STATE OF NEW YORK

10568

IN SENATE

May 26, 2026

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

AN ACT to amend the education law, in relation to establishing the New York reinvests in student educational supports program; and to repeal certain provisions of such law relating to the New York higher education loan program

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Legislative findings and intent. The legislature finds that recent changes to federal student lending programs have significantly reduced access to affordable credit for graduate students enrolled in academic and professional programs critical to New York's workforce and economic competitiveness, including graduate and professional degree programs in high need fields critical to New York's workforce such as education, nursing, healthcare, social services, public administration, creative arts, and other licensed professions.

The legislature further finds that the reduction or elimination of federal graduate lending options threatens enrollment, degree completion, and workforce supply in areas of demonstrated state need.

It is therefore the intent of the legislature to establish the New York Reinvests in Student Educational Supports (NY RISES) Program to provide eligible students with access to responsible, affordable educational loans to supplement available federal student aid and help bridge the gap between the cost of attendance and available financial assistance.

§ 2. Part 5 of article 14 of title 1 of the education law is REPEALED and a new part 5 is added to read as follows:

PART V

NEW YORK REINVESTS IN STUDENT EDUCATION SUPPORTS PROGRAM

Section 690. Definitions.
691. Powers and duties.
692. Educational loans; special requirements.
693. Repayment of loans.
694. Sale of education loans.

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

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694-a. Miscellaneous.
694-b. Reporting.

§ 690. Definitions. As used in this part, the following terms shall have the following meanings unless otherwise specified:

1. "Authority" shall mean the dormitory authority of the state of New York (DASNY).

2. "Education loan" shall mean any loan that is made under this program to finance or refinance higher education expenses at an eligible college.

3. "Eligible borrower" or "borrower" shall mean (a) a student who is a resident of New York state attending or accepted for enrollment at an eligible college and is enrolled at least half time in an eligible program at an eligible college; or (b) the parent, legal guardian, or sponsor, as defined by the corporation in regulation, of a student who is enrolled, or accepted for enrollment at an eligible college, and who obtains an education loan from a lending institution to pay for or finance higher education expenses under this program.

4. "Eligible college" shall mean a post-secondary institution, located within New York state, eligible for funds under Title IV of the Higher Education Act of nineteen hundred sixty-five, as amended, or successor statute offering graduate or professional degree granting or certificate program.

5. "Eligible program" shall mean an accredited graduate or professional degree program offered by a postsecondary institution that is approved by the commissioner and registered by the department pursuant to this chapter and applicable regulations.

6. "Eligible co-signer" shall mean a parent, legal guardian or otherwise credit worthy individual over twenty-one years of age who satisfies applicable credit criteria approved by the authority and is a resident of New York state.

7. "Higher education expenses" shall mean the cost of attendance at an eligible college and shall include tuition and fees, books, room and board, and other educationally related expenses, as determined by the authority.

8. "Holder" shall mean, with respect to an education loan: (a) a lender; (b) a public benefit corporation authorized to finance the purchase or making of education loans pursuant to the public authorities law; or (c) any assignee of such lender or public benefit corporation.

9. "Lending institution" or "lender" shall mean any entity that itself or through an affiliate originates education loans, other than an entity authorized to finance the purchase or making of education loans through the issuance of bonds pursuant to the public authorities law.

10. "Program" shall mean the New York reinvests in student educational supports program established by this part.

11. "Student" shall mean any individual who is enrolled at least half-time, as defined by the commissioner, at a graduate or professional degree granting or certificate program at an eligible college.

§ 691. Powers and duties. In furtherance of the purposes set forth in this part, the authority shall serve as the governing and administering entity of the program, and shall have the following additional powers and duties:

1. To directly administer, or contract with one or more qualified third-party entities, including lending institutions, servicers, program administrators, or other financial entities, to market, originate, disburse, service, collect, administer, guarantee, secure, finance, purchase, or otherwise manage education loans made under this program.

