

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON CONSUMER AFFAIRS

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February 09, 2015
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HELD AT: 250 Broadway- Committee Rm, 14th Fl.

B E F O R E:

RAFAEL L. ESPINAL, JR.
Chairperson

COUNCIL MEMBERS:

JULISSA FERRERAS
KAREN KOSLOWITZ
RORY I. LANCMAN
VINCENT J. GENTILE

1 [gavel]

2 CHAIRPERSON ESPINAL: Good morning and
3 welcome to today's hearing on the Committee on
4 Consumer Affairs. My name is Rafael Espinal and the
5 chair of the committee. Today the committee will
6 explore ways to advance financial literacy education
7 for the youth of the city of New York. The hearing
8 includes an oversight topic and one piece of
9 legislation. The oversight topic concerns education
10 and outreach on financial literacy for young adults.
11 As you know finances have been a challenge for every
12 generation. However, young people today in council
13 and economic climate that is still recovering from
14 the great recession and one that requires a greater
15 sense of financial awareness. Everything seems to
16 cost more these days. Our jobs are scarce and wages
17 have stagnated. Although a four year college degree
18 is still an important determining factor for success
19 the cost of that education has grown much faster
20 than the rate of inflation. The result is that many
21 college students graduate with a significant amount
22 of debt. When you factor in the customary post
23 college challenges like housing and living expense
24 to that preexisting college debt it is clear that
25 young people are in dire need of some type of

1 financial management assistance. The recently
2 released budget repulse about President Obama's
3 administration, anticipates a student loan default
4 rate of approximately 25 percent. This debt is
5 compounded by the fact that many of these same young
6 adults carry other debt such as high interest credit
7 cards which is often used to cover living expenses.
8 In addition to college rate of debt there is also a
9 high summer youth unemployment rate in the, in New
10 York City; as much as 30 percent according to
11 bureau, the Bureau of Labor Statistics and Wall
12 Street Journal reports. The size and scale of these
13 trends suggest an economic concern not only for
14 young adults but for society as a whole. It has been
15 estimated at the cost of one unemployed 18 to 24
16 year old is 41 hundred dollars to the state and
17 federal governments. The impact to the economy due
18 to the late spending by young adults whose
19 generation is more populous is very alarming. A may,
20 it may well be that overall health of our economy
21 hinges on the success of our younger generation. The
22 city council may not be able to address these
23 structural economic problems but it can make efforts
24 to ensure that young adults are given the necessary
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1 tools to cope with the financial realities at hand.
2 To that end the committee will hear testimony from,
3 from the Department of Consumer Affairs which
4 oversees the Office of Financial Empowerment as well
5 as from advocates and educators in the field and
6 other interested parties on this matter. The
7 committee will also hear testimony on intro number
8 458 sponsored by Council Member Treyger. Intro 458
9 will require that the Department of Consumer Affairs
10 to create and decimate education on outreach
11 materials regarding consumer protection issues
12 affecting young adults. It also requires that
13 Department, the, it also requires that the
14 Department to make these materials available to the
15 chancellors of the New York City public school
16 system and to the City University of New York.
17 Before, before I'd like to acknowledge my
18 colleagues, we have Rory Lancman from Queens, we
19 have Julissa Ferreras from Queens, and we have Karen
20 Koslowitz from Queens, and myself from Brooklyn,
21 sorry I just had to throw that in there. But I'd
22 like to call up the first panel. We have
23 Commissioner Julie Menin from the Department of
24 Consumer Affairs. And I just want to note that at
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COMMITTEE ON CONSUMER AFFAIRS

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some point my colleague Mark Treyger will be walking in to give testimony and to talk about, talk on his bill.

JULIE MENIN: It's on now, great.

CHAIRPERSON ESPINAL: Okay.

JULIE MENIN: Thank you Mr. Chairman. I'm Julie... [cross-talk]

CHAIRPERSON ESPINAL: Thank you. Thank you Commissioner but before we, we begin... [cross-talk]

JULIE MENIN: Oh.

CHAIRPERSON ESPINAL: ...I'd like to administer an oath.

JULIE MENIN: Ah.

CHAIRPERSON ESPINAL: So if you can raise your right hand... Do you affirm to tell the truth, the whole truth and nothing but the truth in your testimony before this committee and to respond honestly to council member questions?

JULIE MENIN: Yes I do.

CHAIRPERSON ESPINAL: Thank you.

JULIE MENIN: Great. Thank you so much. Before I begin let me first of all introduce my colleagues who are here Nicole Smith who's our

1 Deputy Director of OFE and Mary Coolie who is our
2 City Legislative Director. So first of all let me
3 just say I'm absolutely delighted to be here. This
4 is a subject that is very near and dear to my heart
5 so I'm thrilled that you're doing this hearing today
6 and we have a lot to say so I hope you'll indulge us
7 in the terms of the length of our testimony but we
8 have a lot to talk about. So first of all thank you
9 again for inviting us to testify about improving
10 financial literacy among young people which is an
11 issue that our agency agrees is of great importance
12 and certainly very integral to the work in terms of
13 the Office of Financial Empowerment which we run. As
14 you know DCA's overall mission is to empower
15 consumers and businesses alike to ensure a fair and
16 vibrant marketplace. We license approximately 80
17 thousand businesses cutting across 55 different
18 industries. And we also mediate complaints between
19 consumers and businesses. We conduct patrol
20 inspections and legal investigations. We certainly
21 educate businesses about laws and rules and we also
22 enforce New York City's earned sick time act
23 commonly known as the paid sick leave law. In
24 addition to the licensing consumer protection work
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1 and labor related work that I mentioned we of course
2 as you mention operate the Office of Financial
3 Empowerment, also known as OFE. OFE was founded in
4 2006 as the first government program in the country
5 with this... specific mission to educate and empower
6 and protect individuals and families with low income
7 so that they can build assets and of course make the
8 most of their financial resources. At its core the
9 goal of all of these financial empowerment work is
10 to ensure that New Yorkers with low incomes have the
11 guidance to make crucial financial decisions and
12 have access to affordable and safe products and
13 services that will stabilize and improve their
14 finances in the long term. To achieve this goal OFE
15 employs several financial empowerment strategies
16 including providing high quality financial education
17 and professional one on one financial counselling at
18 the 30 financial empowerment centers that we run
19 across the city connecting New Yorkers to safe and
20 affordable mainstream banking products, improving
21 access to income boosting tax credits so I, we were
22 thrilled that you were at our EITC day. I'll talk a
23 little bit more about that and other asset building
24 opportunities and engaging in public outreach and
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1 legislative advocacy to advance the cause of
2 consumer financial protection. OFE also looks to
3 build the financial empowerment field through
4 technical assistance through partnerships and
5 cutting edge research. To this end OFE works with
6 government agencies, community based organizations,
7 philanthropic partners, think tanks, as well as the
8 private sector. I'm now going to describe some of
9 OFE's services and the outreach it conducts. OFE's
10 flagship program is our network of nearly 30
11 financial empowerment centers which provide free
12 confidential one on one financial counselling across
13 sites in all five boroughs for a minimum of 30
14 minutes but often times for quite longer financial
15 counselling sessions at our centers involve
16 conducting a full financial health assessment with
17 clients and enrolling clients in one or more service
18 plans that can help clients become more financially
19 secure in areas such as banking, savings, credit,
20 debt, or budgeting. Additionally each financial
21 counsellor works with his or her clients to identify
22 and complete at least one milestone which is also
23 known as an action step. Such milestones can include
24 the completion of a realistic budget, a review of a
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1 client's credit history, or the former launch of a
2 dispute with a creditor. Since the program began in
3 2008 our centers have served over 33 thousand
4 clients conducting almost 55 thousand counselling
5 sessions and helping clients to build more than
6 three million in savings and reduce their debt by
7 more than 21 million dollars. In the calendar year
8 2014 our center served almost 10 thousand clients
9 including 7,122 clients seeking debt reduction
10 assistance OFE served 921 clients between the ages
11 of 18 and 24. And of these 414 sought debt reduction
12 services. Since the inception of our program OFE has
13 focused on refining the model to ensure clients
14 receive the highest quality service and to identify
15 opportunities to reach New Yorkers before they are
16 in crisis and before they're struggling with credit
17 cards, student loans, and other debt. And let me
18 just veer off my prepared testimony for a minute.
19 One of the things we're really excited about at OFE
20 it, and it's a change in the last administration is
21 we're really trying to make our centers more
22 proactive. Rather than wait for people to come to us
23 and before how OFE operated is people would need to
24 call 3-1-1. Often times there was a two to four week
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1 wait to make an appointment we're in the process and
2 we already have for the vast majority have made all
3 our centers walk-in because again we want to be as
4 accessible as possible. We're also very focused on
5 program where we can bring our counselors to the
6 people, to NYCHA, to community centers, to youth
7 centers, to senior centers, so again a much more
8 proactive model. So I'd be happy to talk more about
9 that but I did just want to highlight that. As can
10 be expected many of OFE's clients have been victims
11 of the very type of predatory lending that today's
12 hearing seeks to address. Student or credit card
13 loans with high interest rates or hidden fees for
14 example, and also automobile loans particularly
15 those given for the purchase of a second-hand car.
16 DCA has launched several investigations with the
17 goal of preventing New Yorkers from falling victim
18 to deceptive and predatory tactics such as those
19 that have been employed by some second hand auto
20 dealers and I have certainly testified on that
21 subject before but I'm happy to answer questions
22 about that. Pursuant to its admission DCA also
23 develops public awareness campaigns and engages in
24 robust advocacy and outreach around many topics
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1 including financial literacy and empowerment. For
2 example each year during tax season. OFE leads the
3 city's tax credit campaign partnering with volunteer
4 income tax assistance or VITA sites and community
5 providers to help families avoid paying high fees
6 for tax preparation services and to support asset
7 building. In 2014 our partners prepared over 96
8 thousand returns and help low and moderate income
9 families receive close to 133 million dollars in
10 refunds. This year DCA launched the largest public
11 education and outreach tax credit campaign in the
12 city's history securing over three million dollars
13 in public and private funding with a goal of
14 increasing the number of eligible New Yorkers who
15 use the city's coalition of professional tax
16 preparation services by approximately 50 percent. In
17 addition the city's annual tax credit campaign
18 increases awareness about tax credits that puts
19 money back into the pockets of hard working New
20 Yorkers including of course the EITC, the largest
21 poverty reduction tax program in the United States.
22 For working families in New York City EITC claims
23 average 2,500 dollars and can be worth as much as
24 8,293. If you take in the child tax credit as well
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2 it can be up to 10 thousand dollars that we're
3 talking about that some families are leaving on the
4 table. Combined with other tax credits such as the
5 New York Child tax credit these credits can total as
6 I said almost 10 thousand dollars. For those with
7 low incomes tax refunds are often times the largest
8 lump sum payment received all year and create a
9 critical moment to build tax savings. OFE also
10 partners with city agencies and organizations
11 throughout the city that focus on youth. One of the
12 most common and challenging issues faced by youth,
13 one which can offer and persist well into adulthood
14 is that of student debt. In 2011 in partnership with
15 the then Mayor's Office of Adult Education OFE
16 launched the Know Before You Enroll campaign to
17 highlight abuse as a proprietary and for profit
18 schools and to encourage New Yorkers to research
19 training programs, explore free and low cost
20 education options to beware of taking on a large
21 amount of school debt, get help understanding school
22 contracts, and report negative experiences in that
23 regard. Many students are not aware of the
24 consequences of enrolling in for profit schools
25 which often engage in aggressive marketing and false

