

2011 Report:

New York Higher Education Loan Program (NYHELPS)



Submitted by
New York State Higher Education Services Corporation

December 1, 2011



[THIS PAGE INTENTIONALLY LEFT BLANK]

2011 Report: New York Higher Education Loan Program (NYHELPS)

Introduction

The New York Higher Education Loan Program (NYHELPS) is a state-sponsored student loan program established in April 2009, following the New York State Commission on Higher Education's recommendation for the creation of a low-cost student loan program for residents attending college in New York State. In its Final Report findings, the Commission cited that the absence of such a program limited New York State students' college financing options, potentially inhibiting access or contributing to the accumulation of high-interest debt.

As set forth in Education Law and Public Authorities Law, respectively, the Program is administered by the New York State Higher Education Services Corporation (HESC) and is financed through federally tax-exempt bonds issued by the State of New York Mortgage Agency (SONYMA), doing business as the Higher Education Finance Authority (HEFA).

Other key participants of the Program include M&T Bank, which serves as both a Program lender and the Trustee responsible for safeguarding the Program's loan pool funds; Pioneer Savings Bank, which serves as a Program lender; Firstmark Services, the Program's loan servicer; Element K, developer of the Program's financial literacy platform; Bank of America Securities/Merrill Lynch and Morgan Stanley, which both serve as the Program's bond underwriters; and Hawkins, Delafield & Wood, LLP, serving as bond counsel.

HESC began accepting Program applications on December 21, 2009 and, pursuant to section 694-b of the Education Law, must report annually with respect to education loans made under the Program. This Report details activities with respect to education loans made under the Program for the 2010-11 academic year, beginning July 1, 2010 and ending June 30, 2011.

Academic Year 2010-11 Activities

In December 2009, the State of New York Mortgage Agency (SONYMA) issued \$97.8 million in bonds towards funding the origination of the first NYHELPS loans. Of the \$97.8 million in bonds initially issued in 2009, \$0.2 million were originated for the spring term of the 2009-10 academic year and \$6.2 million were originated for the 2010-11 academic year. In April 2011, \$75 million was redeemed, allowing for approximately \$15 million in continued funding for new loan originations for the 2011-12 academic year.

A number of Program improvements were made in 2010-11, including:

- Reduced income and residency verification processing time from an average of 10 business days to a 3 business day turnaround.

NYHELPS Loan Benefits

- *Requires that students exhaust all other low-cost financial aid options first – including federal, State and institutional aid.*
- *Educates and tests students through a mandatory financial literacy course before making loans available to them.*
- *Offers a fixed interest rate for the life of the loan.*
- *Limits over-borrowing by requiring college certification of the student's remaining college costs and imposing borrowing ceilings.*
- *Offers forbearances and reduced payment options for borrowers temporarily struggling with repayment.*

- Simplification of the web application experience.
- Development of a delinquency resolution platform to facilitate early communication with borrowers and cosigners at strategic points, minimizing negative credit bureau reporting beginning when the borrower is 30 days past due. As a result of this strategy, between September 30, 2010 and September 30, 2011, only one borrower was more than 30 days past due and no borrower was more than 60 days past due.
- Payment relief enhancements which allow borrowers to apply for forbearance and modified payment plans prior to becoming delinquent, and provide a deferment benefit to all borrowers who are members of the military on active duty.

Academic Year 2010-11 Loan Activity Highlights

- 653 students received loans totaling over \$6.2 million for the 2010-11 academic year;
- 100 percent of the 63 participating colleges had students who received a NYHELPS loan;
- More than 68 percent of the student borrowers came from households that meet TAP income eligibility;
- 44 percent of borrowers were in their freshman or sophomore year;
- 49 percent of borrowers were in their junior or senior year;

- 7 percent of borrowers were graduate students;
- 45 percent of disbursed student loans were deferred while in college;
- 22 percent of disbursed student loans required interest-only payments while in college;
- 33 percent of disbursed student loans required principal and interest payments while in college;
- The average certified loan amount was \$9,029;
- The weighted average interest rate was 8.27 percent; and,
- The weighted average fee rate paid was 5.86 percent.