2. To purchase defaulted education loans made under this program.

3. To establish and maintain one or more default reserve funds and accounts within such funds, in accordance with the terms of this program.

4. To develop and administer or contract to administer one or more financial literacy programs.

5. To provide or contract to provide default aversion services.

6. To establish criteria for eligible colleges, lenders, and other entities such as, but not limited to, servicers, and to enter into participation agreements with any such eligible colleges, lenders, and other entities and any entity authorized to finance the purchase or making of education loans through the issuance of bonds pursuant to the public authorities law, and any subsequent purchaser of education loans made under this program.

7. To establish criteria for lender underwriting, education loan purchases, servicing, and default insurance payments.

8. To establish criteria for the distribution of education loans made under this program.

9. To audit lenders, servicers, holders, and eligible colleges for program compliance.

10. To adopt rules and regulations to implement this program.

11. To enter into agreements with public or private entities for the administration, servicing, origination, underwriting, processing, compliance, customer service, or other operational functions necessary to implement the program.

12. To phase in specific program requirements through rules and regulations within a reasonable timeframe following the date this part takes effect.

§ 692. Education loans; special requirements. In any year in which fixed rate education loans are to be acquired using the proceeds of bonds issued by the authority or other public benefit corporation authorized to issue bonds for the purposes of this program, preference shall be given to education loans made to eligible borrowers for the benefit of students who demonstrate financial need based on such student's family gross income and to education loans made to eligible borrowers for the benefit of students accepted or enrolled in a graduate or professional degree granting program, pursuant to rules and regulations promulgated by the authority after consultation with the authority or other public benefit corporation authorized to issue bonds for the purposes of this program.

1. Terms and conditions. (a) Eligible borrowers shall apply for education loans under this program on forms prescribed by the authority.

(b) Except as may be provided by regulation, a student for whom an education loan is made shall be required to first apply for and exhaust: (i) their maximum eligibility of loans under the Federal Direct Student Loan Program (FDSLP), excluding PLUS loans; (ii) any other federal student aid, other than HEAL loans and other aid permitted by the authority to be excluded; (iii) any state student aid; and (iv) any other student aid as prescribed by the authority before being eligible for any education loan under this program.

(c) Borrowers shall successfully complete a financial literacy course as prescribed by the authority.

(d) Student borrowers may apply for education loans under this program with an eligible co-signer.

(e) A borrower, or co-signer, who is in default on an education loan made under this program, the William D. Ford Program, or has failed to

comply with the terms and conditions of any award under this article and has failed to satisfactorily cure such default or non-compliance as prescribed by applicable law or regulation shall be ineligible to receive a loan under this program, and shall further be ineligible for any other state student aid while in default on an education loan made under this program.

(f) Participating eligible colleges, lending institutions, and other participants in this program shall be required to enter into a participation agreement with the authority and comply with all reporting and processing requirements and procedures as established by the authority. These participation agreements shall contain such other specific terms and conditions of the program as shall be determined by the authority.

2. Citizenship. A borrower shall be: (a) a citizen of the United States; or (b) a noncitizen lawfully admitted for permanent residence in the United States; or (c) an individual of a class of refugees paroled by the attorney general of the United States under their parole authority pertaining to the admission of noncitizens to the United States.

3. Loan limits. Education loans made under this program shall have annual and cumulative loan limits as approved from time to time by the authority, subject to the approval of the authority, or other public benefit corporation authorized to issue bonds under the public authorities law for purposes of this program, with respect to loans that are expected to be financed by such entity.

4. Interest rates. The interest rate of loans made under this program shall be established in a manner that shall be approved at least annually by the authority, subject to the approval of the authority, or other subject to the public benefit corporation authorized to issue bonds under the public authorities law for purposes of this program, with respect to loans that are expected to be financed by such entity.

