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Advocacy Alert

Q & A with David Socolow, the New Executive Director of HESAA

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www.NJSpotlight.com

Two years ago, the New Jersey Higher Education Student Assistance Authority came under fire for lending practices that lawmakers deemed "predatory." Since then it's put some new programs in place — either voluntarily or to comply with new state laws — intended to help borrowers pay off their loans. It also has a new executive director, David Socolow, appointed three months ago by Gov. Phil Murphy.

Socolow spoke last week with NJ Spotlight, touching on changes that have already been made at HESAA and those to come, as well as other roles and the variety of loans the authority offers.

NJ Spotlight: How are you enjoying your position so far?

Socolow: It's been very exciting, with the governor's plans to make college more affordable and accessible.

We've got the proposed $50 million investment toward making community college free, the first phase of which is in the governor's budget that will enable 15,000 students with incomes below $45,000 to attend community college tuition and fee free. And you know HESAA's at the very center of that, working with the Secretary of Higher Ed, the governor's office, and the Legislature to make that top priority happen.

We've also got the significant investment in the governor's budget for New Jersey's premier tuition aid grant, the Tuition Aid Grant need-based financial aid program. The governor's budget has sufficient funding for 3,500 additional students to get one of those TAG grants to get a college education and the postsecondary training they need to get into the labor market.

We have a number of new initiatives and priorities to try to address the student-debt crisis. We've got a new student-loan servicing system that we put out an RFP (request for proposal) on in February to try to get more flexible technology to help us assist borrowers more effectively. We also have been developing new approaches to help students and individual borrowers who are delinquent on their student loans through a new household-income affordable-repayment program based on students' ability to pay.

NJ Spotlight: Let's start with defaults. If I am a student or a former student and I'm currently in default, am I probably at a collection agency now? Is that something HESAA could still help with, or is it too late?

Socolow: For both our portfolio of the older federal loans, the FFELP loans, as well as the state NJCLASS loans, when the loans go into default, we refer them to a handful of collection-law firms that work for HESAA. When we look at the instructions that they were given and the way in which payment structures were designed, we think there is significant opportunity for reform that balances debt obligations with their ability to pay.

NJ Spotlight: So, these firms are supposed to be following guidelines that you give them?

Socolow: Exactly. Very few loans default, but when they do default, it's usually due to some economic calamity or hardship that all the parties have experienced, and so that's what we are working on.

But far more widespread are people who run into temporary trouble who are delinquent. They miss a payment or two, they're 60 days delinquent on their student loans or they're making a partial payment and they are asking for some form of relief. It's for them that we've just announced that we will be having in our new 2018 loans, a second program, called HIARP, Household Income Affordable Repayment Program. It works in tandem with the other limited two-year program that was offered last year called RAP, the Repayment Assistance Program. HIARP and RAP working together essentially will help those borrowers who are running into trouble to avoid default by giving them a more flexible repayment that is based on income, the combined income of all the parties to the loan.

While the vast majority, upward of 95 percent of all of our New Jersey CLASS loans are current, not delinquent at all, there are folks who start running into trouble, and the key is to help them quickly, when they are 60 days delinquent or 90 days delinquent or just beginning to run into trouble.

Prior to this initiative, in many ways, HESAA didn't have much to offer them. We do not currently have information about this on our website because this is for 2018 loans going forward, which don't start until July 1. The RAP program does exist, you can read about that on our website. That is an up to two-year period in which all the payments go right to principal. The amount of the payment is calculated based on that combined household income of all the parties to the loan, subtracting 150 percent poverty level for that household size … basically an affordable payment after nondiscretionary income is subtracted.

If you cure the problem that's making it hard to afford to pay your loans within two years, RAP is perfect because at the end of that time the loan has not accrued any interest, any payments you've made have gone towards principal.

That doesn't work, of course, if the trouble lasted longer than two years, and that's where HIARP comes in. HIARP is tacked onto the end of RAP for individuals for whom the material economic circumstance change didn't finish up within that timeframe.

NJ Spotlight: Are these kinds of programs commonly offered in other states or are we one of the few states that have our own loan program for students?

Socolow: There are 19 states that I'm aware of that run this model using the tax-exempt bond authority of the state to issue bonds and then pledging the revenues from qualified student loans with a New Jersey connection. It has to be either New Jersey residents or people from elsewhere who are going to New Jersey college.

NJ Spotlight: I think there were some complaints from parents who came out to the legislative hearing that that NJCLASS or HESAA was overselling, allowing students to take out large amounts of loans. Is there a cap on the amount of money that a student can borrow?

Socolow: The Legislature passed a law in 2017 that says the total loan amount per student cannot exceed $150,000, and that amount goes up each year by an amount that is the higher-education inflation index. But it's important to remember that these are school-certified, college-certified loans. The institution of higher education is required to certify the total amount of expected family contribution, which comes from the FAFSA (Free Application for Federal Student Aid). That would be minus any federal or state grant or scholarship aid or school institutional scholarship, and minus the amount of the federal direct student loan that the student could take out, which is about $5,000 a year to $7,000 a year, depending on what year you are in undergraduate. And so, the amount you can borrow is really already limited by what is available, how much the expected family contribution is leftover.

NJ Spotlight: Are there a lot of folks who don't bother filing the FAFSA?

Socolow: We're all doing everything we can to encourage FAFSA completion. People often say, "Oh it's a lot of paperwork and lot of bother. I don't have my tax returns." That's been solved. There is now a data retrieval tool, which the IRS, through the cooperation with the federal Department of Education, that pulls the tax return from two years ago, the so-called prior-prior-year tax return, pulls it down into the FAFSA, so you don't have to go hunting in your stacks of papers for that.

But a lot of people still don't do it because they don't think they're going to qualify for anything. And that's the other thing: People fill it out the first year when they're applying and then forget to fill it out the other years. You've got to fill out the FAFSA every year because you don't know what institutional aid the school might be offering — what scholarship you might qualify for from the state of New Jersey, from HESAA, as well as what federal aid you might qualify for. For the HESAA program, there are just a few additional questions when you finish the federal FAFSA form. Those are crucial because that is the way you find out whether you're eligible for financial aid provided by the state of New Jersey.

NJ Spotlight: Do you know what percentage fill it out or don't fill it out?

Socolow: It's 60 percent who fill it out. We wish it were higher.

This is the core of our mission. We do more. We're here for a whole suite of programs and information services. We do more than 600 events a year out at high schools and with guidance counselors and with college financial aid officers and community groups to try to raise awareness of different sources of help paying for college. Our call center (800-792-8670) gives advice to students and families.

NJ Spotlight: And there's not an easy way to say, "If your income is X, you'll get so much aid," because the formulas are complicated?

Socolow: That's why we encourage everyone to apply, because you don't know. It does factor in a number of different criteria. One criterion is income, another one is family size. Another one is the number of children in a family who are adding postsecondary education at the same time. Another factor is assets.

NJ Spotlight: The governor talked on the campaign trail about a loan-forgiveness program if you go into STEM (science, technology, engineering, and math). There's nothing like that now?

Socolow: New Jersey has a couple of very small loan redemption programs for that purpose. There's one related to physicians that's in our budget that's been around for a few years. The governor did talk in the campaign about ways to build on that with a STEM loan-redemption program, and we are beginning to scope out what that might look like, but there's nothing announced yet on that, there's nothing formal yet.