1 advertisement. As many of this, as part of this
2 campaign DCA contracted with the coalition for
3 debtor education to develop materials that were used
4 to train financial educators on how to talk to youth
5 about student debt. Several trainings were delivered
6 and OFE has access to an ownership of the materials.
7 We also prepared a list of tips to help New Yorkers
8 understand how to protect themselves before they
9 take on debt or pay to enroll in one of these for
10 profit programs. These tips are available in
11 English, Chinese, Spanish, Russian, Haitian, Creole,
12 Vietnamese, Arabic, and French. OFE has offered
13 technical assistance to the New York City Department
14 of Youth and Community Development for financial
15 literacy workshops to participants of its summer
16 youth employment program. In 2014 five hour
17 financial literacy workshops were offered over
18 12,451 youngster youth participants age 14 to 15 in
19 2014. Older youth age 16 to 24 receive two hours of
20 financial literacy education prior to the start of
21 their program job. In addition DCA assisted DYCD in
22 researching and securing banking access for program
23 participants. OFE has also been providing assistance
24 to the financial empowerment partner with DYCD on
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1 the City's For Financial Empowerment grant which
2 funded 725 SYEP jobs last summer. Since 2012 OFE has
3 overseen grants to nine social services,
4 organizations and train staff to deliver and track
5 high quality financial counselling through and
6 beyond the grant year. Of these nine organizations
7 four have specifically targeted youth, Brooklyn's
8 Opportunities for a Better Tomorrow, Brooklyn St.
9 Vincent's, Queens Forestdale Ink, and Manhattan's
10 Northern Manhattan improvement corporation. These
11 organizations have integrated financial counselling
12 into their programs and college readiness; GED prep,
13 foster care, internships, and others. As these
14 examples demonstrate OFE is deeply committed and
15 will remain committed to equipping young New Yorkers
16 with the tools to manage their money and to be
17 cognoscente of unscrupulous tactics by businesses
18 and industries. Now I'm going to switch gears and
19 talk a little bit about consumer protection issues
20 that are affecting young adults. There is certainly
21 no question about the necessity for outreach and
22 education on consumer protection issues for people
23 of all ages including young adults. We are pleased
24 that this hearing will give DCA and the city council
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1 the opportunity to highlight the nature and gravity
2 of the consumer issues specifically mentioned in the
3 bill and beyond. According to the united states
4 department of education's national center for
5 education statistics the average annual cost of
6 tuition at both four year public and private
7 institutions approximately doubled between 1995 and
8 2012. With the average annual tuition at a private
9 not-for-profit four year institution at, basically
10 starting at 43,500 in 2012. During the same time
11 NCES also estimates that the number of students at
12 public four year institutions receiving aid or loans
13 climbed 78 percent from 32 percent to 57 percent. In
14 2012 student loan debt exceeded the level of
15 national credit card debt topping one trillion
16 dollars. Approximately 28 percent of New Yorkers
17 between 18 and 34 years old are in debt with student
18 loans. Graduates who attend schools in New York
19 state went from having an average student debt of
20 18,847 dollars for the 2003 to 2004 school year to
21 25,537 in 2012 to 2012, 2011 excuse me to 2012. This
22 is higher than the national average I might note. As
23 tuition is continued to rise young adults are
24 struggling under the burdens of their often high
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1 interest stipulation riddled loans. In October 2014
2 the United States Consumer Financial Protection
3 Bureau or CFPB issued findings from a survey of
4 approximately 53 hundred student complaints. The
5 report found that many private lenders to do not
6 transparently communicate consistent information on
7 how to avoid default in times of trouble. And the
8 borrowers are routinely rebuffed by lenders when
9 they submit complaints about challenges with
10 repayment. Additionally the report found that when
11 relief options do exist they're often inadequate,
12 that processing times can be lengthy and extra fees
13 unaffordable and that many lenders' policy for
14 students to choose between completing their
15 educations and attempting to find employment to
16 repair their loans. The statistics on default rates
17 further illustrate the serious challenges faced by
18 many young adults. The national student loan two
19 year default rates have more than doubled since the
20 mid-2000s with default rates rising for the sixth
21 year in a row in 2013. Despite sharp increases in
22 the cost of and dependence on the student loans many
23 student loan interest rates including those provided
24 by the federal government remain high. Some current
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1 federal loans such as the direct plus loans carry
2 rates of more than seven percent and the federal
3 plus loan issued from 2006 to 2010 carried a rate of
4 8.5 percent. A brief scan of private student loan
5 rates is even more concerning with one major bank
6 displaying on its website a chart showing that a
7 student might have to pay as much as a total of over
8 31 thousand dollars for a 10 thousand dollar loan
9 over a 15 year repayment period. In light of these
10 alarming statistics it is critical that students and
11 families develop a plan for college that will not
12 impair all their finances and that assistance is
13 provided to young adults who are now faced with the
14 overwhelming burden of financing and repaying
15 student loans. That is why OFE offers counselling
16 services and education campaigns and will continue
17 to do so with available resources. So I'm going to
18 talk now specifically about credit card debt. Among
19 other reforms a credit card accountability
20 responsibility and disclosure act of 2009 is
21 expected to help reduce the use of credit cards by
22 college students by restricting marketed, marketing
23 of credit cards to college students and prohibiting
24 approvals to anyone under 21 years of age who does
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1 not have an adult cosigner or the ability to prove
2 that they have the means to pay bills. Indeed in one
3 sign of progress a percentage of students who owned
4 a credit card decreased from 42 percent in 2010 to
5 35 percent in 2012 particularly among college
6 freshman. And the average total amount of credit
7 card debt for those age 18 to 24 decrease from 3,498
8 in 28, 2008 to 2,982 in 2012. However, students and
9 young adults can still acquire credit cards and
10 individuals in their 20s and 30s are now reckoning
11 with the easy availability of credit cards from
12 prior years. In 2012 the overall average debt among
13 young adults age 19 to 29 was 34,765 dollars. Credit
14 card debt can also contribute to the challenges of
15 paying for a college education. 13 percent of
16 college students from middle or low income families
17 in 2012 whose current credit card balance included
18 some college expenses reported leaving school
19 because of credit card debt. It is clear that we
20 must provide guidance now to prepare young New
21 Yorkers to manage their credit cards and debt. In
22 addition to the one on one financial counselling
23 services that DCA provides through OFE we've created
24 and distributed consumer tips and guides in print
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1 and on our website. These materials include
2 collateral such as top ten ways to protect your
3 money, tips to take control of your debt, debt
4 collection information, debt settlement services,
5 information and tips, and smart money lessons for
6 your kids among other useful resources. I'm now
7 going to turn to leasing or buying a motor vehicle
8 as this is an issue of top priority as well. Buying
9 a car can often times be the biggest purchases a
10 person makes and individuals frequently do not have
11 sufficient information or do not understand the
12 consequences of the terms of the purchase. In 2012
13 the cost of auto loans for young adults age 18 to 29
14 was 130 percent over the national average. Auto loan
15 debt is projected to rise through the end of 2015
16 which would continue a trend of auto loan debt
17 increases since the first quarter of 2011. Across
18 the country there has been a dramatic rise in the
19 default rate on auto loans in recent years
20 particularly on sub-prime loans. On July 2014 New
21 York Times article also noted that sub-prime auto
22 loans often come with interest rates that can exceed
23 23 percent. One of the industries that DCA issues
24 licenses is a second hand auto industry.
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2 Specifically we license over 850 dealers across the
3 five boroughs. In 2013 and 2014 DCA received nearly
4 500 complaints about secondhand auto dealerships.
5 But because many consumers do not file complaints
6 with the agency even when they've been deceived the
7 number of complaints and deceptive practice could
8 actually be much greater than that. The emergence of
9 sub-prime auto lending is a serious issue that we
10 are aggressively addressing. In 2014 we launched a
11 legal investigation into used car dealer lending
12 practices based on concerns that dealerships may be
13 engaged in illegal predatory practices such as
14 selling expensive and unwanted add-ons and arranging
15 high interest sub-loans without informing consumers
16 of information they are required to provide. This
17 ongoing investigation is part of our long term
18 vigilant oversight of New York City's used car
19 dealerships. Among those of all these clients who
20 have had auto loan debt we have found that average
21 amounts are more than 12 thousand dollars and that
22 70 percent of these same clients have annual incomes
23 of 6,000 dollars or less. For such clients auto
24 related debts can amount to over 35 percent of their
25 annual incomes, amounts that can be difficult to