5. Default fee. A percentage of the education loan shall be paid as a default fee, by or on behalf of the borrower or the lender, in an amount to be established at least annually by the authority subject to the approval of the authority, or other public benefit corporation authorized to issue bonds under the public authorities law for purposes of this program, with respect to loans that are expected to be financed by such entity. The default fee established by the authority, subject to the approval of the authority, or other public benefit corporation authorized to issue bonds under the public authorities law for purposes of this program, with respect to education loans that are expected to be financed by such entity, shall be a percentage of the principal amount of such loans, as determined by the authority, that, together with other amounts on deposit in the applicable default reserve fund, shall not exceed an amount sufficient to ensure that the balance of such funds satisfies the obligations of such default reserve fund and permits such loans to be financed. This fee may be considered part of the cost of attendance for the purpose of calculating the loan amount for this program and shall be transmitted to the authority in accordance with rules or regulations promulgated by the authority. Such funds shall be deposited into one or more reserve funds or reserve accounts established and maintained by the authority pursuant to this part. The authority shall determine the amount necessary to maintain the fiscal integrity of the program and support repayment obligations associated with education loans made under this program. The default fee may be included as part of the cost of attendance for purposes of calculating loan eligibility.

6. Consolidation. Education loans made pursuant to this program may be eligible for consolidation upon the terms and conditions established by

the authority. Any person consolidating education loans under this program shall be considered a borrower for purposes of this part.

7. Default reserve funds. (a) The authority may establish and maintain one or more default reserve funds and accounts within such funds, in accordance with the terms of this program.

(b) The authority shall promptly deposit or transfer into such reserve funds, with respect to education loans, described in such provisions, any moneys received in connection with this program other than payments of principal and interest of education loans that are not in default status, including, but not limited to: (i) default fees; (ii) fees received from eligible colleges; (iii) funds received for the repayment of defaulted education loans, the unpaid principal, capitalized and unpaid accrued interest of which have been paid from the funds, including without limitation all such amounts received through the operation of voluntary collection activities, administrative wage garnishment or credit of tax overpayments less any amounts received for collection fees assessed by the authority; (iv) contractual penalties and subsidy fees; (v) any amount that may be appropriated to the authority; (vi) any amount received by the authority or any agent from any other source for deposit therein; and (vii) interest and investment income earned by the funds.

8. Lender due diligence. Participating lenders shall be required to perform all due diligence requirements as prescribed by the authority and incorporated into the participation agreement and into regulations promulgated by the authority.

9. Eligible college requirements. (a) Participating eligible colleges shall be required to certify loan eligibility upon forms prescribed by the authority and incorporated into the participation agreement and pursuant to regulations promulgated by the authority.

(b) Participating eligible colleges shall be required to contribute a one percent fee prescribed by the authority, subject to the approval of the authority, or other public benefit corporation authorized to issue bonds under the public authorities law for purposes of this program, with respect to loans that are expected to be financed by such entity, based upon the loan dollar volume or have the contribution made on its behalf, pursuant to the terms of the participation agreement. This fee shall be deposited into a designated account within one or more reserve funds or accounts established by the authority in subdivision seven of this section as applicable. This fee, or any other college fee, shall not be assessed to the student or eligible borrower in connection with this program.

§ 693. Repayment of loans. 1. Terms of repayment. The terms of repayment of education loans made under this program shall be established in rules and regulations promulgated by the authority subject to the approval of the authority or other public benefit corporation authorized to issue bonds under the public authorities law for purposes of this program with respect to loans that are expected to be financed by such entity.

2. Grace period. The terms of any grace period for education loans made under this program shall be established in rules and regulations promulgated by the authority subject to the approval of the authority or other public benefit corporation authorized to issue bonds under the public authorities law for purposes of this program with respect to loans that are expected to be financed by such entity. Notwithstanding, the grace period established shall be no less than six months.

