

CITY COUNCIL  
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON CONSUMER AFFAIRS AND BUSINESS  
LICENSING

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HELD AT: Council Chambers - City Hall

B E F O R E: RAFAEL L. ESPINAL, JR.  
Chairperson

COUNCIL MEMBERS: Margaret S. Chin  
Peter A. Koo  
Karen Koslowitz  
Brad S. Lander

## A P P E A R A N C E S (CONTINUED)

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[sound check] [pause] [gavel]

CHAIRPERSON ESPINAL: Good morning. My name is Rafael Espinal. I'm the Chair of the Committee on Consumer Affairs and Business Licensing. Today, the Committee will be hearing testimony on Intro Bill No. 52 sponsored by my colleague Council Member Cornegy. Intro 52 would ban companies that charge a fee for student debt relief that is already provided by the federal government. It would also offer a private cause of action for borrowers who fall victim to paying such unnecessary fees. Student loans have been an integral part of post-second education in America for more than 50 years. The Higher Education Act of 1985 established grants and scholarship programs for low-income students and provided low-interest loans to students, which helped to make college available to more Americans. Over the years, the U.S. population with at least a bachelor's degree has grown almost exponentially. In 2017 more than 30% of the population has such a degree, which is double the amount from 1960. Unfortunately, however, the costs to attend college have also skyrocketed. It now costs 130% more to attend a private non-profit college and 200% more to

2 attend a four-year public institution compared to 20  
3 years ago. These rising prices have also outpaced  
4 incomes to the point where the cost of higher  
5 education are now increasing eight times faster than  
6 wages. Given such factors, it is no wonder that  
7 student debt is now the highest non-housing related  
8 debt. In the first quarter of this year, total  
9 student debt reached \$1.52 trillion, the highest it's  
10 ever been. In New York City there are approximately  
11 one million people with student loans, which is about  
12 15% of the population. In total, these borrowers owe  
13 nearly \$35 billion. While delinquency and default  
14 rates of these New Yorkers is slightly lower than the  
15 national average, student loan borrowers in the city  
16 continue to experience financial distress because of  
17 these loans. A 2017 report produced by the Federal  
18 Reserve Bank of New York and the city's Office of  
19 Financial empowerment highlights the plight of  
20 student loan borrowers across the five boroughs. The  
21 research found that older boroughs with—those with  
22 smaller debts and boroughs in low-income  
23 neighborhoods experience the highest loan distress.  
24 For example, there are more student loan borrowers in  
25 Harlem, Jamaica and Queens Village who have defaulted

2 on their loans than in any other neighborhood.

3 Comparing the five boroughs, in the Bronx, 19% of  
4 student loan borrower 90 days past their payment

5 dates while in Brooklyn the rate was 15%, which was

6 still higher than the city average of 14% while

7 Queens, Manhattan and Staten Island were all lower

8 that the city average at 11 to 12%. Give these

9 figures, it is no wonder that services offering debt

10 relief are an attractive option for many New Yorkers.

11 Companies may offer to help borrowers consolidate

12 their loans, explore whether the borrower qualifies

13 for debt forgiveness or advise on how to limit

14 monthly payments. For borrowers, falling behind on

15 payments such as services might be as necessary as

16 they are enticing. However, where student debt

17 relief providers charge a fee for these services, the

18 federal government offers the same services for free.

19 According to the Federal Department of Education,

20 there is nothing a student loan debt relief company

21 can do for you that you can't do yourself for free,

22 and the department offers a range of services at no

23 cost to the borrower. Some borrowers may feel that

24 paid service providers have student loan expertise or

25 are better equipped to navigate the bureaucratic

2 landscape of student loans. However, some student  
3 debt relief companies are running outright scams.  
4 Companies in New York and across the country have  
5 been charged with falsely advertising non-existent  
6 debt relief programs, charging illegal upfront fees,  
7 and falsely claiming to be affiliate with the  
8 Department of Education. When borrowers are  
9 exploited in this way, they get stuck paying for  
10 services they either don't use or qualify for, and  
11 call, and can fall even further behind on their loan  
12 payments. Some borrowers have been stopped paying—  
13 have even stopped paying their student loans after  
14 engaging with the loan service providers because they  
15 incorrectly believe their debt responsibility had  
16 been seized. As a result, these borrowers now owe  
17 more than—more on their debt because of missed  
18 payments. We look forward to hearing today from the  
19 administration, student borrowers, industry reps and  
20 other interested stakeholders on their thoughts on  
21 how we can tackle and prevent such deceptive  
22 practices. Before I call on the Administration, I  
23 just want to acknowledge that we've been joined by my  
24 colleague Margaret Chin from Manhattan, and with that  
25 said, could you please administer that? (sic)

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2 LEGAL COUNSEL: Sure. Do you affirm to  
3 tell the truth, the whole truth and nothing but the  
4 truth in your testimony before the committee, and to  
5 respond honestly to Council Members' questions?

6 COMMISSIONER SALAS: I do.

7 CHAIRPERSON ESPINAL: Thank you.

8 LEGAL COUNSEL: Thank you.

9 COMMISSIONER SALAS: Good morning Chair  
10 Espinal, good morning Council Member Chin. My name  
11 is Lorelei Salas and I am the Commissioner for the  
12 New York City Department of Consumer Affairs. Thank  
13 you so much for the opportunity to testify today on  
14 Intro 52-2018, a bill that would prohibit companies  
15 from charging a fee for student debt relief already  
16 provided without charge by the federal government  
17 unless specific disclosures are made and create—  
18 create a private cause of action for consumers harmed  
19 by violations of the law. I will first discuss DCA's  
20 recent work and provide the challenges impacting  
21 student loan borrowers, and better protect and  
22 promote their financial health. DCA's mission is to  
23 protect and enhance the daily economic lives of New  
24 Yorkers to create thriving communities. Fulfilling  
25 that mission requires us to reach out and listen to