1 manage, pay down, and ultimately could leave them in
2 paralyzing debt. As I've mentioned DCA mediated over
3 500 complaints related to second hand auto dealers
4 in 2013 and 2014. And we secured more than 1.3
5 million dollars in restitution. Our consumer
6 services division is a crucial mechanism for
7 receiving resolving these complaints and has been
8 beneficial in enabling us to identify trends that
9 can ultimately inform outreach and education
10 efforts. Consumer services I'm now going to talk
11 about... DCA's consumer services division is certainly
12 the face of DCA for many consumers. It may be their
13 first and sometimes only point of contact with the
14 agency. Most often these consumers are seeking
15 assistance with an individual complaint against a
16 business or information about a particular business.
17 The tens of thousands of consumer requests we
18 receive each year include the mediation of consumer
19 complaints, educating consumers and businesses,
20 processing inspection requests and referring
21 consumers to the correct agency for assistance when
22 the matter at hand is not handled by DCA. We spot
23 patterns of abuse and deception, identify and pursue
24 problematic vendors as well as business trends and
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1
2 report the information internally so that DCA may
3 engage in legal investigations or outreach efforts
4 as appropriate. In addition to licensing second hand
5 auto dealers DCA also licenses and regulates debt
6 collection agencies. Our consumer services division
7 receives and attempts to mediate complaints about
8 both industries and can then seek restitution and
9 issue charges when mediation is not successful. In
10 2014 DCA received 895 complaints about debt
11 collection agencies, successfully mediated 401 of
12 those complaints, secured over 1.3 million dollars
13 in restitution and issued 115 charges. For second
14 hand auto dealers DCA received 1,500 complaints in
15 total, mediated 291 of these complaints, secured
16 approximately 500 thousand in restitution and issued
17 393 charges. Just recently DCA reached a record
18 breaking settlement with National Credit Adjusters
19 also known as NCA a debt collection agency formerly
20 licensed by our agency that collected on illegal
21 payday loans from New Yorkers. NCA agreed to pay
22 almost a million dollars in Consumer Restitution to
23 at least 4,663 New Yorkers and I might add this is
24 the highest amount of restitution or agency has ever
25 been able to secure. NCA must notify eligible New

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2 Yorkers under the terms of our agreement that they
3 are owed money and submit request to the credit
4 reporting agencies to delete the negative
5 information they provided for those New Yorkers. The
6 agreement requires the company to stop collecting
7 all debts in New York City. NCA is also banned from
8 applying for a debt collection, a license in New
9 York City for at least 6 years and is ordered to pay
10 350 thousand dollars in fines. With this settlement
11 DCA has secured more than 3.3 million dollars in
12 restitution for consumers in the first six months of
13 the fiscal year which is 85 percent more than in the
14 same period last year. And that's really a result of
15 the aggressive consumer protection agenda that we
16 are instituting in this administration. Beyond
17 oversight and consumer protection of industries that
18 we license consumer services have been tracking
19 complaints received against predatory higher
20 education providers and forwarding these complaints
21 to other city agencies. Between 2011 and 2014 DC
22 forwarded for example 538 complaints to the Office
23 of Human Capital Development. DCA will continue its
24 work providing one on one assistance to those who
25 may have fallen victim or deceptive or predatory

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2 practices from any industry including those that we
3 are discussing today. I'm now going to turn to my
4 last subject which is outreach and education and
5 potential initiatives that we are looking at. It is
6 DCA's mission as I stated at the beginning of the
7 testimony to not only serve New York City's
8 consumers and businesses but certainly to also
9 educate and empower them. Educating and empowering
10 today's youth who will be tomorrow's consumers is
11 crucial to ensure that they can protect themselves
12 from predatory lending and scrupulous business
13 practices and unsafe financial products and
14 services. I'd now like to share with you some of our
15 current efforts and also new ideas to accomplish
16 this goal. DCA currently issues regular tips on our
17 website and on social media to consumers. And we
18 have now posted the 41 most commonly used business
19 inspection checklist on our website in plain English
20 and in several other languages. It is because of an
21 unwavering commitment to our mission that we've
22 engaged in broad and deep outreach around
23 initiatives such as paid sick leave which I have
24 testified before to this committee and the Earned
25 Income Tax Credit. With respect to both initiatives

1 we've conducted outreach in a multitude of languages
2 and through many different channels including on
3 public transit, print, radio, and television
4 advertising as well as a one on one employee and
5 employer engagement. We would welcome the
6 opportunity to engage in this same scale of outreach
7 around additional found additional foundational
8 consumer protection issues such as those being
9 addressed at today's hearing specifically targeting
10 young adults. This outreach campaign would leverage
11 mediums that are relevant to youth and young adults
12 such as social media, radio, and YouTube. In
13 addition to targeted outreach and education campaign
14 DCA could also expand our partnerships with and help
15 to fund finding for organizations that provide
16 financial education workshops that target high
17 school age youth. Leveraging our existing
18 partnerships DCA could partner with these
19 organizations on potential new initiatives such as
20 curriculum development that could be delivered in
21 the schools, targeted after school programs or other
22 settings. Even without legislative changes to
23 curriculum DCA could work closely with the
24 Department of Education and New York State Board of
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2 Regents to develop a training model that could be
3 easily adapted and implemented by teachers,
4 counsellors, and youth athletic leagues. Such
5 modules could involve short or long term lessons
6 plans and could include multi-media components such
7 as an app for mobile phones. Approaches such as
8 these could also be utilized for increasing literacy
9 around other types of credit products such as credit
10 cards and automobile loans. Educational models could
11 also include components focused on understanding key
12 elements of lending such as interest rates, fees,
13 understanding how to access and monitor credit
14 reports, and gain access to safe and affordable
15 financial products such as OFE Safe Start bank
16 account. These initiatives will be appropriate
17 compliments to DCA's advocacy work around issues of,
18 of consumer financial protection such as devising
19 administrative and potential legislative approaches
20 to addressing the issues of consumer protection and
21 predatory lending. In an effort to increase
22 accountability and protect young New Yorkers DCA
23 could continue to engage industries that are
24 particularly relevant to young adult consumer
25 protection issues such as with debt collection

1 agencies that I mentioned previously. DCA could
2 educate businesses and trained staff on better
3 practices or take enforcement actions if necessary.
4 To ensure the success of these initiatives and
5 strategies DCA would continue to work closely with
6 other city agencies focused on or serving young
7 adults including the Department of Education, the
8 Department of Youth and Community Development, HRA,
9 and NYCHA. While expanding our, expanding our
10 partnerships with community based organizations
11 serving young adults. In conclusion as a
12 commissioner of the Department of Consumer Affairs I
13 firmly believe that helping young adults understand
14 how to manage their money and be aware of predatory
15 or unfair practices is critical. And the ideas we've
16 presented today are just a few of the potential
17 initiatives our agency could undertake. DCA's
18 ability to cultivate necessary in house expertise..
19 team dedicated to working with government agencies
20 as well as the not-for-profit and private sectors to
21 provide targeted services and counselling and to
22 conduct outreach on a scale that is impactful is
23 contingent of course on the provision of additional
24 funding and resources to the agency. Reaching the
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2 estimated 1.1 million young adult New Yorkers will
3 require planning collaboration, execution, at an
4 incredibly large scale. Between Mayor de Blasio's
5 commitment to fighting income inequality which is so
6 often exacerbated by the tragic reality that those
7 with lower incomes are often times frequent targets
8 of predatory lending and the city council's clear
9 prioritization of such issues it is crucial that the
10 requisite resources can be allocated to protect the
11 financial wellbeing and future of all New Yorkers.

