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## IN SENATE

June 9, 2014

Introduced by Sen. LAVALLE -- read twice and ordered printed, and when printed to be committed to the Committee on Higher Education

AN ACT to amend the education law and the state finance law, in relation to establishing the New York student affordable refinancing for tomorrow program (New START)

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Article 14 of the education law is amended by adding a new part VI to read as follows:

PART VI

NEW YORK STUDENT AFFORDABLE REFINANCING

FOR TOMORROW PROGRAM (NEW START)

6 SECTION 694-C. DEFINITIONS.

- 7 694-D. NEW YORK STUDENT AFFORDABLE REFINANCING FOR TOMORROW 8 PROGRAM (NEW START)
  - 694-E. PROGRAM ELIGIBILITY.
- 10 694-F. PROGRAM.

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694-G. REPAYMENT.

694-C. DEFINITIONS. FOR PURPOSES OF THIS PART, THE FOLLOWING TERMS 12 S 13 SHALL HAVE THE FOLLOWING MEANINGS: 1. "EDUCATION LOAN" SHALL MEAN ANY 14 STUDENT LOAN THAT THESTATE REFINANCES UNDER THE PROGRAM THAT WAS 15 OBTAINED BY A BORROWER FOR THE PURPOSES OF ATTENDING COLLEGE AΤ THE 16 STATE UNIVERSITY OF NEW YORK OR THE CITY UNIVERSITY OF NEW YORK, 17 PROVIDED, HOWEVER, THAT LOANS PROVIDED BY THEFEDERAL GOVERNMENT, OR 18 LOANS PROVIDED AT AN INTEREST RATE AT OR LOWER THAN THE CURRENT FEDERAL 19 LOAN INTEREST RATE SHALL NOT BE ELIGIBLE FOR REFINANCING UNDER THE 20 PROGRAM.

21 2. "PARTICIPANT" SHALL MEAN AN INDIVIDUAL WHO HAS INCURRED STUDENT 22 LOAN DEBT FROM A LENDING INSTITUTION OR LENDER TO COVER THE COST OF 23 STATE UNIVERSITY OF NEW YORK OR THE CITY UNIVERSITY OF TUITION AT THE24 NEW YORK AND HAS APPLIED TO PARTICIPATE AND BEEN ACCEPTED TO PARTICIPATE 25 IN THE PROGRAM.

EXPLANATION--Matter in ITALICS (underscored) is new; matter in brackets
[ ] is old law to be omitted.

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ITSELF OR THROUGH AN AFFILIATE PROVIDED STUDENT LOANS TO AN ELIGIBLE

3 PARTICIPANT. 4 4. "PROGRAM" SHALL MEAN THE NEW YORK STUDENT AFFORDABLE REFINANCING 5 FOR TOMORROW PROGRAM (NEW START). 6 5. "FUND" SHALL MEAN THE NEW YORK AFFORDABLE REFINANCING FOR TOMORROW 7 PROGRAM FUND ESTABLISHED BY SECTION NINTY-NINE-W OF THE STATE FINANCE 8 LAW. 9 S 694-D. NEW YORK STUDENT AFFORDABLE REFINANCING FOR TOMORROW PROGRAM 10 (NEW START). THE NEW YORK STUDENT AFFORDABLE REFINANCING FOR TOMORROW PROGRAM (NEW START) IS HEREBY ESTABLISHED FOR THE PURPOSES OF RELIEVING 11 STUDENT DEBT BY DIRECTLY PAYING AN ELIGIBLE PARTICIPANT'S LOAN DEBT TO 12 THE LENDING INSTITUTION OR LENDER AND PROVIDING A REPAYMENT PLAN WHEREBY 13 14 PAYMENTS WILL BE DEPOSITED IN THE FUND. 15 1. THE CORPORATION SHALL PROMULGATE RULES AND REGULATIONS FOR THE 16 ADMINISTRATION OF THIS PROGRAM AND SHALL MANAGE THE FUND IN CONSULTATION 17 WITH THE OFFICE OF THE COMPTROLLER. 2. THE CORPORATION SHALL DETERMINE ADDITIONAL REQUIREMENTS FOR ELIGI-18 19 BLE PARTICIPANTS, OTHER THAN THOSE SPECIFIED IN SECTION SIX HUNDRED NINETY-FOUR-E OF THIS PART, SHALL SET A FIXED INTEREST RATE FOR THE REPAYMENT OF REFINANCED LOANS, WHICH SHALL BE LOWER THAN THE AVERAGE 20 21 MARKET RATE FOR PRIVATE STUDENT LOANS, AND SHALL ESTABLISH AN APPLICA-22 23 TION PROCESS FOR THE PROGRAM. 24 3. THE CORPORATION SHALL DETERMINE APPROPRIATE PAYMENT DEFERMENT AND 25 FORBEARANCE OPTIONS FOR LOSS OF EMPLOYMENT OR EXTREME HARDSHIP. 26 S 694-E. PROGRAM ELIGIBILITY. 1. TO BE ELIGIBLE FOR THIS PROGRAM A 27 PARTICIPANT MUST: 28 A. HAVE GRADUATED FROM THE STATE UNIVERSITY OF NEW YORK OR THE CITY 29 UNIVERSITY OF NEW YORK WITHIN FOUR YEARS, OR FIVE YEARS IF ENROLLED IN A PROGRAM NORMALLY REQUIRING FIVE YEARS; 30 B. HAVE GRADUATED WITH A GRADE POINT AVERAGE AT OR ABOVE 3.0; 31 32 C. HAVE INCURRED STUDENT LOAN DEBT; 33 D. BE GAINFULLY EMPLOYED FOR AT LEAST THREE MONTHS PRIOR TO FILING AN APPLICATION TO PARTICIPATE IN THE PROGRAM; 34 E. AGREE TO SIGN A CONTRACT WITH THE CORPORATION TO ALLOW A DIRECT 35 WITHDRAWAL OF PAYMENTS FROM THEIR PAY CHECKS UNTIL THE DEBT OBLIGATION 36 37 IS PAID IN FULL; AND 38 F. MUST APPLY FOR THE PROGRAM WITHIN TWO YEARS AFTER COLLEGE GRADU-39 ATION. 40 PROGRAM. 1. THE CORPORATION SHALL MAKE LUMP SUM PAYMENTS TO S 694-F. LENDING INSTITUTIONS OR LENDERS TO PAY ELIGIBLE PARTICIPANTS' EDUCATION 41 LOANS OUT OF THE FUNDS APPROPRIATED TO THE FUND FOR THE PURPOSES OF THIS 42 43 PROGRAM IN AMOUNTS NOT TO EXCEED THIRTY-FIVE THOUSAND DOLLARS PER 44 PARTICIPANT. 45 2. LOANS THAT THE PARTICIPANT ACOUIRED FROM THE FEDERAL GOVERNMENT OR THOSE LOANS THAT HAVE A FIXED INTEREST RATE PROVIDED AT AN INTEREST RATE 46 47 OR LOWER THAN THE CURRENT FEDERAL LOAN INTEREST RATE SHALL NOT BE AT 48 ELIGIBLE FOR ACQUISITION UNDER THE PROGRAM. 49 S 694-G. REPAYMENT. 1. PARTICIPANTS SHALL REPAY THE TOTAL COST OF THE 50 DEBT OBLIGATION TO THE FUND AT AN INTEREST RATE DETERMINED BY THE CORPO-51 RATION ACCORDING TO THE FOLLOWING: A. DURING THE FIRST FIVE YEARS OF PARTICIPATION IN THE PROGRAM, THE 52 PARTICIPANT SHALL PAY THREE PERCENT OF THE SALARY EARNED PER YEAR DURING 53 54 EACH OF THOSE YEARS;