2 New Yorkers about the issues that affect their  
3 ability to control their financial lives and plan for  
4 their futures. With that outreach work we heard a  
5 lot about one issue that weights on the minds and  
6 budgets of many New Yorkers, student loan debt. We  
7 decided to dig into this issue to learn more about  
8 how student loan debt affects average New Yorkers.  
9 In December 2017, DCA released a report of student  
10 loan borrowing across New York City neighborhoods in  
11 partnership with the Federal Reserve Bank of New  
12 York. The report found that there are approximately  
13 one million student loan borrowers in New York City  
14 and that 14% are approximately 90 days or more past  
15 due on their loans. Carrying student loan debt proves  
16 to be enormously consequential (sic) to individual  
17 and family financial help. For example, this debt  
18 reduces a borrower's ability to save for the future,  
19 built as it's like home equity, and causes financial  
20 aid and emotional distress that can impact many  
21 aspects of a borrower's life. Strikingly, these  
22 effects hold true even for those borrowers who are  
23 current on their loan payments. The consequences are  
24 even more serious when a borrower enters delinquency  
25 and default. I just want to add that from personal

2 experience I—I feel like this is an issue that, you  
3 know, it matters to me not just because it's  
4 important to my agency's work, but I am like many  
5 other New Yorkers, went through school, put myself  
6 through school. I was able to not occur any debt  
7 while I attended public schools, CUNY, but I then  
8 went on to get my law degree from a private  
9 university. By the time I graduated I owed close to  
10 \$150,000 in student loan debt. So, that is a lot of  
11 money that honestly it's just not just about a  
12 financial hardship, it starts causing a lot of mental  
13 and physical stress to people, and, you know, I care  
14 about this issues personally because I think it's  
15 important that we act on this and do something about  
16 it now. Our 2017 report was just a first step to  
17 investigating the student loan debt problem in our  
18 city. At the beginning of this year, we put the  
19 findings from our reports to work by launching  
20 student loan debt clinics to help New Yorkers  
21 understand their student loans, and how to repay  
22 them. In partnership with Bedford-Stuyvesant  
23 Restoration Corporation, Phipps Neighborhoods  
24 Opportunity Center, and the New York Legal Assistance  
25 Group, DCA's Office of Financial Empowerment hosted

2 clinics in Melrose in the Bronx and Bedford-  
3 Stuyvesant in Brooklyn, two neighborhoods that our  
4 report identified at having high levels of student  
5 loan debt related financial distress. At our clinics  
6 trained professionals provided education, student  
7 loan literacy and opportunities for financial and  
8 legal counseling. These clinics didn't just help New  
9 Yorkers, they also provided valuable lessons about  
10 the best way to educate and assist those struggling  
11 with student loan debt the DCA can carry forward and  
12 share with other organizations. To better understand  
13 how the consequences of student loans debt shape the  
14 lives of New Yorkers, we needed to hear them—hear  
15 them tell their stories first hand. We started with  
16 a series of events in neighborhoods that our report  
17 showed the highest rates of student loan delinquency  
18 and default, the South Bronx, Mount Eden and  
19 Highbridge in in the Bronx, and East New York in  
20 Brooklyn. We employed a popular education model to  
21 develop conversations about student loan debt where  
22 were could both learn and inform. During those  
23 conversations, we heard from New Yorkers about  
24 obstacles to repayment, confusion about options, and  
25 the negative effects student loan debt can have on

2 their lives. In June, 2018, I chaired a public  
3 hearing called Speak Up Speak Out, a public hearing  
4 about student loan debt in New York City. We heard  
5 testimony from members of the public, experts,  
6 advocates and legal service providers about the  
7 serious and growing problem. Again, we heard about  
8 the many barriers to payment success including  
9 misrepresentations by schools, a lack of trusted and  
10 reliable information, and inadequate support for  
11 borrowers by student loan servicers contracted by the  
12 federal government to handle loan repayment. And, of  
13 course, we heard proposals for how government at  
14 every level could help borrowers in New York City to  
15 mount these barriers and put themselves on a path to  
16 financial help and success. I am very grateful to  
17 everyone who participated in our hearing, and I look  
18 forward to sharing more about our findings and  
19 recommendations with the Council when our full  
20 hearing report is released later this fall. DCA  
21 Financial Empowerment Centers are a critical resource  
22 for New Yorkers who are struggling to navigate the  
23 student loan repayment process on their own. At our  
24 centers, professional financial counselors provide  
25 free one on one assistance with tackling debt,

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2 improving credit, creating and managing a budget and  
3 saving and planning for the future. Counselors have  
4 received in-depth training on student loan issues,  
5 and can help guide New Yorkers in the complex and  
6 sometimes confusing process of repaying student  
7 loans. There are more than 20 financial empowerment  
8 centers located across the five boroughs, and any New  
9 Yorker can schedule an appointment just by calling  
10 311. Since 2014, our financial counselors have  
11 helped more than 1,100 clients take action related to  
12 their student loan debt including checking the status  
13 of their student loans, consolidating their student  
14 loans or payments and/or bringing their student loans  
15 out of the vault. Unfortunately, some actors seek to  
16 exploit students and borrowers for their own gain.  
17 Last week I announced the DCA has filed a complaint  
18 in state court against Berkeley College, one of the  
19 largest for-profit colleges in New York State with  
20 approximately 4,000 students alleging violation of  
21 the Consumer Protection Law and debt collection  
22 rules. In addition to educating consumers, DCA is  
23 committed to using all the tools at our disposal to  
24 help companies who play on the hopes and dreams of  
25 consumers seeking higher education accountable. Of

2 course, it is important to recognize the student loan  
3 debt is a national but not just—and not just a New  
4 York City problem. According to recent reporting,  
5 total student loan debt in the United States is over  
6 \$1.5 trillion, and students who earn bachelor's  
7 degrees in 2016, left school with an average debt  
8 load of \$30,000, but the story doesn't end with  
9 students. Parents are also taking on increasing  
10 levels of student debts to help pay for their  
11 children's educations. The Federal Consumer  
12 Financial Protection Bureau has handled more than  
13 60,000 complaints related to student loans since  
14 2011. The student loan debt and its consequences do  
15 not fall evenly. In 2015, the research organization  
16 Vemos found that despite having lower rates of  
17 college completion, young black households are far  
18 more likely to carry student loan debt than their  
19 white counterparts. Gender also plays a role.  
20 Earlier this year, the American Association with  
21 University Women found that women hold nearly two-  
22 thirds of the outstanding student loan debt the  
23 country, and many struggle to pay back their loans  
24 likely due in part to the fact that women still earn  
25 less than men on average. Tackling the student debt