12 Thank you again so much for the opportunity to
13 testify today and our team is here to answer any
14 questions that you might have for us. Thank you.

15 CHAIRPERSON ESPINAL: Thank you
16 Commissioner. But before we move forward I would
17 like to acknowledge Mark Treyger from Brooklyn whose
18 bill is that we're having oversight on 458. So Mark
19 I know you have some words you'd like to say before
20 you begin so you can go.

21 COUNCIL MEMBER TREYGER: Thank you Chair
22 Espinal for, for granting me this opportunity and,
23 and for your great work on this committee and to all
24 the members of the committee and thank you
25 commissioner and, and DCA for being here. This, this

1 bill is personal because I, I, as, I was a public
2 school teacher. I taught high school. And currently
3 there really is an uneven policy as far as teaching
4 personal finance in our schools. I do know that the
5 state curriculum of course encourages to teaching
6 economics in, in the later grades. But many of the
7 students that I came across and, and that I hear
8 from colleagues are forced to confront economic
9 realities in earlier age because of certain
10 hardships at home or situations at home. So despite
11 the fact that we're learning world history or global
12 history or US history they still have to figure out
13 how to make ends meet at home and make decisions
14 that will have impacts on their financial future and
15 their, and their fiscal realities. So I just wanted
16 just to preface my remarks by saying that that many
17 of our young people today are are working jobs, more
18 than one to help their families and themselves make
19 ends meet and my concern is that if we do not have a
20 coordinated effort with the education department to
21 reach them and to empower them and to, and to
22 educate them about making the best decisions for
23 themselves and their families they will fall for,
24 fall behind. So having said that countless numbers
25

1
2 of teenagers and young adults who fall into some bad
3 financial practices early in their lives they face
4 the consequences throughout their, throughout
5 adulthood. The reality is credit card companies
6 employ increasingly aggressive tactics in marketing
7 strategies that target high school, college
8 students, and other young adults who do not fully
9 grasp the long term impact of the decisions they
10 make today. For example one recent study showed that
11 the majority of students surveyed were not even
12 aware of their credit card interest rate and
13 approximately half did not know their credit balance
14 an credit limits. Meanwhile the percentage of
15 college students with credit cards increased from 67
16 percent in 1998 to 84 percent in 2008. In addition
17 with nearly three-quarters of four year college
18 students graduating with loan debt which represents
19 the fastest growing type of consumer debt really. As
20 a result it is imperative that they fully understand
21 the commitment they are taking on to further their
22 education while confronting fiscal realities. My
23 proposal would simply create outreach in education
24 for young adults in addressing this unevenness
25 currently in our school system regarding consumer

1 protection issues including information related to
2 credit card debt, student loans, bank accounts, and
3 leasing or purchasing of vehicles. This would be
4 created by the Department of Consumer Affairs and
5 would be submitted to our public schools and city
6 university chancellors so that it reaches students,
7 students ages 16 to 24. Again as a former teacher I
8 saw firsthand how many students did not have the
9 full grasp of their financial situations and the
10 ramifications of those, of, of that, of that issue
11 that, that have on their lives both today and in the
12 future. We can do much better as a city preparing
13 our young adults for the fiscal responsibilities
14 they will face in the coming years. And this
15 legislation would help reach that goal in a cost
16 effective manner. We all know that it often is
17 necessary to take on debt but we must make sure that
18 our future generations are not held back by poor
19 decisions or poorly informed decisions that result
20 from a lack of knowledge or awareness. I again thank
21 you to Chair Espinal and the committee for, for
22 hearing this important legislation. And I look
23 forward to working with my colleagues and the
24 administration for it to become law. Thank you.
25

1
2 CHAIRPERSON ESPINAL: Thank you Councilman
3 Treyger. I just want to say Commissioner Julie Menin
4 that your testimony has answered a lot of our
5 questions. So thank you for, for all the details. I
6 want to continue on the, on, on the credit card
7 issue that has faced many young adults. You know
8 growing up in a low income community I seen a lot of
9 my friends at the age of 18 19 who would, would
10 apply for a credit card. And by the time a year or
11 two later they're already in credit debt and in
12 collections. And I saw that Obama in 2009 passed a
13 law requiring for their parents to be a cosigner. Do
14 you know if the, if the parents have to be in good
15 standing when, when they cosign or is it just like a
16 uh, a permission slip?

17 COMMISSIONER MENIN: We can check on that
18 and get back to you on that.

19 CHAIRPERSON ESPINAL: Mm-hmm. Okay.

20 COMMISSIONER MENIN: Absolutely.

21 CHAIRPERSON ESPINAL: And I also see that
22 OFE serve 921 clients between the ages of 18 and 24.

23 COMMISSIONER MENIN: Correct.

24 CHAIRPERSON ESPINAL: And 414 of those
25 sought debt reduction services. Do you know the

1
2 number that, of, of those that were, were there
3 because of credit card issues?

4 COMMISSIONER MENIN: Okay it, it, the
5 category is, is, is, is debt reduction. We can go
6 back to the providers and get that level of detail
7 for you absolutely.

8 CHAIRPERSON ESPINAL: Okay would you be
9 able to save you know a majority of them were credit
10 cards, credit card related issues or..

11 COMMISSIONER MENIN: Again we'd have to go
12 back and look at that because how the form is it's
13 debt as a general issue. So we'd be happy to go back
14 and get that type of detail for you.

15 CHAIRPERSON ESPINAL: Okay great. Do you
16 currently have any programs? And you might of again
17 touched that on your testimony but do you have any
18 programs that target young adults between the ages
19 of 16 and 24 currently.

20 COMMISSIONER MENIN: Well we definitely do
21 because through the 30 financial empowerment centers
22 that we operate all of our counselors are uniquely
23 trained to help young adults and as we mentioned we
24 have many young adults who come into the centers for
25 debt issues. They can certainly be credit card

1 issues as you mentioned but they can also be student
2 debt issues as well. One of the things as I
3 mentioned earlier that we're very focused on at OFE
4 is changing the outreach model that we're utilizing.
5 So instead of having this more reactive model we
6 really want to get out much more into the community
7 to let people know. So for example we are doing
8 extensive outreach to the 59 community boards, to
9 elected officials, to make sure they know about our
10 OFE centers and all the panoply of different
11 services that we provide so that if young adults are
12 calling your office or your colleague's office that
13 then you can refer that to one of the centers located
14 in the area. And that's also for example why at the
15 end of January we did our EITC day of action where
16 on that day alone we were able to call of our
17 hundred thousand New Yorkers and we followed that up
18 in, in last week with an additional 150 thousand
19 calls, over 250 thousand New Yorkers have been
20 called about that and I mentioned that because many
21 of those are young adults who are working and so we
22 want to make sure that there's no New Yorker who's
23 eligible for EITC that isn't taking it. So I mention

1
2 those because we're taking a very unique and
3 different approach to outreach.

4 CHAIRPERSON ESPINAL: Yeah I just want to
5 say Commissioner again you know under your
6 leadership you have been a great advocate of DOFE
7 office and I thank you for all of their work and,
8 and, on, on, around that issue. It, it... [cross-talk]

9 COMMISSIONER MENIN: Thank you.

10 CHAIRPERSON ESPINAL: It is, it is very
11 important in communities like mine and I think it,
12 you know we should continue working to make sure
13 that every young adult and, and people facing these
14 types of hardships continue receiving the support
15 that your agency provides. So thank you for that.

16 COMMISSIONER MENIN: Thank you very much.

17 CHAIRPERSON ESPINAL: Yeah sure.

18 COUNCIL MEMBER KOSLOWITZ: I don't have a
19 question. I just want to make a statement that it's
20 a pleasure to have you as the commissioner. It's
21 been a very very long time since we have had a
22 commissioner that cares about the people and makes
23 consumer affairs what it should be about the people.
24 So thank you very much I was the chair of consumer
25

1
2 affairs and had many many problems with... So it's a
3 pleasure to have you.