3. Forbearance and deferments. Education loans made under this program shall be eligible for in-school and military deferments pursuant to rules and regulations promulgated by the authority, or pursuant to such additional deferments and/or forbearance as offered by an eligible lender, in each case, subject to the approval of the authority, or other authorized public benefit corporation authorized to issue bonds under the public authorities law for purposes of this program, with respect to loans that are expected to be financed by such entity. Upon the assignment of a defaulted education loan made under this program for collection as described in subdivision five of this section, the borrower shall no longer be eligible for any forbearance or deferments while such loan remains in default.

4. Delinquency. A borrower shall be considered delinquent on an education loan under this program after thirty days of non-payment. The holder shall notify the authority promptly after the first day of delinquency and the authority shall undertake actions to return the borrower to repayment pursuant to rules and regulations established by the authority. Such actions shall include, but not be limited to, attempts at: (a) locating and contacting the borrower and/or co-signer, as applicable, regarding the delinquent status of their loan; (b) explaining the account history and clarifying any discrepancies; (c) counseling the borrower and/or co-signer, as applicable, regarding all available repayment options, inducing deferments, and any public assistance available to them; (d) providing the borrower and/or co-signer, as applicable, with documentation in connection with their loan or loans; (e) informing the borrower and/or co-signer, as applicable, of the consequences of default; and (f) any other assistance that would prevent a default by a borrower.

5. Default. (a) Any education loan under this program that is delinquent for one hundred eighty days shall be deemed in default. Upon default, the holder shall file a claim with the authority and, if applicable, the authority, for payment from the New York education loan program variable rate default reserve fund, the New York education loan program fixed rate default reserve fund, or the authority New York education loan program default reserve fund, as described in subdivision seven of section six hundred ninety-two of this part, as applicable, pursuant to regulations promulgated by the authority. Upon receipt of a claim, the authority shall notify the borrower that their loan is being assigned to the authority for collection. The lender, or holder shall be paid one hundred percent of the outstanding principal, and of the capitalized and unpaid accrued interest. Upon such payment, this amount shall be the principal owed by the borrower.

(b) All collection payments received by the authority from a borrower, or on behalf of borrowers, in default on loans made under this program, except collection fees shall be deposited into a designated account within one or more reserve funds or accounts established by the authority in subdivision seven of this section as applicable.

6. Collection fee. The authority shall assess a collection fee, in an amount to be determined by the authority at least annually, on all defaulted education loans under this program. This fee shall be retained by the authority for the administration of the program. The aggregate annual revenue generated by such fee shall not exceed the actual costs incurred by the authority, in the preceding year, in collecting a defaulted loan under this program on which the authority has paid a claim. Any amounts in excess of actual cost shall be used to reduce the fee charged in the subsequent year.

7. Administrative wage garnishment. (a) Notwithstanding any provision of law to the contrary, the authority shall be entitled to garnish the disposable pay of an individual to collect the amount owed by the individual, if such individual fails to make required voluntary payments under a repayment agreement with the authority, provided that:

(i) The amount deducted for any pay period does not exceed fifteen percent of disposable pay. However, the amount deducted for any period may exceed fifteen percent with the written consent of the individual;

(ii) Prior to garnishment the individual shall have been given thirty days written notice to the individual's last known address advising such individual of the nature of the obligation, amount of the loan obligation, the authority's intent to garnish and an explanation of the individual's rights under this section including the right to inspect and copy records relating to the debt;

(iii) The individual shall have been given an opportunity within the aforementioned thirty days to enter into a written repayment agreement with the authority to avoid garnishment of wages; and

(iv) The individual shall have been provided an opportunity for a hearing pursuant to the requirements of paragraph (f) of this subdivision.

(b) The individual's employer shall pay to the authority amounts as directed in the withholding order and shall be liable for failure to comply with said order. The authority may sue an employer in a court of competent jurisdiction to recover from such employer the amount the employer fails to withhold from the individual's wages following receipt of the order of withholding with interest thereon plus attorneys' fees and costs;

(c) The notice of withholding served upon the employer shall contain only such information as is necessary for the employer to comply with the withholding order.