2 crisis is just as much about equity as it is about  
3 opportunity. DCA is committed to helping New Yorkers  
4 affected by student loan debt, and we look forward to  
5 partnering with the Council to do so. I will now  
6 turn to the bill before you today, Intro 52. Intro  
7 52 is intended to address one piece of the student  
8 loan debt problem by banning businesses from charging  
9 for services that are available free with simple  
10 phone call to the Federal Department of Education or  
11 a borrower's loan servicer. Intro 52 would allow  
12 companies to continue charging for student loan debt  
13 relief services if they make certain disclosures  
14 about the availability of free services from the DOE.  
15 The bill would also create a civil right of action  
16 for consumers who are harmed by a company that fails  
17 to comply with the law. A complaint filed by  
18 Attorney General-General Barbara Underwood last month  
19 visibly demonstrates the ways in which these  
20 companies can harass, deceive and harm consumers.  
21 The complaint describes how companies both through  
22 advertising and in communication with borrowers  
23 misrepresent the qualifications of their sales  
24 people, the prices they charge, the results they can  
25 obtain for consumers whether the company is

2 affiliated with the government, whether a consumer  
3 can obtain a service on their own, and the programs  
4 for which a consumer is eligible. The complaint also  
5 alleges that these practices results in real consumer  
6 harm. For example, one consumer decided to t take on  
7 thousands of dollars of debt to pursue a graduate  
8 degree because a student loan debt from the company  
9 has shown her she qualified for a forgiveness program  
10 that would wipe out her debt when, in fact, she—she  
11 did not. As a result, the consumer was left to  
12 figure out how to repay thousands of dollars in loans  
13 she counted on being forgiven for a degree she  
14 wouldn't have pursued if she had known the truth. I  
15 commend the Council for moving quickly to focus  
16 attentions—attention on the problems caused by  
17 student debt relief companies. DCA support the  
18 effort to prohibit these companies from charging for  
19 services available for free from the federal  
20 government. I would like to a few suggestions on the  
21 bill for the Council's consideration. First, we are  
22 interesting hear more from the Council about why the  
23 broad safe harbor through disclosure is necessary,  
24 and desirable. DCA understands that in some cases a  
25 consumer may wish to pay an experienced third party

2 to help them navigate complex government programs  
3 even if the services are available for free.  
4 However, the DOE itself warns the public about  
5 student loan debt relief companies saying no its  
6 website often these companies are charging for  
7 services you can easily manage yourself, and  
8 according to the Federal Trade Commission, there's  
9 nothing they can do for you that you can't do  
10 yourself for free. The FPC has acted against many of  
11 these companies, and maintains a list of more than  
12 400 entities that are banned from providing debt  
13 relief services. We hope to work with the Council to  
14 refine the bill to strike an appropriate balance  
15 between the availability of services that are  
16 actually helpful to consumers, and the prohibition of  
17 those that are harmful. Second, we suggest  
18 clarifying that DCA is authorized to pursue  
19 restitution on behalf of consumers. When we bring an  
20 enforcement action in an administrative tribunal.  
21 The bill already makes this remedy available to  
22 consumers who pursue a civil cause of action and it  
23 would be helpful to make clear that these remedies  
24 are available in agency actions taken pursuant to  
25 these provisions as well. It's not just helpful.

2 It's actually necessary. Finally, if the disclosure  
3 of safe harbor remains in the bill, the council  
4 should consider requiring that the disclosure be  
5 signed by consumers and a copy retained by the  
6 student loan debt relief services company. The bill  
7 should also create a rebuttal presumption that a  
8 company did not provide the disclosure if they are  
9 unable to produce a copy signed by the consumer.  
10 These requirements will create a record showing the  
11 consumers received and acknowledged the document and  
12 will help DCA hold them accountable. Thank you for  
13 the opportunity to offer comments on Intro 52. We  
14 look forward to working with the Council as this bill  
15 moves forward through the legislative process. The  
16 Law Department is still reviewing the proposal, and  
17 again, than you for the opportunity to offer insight  
18 into the work that DCA is doing on this very, very  
19 important and critical issues that is the student  
20 loan debt. So, I am here and happy to answer any  
21 questions, and I'm joined also by my colleague Casey  
22 Adams who is DCA's Director of City Legislative  
23 Affairs. Thank you.

24 CHAIRPERSON ESPINAL:

25 COMMISSIONER SALAS:

2 CHAIRPERSON ESPINAL: Thank you,  
3 Commissioner. I just want to acknowledge that we've  
4 been joined by Brad Lander from Brooklyn and Peter  
5 Koo from Queens, but thank you for your testimony. I  
6 really appreciate all the work DCA is doing to—to  
7 help those students—those that have student loans  
8 with the relief they need, and the support they need  
9 to get on track and making sure they don't fall  
10 behind in their payments. So, I just want to flush  
11 out more on the safe harbor comment you made. So,  
12 you—you believe that there shouldn't be any safe  
13 harbor for—for anyone that's—that's charging for debt  
14 relief services.

15 COMMISSIONER SALAS: We believe that  
16 there is—there are some cases in which individuals  
17 are actually receiving incidental assistance with  
18 accessing some of these services as part of a larger  
19 package of financial advisement. In some cases you  
20 may engage with a financial planner who may be  
21 assisting you also to—to figure out what your debt  
22 looks like, and what kinds of programs do you qualify  
23 for, right? In those cases maybe it makes sense to—  
24 to—to allow them to continue to offer those services,  
25

2 but we do think that the language by now is so broad  
3 that it needs refining.