4 COMMISSIONER MENIN: Thank you very much.

5 CHAIRPERSON ESPINAL: Thank you Council
6 Member Koslowitz. Another question I have is that
7 you also mentioned that prepared a list of tips to
8 help New Yorkers understand how to protect
9 themselves, to pay debt. And I, I think more
10 language that was left... I think we should look at as
11 the Bengali. I, I represent a large Bengali
12 community and I know a lot of my colleagues have
13 seen an increase in, of Bengali immigrants coming to
14 New York City. So I think that's, that's a, that's a
15 language that we should also look at.

16 COMMISSIONER MENIN: Okay absolutely.

17 Thank you.

18 CHAIRPERSON ESPINAL: Just give me one
19 second. Well thank you Commissioner.

20 COMMISSIONER MENIN: Thank you so much.

21 CHAIRPERSON ESPINAL: Thank you. It's
22 always a pleasure.

23 COMMISSIONER MENIN: Thank you. Great to
24 see you.

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COMMITTEE ON CONSUMER AFFAIRS

CHAIRPERSON ESPINAL: Look forward to
continue working with you.

COMMISSIONER MENIN: Thank you very much,
you too.

CHAIRPERSON ESPINAL: I'd like to call up
my next panel. We have Samira Rajan from the
Brooklyn Co-Op Federal Credit Union. We have Eric
Espinosa from Neighborhood Trust Financial Partners
and Tyler Phillips from Neighborhood Trust Financial
Partners. Thank you. Thank you everyone. You know
whoever would like to begin first can begin. I'd
just state your name on the microphone before you
give your testimony.

SAMIRA RAJAN: Thank you. I'd like to
thank the council for the opportunity to share my
views on this important issue. I'm the CEO of a
small credit union in Brooklyn called Brooklyn
Cooperative. We serve 6,000 customers with low cost
savings accounts, checking accounts, ATM cards,
debit cards, and a wide range of affordable loan
products. Our branches are located in two of the
most challenged neighborhoods in New York City.
There's one branch in Bushwick and one branch in
Bedford-Stuyvesant. The topics that are highlighted

1 in the proposal; student debts, sub-prime auto debt,
2 and credit cards misuse of credit cards are indeed
3 among the topics that most affect our members. We
4 review hundreds of credit reports each year from
5 loan applicants and increasingly they contain
6 negative information on a student loan and indicate
7 persistent credit card debt. Coping with these
8 situations can be overwhelming and if we can help
9 young people to avoid them in the first place we
10 would certainly all be better off. At the same time
11 during my time at the credit union I have become
12 wary of generally focused education campaigns for
13 two reasons. First because most of these products
14 are not unambiguously bad. And second because even
15 the most well designed outreach gets mixed in with a
16 raging proliferation of bad information out there
17 with the result that people being impacted by these
18 situations cannot tell the good information from the
19 bad. I would recommend that the council reinforce an
20 existing system that works extremely well to address
21 people's questions about their financial situations
22 and that is the referral system implemented through
23 3-1-1 that direct people to financial empowerment
24 centers which the commissioner spoke about
25

1 extensively. These, she said 30 right, dozens of FEC
2 sites across the borough are, the boroughs are
3 staffed by well trained, multi-lingual and maybe
4 even Bengali who assist individuals through one on
5 one hands on financial counselling sessions. There
6 are many circumstances in which having a credit card
7 is a good thing. We will sometimes recommend that a
8 member obtain a credit card and use it in a way that
9 deliberately establishes a positive credit history.
10 Same with student loans or auto loans. Sometimes
11 these are necessary and excellent tools that enhance
12 a person's ability to earned income and achieve
13 better financial stability. So whether any in
14 particular person should take an auto or student
15 loan depends entirely on where that person is in
16 their life and what is their goal. The best advice
17 for that person will come from a trained counsellor
18 who can offer tailored advice, is available for
19 follow ups and is knowledgeable about the wide range
20 of financial products. Another advantage of
21 directing people to a FAC counsellor is the ability
22 of the counsellor to intervene and to negotiate on
23 behalf of our clients. The credit union is currently
24 a partner with the Brooklyn FEC and a counselor
25

1
2 comes to the credit union twice a week. I have often
3 heard them negotiate directly with creditors on the
4 phone for the behalf, on the behalf of their
5 clients. This type of directed assistance is exactly
6 what is needed by many people who are intimidated or
7 too confused by these companies to resolve their
8 situations alone. In my experience the FE, the FEC
9 staff are excellent. The Office of Financial
10 Empowerment has contracted with strong and reputable
11 organizations with long track records... of attracting
12 private sector funding and committed managements
13 such as neighborhood trust financial partners and
14 the financial clinic both of which Brooklyn Co-Op
15 have worked with in the past and in whom we have
16 full confidence. Another observation I have made
17 working in these low income neighborhoods is that
18 there is many kind of material... it's posted out
19 there to attack people's attention. Often coming
20 from actors who do not have their best intentions at
21 hearts. Right now during tax season we are seeing
22 the tax preparer sign statue of liberty costumes,
23 the promises of instant refunds that are intended to
24 misinform and miseducation and take advantage of
25 people. This is... that Brooklyn Co-Op committed 14

1 years ago to prepare taxes for free in our branches
2 through a vita partnership with the IRS. We are
3 currently the largest non-commercial tax repair in
4 Brooklyn with thousands of people using our services
5 annually rather than falling victim to the fly by
6 night guys. Other scams we see all too often are
7 targeted to home owners with mortgage troubles who
8 are also misguided and end up panning over scarce
9 funds to scam operators. My point is that an
10 outreach campaign may not be able to effectively
11 distinguish itself from the materials already all
12 over our neighborhoods that promise honest
13 information but that don't deliver. Accurate
14 information offered by neutral objective source is
15 scarce yet the city of New York offers its residents
16 a tremendous advantage in this regard and that is 3-
17 1-1. Brooklyn Co-Op receives referrals from 3-1-1
18 for individual financial counselling for free
19 foreclosure prevention counselling because we're HUD
20 approved agency and offer free tax preparation and
21 it works well. People and calling 3-1-1 are guided
22 to credible local non-profit agencies in their zip
23 codes and they have positive experiences. In some
24 for me the terms education and financial literacy
25

1
2 are sometimes too abstract. They can even be
3 perceived as condescending to the people we most
4 need to reach. Most people don't believe they need
5 education as much as they need information and
6 assistance from a credible source. I hope the
7 council will agree that 3-1-1 referrals to the
8 office of financial empowerments, financial
9 empowerment centers exactly fulfil this need. Thank
10 you again for the invitation. I'm happy to be of
11 service in any regard as the council continues to
12 contemplate research, I'm sorry continues to
13 contemplate ways to support low income New Yorkers.

14 CHAIRPERSON ESPINAL: Thank you Samira.

15 TYLER PHILLIPS: Good morning, good
16 morning everyone. Thank you very much for having us
17 today. My name is Tyler Phillips and I represent
18 Neighborhood Trust Financial Partners. Good morning
19 and thank you for the opportunity to provide
20 testimony this morning. As I said my name is Tyler
21 Phillips and I'm the Senior Associate Director of
22 Programs at Neighborhood Trust Financial Partners.
23 Neighborhood Trust Financial Partners. Neighborhood
24 Trust supports the proposed legislation to provide
25 financial literacy, education, and outreach to young

1 adults in New York City. I would like to provide a
2 brief overview on our work and then introduce my
3 colleague Eric Espinosa who will share a story that
4 illustrates the need for improved financial supports
5 for young adults in New York City. Neighborhood
6 Trust was founded in 1995 by Mark Levine who also
7 was a school teacher to bring a credit union to
8 Washington Heights. Over the last almost 20 years
9 Neighborhood Trust has become New York city's
10 leading provider of free financial empowerment
11 services. Our mission is to empower low income
12 individuals to become productive participants in the
13 US Financial System and achieve their financial
14 goals. Our work is guide by asset development
15 research proving that empowering low income people
16 to save and build assets is a critical ingredient in
17 fighting poverty. This goal is best reached by
18 services that combine financial counselling and
19 appropriate transparent financial products. I would
20 like to take this opportunity to express a special
21 thank you to the Office of Financial Empowerment for
22 the continued partnership and service of New Yorkers
23 struggling with personal financial issues.
24 Specifically I would like to thank Commissioner
25

1 Julie Menin for her important work on this issue.
2
3 Every day in partnership with the New York City
4 Office of Financial Empowerment and its Financial
5 Empowerment Center Initiative along with more than
6 30 community partners Neighborhood trust deploys its
7 specially trained core of financial counsellors to
8 serve clients across the five boroughs. We help our
9 clients build a financial action plan and access
10 socially responsible credit union products so they
11 can reduce debt, manage cash flow, avoid, avoid
12 predatory financial services, and save for the
13 future. Our experience working with tens of
14 thousands of New Yorkers including young adults
15 underscores the extreme financial distress of so
16 many households today. In 2014 Neighborhood Trust
17 served 5,500 clients, an estimated 10 percent of
18 whom were between 18 and 24 years of age. Many of
19 these young adults are struggling with large amounts
20 of high interest credit card debt, crushing student
21 debt, and lack a basic understanding of the
22 financial system. As a result we often observe young
23 adults who make decisions with, without full
24 knowledge of the implications and potential dangers
25 of the financial choices they make. For example I'd

1
2 like to draw the committee's attention to a January
3 9th, 2015 news piece featuring a neighborhood trust
4 financial advisor titled 'Who Really Profits from
5 For Profit Colleges' published in Latino USA. The
6 article highlights the impact for for profit
7 colleges and students many of whom are low income
8 enroll and pay tuition with borrowed money and then
9 struggle late, struggle later to repay this, that.
10 Many of our clients, especially those who are young
11 adults struggle with large amounts of student debt.
12 And we support the work of the committee to help New
13 Yorkers by providing information that can aid them
14 in making an informed decision about the full
15 consequence of taking out student loans. On behalf
16 of Neighborhood trust I want to commend the
17 committee for their attention to this important
18 issue and encore you all to put in place programs
19 and policies that protect and promote financial, the
20 financial health of young adults in the city. We
21 will all benefit, especially young adults from
22 policies that strengthen consumer protections. To
23 give you an example of just one person we've served,
24 someone we believed to be representative of dozens

1
2 of thousands of New Yorkers I would like to turn
3 things over to my colleague Eric Espinosa.

