2 \$100--

3 PATRICK KRUG: Yeah.

4 COUNCIL MEMBER BREWER: -- book.

5 PATRICK KRUG: Absolutely.

6 COUNCIL MEMBER BREWER: All right.

7 That's something to think about. I don't know how
8 to deal with-- the federal government is another
9 challenge so that the grants would be a different
10 time period. I think that's very difficult to
11 change that legislation.

12 PATRICK KRUG: Right. Well, and we
13 understand that, you know, the City Council is
14 responsible for City things. So, we're just
15 asking you to be our advocates.

16 COUNCIL MEMBER BREWER: All right.
17 So, putting things online early so that people can
18 have the chance to work with that type--

19 PATRICK KRUG: Yes.

20 COUNCIL MEMBER BREWER: -- of
21 information would save some funding perhaps.

22 PATRICK KRUG: Sure, it could save
23 us a lot. And, also, we feel that if the
24 professors actually knew what these books cost,
25 that would be very helpful, because professors try

1
2 to be sensitive to these thing, but they don't
3 always know.

4 COUNCIL MEMBER BREWER: Okay.

5 Thank you.

6 CHAIRPERSON BARRON: Well, thank
7 you very much for your testimony. And, we will
8 definitely be an advocate for you. Any ideas you
9 have, you know, NYPIRG has worked very closely
10 with this Committee on other issues. We've had
11 several hearings on textbooks. And, we're hoping
12 to have an impact on that with the textbook
13 companies. And then, sometimes, you know, you
14 have professors who have friends who have written
15 books and sometimes there's an excessive number of
16 books assigned that perhaps don't need to be
17 assigned in certain classes. So, we're looking at
18 those issues. But, I want to thank all of you for
19 your testimony.

20 LISA SIMPSON: Thank you.

21 PATRICK KRUG: Thank you.

22 CHAIRPERSON BARRON: Seeing no
23 other witnesses, we will continue this issue in
24 November. We plan to introduce the legislation.
25 And, I want to thank Tracy Udell, our counsel and

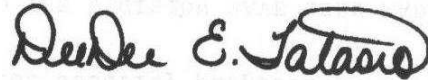
1
2 Tonya Cyrus, our policy analyst and Shadawn Smith,
3 our finance analyst for their preparing this
4 hearing of critical importance. And, I just want
5 to caution us all, again, once to have some plans
6 for the future because they say there are bad days
7 ahead. And, I think the rich are getting richer
8 and the poor are getting poorer. Students are
9 struggling. And, we certainly, in this Committee,
10 will continue to champion the cause of CUNY
11 students so long as we exist as a Committee.
12 Thank you very much. And, this hearing is
13 adjourned.

14

C E R T I F I C A T E

I, DeeDee E. Tataseo certify that the foregoing transcript is a true and accurate record of the proceedings. I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

Signature

A handwritten signature in cursive script that reads "DeeDee E. Tataseo". The signature is written in black ink and is positioned above a horizontal line.

Date

December 18, 2008