4 CASEY ADAMS: And I think that we are—  
5 we're looking forward to hearing more from the  
6 Council and from advocates today about how these  
7 relationships shake out in practice so that we can  
8 strike that appropriate balance.

9 CHAIRPERSON ESPINAL: You know, I  
10 personally agree with you. You know, these are free  
11 services. They exist. I think consumers should—  
12 should look for those free services and be more aware  
13 that they're available. They should not be paying  
14 folks for services. The government is offering for  
15 free, and I think we—we look—we've had similar  
16 conversations especially around like immigration  
17 services, right, and people paying for these services  
18 that possibly they can get free from government  
19 agencies or offices as well. So, I personally agree  
20 and it is something that I will bring back to the  
21 bill's sponsors as well. I thought it was a good  
22 point.

23 COMMISSIONER SALAS: Thank you.

24 CHAIRPERSON ESPINAL: I guess my next  
25 question is can you go deeper into what the process

2 is like for someone who—who has student loan debt and  
3 what can be—what—what services does DCA offer. Like  
4 walk me through the process. So, if I'm having  
5 issues paying my bills, and I see on DCA's website  
6 that you offer some sort of services, do I call 311  
7 or?

8 COMMISSIONER SALAS: [interposing] Yes.

9 CHAIRPERSON ESPINAL: And so, and you'll  
10 walk me through that?

11 COMMISSIONER SALAS: Yes, definitely.

12 CHAIRPERSON ESPINAL: For anyone that's  
13 listening that—that probably needs help and--

14 COMMISSIONER SALAS: [interposing] Sure.

15 CHAIRPERSON ESPINAL: --wants to know  
16 where they can go.

17 COMMISSIONER SALAS: Yes. So, as you are  
18 aware, our office, DCA has been hosting the Office of  
19 Financial Empowerment for close to-or over a decade  
20 already and this office. Its mission is really to  
21 focus on improving the financial health of New  
22 Yorkers. So, we manage. We offer financial  
23 counseling—financial coaching one-on-one in New York  
24 City to all New Yorker regardless of income and  
25 immigration status. We have over 20 Financial

2 Empowerment Center across the city, and as you said,  
3 it's very simple to access our services. You can  
4 call 311. You can also—I believe we can visit our  
5 website. You can text us and I'll get you the—I think  
6 it's, you can text. We'll get the text number. But  
7 it's super simple to—to access us. The moment you  
8 call us you will be guided to the Financial  
9 Empowerment Centers that are closest to you to where  
10 you live or where you work. Our services are  
11 available in different languages. The counselors  
12 have language capacity, cultural—cultural capacity to  
13 serve individuals from different immigrant  
14 communities. They are okay, they are professional  
15 and they are there to really handhold you as you  
16 think about creating a budget, helping your debt,  
17 improving your credit score, and as I mentioned in my  
18 testimony just a few wees ago we held an intensive  
19 training for the Counselors to give them even more  
20 specialized skills on handling issues like student  
21 loan debt so they can better guide New Yorkers as  
22 they're trying to—to address these decisions.

23 CHAIRPERSON ESPINAL: So, it's—it's free  
24 financial counseling--

25 COMMISSIONER SALAS: Yes.

2 CHAIRPERSON ESPINAL: --and how to get  
3 out of underwater.

4 COMMISSIONER SALAS: Absolutely free.  
5 There are some existing loan repayments or loan  
6 forgiveness programs that we are, you know, we'll be  
7 able to help people access, but we also want to start  
8 early, right. We want to meet with parents who have  
9 students saving for college. We want to meet with  
10 aspiring students to make sure that they understand  
11 how to weigh their options as they make these really  
12 important decisions, these like basically life  
13 changing decisions because one you are buying an  
14 education, you are really--you--you may end up in that  
15 for a long time. And so, we want people to make the  
16 right---the right decisions for themselves and the  
17 text number you can text Talk Money to 42033 and  
18 you'll be able to get an appointment with our  
19 financial counselor.

20 CHAIRPERSON ESPINAL: Can you repeat that  
21 again?

22 COMMISSIONER SALAS: Talk Money to 42033.  
23 That's the number you text, right?

24 CASEY ADAMS: And as well, Council  
25 Member, we should say that we in addition to the

2 individualized help that we do, we also leverage all  
3 the knowledge that we gain. So, for example we have  
4 a tip sheet here for student borrowers, which I  
5 believe all of you should have as part of your  
6 packet. So, we are—we're committed to not only  
7 providing our individualized assistance, but in—in  
8 some of what you heard in our testimony and with that  
9 document there, those are examples of us deploying  
10 that to help people who haven't yet come in for  
11 financial empowerment center appointment.

12 COMMISSIONER SALAS: I would also add  
13 that you referred to our research report, and I also  
14 mentioned that we are using our findings to really  
15 target our services to those communities that need  
16 the most, right. So, it really has been very  
17 important for us to be able to do this work, to get  
18 the data and then to really think about where we can  
19 put our resources so that we are really serving the  
20 most vulnerable New Yorkers.

21 CHAIRPERSON ESPINAL: Can you speak to  
22 the federal program that absolves student—student—  
23 student—student debt if they work for the government  
24 for ten years? Have you—have you worked in—in with—  
25 with folks that—that—that fall in—in that paradigm?

2 COMMISSIONER SALAS: So, what I can tell  
3 you is what we've been learning through the work that  
4 we are doing both in doing advocacy, doing research  
5 and thinking about potential programs that we could  
6 even make available in the city, right. I-it is-it's  
7 like the Public Service Loan Forgiveness Program is-  
8 is available. It's still-it's still standing today,  
9 and we're, you know, fighting to make sure it  
10 continues, but it's definitely-it's received a lot of  
11 public attention right now because it can be  
12 confusing to access that program, and-and there have  
13 been people who have tried who thought they were  
14 enrolled in the program, and they weren't. And so,  
15 we are internally thinking about tools that can be  
16 useful for people to-to be able to really access this  
17 kind of relief. There is that-that-that program, but  
18 in addition to that, I have to say there are a number  
19 of other programs even in New York State that go  
20 towards loan forgiveness for specific professionals  
21 like teachers, and other professionals, and people  
22 with disabilities also can get their entire loans  
23 forgiven. So, we are really trying to put together  
24 materials that would capture all of these

2 opportunities that people are not necessarily taking  
3 advantage of.