4 ERIC ESPINOSA: Thanks Tyler. Good
5 morning. My name is Eric Espinosa and for the past
6 several years I've had the privilege of providing
7 financial counselling services to hundreds of New
8 York City residents at sites in Staten Island in
9 Brooklyn and in now Washington Heights. With respect
10 to my young adult clients they benefit enormously
11 from the personal finance orientation that they
12 receive with neighborhood trust. Here is an example
13 of one client I'm working with. Our collaboration is
14 a work in progress but I believe that this story
15 supports the need for an enhanced focus on this
16 demographic as proposed by the committee. So I
17 started working with Rafael in September of 2012.
18 And I wanted to share his story with you today
19 because his situation presents an example of a
20 student who managed to avoid for profit schools but
21 who is still facing the enormous financial
22 consequences of not having managed his student loans
23 in an optimal and an informed way. In 2004 Rafael
24 went to college and worked part time. He used the
25 money from his part time work to cover his living

1 expenses and to try to pay for tuition. His earnings
2 were predictively not enough to cover the cost of
3 his education. And so like many thousands of New
4 York City residents in their 20s he took out student
5 loans. To fast forward a bit Rafael who is a few
6 semesters away from graduating with an MBA in
7 marketing had a family emergency which forced him to
8 temporarily stop attending school. At the time
9 Rafael was not familiar with federal student loan
10 forbearance and deferment options. So when a student
11 loan servicers began to call and to write him to
12 demand payment Rafael tried his best to just avoid
13 them. He knew that the extreme nature of his family
14 emergency met. He could not spare any money to put
15 towards his student loans. And since he did not have
16 any money to pay he reasoned that he would just be
17 wasting everyone's time by describing the nature of
18 his hardship to his student loan servicers. So by
19 the time Rafael was rated to go back to school he
20 had seven different loans totaling about 30 thousand
21 dollars in debt all of which were in default. As
22 long as Rafael had loans that were in default status
23 he could not go back to school because he was not
24 eligible to receive any more loans. So since
25

1
2 Rafael's main priority was to finish school I helped
3 him consolidate his loans out of default. Rafael did
4 go back to school. He did graduate. But the cost,
5 excuse me, but the cost of his last few semesters in
6 addition to the capitalized interest and especially
7 the penalties from the time of his default meant
8 that his student loan balance had quickly ballooned
9 from the 30 thousand dollars that I mentioned before
10 to 75 thousand dollars in debt as of September in
11 2014. Rafael is currently underemployed and doing
12 his best to navigate a difficult job market. We are
13 making the most of his limited income and repairing
14 the damage that the default his student loans had on
15 his credit profile. In the coming months I will work
16 with Rafael and I am confident that we will improve
17 his financial situation. However we would all agree
18 that his best to concentrate on efforts that will
19 prevent situations like this one from repeating. And
20 I believe that the proposed idea from the committee
21 will move us in that direction. So on behalf of
22 Tyler and the entire Neighborhood Trust Team I
23 really thank you for giving us the opportunity to
24 testify here today.

1
2 CHAIRPERSON ESPINAL: Thank you for the
3 record I just want to say I'm not the Rafael you're
4 mentioning.

5 ERIC ESPINOSA: I was going to mention
6 that... [cross-talk]

7 CHAIRPERSON ESPINAL: But you know I
8 really appreciate all the work you're doing for this
9 young man and hopefully, hopefully we, we, we, we
10 have a great outcome. And any way the city council
11 could be helpful with that I think we'll be more
12 than happy to help out.

13 ERIC ESPINOSA: Appreciate it.

14 CHAIRPERSON ESPINAL: I also want to
15 acknowledge, I want to acknowledge my colleague from
16 Brooklyn. We have Vinny Gentile. Alright I'm going
17 to pass, pass the mic to Vinny.

18 COUNCIL MEMBER GENTILE: Thank you Mr.
19 Chairman. I'm curious; the loan, the loan servicers
20 for, for Rafael did they not somehow write to him
21 and inform him about deferral, a deferral on, on his
22 student loan?

23 ERIC ESPINOSA: So in Rafael's case in
24 particular he simply just left school and six months
25 out is when your loans come due. And so they do

1
2 start to call, they do start to write and in the
3 language, there's a lot of language about you know
4 the, the loans that are coming due and the amount
5 that is due. And way down at the bottom there are
6 some options to call us if you wanted to work out an
7 arrangement there is not necessarily laid out
8 specifically.

9 COUNCIL MEMBER GENTILE: So they don't use
10 the word forbearance or deferral?

11 ERIC ESPINOSA: Oh they, they do, they do.

12 COUNCIL MEMBER GENTILE: Mm-hmm.

13 ERIC ESPINOSA: But you know a lot of the
14 times our clients are just in a situation that in,
15 in, in Rafael's case in particular he just knew
16 everything related to, he had already had his mind
17 made up he's, everything related to the student loan
18 I can't even handle right now based off of what's
19 happening to, you know with my family and so me
20 contacting them is really just going to be a waste
21 of time because I have nothing to give them, they're
22 not going to want to hear my, my sob story.

23 COUNCIL MEMBER GENTILE: So part of it is
24 that he wasn't really reading what was being sent to
25 him, he just kind of put it aside. This isn't...

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ERIC ESPINOSA: Arguably.

COUNCIL MEMBER GENTILE: Yes, okay.

Because it, it would, it would seem to me that the student loan services should make a, a valiant attempt to, to get somebody who's not paying into some kind of forbearance or, or deferral period.

ERIC ESPINOSA: Sure... [cross-talk]

COUNCIL MEMBER GENTILE: Right?

ERIC ESPINOSA: I'm in complete agreement.

COUNCIL MEMBER GENTILE: Right. Thank you Mr. Chair.

CHAIRPERSON ESPINAL: Thank you Gentile.

We have Councilman Koslowitz.

COUNCIL MEMBER KOSLOWITZ: How did it go from 35 thousand to 75 thousand? I understand you know interest and whatever but that'...

ERIC ESPINOSA: Sure, no it's an extreme jump. And so included in that are the last few semesters that he needed to graduate. But additionally when your student loans go into default status there is a provision on federal student loans that if you are, there are several, there are mainly two options to get your loans out of default. And if you use consolidation which is the fastest one to

1
2 getting your student loans out of default the
3 collection agency in the law is often guaranteed a
4 certain percentage of their collection efforts. And
5 so that amounts to anywhere between 18 percent of
6 the loan that just gets capitalized right away in
7 order for the collection agency to get their, their
8 bit of money and feel comfortable releasing this
9 loan back to the Department of Education. And so
10 really the 18 percent in addition to the, the couple
11 of semesters that he had is really what, what made
12 the balloon happen. But without those 18 percent he
13 would really not be looking at, at a steep of climb
14 right now.

15 COUNCIL MEMBER KOSLOWITZ: Thank you.

16 CHAIRPERSON ESPINAL: What title... you
17 mention in your testimony that there was a, I guess
18 a, an article written saying that the majority of
19 low income students end up going to for profit
20 colleges. And something that has always interested
21 me as well is, is, it is, I've had the, the chance
22 to read this article yet but do they mention on why
23 is, that, that's, that's the case?

24 COUNCIL MEMBER KOSLOWITZ: Yeah so the,
25 the, one of the main reasons why I think there's an

1 attraction to these, these for profit institutions
2 is I think because they, they market heavily
3 they're, they're on the subway, they're kind of,
4 they're, they're low barriers to entry often with
5 the, with, with the processes and, and actually
6 getting the, the money for college so I think it's
7 unfortunately a trap that many, many folks in low
8 income communities fall into because they see a kind
9 of life line. They see a way out and they see a way
10 out and they see an education right, right within
11 grasp. And they simply, they, they go for it. And,
12 and unbeknownst to them sometimes there's often
13 plenty of debt that accrues that they might not be
14 aware that they even signed for. And often times
15 these, these particular institutions may close their
16 doors. It might not be a reputable program so, so
17 not only now is the, the student who is hoping for,
18 for a better life more education now they're settled
19 with debt but also the institution is not providing
20 the quality type of education that they would, that
21 they signed up for.