2010-11 NYHELPS Program Highlights

(Academic Year)

Loan Amounts

- Annual maximum loan amounts are the lesser of:
 - Cost of attendance minus all other federal (excluding federal PLUS loans), State, institutional and private aid; or
 - An annual maximum that varies by the year of the student:
 - Freshmen - \$10,000
 - Sophomores - \$15,000
 - Juniors, seniors and graduate students - \$20,000
- Aggregate maximum loan amounts of:
 - \$20,000 for undergraduates at 2-year institutions
 - \$50,000 for undergraduates at 4-year institutions
 - \$70,000 for undergraduate and graduate study combined
- The annual minimum loan(s) amount is \$2,000.

Eligibility Requirements

- Borrowers must be both a New York State resident and a U.S. citizen or an eligible non-citizen.
- Students must be matriculated at least half time at a participating New York State college.
- Parents, legal guardians, and sponsors may borrow on behalf of a matriculated student attending a participating college.
- Students/borrowers must exhaust all federal (excluding federal PLUS loans), State, and institutional aid.
- Students must meet federal satisfactory academic progress standards.

Cosigners

- A student borrower must have at least one primary cosigner with an established credit history and good credit rating.
- A cosigner must be a New York State resident and a U.S. citizen or an eligible non-citizen.
- A second cosigner, residing in the same household as the first cosigner, may be added to further help a borrower qualify for a loan.
- If available at the time of application, a borrower may apply to release a cosigner after making 48 consecutive on-time payments after the student leaves college.

Repayment

- Three repayment options are available to student borrowers.
 - **Full Deferment:** Loan principal and interest is deferred during the in-college period and the six-month grace period.
 - **Interest-Only:** Interest-only payments are made by the borrower during the in-college period and the six-month grace period. Principal and interest payments commence at the end of the grace period.
 - **Immediate Repayment:** Repayment of principal and interest begins immediately.
- All non-student borrowers must pay principal and interest while the student is in college.
- Repayment terms are based on the cumulative loan balance, with a standard 10-year repayment term. This repayment term is extended for higher cumulative balances for the portion of the borrower's balance exceeding the prescribed threshold. Extended payments must be requested by the borrower and must have cosigner approval at the time of application.

Table 1: 2010-11 NYHELPS Loans
(Academic Year)

Statutorily Requested Information	Program Characteristic	Number of Students*
1. The Interest Rate Charged	7.55% for Immediate Repayment 8.25% for Interest Only Repayment 8.75% for Full Deferment	216 147 302
2. The Default Fees Established	Student Borrowers Immediate Repayment: 4%: FICO = 740+ 5%: FICO = 700-739 6%: FICO = 660-699 Interest Only: 5%: FICO = 740+ 6%: FICO = 700-739 7%: FICO = 660-699 Full Deferment: 7%: FICO = 660+ Non-Student Borrowers Immediate Repayment: 4%: FICO = 760+ 8%: FICO = 720-759	 143 48 23 114 20 13 302 2 3
3. Collection Fee Established	15.65% of payment received	0
4. Grace Period Established if Other than Six Months	N/A	N/A
5. Number of Students Who Received Loans that Demonstrated Financial Need (Pursuant to Section 692 of the Education Law)	N/A	452
6. Income Established by the Corporation (Pursuant to Section 692 of the Education Law)	<u>Less than or equal to \$80,000 NTI</u>	452
7. Number of Students Who Received Fixed-Rate Loans	N/A	653
8. Number of Students Who Received Variable-Rate Loans	N/A	None
9. Number of Default Claims Received by the Corporation	N/A	None
10. Number of Borrowers Subject to Administrative Wage Garnishment	N/A	None
11. A List of the Lenders and Holders, if Known, Who have Provided Variable-Rate Loans	N/A	None

* Student counts are unduplicated within each detail.

Table 2: 2010-11 NYHELPS Participating Colleges
(as of 7/1/2010)

Adelphi University	Medaille College
Albany Medical College	Mercy College
Berkeley College	Metropolitan College of New York
Bryant & Stratton College	Molloy College
Canisius College of Buffalo	Mount Saint Mary College
Cazenovia College	New York Institute of Technology
Clarkson University	New York School of Interior Design
College of Mount Saint Vincent	New York University
College of New Rochelle	Niagara University
College of Saint Rose	Pace University
Concordia College	Paul Smith's College
Culinary Institute of America	Polytechnic University
Daemen College	Rochester Institute of Technology
Dominican College of Blauvelt	Sarah Lawrence College
Dowling College	Siena College
D'Youville College	Skidmore College
Elmira College	St Joseph's Coll of Nurs at St Jos Hosp Hlth Ctr
Fashion Institute of Technology	St. Joseph's College
Five Towns College	State University College at Oswego
Fordham University	SUNY College of Technology at Canton
Fulton-Montgomery Community College	SUNY Empire State College
Hartwick College	Syracuse University
Hobart and William Smith Colleges	The College of Westchester
Hofstra University	The Sage Colleges
Iona College	Trocaire College
Keuka College	Union College
Le Moyne College	Union Graduate College
Long Island University - University Center	Utica College
Manhattan College	Utica School of Commerce
Manhattanville College	Villa Maria College of Buffalo
Maria College of Albany	Wells College
Marymount Manhattan College	