4 CHAIRPERSON ESPINAL: Okay, well thank  
5 you. I mean it's no secret that student loans debt  
6 is—is the biggest financial crisis that Millennials  
7 are facing, and for that reason, a lot of folks in my  
8 generation probably will never be able to own a home,  
9 probably will never be able to get underwater and—and  
10 live so-called the American Dream that we try to  
11 provide here. So, you know, I appreciate all the  
12 work you are trying to do, and I would love to  
13 continue working together to make sure that we figure  
14 out ways that we can continue providing relief for—  
15 for those folks.

16 COMMISSIONER SALAS: Thank you. I'm must  
17 volunteer that we are in the process of publishing a  
18 second report in the next couple of weeks or so that  
19 looks a little more in—in-depth at the—the resources  
20 and why people end up in not completing their degrees  
21 and end up in collections. I can tell you  
22 preliminarily that one indicator that we're finding  
23 in those neighborhoods where there are high rates of—  
24 of people in collections is that they attended or  
25 enrolled in a for-profit school, and I would be happy

2 to have my research team present to the committee at  
3 some point on—on our research, the data we've  
4 gathered and help you, you know, understand the  
5 information we have that you can then use as you  
6 think about ideas and solutions for this problem.

7 CHAIRPERSON ESPINAL: Thank you and we  
8 have some questions from my colleagues. I would like  
9 to call up Council Member Chin.

10 COUNCIL MEMBER CHIN: Thank you, Chair  
11 and thank you, Commissioner for your testimony. This  
12 is such a critically important issue especially in  
13 the immigrant community, in low-income community, and  
14 every time, you know, I ride the train you see all  
15 these advertisements or these like college programs  
16 that attracts people, and a lot of immigrants don't  
17 even know, you know, what they're walking into. I  
18 worked for a community college many years ago, and I  
19 see that, you know, the problem with some of the  
20 students when they transfer and they sign up for  
21 those private colleges that they thought they will be  
22 able to get their degree, and unfortunately, some of  
23 them don't and then they end up with money that they  
24 have to pay back. So, what you're doing it's great  
25 at DCA. My questions is like how do we—how do you

2 get that information out there? Because like you're  
3 not on the subway, you know, in the car, the subway  
4 car advertisement.

5 COMMISSIONER SALAS: Uh-hm.

6 COUNCIL MEMBER CHIN: All these other,  
7 you know, private colleges they are.

8 COMMISSIONER SALAS: Yeah.

9 CHAIRPERSON ESPINAL: So, how would  
10 someone even, you know, get those information? I  
11 know that you do a lot of outreach, but how do you  
12 sort of like get to people and really so that they  
13 could have the tools and the information to make  
14 right decisions, and you were talking about parents.  
15 So, are you at college fairs? Are you getting this  
16 information to our local high schools, community  
17 center? How is DCA getting the information out that  
18 there is help available, there's all these resources  
19 that can help?

20 COMMISSIONER SALAS: Thank you for the  
21 question. It's a great question, and I have to say  
22 you're absolutely right. We cannot compete with the  
23 kind of money that these schools invest in  
24 advertising. In fact, you know, it's—it's very well  
25 documented that for-profit schools for instance spend

2 much more money in advertising and recruitment than  
3 they do in the education itself, and that's part of  
4 the problem. So, we are—yes it is—it's a struggle,  
5 right? We don't have the kinds of dollars that they  
6 to be able to put another huge public awareness  
7 campaign, one that has availed the time, right? But  
8 we are—just a few days ago, filed a lawsuit against  
9 Berkeley College. We tried to use every opportunity  
10 for Earned Media to make sure that people know that  
11 we are here to take on those complaints and to  
12 address those practices. We're certainly doing a lot  
13 of the work that we can. Outside of marketing, we  
14 are working with the Department of Education, New  
15 York City Department of Education. We are thinking  
16 about ways in which we can come up with policies that  
17 make sense, that are protective of our students,  
18 right? We are also always in conversations with  
19 CUNY, and it's—it's a work in progress. I can tell  
20 you that our tams are out there doing like workshops  
21 in communities especially like I said in those  
22 neighborhoods where we see high rates of default and  
23 delinquencies on student loan debt. We're hosting  
24 workshops and know your right trainings, listening  
25 sessions. I think that there's more that we can do,

2 and we are hoping to bring back a public awareness  
3 campaign that will help people like think about the  
4 flags and the kinds of questions they need to ask  
5 before they actually sign those contracts and enroll  
6 in some schools where they're really, you know,  
7 they're investing a lot of money, and they will not  
8 get a whole lot back from them. So, it is something  
9 that we—we'll be happy to continue to talk to you  
10 about, and if you have ideas for us, certainly if you  
11 have—if you think—can think of places that we should  
12 go to, please let us know, but the tools that we're  
13 doming up with will be in different languages. We'll  
14 do what we can to blanket the city with this  
15 information. We have held to date I would say at  
16 least 3 to 4 days of action where we have gone to  
17 just subway stations and stood in the corners giving  
18 information on student loan debt. I have to say it's  
19 a probably the most type of a—the most successful  
20 type of day of action because most people just walk  
21 by because everybody seems right, in a rush to get to  
22 work or to school, but when they hear student loan  
23 debt, they come back to us and they take the  
24 information because if—if it's not them, it's their  
25 children, it's their cousin, it's their neighbor.

2 So, there is a lot of need, and we'll welcome any  
3 ideas you may have for how we can either build upon  
4 this and make sure that people do know about the  
5 services that are available.