23 CHAIRPERSON ESPINAL: Alright thank you.
24 Yeah I always find it mind boggling on why that was
25 the case especially when we have City University of

1
2 New York which I'm proud graduate from which I'm
3 sure probably makes more financial sense to go to
4 CUNY than, than going to these for profit schools. I
5 have a question for the Brooklyn Cooperative. What,
6 what do you find is the, is the most effective forms
7 of outreach when it comes to you know the financial...
8 young adults?

9 SAMIRA RAJAN: [off mic] I think the point
10 that I wanted to make is that it's, it would, it
11 would make more sense to direct... [on mic] Thank you.
12 I feel like it would make sense to direct people who
13 have questions to 3-1-1 because I think that's other
14 types of outreach which speak specifically to
15 mortgage troubles or you know call us if you need to
16 sell your home and call us if you have trouble with
17 Student Loans, I feel like that kind of language
18 when it's used often in these communities they lead
19 you to a bad guy. And so in order to avoid that
20 language and I think to direct people to credible
21 and local, and usually nonprofit agencies it's, it
22 seems like in those past few years it works really
23 well to just say you know call 3-1-1 with your zip
24 code and they can tell you who the right people to
25

1
2 go to. And they can tell you who the right people to
3 go to.

4 CHAIRPERSON ESPINAL: Okay. Now
5 Commissioner Julie Menin mentioned that it takes
6 about two weeks to get an appointment through 3-1-1.
7 Do you, with your clients do you happen, do you see
8 that to be the case when your clients come in making
9 that appointment. Does, do they say alright if, you
10 know it took me a few weeks to get this date or do
11 you see that they usually get a, a fairly quick
12 process in order to go see your office?

13 SAMIRA RAJAN: I, I would think within a
14 week or two. I think she's probably right that two
15 weeks, I don't, it doesn't take more than that. And
16 often times they will take walk ins, people, because
17 people don't show up to the appointment. So if
18 there's someone else in the lobby they can go in.

19 CHAIRPERSON ESPINAL: Now do you find
20 timing to be crucial so we're looking to seeing how
21 we can help streamline the process so it could
22 quicker than, and in a week or two?

23 SAMIRA RAJAN: That's fine, week or two is
24 fine.

1
2 CHAIRPERSON ESPINAL: Okay. Well that's
3 it. Well thank you guys I'd like to call up the next
4 panel. Thank you for your testimony. Thank you.
5 Forgive me I mispronounce your name. We have Nan
6 Moriston from the Council for Economic Education,
7 did I say that correctly? Morrison? Oh Morrison.
8 Gotcha, Morrison. David Anderson from Working
9 Support of Education. Thank you. Well just state
10 your name before you give your testimony.

11 NAN MORRISON: Good morning I'm Nan
12 Morrison and I'm the CEO of the Council for Economic
13 Education. Thanks so much for inviting us to be here
14 today. And my parents are both from Brooklyn and my
15 dad went to CUNY. So I knew you were alone amongst
16 the Queens there for a while.

17 CHAIRPERSON ESPINAL: It's great to have
18 Brooklyn here.

19 NAN MORRISON: It's also a pleasure to be
20 here with, with Dave, one of my, my wonderful
21 partners in crime in the financial and economic
22 education universe. So the, the Council for Economic
23 Education or CEE has been at this for a really long
24 time, more than 65 years across the county. We
25 welcome every piece of legislation that furthers the

1
2 cause of bringing greater financial and economic
3 literacy to our young people. Just like to share a
4 few points that are pertinent to this effort at, in
5 our experience leads to real competence for kids
6 hopefully before they get into some of the trouble
7 that we've heard about today. First, well it's
8 beyond the purview of this legislation we found that
9 it's best to start this education as with any
10 education early, as early as kindergarten. Financial
11 and economic principals should be as familiar to
12 kids as reading, writing, math, playing, playing an
13 instrument and they're easily integrated into other
14 subjects. Kids can get a flavor for an economic way
15 of thinking, for instance through fairy tales and
16 fables. The teachers we have trained are really
17 great at this. We have a K through five after school
18 program delivered to some kids through the, the YMCA
19 that reaches kids who are in some really challenged
20 communities and the kids just eat it up. Second
21 these subjects tend to be taught where they're
22 required, requirements matter. New York state as Mr.
23 Treyger mentioned has a requirement in economics,
24 it's a weak one but has no requirement to teach
25 personal finance. Again beyond the purview of this

1
2 legislation but not beyond the purview of some of
3 the people in this room to champion. And in the
4 Chicago public schools there is a one semester
5 required financial literacy class now which is
6 being, which is in about a third of the high schools
7 as we speak. Third teacher preparedness is
8 essential. Providing materials as legislation
9 suggests is a first step certainly but training
10 teachers is really important. Our center trains
11 about 35 hundred teachers every year in New York
12 City, about 55 thousand across the nation. And I
13 would highly recommend our own Gen i Revolution,
14 it's a free online game. It teaches young adults
15 personal finance. It can be embedded on any website.
16 We're partnering with our wonderful colleagues over
17 at Ys to make that even a more meaningful
18 experience. In our experience though no matter what
19 you put out there you have to get the young people
20 to the materials and help them through it. So
21 teachers are really key and they need help
22 themselves in becoming comfortable with these
23 subjects. Finally my fourth point, yes we can coach
24 people on specifics as outlined in the legislation,
25 credit card debts, student loans, buying a car.. and

1 that's really important and really... And Commissioner
2 Menin gave you know the really really sad and
3 staggering statistics on these issues. But it's also
4 really important and possible to give young people
5 the fundamental thinking tools and approaches to
6 solve those and other financial quandaries that are
7 going to arise in their lives. Ultimately what we
8 want is to enable young people to navigate a complex
9 economy and Mr. Espinal talked about that complexity
10 in his opening remarks. And to do so with knowledge,
11 prudence, you know understanding that there are bad
12 guys out there and success. We want them to feel
13 capable and confident about their futures. You know
14 economics and finance, and this has also been
15 mentioned really affect every aspect of our lives.
16 And they should not be a mystery wrapped in enigma.
17 These subjects are foundational tools with which
18 young people build good lives. And we're so grateful
19 to the city council for bringing light to this
20 subject and moving at one step further. So you all
21 know though legislation needs to have teeth, ideally
22 it needs to have funding. Reputable non for profits
23 such as those gathered here and I see another
24 colleague from... American Finance can help connecting
25

1
2 the materials, the teachers, and the students in
3 ways that are effective, standards based I ay dare
4 say fun. So thank you very much for your time and
5 attention to this very crucial subject.

6 CHAIRPERSON ESPINAL: Thank you Ma'am.

7 DAVID ANDERSON: My name's David Anderson.
8 I'm the Executive Vice President of Working in
9 Support of Education. We're an education nonprofit
10 based here in New York City. Our mission focus is on
11 helping to build financial literacy amongst young
12 people. I completely share my colleague and friend's
13 views that starting early is, is really critical and
14 that doesn't mean that the kind of scenario that you
15 were describing with Rafael won't necessarily go
16 away but at least our hope is that if we can help
17 our young minds become financially literate before
18 they graduate from college or from high school to
19 college or the workforce then at least we are
20 helping to put them onto a path of financial
21 wellbeing. Our particular focus is on high schools.
22 There've been some very very good uh data shared
23 with you the, the, the council today. I'll show you
24 chair one other data point ad that is the, it's less
25 than 10 percent of, of students typically graduate

1 high school as financially capable young adults and
2 they're moving to college in the workforce therefore
3 without the tools to be competent managers of their
4 money. And so with that in mind we created a program
5 over 10 years ago here in New York City. It's now
6 national in scope that helps high schools teach a
7 course or unit on personal finance. And the, the,
8 the centerpiece of this program is, is an assessment
9 if you could, in a way you could see us as the SAT
10 of personal finance in a way. We ask high schools
11 who teach a course or unit on personal finance to
12 administer our national standardized certification
13 test upon completion of the course. And the icing on
14 the cake if you will is that students that pass our,
15 our certification test become certified financially
16 literate. And with that certification it helps in
17 their search for work, it can sometimes help on
18 their job, their college applications and so on. But
19 at least it's demonstrating the, a, a body of
20 students around the country are graduating high
21 school with at least the, the, the sound, knowledge
22 and skills that hopefully will lead to a life of
23 financial wellbeing. We also measure, and this is I
24 think the, the, the critical aspect of, of financial
25

