



NEW JERSEY

Association of State Colleges and Universities

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**QuickTakes!**

## **Ramapo Student Leader Becomes New Jersey Leader on Higher Education Policy Issues**

July 25, 2019

The New Jersey legislature has passed a “student borrower bill of rights” that regulates companies that service student loans, part of a national trend as America deals with its \$1.6 trillion student-debt crisis. It is expected to be signed into law by Gov. Murphy on July 30, 2019 at Seton Hall.

The bill forces companies like Naviet, FedLoan, and other student-loan servicers to register with the Department of Banking and Insurance and comply with borrower-friendly protections. Violations would attract a \$10,000 fine the first time and \$20,000 for subsequent ones. It also creates a student loan ombudsman in the state agency.

Stephan Lally, Ramapo Student Government Association president, student representative to the Higher Education Student Assistance Authority (HESAA) from July 2018 to July 2019, and higher education advocacy activist in New Jersey, was a major voice in the movement to pass this bill.

Below is an op-ed, reprinted in full from *NJ Spotlight*, in which Stephan and his co-author Beverly Brown Ruggia make an impassioned argument for the passage of the student loan ombudsman bill.

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### **Op-Ed: New Jersey Can Help Students with their Loan Debt**

Beverly Brown Ruggia and Stephan Lally

June 5, 2019

### **Lawmakers Should Pass Bill Establishing Strong Lending Standards and a Licensing Agreement for Loan Servicers**

Last month, 400 extremely fortunate Morehouse College graduates flipped their tassels to the amazing revelation that they would be starting their post-college careers without student

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*The College of New Jersey  
Kean University  
Montclair State University*

*New Jersey City University  
Ramapo College of New Jersey  
Rowan University*

*Stockton University  
Thomas Edison State University  
William Paterson University*

debt. Richard Smith, an incredibly generous billionaire from Texas, has pledged to pay off all of their student loans.



*Stephan Lally, Ramapo Student Government Association president and Co-Author Beverly Brown Ruggial.*

Smith's gesture is noble, but unfortunately most other college graduates can't count on the generosity of billionaires to pay off their loans. His gesture won't cover the \$1.5 trillion that 44 million Americans owe in student debt or the even \$43 billion that 1.1 million New Jersey student-loan borrowers owe.

This debt crisis puts too many New Jersey graduates on a destructive cycle of damaged credit, limited career paths and missed economic opportunities. Students are unknowingly signing away their lives by taking out loans to

pay for college. Lenders won't approve 18-year-olds for a mortgage or small business loan but will approve a student loan totaling tens of thousands of dollars. Many of these students have amassed debt from predatory for-profit college loans that left them without a valuable degree or the ability to get a better job.

Fortunately, the New Jersey State Legislature has the power to address key causes of the crisis. This month, they have the opportunity to do so by passing the long-awaited student loan protection bill (S-1149/A-455) which is expected to move out of the New Jersey Assembly Higher Education Committee this week.

### **Many Students Face Mountain of Debt**

There are two primary factors that contribute to the student debt crisis. First, the cost of tuition continues to climb to increasingly unaffordable levels. Gov. Phil Murphy is working to provide much-needed cost relief with free community college in our state. But students are still left with few options to pay for other higher-educational choices. Many take out tens of thousands of dollars in loans or give up entirely on their dream of going to college.

Second, those who do choose to borrow to pay for tuition experience serious difficulties in repaying their loans, which can deepen their debt significantly.

One of the worst problems student borrowers have with repayment has been the reported history of abusive practices by their loan servicers, the companies that manage and collect the loan debt. In a 2018 policy brief on student debt in New Jersey, the Center for Responsible Lending reported that servicers consistently fail to put borrowers into income-

based repayment plans for which they qualify, misapply payments, report incorrect information to credit bureaus, and place borrowers in forbearance, or plans that cause their debt to balloon, which can lead to delinquencies and defaults.

Between 2011 and 2017, the Consumer Financial Protection Bureau (CFPB) received nearly 1,900 complaints from New Jersey borrowers regarding their student loans, a 77 percent increase in complaints to the bureau in 2017 compared to the year before. According to the current CFPB complaint database, the student comments regarding loan servicers continue to highlight the same problems.

### **Bill Offers Relief to Grads in Debt**

S-1149/A-455, sponsored by Sen. Sandra Cunningham (D-Hudson) and Assemblyman Gary Schaer (D-Bergen/Passaic) passed in late 2017. It called on the state Department of Banking and Insurance to establish strong lending standards and a licensing requirement for any student-loan servicer operating in the state. It gave DOB I the power to enforce the standards, fine violators and to designate a student-loan ombudsman.

Unfortunately, former Gov. Chris Christie pocket vetoed the bill. In the year after Christie vetoed the legislation, student debt grew in our state by more than \$3.2 billion. The average debt owed by a New Jersey student borrower is now \$38,876.

Until the nation solves the broader education affordability crisis, we must put common-sense policies and protections in place that ensure a fair lending and repayment environment for student borrowers. The Consumer Financial Protection Bureau under the Trump administration unsurprisingly no longer advocates for student loan borrowers. Six states have decided to step in to address the abuses in the student-lending sector by implementing student loan bill of rights. New Jersey has not.

Richard Smith's remarkable gesture will help a few hundred hopeful and deserving students start their lives without debt. The New Jersey Legislature has the power to ensure that past graduates trying to manage debt, the class of 2019, and all future students who flip their tassels to begin their professional lives, can do so without fear of unfair, deceptive and abusive practices on the road to paying for their hard-earned education.

Easing the pathway to an affordable postsecondary education for our students not only benefits them, but our state as a whole. Students would be able to make major purchases like a house or a car, and perhaps start families, sooner in life.

It's time for the entire New Jersey Legislature and the governor to finish the job they started and make S-1149/A-455 the law of the land. This is the graduation gift our students deserve.

*Beverly Brown Ruggia is the financial justice organizer for New Jersey Citizen Action and leads the organization's Students Before Profits Campaign to regulate for-profit post-secondary*

*schools, and its effort to protect student-loan borrowers from lender abuses and to end the student-debt crisis.*

*Stephan Lally is a senior political-science major with a minor in public policy at Ramapo College of New Jersey, class of 2020, where he is Student Government Association president. He just completed his one-year term on the board of the Higher Education Student Assistance Authority. Stephan was honored on July 24 at the HESAA Board Meeting with a resolution recognizing his “devoted” advocacy for students of New Jersey by providing valuable input on policy matters affecting students and their access to affordable and excellent higher education.*