6 COUNCIL MEMBER CHIN: Sell definitely, I  
7 mean I think the City Council, all the Council  
8 Members would love to work with you, and make sure  
9 that those information are out there in the community  
10 every time we do family days, or it's My Park Days,  
11 we should get those information out. So, if you  
12 could reach out to our offices with the—the many  
13 different languages that would be helpful because we  
14 want to help get the word out because these are  
15 recourses. It's free, and they are able to help  
16 these families. So, we want to make sure that people  
17 take care of the students, you know, that issue  
18 because private companies are advertising on TV. You  
19 don't know if they're real or not even though they  
20 say free service. So, the city, you know, if you put  
21 together a list, you know, of all the resources that  
22 are available, and we can help, you know, circulate,  
23 and the other thing that I would encourage you to  
24 continue to do is to really utilize community media,  
25 ethnic media to get the word out, and to kind of

2 promote the good work that DCA is doing on this  
3 issue. When you file a lawsuit against that private  
4 college, that should be out in the local media, in  
5 the epic media. I want to read about it in—in the  
6 local Chinese paper, right? So, this way, I think we  
7 can all help to get the word out.

8 COMMISSIONER SALAS: Thank you.

9 COUNCIL MEMBER CHIN: Thank you, Chair.

10 CHAIRPERSON ESPINAL: Thank you,  
11 Councilwoman. I would like to call up Council Member  
12 Brad Lander.

13 COUNCIL MEMBER LANDER: Thanks, Mr. Chair  
14 for convening this hearing, and Commissioner for the  
15 work DCA is doing on this really critical issue, and  
16 thanks also for your suggestions on how we can  
17 strengthen the legislation, which I agree is  
18 important, and I'm going to sign onto as a co-  
19 sponsor, but I—I want to explore a couple of the  
20 issues that you raised around Safe-Safe Harbor and  
21 what we might do to strengthen this further, and I—I  
22 guess I'd love to understand a little better who—who  
23 we think is dominating this field, and understand a  
24 little better whether there are some actors that  
25 maybe shouldn't have the right to do it at all even

2 with Safe Harbor. You know, I know that you cite,  
3 you know, you being this action against Berkeley  
4 College like maybe that's a place that shouldn't have  
5 the right to do it. I've noticed that in some other  
6 states, the—in the Community Report that our staff  
7 put together that some states have—have moved to  
8 student service licensing requirements to try to, you  
9 know, require that only good actors are doing it. I  
10 feel like the challenge with the Safe Harbor is just  
11 what—it's one form even with your good suggestion  
12 about rebuttal presumption like here you have to sign  
13 this form before you get our help. It's the nature  
14 of the problem often in the student loan services to  
15 begin with like having people sign disclosures that  
16 they're nominally understanding that they had other  
17 options then is often just kind of part of the  
18 paperwork especially as Council Member Chin says, you  
19 know, with who English is not their first language.  
20 So, can you give us a little better sense of kind the  
21 bad actors we are trying to combat here, and whether  
22 there would be other ways through licensing or  
23 through prohibition of groups even having the Safe  
24 Harbor to get at making sure we're not leaving folks  
25 vulnerable. I—I appreciate Council Member Chin's

2 request and your work for even more outreach for  
3 what's available publicly, but it's hard to compete  
4 with people advertising who are making money through  
5 bad acts, and are able to target particular niche  
6 communities with a profit seeking motive. So, you  
7 know, as an addition to reaching out further I do  
8 feel like understanding and shutting down the bad  
9 actors is important.

10 COMMISSIONER SALAS: Yes. Thank you for  
11 your question Council Member Lander. So, a couple of  
12 things. I just want to clarify that what is-  
13 basically what you referred to that is happening in  
14 other localities to states around licensing  
15 servicers, it's-its-it's-it's different from what  
16 this bill is trying to do, right? Because services  
17 are actually contracted with the Department of  
18 Education to provide a lot of the-the servicing of  
19 the loans, right. So, they are different from the  
20 debt relief services that the bill is actually  
21 targeting, and we are certainly interested in-in  
22 looking a servicers issues and-and would love  
23 continue to talk about that, but with respect to-tow  
24 who the bad actors are, I have to say honestly, we  
25 don't have a lot of information on that at DCA. We

2 don't have a lot of complaints in our office on that  
3 particular issue, and we really are here to learn  
4 more about that. We would love to hear from the  
5 advocates about who they are. I mean I just  
6 yesterday got a phone call from one of these  
7 companies saying if you don't enroll within the next  
8 72 hours, you lose your chance forever, and we have  
9 this great package to offer you. Press 2. I pressed  
10 2 and I get connected to someone just to find out,  
11 and I said, So, tell me more about this, and they  
12 hung up on me. So, I didn't get very far.

13 COUNCIL MEMBER LANDER: I appreciate that  
14 you were doing undercover research, thought.

15 COMMISSIONER SALAS: Oh, yeah, I will  
16 like miss an opportunity to try to do that, but it's  
17 certainly something that I think, you know, it's not  
18 just me, you know. I go out of my office, and my  
19 colleagues are getting those calls. That is  
20 happening. We'd love to talk more with the people  
21 who are getting those complaints. So, we can explore  
22 how we can go after them, but we do think that, you  
23 know, they are covered by the Consumer Protection  
24 Law, right? If you are operating in New York City,  
25 we can use our existing law to go after them.

2 COUNCIL MEMBER LANDER: Yeah. Okay, I  
3 mean we could—I mean I—I get that the people  
4 providing, you know, debt relief services are  
5 different from the loan servicers. If we thought  
6 there was a big problem with those folks who are  
7 providing this—providing this information, we think  
8 we could, you know, have a licensing requirement for  
9 them. We probably should understand better, you  
10 know, as you are saying what the nature of the  
11 problem is before we would jump at that solution.  
12 So, alright. Well, thank you for this information,  
13 and I'm going to sign onto the legislation and we'll  
14 follow up, and I think hopefully work to make some of  
15 those changes that you're proposing here.

16 COMMISSIONER SALAS: Yeah, thank you so  
17 much.

18 CHAIRPERSON ESPINAL: Thank you, Brad.  
19 [background comments] Any other questions from my  
20 colleagues? No? Alright, thank you. Thank you,  
21 Commissioner.