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2 education is, is not just how much people know but
3 it's how does what they know impact their financial
4 behavior. And so one of the things that we're,
5 we're, we do is that we, we monitor and measure
6 whether or not instruction in high schools is in
7 fact moving the needle on, on, on student's
8 financial habits outside the classroom. And it's a
9 work in progress. I'll, I'll, I'll say that the,
10 the, the day that we, we, we have is actually very
11 positive. We, we know that we, we pretest students
12 before the course on personal finance and then we
13 administer our certification test at the end and we
14 know that there's a, a, historically there's a 20 to
15 25 percent improvement between students' knowledge
16 going into a course and students' knowledge going
17 out which means that teachers are doing a very good
18 job of, of communicating this, this vital
19 information. We know that somewhere close to three
20 quarters, almost 80 percent of, of students in some
21 states are passing our certification test which
22 means that there's a high level of competency. And
23 third, and this is probably the most important point
24 our, our survey data shows that a, a course or unit
25 on personal finance is in fact having a positive

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2 impact on students' savings behavior, is having a
3 positive impact on whether they become banked. It's
4 having a positive impact on their, their budgeting
5 and on their, on their financial... So there's a,
6 there's a great deal of, of research on both sides
7 of the question as to whether financial education
8 amongst young people really does have an impact. Our
9 belief is that it does. Our data shows that it does.
10 And so we're very supportive of initiatives like
11 this that while not specifically addressing the high
12 school space is, there's none mentioned that aren't
13 really helping to our young people not only it, it,
14 here in New York City to, to become financially
15 capable young adults.

16 CHAIRPERSON ESPINAL: Thank you. You, you
17 mentioned that less, less than 10 percent of high
18 school students graduate financially literate out
19 of, out of high schools?

20 DAVID ANDERSON: There was a study done, I
21 think it was in 2013 by the Jumpstart Coalition for
22 Financial Literacy that said that seven percent of
23 students graduate high school financially..

24 CHAIRPERSON ESPINAL: Wow, it's alarming.
25 And Nan you, you, you mentioned that you believe

1
2 that we should start teaching students in
3 kindergarten financial literacy. Do you agree with
4 Nan? Do you think we should go back that early?

5 DAVID ANDERSON: Absolutely I, you know
6 the, I, we, we specifically focus on high schools
7 but I think the, the, the research will show that
8 the earlier you start the better and you know in an
9 honest it's, it's a great partner rounds and I know
10 that they're, they have terrific programs that
11 really are focusing very early on. It's like riding
12 a bicycle, it's like learning a foreign language.
13 You know the earlier you start the more intuitive
14 you become. So I'm very supportive of initiatives
15 like those of the council for economic education,
16 that, that have a focus on K through 12, and not
17 just the high school..

18 CHAIRPERSON ESPINAL: So then how many
19 schools do we have these programs or do, do we
20 currently have them in our schools?

21 DAVID ANDERSON: Well our program started
22 in New York city in fact and the, we're now offering
23 it in almost a hundred of the high schools across
24 the five boroughs.
25

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2 CHAIRPERSON ESPINAL: Well when it comes
3 to like Kindergarten and first grade and elementary
4 school...

5 NAN MORRISON: So we go at it from a
6 teacher perspective as opposed to a school
7 perspective so I can count teachers. So probably
8 about I would say 800 of the teachers that we
9 trained last year in New York City where elementary
10 school level, level teachers out of the 35 hundred.
11 I can't, I can't count schools because we, we're
12 kind of the educators educator. We train the
13 teachers, provide them with resources and then they
14 go out into their, their schools.

15 CHAIRPERSON ESPINAL: Okay great, yeah
16 sounds amazing. I would love to sit down with you at
17 some point and talk about how we can expand that...
18 [cross-talk]

19 NAN MORRISON: ...stuff with the little
20 kids. I mean it's just, it's really, it's really
21 great. And they intuitively get it. I mean the
22 economy, you know Aesop's Fable and our lesson for
23 that, the Aunt has a bank account and kids get the
24 idea of setting goals, making choices, getting
25 reward at understanding tradeoffs and really those

1
2 are the skill sets as David was saying that you're
3 building on. We're not talking to them about getting
4 a student loan when they're in first or second grade
5 but they understand all the fundamental concepts of
6 choice and tradeoffs that they're going to be making
7 that they'll then use to make better decisions when
8 they get older.

9 CHAIRPERSON ESPINAL: Okay great. Well
10 thank you.

11 COUNCIL MEMBER GENTILE: I'm curious at
12 the high school level when you say students are
13 financially illiterate, what does that mean in
14 practical terms? They have never written a check.
15 They don't know how to write it, write out a check.
16 Is that, is that part of what you're saying?

17 DAVID ANDERSON: Well the, in a sense yes,
18 one of the I think very positive things in financial
19 education is that the, the standards around what
20 young people or people of all ages need, the
21 standards of what you need to know are fairly
22 consistent across the country. And so we have
23 curriculum, the counselor has curriculum and so on
24 that are aligned to those standards. And so when you
25 say someone is financially literate or liter, or

1
2 illiterate, if, if they're literate the, it means
3 that they are, they have the knowledge across all of
4 those standards and it's things like budgeting on,
5 you know it's, it's, do they know, are they banked,
6 do they know how to make good choices when it comes
7 to opening a bank account? You know are they, are
8 they cognoscente about the, the value of saving? Do
9 they know about the types of insurance that they
10 should have? Do they have the, the, the basics about
11 investing? Do they have a sense of, of you know the
12 good and bad of credit and how to use it smartly and
13 things like that. So there's an, there's an array of
14 topics that's, that we would consider and I think
15 organizations like ours would consider that if, if
16 students have the knowledge around those topics then
17 you could consider them to be financially capable
18 young adults.

19 COUNCIL MEMBER GENTILE: So it's at, it's
20 at that basic level that you, you make that
21 determination?

22 DAVID ANDERSON: I think so. I mean the,
23 there's a, a lot of discussion now about you know
24 breadth versus depth. I think we generally take the
25 view that it, you know having a broad understanding

1 is, is helpful. There's, there's the common core is,
2 is sort of slanting this in a slightly different
3 direction right now. But I think having that basic
4 knowledge is, is a terrific starting point for these
5 young folks as they, as they transition into an
6 independent...

8 NAN MORRISON: Yeah as David said
9 there's, there are five or six main standards that
10 are the national standards for financial literacy.
11 The real challenge is a lot of states have adopted
12 standards which is good but only 17 states require a
13 class to actually be taught to these students.

14 COUNCIL MEMBER GENTILE: And we're not one
15 of them?

16 NAN MORRISON: We are not one of them. So
17 as I noted... like the Chicago public schools in New
18 York City we can, we can, we can get through that
19 and get around that and do something in New York
20 City that would be special for New York. But unless
21 you've, you've got the education in some place in
22 the school whether it's a full semester class or
23 integrated into other classes that the kids are
24 required to take; math, technical education, social
25 studies... you know there are a variety of ways where

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2 really sad situation and it's actually not that hard
3 to remedy.

4 COUNCIL MEMBER GENTILE: So then to what
5 extent have either of your organizations or any
6 other organizations made an effort to get the
7 Department of Education either at the city level or
8 the state Department of Education to make this
9 mandatory in the curriculum?

10 DAVID ANDERSON: Well there was, to my
11 knowledge there was a bill proposed perhaps six or
12 seven years ago... [cross-talk]

13 COUNCIL MEMBER GENTILE: State? Yeah?

14 DAVID ANDERSON: To introduce a, a
15 semester long course on personal finance. As Nan
16 pointed out the, there's no requirement for personal
17 finance is such but in the 12th grade economics
18 course in New York state. One of the units needs to
19 be on personal financing. So there is an argument
20 that says we're doing that because within this
21 course on, on economics teachers do have to cover
22 the, the personal finance subject matter. Where it's
23 weak is that there's no requirement as to how long
24 that unit needs to be. It could be a week, it could
25 be six weeks, it could be eight. And so I think the,

1
2 if, if there were momentum to, to, to be you know
3 rebuilt around this possibility of having
4 legislation like the 17 states that she mentioned I
5 think this would be very positive for the state.

6 NAN MORRISON: I, I agree with, with David
7 100 percent and the way that we've seen this
8 successful in other states is when there's a, sort
9 of public private government partnership around
10 saying we need to get this done. What does it look
11 like and how will we find it. And that can be at a
12 city level or it can be a state level. So we'd be
13 delighted to have further conversations and pull in
14 all of the right, the right people that we know and
15 that you know as well as some of our private sector
16 supporters and that's where some of us came from
17 originally, actually both of us. So, so we would be
18 happy to be there and, and enlist your help and let
19 you enlist us.

20 COUNCIL MEMBER GENTILE: Great. Well thank
21 you for your good work, both of you.

22 CHAIRPERSON ESPINAL: Thank you Councilman
23 Gentile and thank you everyone. That concludes our
24 committee hearing.

25 [gavel]

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COMMITTEE ON CONSUMER AFFAIRS

C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify that there is no relation to any of the parties to this action by blood or marriage, and that there is interest in the outcome of this matter.



Date February 12, 2015