(d) No amount may be deducted from the wages of an individual who has been involuntarily separated from employment and has not been continuously employed for twelve months. An individual must prove that separation from employment was involuntary. Separation due to incarceration shall not qualify as involuntary separation.

(e) An employer may not discharge from employment, take disciplinary action against or refuse to employ an individual by reason of the fact that such individual's wages are subject to an order of withholding. Such individual may take action against said employer in a court of competent jurisdiction for reinstatement, back pay or such further relief as may be just and necessary.

(f) A hearing as described in subparagraph (iv) of paragraph (a) of this subdivision shall be provided prior to an order of withholding if the individual submits a written request for a hearing on or before the fifteenth day following the notice described in subparagraph (ii) of paragraph (a) of this subdivision in accordance with procedures set forth by the authority. If an individual fails to submit a written request in the time frame provided, the authority shall still provide a hearing upon receipt of a written request, but such hearing need not be provided prior to an order of withholding being issued to the employer. The hearing shall not be conducted by a party under the supervision or control of the authority except that nothing shall prohibit the authority from appointing an administrative law judge. A hearing decision shall be issued no later than sixty days after the filing of the petition requesting the hearing.

(g) For purposes of this section, "disposable pay" shall mean that part of the compensation of any individual from an employer remaining after deduction of amounts required to be withheld by law.

(h) All funds received through administrative wage garnishment shall be deposited into a designated account within one or more reserve funds or accounts established by the authority in this subdivision as applicable.

8. New York state tax offset. The authority shall be entitled to receive credits of New York state tax overpayments pursuant to section one hundred seventy-one-d and paragraph three of subsection (e) of section six hundred ninety-seven of the tax law with respect to defaulted education loans under this program. All funds, or credits, received through such tax offsets shall be deposited into a designated account within one or more reserve funds or accounts established by the authority in subdivision seven of this section as applicable.

9. Statute of limitation. Notwithstanding any provision of law to the contrary, there shall be no statute of limitations to bring suit or otherwise collect an education loan under this program. Judgments in favor of the authority under this program shall not expire and there shall be no statute of limitations upon which to enforce or collect said judgment.

10. Capacity of minors. Any person otherwise qualifying for an education loan under this program shall not be disqualified by reason of being under the age of eighteen years and for the purposes of applying for, receiving and repaying such a loan, any such person shall be deemed to have full legal capacity to act. The authority, in collecting education loans under this program, shall not be subject to a defense raised by any borrower based on a claim of infancy.

11. Usury. Notwithstanding any provision of law to the contrary, the rate or amount of interest or fees payable on education loans made under this program shall not exceed twenty-five per centum per annum or its equivalent rate for a longer or shorter period.

12. Death and disability discharge. Upon the death of a student, for the funding of whose higher education expenses an education loan was made, the education loan made under this program shall be deemed discharged. If such a student becomes totally and permanently disabled, the education loan under this program shall be deemed discharged. A total or permanent disability shall mean a condition of an individual who is unable to work and earn money because of an injury or illness that is expected to continue indefinitely or result in death. The holder of such discharged education loans shall be paid the outstanding principal, capitalized and unpaid accrued interest due from one or more reserve funds or accounts established by the authority in subdivision seven of this section as applicable.

13. Bankruptcy. Education loans under this program shall be considered non-dischargeable pursuant to section 523(a)(8) of the U.S. Bankruptcy Code.

14. Security interest. Notwithstanding any other provision of law, other than section one thousand six hundred eighty-two and section two thousand four hundred five-a of the public authorities law, a security interest in education loans shall be perfected only by the filing of a financing statement in the manner provided under section 9-310 of the uniform commercial code, and shall attach and be assigned priority in the manner provided under the uniform commercial code with respect to security interests perfected by such a filing, and a description of collateral consisting of education loans in any financing statement

shall be conclusively deemed to be legally sufficient if it refers to records identifying such loans retained by the authority, provided that any such security interest shall be subject to any applicable lien under section two thousand four hundred five-a of the public authorities law. The owner of any education loan shall advise the authority of any sale or assignment of such loan at the time and in the manner required by the authority.