22 COMMISSIONER SALAS: You're welcome.  
23 Thank you so much.

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2 CHAIRPERSON ESPINAL: I appreciate it. I  
3 look forward to continuing working with you on this  
4 issue.

5 COMMISSIONER SALAS: Thank you.

6 CHAIRPERSON ESPINAL: Than you.

7 COMMISSIONER SALAS: Have a good day.

8 CHAIRPERSON ESPINAL: I am going to call  
9 the second panel. It's the final panel. We have  
10 Ayana Robertson and Mary McCune from Brooklyn Legal  
11 Services. We have Danielle Tarantolo from the New  
12 York Legal Assistance Group, and Jordyn Rosenthal  
13 from College and Community Fellowship. [background  
14 comments, pause] Okay, feel free to begin.

15 AYANA ROBERTSON: Good morning. I'd like  
16 to thank the Chair and the City Council for its  
17 leadership on this issue and allowing us to testify  
18 here today. My name is Ayana Robertson and I am the  
19 Associate Director at Brooklyn Legal Services, a  
20 program of Legal Services NYC, the largest provider  
21 of civil legal services in the country. For 50 years  
22 Legal Services NYC has provided critical legal  
23 services to low-income New York City residents. We  
24 assist over 600 New York City residents with consumer  
25 debt issues annually, and about 20% of those

2 individuals seek help with student loan debt. In our  
3 practice we found that student debt relief agencies  
4 prey on borrowers over the age 60, young people with  
5 limited financial literacy and those already in  
6 financial distress. For example, one of our clients  
7 consulted with an agency that charged her a fee for  
8 simply creating a password to access a free  
9 government website. We commend the City Council for  
10 seeking to protect these individuals and believe  
11 there are several best practices that may enhance the  
12 proposed bill. The proposed disclosure requirement  
13 allows debt relief agencies to bury the disclosure in  
14 fine print or to write it in a way that's unclear or  
15 ambiguous. If the disclosure were a standalone  
16 document in large font, it would increase the  
17 probability that borrowers would both see and read  
18 the notice. Similar notices have been successful in  
19 the foreclosure context and in consumer credit cases.  
20 In addition, if the disclosures contain statutorily  
21 required language and were presented in the preferred  
22 language of the individual, it would ensure that the  
23 notices are clear and consistent, and those with  
24 limited English proficiency are afforded the same  
25 level of protection as other consumers. We have also

2 seen success where the disclosures have included a  
3 list of additional free resources or a reference to  
4 311. Finally, increasing the penalties for  
5 violations would serve as a deterrent to potential  
6 scammers. Given the profit potential realized by  
7 these debt release agencies, a \$500 fine would have a  
8 limited impact, but discouragement of profit and  
9 civil fines may serve as a larger deterrent.  
10 Together we believe these enhance—enhancements would  
11 provide much needed safeguards to those New York who  
12 already—who are already struggling with student loan  
13 debt. We thank the City Council for its continued  
14 work to protect consumers and giving us the  
15 opportunity to comment on Intro 52. I am joined by  
16 my colleague Mary McCune who is a Senior Staff  
17 Attorney in our Manhattan Office who can speak more  
18 to student loan debt.

19 MARY MCCUNE: I'm just going to say a few  
20 words because I know there are others that have  
21 things to say. One of the experiences that my  
22 clients--

23 CHAIRPERSON ESPINAL: [interposing] Could  
24 you state your name for the record?  
25

2 MARY MCCUNE: Oh, sure. Sorry. Mary  
3 McCune, Manhattan Legal Services, the Harlem Office.  
4 A large number of my clients have student loan debt.  
5 One of the things that the disclosure that is  
6 proposed includes is a referral to the Department of  
7 Education Services, and in our experience people  
8 often get inaccurate information from the services  
9 themselves, and that is problematic. For example, I  
10 have a client who is—became disabled, has heavy  
11 student loan debt, contacted the servicer and was  
12 told she wasn't eligible for a discharge even though  
13 she was, and her only income was Social Security at  
14 that point. So, we think that in itself is not  
15 sufficient, and what we would propose to make the  
16 disclosure stronger to include a reference to 311,  
17 the Financial Empowerment Center. We actually host  
18 one of the offices in Harlem, and they just do  
19 amazing work, and they're great at advocating for  
20 people that don't know their rights, and ensuring  
21 that they get the discharges they're entitled to.  
22 They also look at the complete financial health of  
23 the individual because if you have student loan debt,  
24 you probably have other debt, too. So, focusing just  
25 on the student loan debt doesn't always take care of

2 all of the problems. So that's basically all I have  
3 to add, and I'll pass it onto my next colleague.

4 DANIELLE TARANTOLO: Chair Espinal,  
5 Council Members and staff, thank you for the  
6 opportunity to speak today. My name is Danielle  
7 Tarantello and I am a Co-Director of the Special  
8 Litigation Unit at the New York Legal Assistance  
9 Group, a legal services organization that assist  
10 student loan borrowers as well as countless other  
11 low-income New Yorkers. As the committee is aware,  
12 New Yorkers with crushing student loan debt make easy  
13 targets for student debt relief scammers. These  
14 companies routinely make false misrepresentations to  
15 induce borrowers to sign up for their services  
16 including that the companies can provide complete  
17 loan forgiveness, which they cannot do. They also  
18 conceal that the programs that the programs they  
19 offer are all available for free from the borrower's  
20 loan servicers, and these scammers charge exorbitant  
21 fees around \$1,300 for many customers—consumers that  
22 we've spoken to. To make matters worse, many of the  
23 companies work closely with predatory financing  
24 companies, which loan customers the exorbitant  
25 purchase price at usurious interest rates further