1 B. DURING THE NEXT FIVE YEARS OF PARTICIPATION IN THE PROGRAM, THE 2 PARTICIPANT SHALL PAY FIVE PERCENT OF THE SALARY EARNED PER YEAR DURING 3 EACH OF THOSE YEARS;

4 C. DURING THE ELEVENTH YEAR OF PARTICIPATION AND EACH YEAR THEREAFTER 5 UNTIL THE DEBT OBLIGATION IS PAID IN FULL, THE PARTICIPANT SHALL PAY 6 EIGHT PERCENT OF THE SALARY EARNED PER YEAR DURING EACH OF THOSE YEARS.

7 2. THERE SHALL BE NO PRE-PAYMENT PENALTIES UNDER THE PROGRAM AND 8 REPAYMENT SCHEDULES MAY BE CALCULATED AT A HIGHER PERCENTAGE RATE PER 9 YEAR OF SALARY IF THE PARTICIPANT CHOOSES OR REQUESTS A FASTER RE-PAY-10 MENT OPTION.

11 S 2. The state finance law is amended by adding a new section 99-w to 12 read as follows:

13 S 99-W. NEW YORK STUDENT AFFORDABLE REFINANCING FOR TOMORROW PROGRAM 14 FUND. 1. THERE IS HEREBY ESTABLISHED WITHIN THE CUSTODY OF THE NEW YORK 15 STATE HIGHER EDUCATION SERVICES CORPORATION, IN CONSULTATION WITH THE 16 STATE COMPTROLLER, OR HIS OR HER DESIGNEE, A FUND TO BE KNOWN AS THE NEW 17 YORK STUDENT AFFORDABLE REFINANCING FOR TOMORROW PROGRAM FUND.

18 2. ALL MONIES RECEIVED PURSUANT TO THE NEW YORK STUDENT AFFORDABLE 19 REFINANCING FOR TOMORROW PROGRAM (NEW START) SHALL BE DEPOSITED INTO THE 20 FUND AND SHALL BE MANAGED PURSUANT TO PART SIX OF ARTICLE FOURTEEN OF 21 THE EDUCATION LAW.

3. ALL NECESSARY RULES AND REGULATIONS FOR THE SUCCESSFUL ADMINISTRATION, INVESTMENT AND MANAGEMENT OF SUCH FUND SHALL BE PROMULGATED BY
SUCH CORPORATION, IN CONSULTATION WITH THE STATE COMPTROLLER, OR HIS OR
HER DESIGNEE.

S 3. This act shall take effect on the one hundred twentieth day after it shall have become a law, provided, however, that effective immediately, the addition, amendment and/or repeal of any rule or regulation necessary for the implementation of this act on its effective date is authorized to be made and completed on or before such date.