15. Agreements. Notwithstanding any other provision of law, any eligible public college or public career education institution is hereby authorized to enter into one or more agreements with the authority and any entity authorized to finance education loans pursuant to the public authorities law providing for the participation of such college or career education institution in the program and to perform or contract the performance of its obligations under any such agreement. Such obligations may include without limitation the payment obligations described in this title.

§ 694. Sale of education loans. 1. The authority and holders shall be authorized to enter into one or more agreements for the sale of education loans made pursuant to this program.

2. Education loan purchases may be financed (a) by bonds issued by the authority, or any other entity authorized to issue bonds for such purpose pursuant to the public authorities law, in an amount approved by the director of the division of the budget; or (b) by other non-state sources in amounts established pursuant to an agreement with the authority.

3. The authority shall establish the criteria and terms upon which lenders may sell education loans subject to the approval of the authority or any other entity authorized to issue bonds under this program with respect to loans that are expected to be financed by such entity.

§ 694-a. Miscellaneous. 1. No education loan shall be deemed subject to section one hundred eight of the banking law, to article nine of the banking law or to any other provisions of law governing the qualifications to make loans or the terms or conditions of loans described in this part, including, without limitation, the interest rates, fees and charges applicable thereto. Neither the authority nor any entity authorized to finance education loans pursuant to the public authorities law shall be subject to any licensing requirements in connection with its education lending activities. No entity shall be considered a lender for purposes of any other provision of law solely as a result of its interest in an education loan made under this part.

2. Funds may be appropriated to the authority or other entity authorized to issue bonds under this program, for the administration of this program.

3. Interest paid on education loans made under this program shall be allowed as a deduction in computing the net taxable income of any such person for purposes of any income or franchise tax imposed by the state or any political subdivision thereof.

4. Any agreement of an entity authorized to issue bonds under the public authorities law for purposes of this program to acquire education loans from a lender shall be subject to the availability to such entity of funding for such purpose upon terms and conditions approved by such entity and shall not require the expenditure by such entity of funds from any source other than amounts obtained through the issuance of bonds or notes, including earnings thereon, and any appropriations thereof.

5. The authority, any lender, and any public benefit corporation authorized to issue bonds under the public authorities law for the purposes of this program shall not be subject to title five of article five of the general obligations law with respect to education loans and such education loans shall not be subject to such title.

6. To the extent that the provisions of this part are inconsistent with the provisions of any other part of this article, the provisions of this part shall be controlling.

§ 694-b. Reporting. The authority, after consultation with any other public benefit corporation that shall have issued bonds under the public authorities law for purposes of this program, with respect to loans that have been financed by or that are expected to be financed by such entity, shall report annually with respect to education loans made under this program for the prior academic year to the governor, the temporary president of the senate, the speaker of the assembly, the director of the division of the budget, the senate finance committee, the assembly ways and means committee and the standing committees of the legislature having jurisdiction of higher education on the number and characteristics of students who received fixed rate and/or variable rate loans under this program, including, but not limited to, the interest rate charged, the default and collection fees established, the grace period established if other than six months, the number of students who received loans that demonstrated financial need pursuant to section six hundred ninety-two of this part, the income established by the authority pursuant to section six hundred ninety-two of this part, the number of students who received fixed rate loans, the number of students who received variable rate loans, the number of default claims received by the authority, the number of borrowers subject to administrative wage garnishment, and a list of the lenders and holders, if known, who have provided variable rate loans. Such annual report shall be submitted by the first day of December following the close of the academic year for which such education loans were made.

§ 3. This act shall take effect July 1, 2027. Effective immediately, the dormitory authority of the state of New York is authorized to promulgate, amend and/or repeal any rule or regulation necessary for the implementation of this act on or before such effective date.