2 compounding the harm to the borrowers. We commend  
3 the Council for considering this band on the  
4 provision of these predatory services, and strongly  
5 endorse the bill's provision for financial penalties  
6 and a private cause of action for enforcement. We,  
7 like others who have spoke today have concerns,  
8 however, that allowing companies to evade the  
9 prohibition by providing written disclosures risks  
10 undermining the bill's important effects. If allowed  
11 to, these scammers will simply bury the so-called  
12 disclosure in fine print within a massive pile of  
13 documents, and then pressure the customers to sign  
14 the documents under extreme time pressure. We would  
15 recommend removing the safe harbor provision  
16 altogether, but if it remains at a minimum, we  
17 suggest that the bill require the disclosures to be  
18 made in large font on a separate page that appears  
19 first in any packet of materials provided, and that  
20 the bill require initials next to each individual  
21 disclosure as well as a full signature on a line  
22 directly below the disclosures. The bill should also  
23 require that the disclosures be provided orally in  
24 addition to in writing because in our experience,  
25 many of these companies make whatever representation

2 is necessary over the phone to induce someone to sign  
3 even if those representations are contradicted in  
4 written documents that are later provided to the  
5 customer. With these changes, the bill would go much  
6 further towards providing the protections that New  
7 York City consumers deserve. I want to thank the  
8 committee for the opportunity to share these  
9 comments.

10 JORDYN ROSENTHAL: Hi. My name is Jordyn  
11 Rosenthal, and I feel like that's all been a really  
12 tough act to follow, but anyway, good morning  
13 Chairperson Espinal and members of the City Council  
14 Committee on Consumer Affairs and Business Licensing.  
15 My name is Jordyn Rosenthal, and I'm the Senior  
16 Associate of Policy and Advocacy at College and  
17 Community Fellowship, and I'd like to tank you for  
18 holding this hearing, and allowing public testimony  
19 in regards to Introduction 52. College and Community  
20 Fellowship is a non-profit that partners with women  
21 with criminal convictions to help them earn college  
22 degrees so they, their families and their communities  
23 can thrive. Our direct service work is holistic and  
24 a comprehensive approach to supporting women with  
25 criminal convictions and receiving their college

2 degrees. This includes education regarding funding  
3 streams for college, student loans, an student loan  
4 debt management. We began tracking data about  
5 student loans in 2014, and in that time, we've helped  
6 232 women earn degrees. The total number of student  
7 debt for this—for these women since we starting  
8 tracking is almost \$4 million to ensure counseling,  
9 scholarship and existing Pell and TAP Grants, 117 out  
10 of the 232 did not need additional facts of funding.  
11 For those who did, the average cost was about  
12 \$34,706. Our work on education has show us that  
13 education is a crucial strategy to sustainability  
14 ensuring that people are not siloed into poverty.  
15 However, education is becoming increasingly difficult  
16 to finance. Current research predicts that if  
17 national trends around student loan debt continue,  
18 40% of our awards (sic) may defaults on their loans  
19 by 2030. Our work has also shown us that it is  
20 possible to design and implement supports that keep  
21 people from defaulting. For instance, when people  
22 actually go are arrested and are sentenced to prison,  
23 they can put their loans of forbearance. That  
24 doesn't always happen, and that's huge major  
25 financial cost for that individual. Also, our work

2 has shown us that nearly 38% of all black first time  
3 college entrants in 2004 had defaulted within 12  
4 years, a rate three times higher than their white  
5 counterparts. This is not due to some immutable  
6 characteristic of race, but rather the historically  
7 discriminatory policies that have made it difficult  
8 for communities of color to amass wealth. As a  
9 result, currently the average white family holds ten  
10 times the wealth of the average black family, and the  
11 likelihood of default in higher-is higher in black  
12 populations because marginalized populations lack the  
13 resources both financially and the education required  
14 to navigate finances. Basically, as a result, a lot  
15 of our women don't fall predatory to these services  
16 because we provide counseling on how to navigate this  
17 bureaucratic system. I've talked to several of our  
18 academic counselors and women have gotten these  
19 calls. I've gotten these calls myself, and they seem  
20 really enticing. These are also women that are re-  
21 entering home, which is one of the most vulnerable  
22 time periods of their life. Granted, you may not  
23 have to have access to paying your loans while you're  
24 in school, but if you don't have the financial  
25 literacy, or the understanding of how the system

2 works, you may fall victim to one of these services.

3 On a like kind of separate note as an individual

4 myself who has over six figures of student debt from

5 two years of graduate school, I could fall victim to

6 that, and to speak earlier to what someone was saying

7 about public service loan forgiveness, a recent study

8 shows 99% of those who submitted their paperwork for

9 public service loan forgiveness were told they did

10 not qualify and meet the standards. There's a huge

11 problem completely across the board, and vulnerable

12 communities and individuals who are already strapped

13 for money are even higher targets for this. We must

14 ban these industries. We already like direct our

15 women away from for-profit colleges. Actually, we

16 won't let them go to them. We will not support them,

17 and this has to happen across the board. There's

18 already federal legislation introduced by Brian

19 Chatz, (sp?) the relapse and the cutbacks that start

20 to standardize these programs and access to financial

21 resources including Pell. We can make this next step

22 to serve the vulnerable population and education is

23 the highest or the best way for climbing like the

24 ladder, so to speak, but we need to put those

25 protections in. If the whole point is education

2 that's supposed to make us stronger and healthier, we  
3 can't let people fall victim to these bas actors.

4 Thank you.

5 CHAIRPERSON ESPINAL: Well, thank you so  
6 much for your powerful testimony. I appreciate it.  
7 You all brought up great points that I-I agree with  
8 and we're going to further look into the bill and see  
9 how we can strengthen it to make sure that no one  
10 feels that they need to depend on these services or  
11 even fall victim to these services. So thank you.

12 Appreciate it. Anyone else here to testify? No.

13 Alright, well thank you. [background comments]

14 [laughter] We do things quickly here in the  
15 Committee on Consumer Affairs, but thank you all for  
16 tuning in, and again if you need help and you're  
17 looking for assistance you can go to the Department  
18 of Consumer Affairs, call 311 or visit the website.

19 With that said, this meeting is adjourned. [gavel]

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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 November 15, 2018