**Table 3A: NYHELPS Academic Year 2010-11
Independent Colleges and Universities**

	No. of Students	No. of Loans	Certified Approved Dollars	Average Loan
Interest Rate (%)				
7.55	180	187	\$1,659,426	\$8,874
8.25	113	114	\$1,102,992	\$9,675
8.75	239	250	\$2,434,848	\$9,739
Default Fee (%)				
4	123	126	\$1,096,167	\$8,700
5	126	128	\$1,236,653	\$9,661
6	34	34	\$282,328.00	\$8,304
7	250	261	\$2,548,348	\$9,764
8	2	2	\$33,770.00	\$16,885
Student's Family Income (AGI)*				
<\$30,000	126	134	\$1,147,414	\$8,563
\$30,000 - \$59,999	75	78	\$604,315	\$7,748
\$60,000 - \$96,999	166	171	\$1,634,483	\$9,558
>=\$97,000	164	168	\$1,811,054	\$10,780
Residence of Borrower				
Upstate	439	460	\$4,263,345	\$9,268
NYC & Long Island	85	91	\$933,921	\$10,263
TOTAL	524	551	\$5,197,266	\$9,432

* \$97,000 AGI = \$80,000 NTI for a family of four

Table 3B: NYHELPS Academic Year 2010-11
State University of New York (SUNY)

	No. of Students	No. of Loans	Certified Approved Dollars	Average Loan
Interest Rate (%)				
7.55	35	36	\$226,004	\$6,278
8.25	32	33	\$268,367	\$8,132
8.75	62	63	\$475,758	\$7,552
Default Fee (%)				
4	22	22	\$145,692	\$6,622
5	34	35	\$281,167	\$8,033
6	8	9	\$48,328.00	\$5,370
7	64	65	\$488,058	\$7,509
8	1	1	\$6,884.00	\$6,884
Student's Family Income (AGI)				
<\$30,000	17	18	\$106,780	\$5,932
\$30,000 - \$59,999	14	14	\$95,774	\$6,841
\$60,000 - \$96,999	50	52	\$373,358	\$7,180
>=\$97,000	47	48	\$394,217	\$8,213
Residence of Borrower				
Upstate	106	113	\$827,329	\$7,321
NYC & Long Island	19	19	\$142,800	\$7,516
TOTAL	125	132	\$970,129	\$7,349

**Table 3C: NYHELPS Academic Year 2010-11
Proprietary Degree-Granting Institutions**

	No. of Students	No. of Loans	Certified Approved Dollars	Average Loan
Interest Rate (%)				
7.55	1	1	\$6,600	\$6,600
8.25	2	2	\$18,000	\$9,000
8.75	1	1	\$11,000	\$11,000
Default Fee (%)				
4	0	0	\$0	\$0
5	2	2	\$18,000	\$9,000
6	1	1	\$6,600.00	\$6,600
7	1	1	\$11,000	\$11,000
8	0	0	\$0.00	\$0
Student's Family Income (AGI)				
<\$30,000	1	1	\$10,000	\$10,000
\$30,000 - \$59,999	1	1	\$8,000	\$8,000
\$60,000 - \$96,999	2	2	\$17,600	\$8,800
>=\$97,000	0	0	\$0	\$0
Residence of Borrower				
Upstate	3	3	\$24,600	\$8,200
NYC & Long Island	1	1	\$11,000	\$11,000
TOTAL	4	4	\$35,600	\$8,900

**Table 3D: NYHELPS Academic Year 2010-11
All College Sectors**

	No. of Students	No. of Loans	Certified Approved Dollars	Average Loan
Interest Rate (%)				
7.55	216	224	\$1,892,030	\$8,447
8.25	147	149	\$1,389,359	\$9,325
8.75	302	314	\$2,921,606	\$9,304
Default Fee (%)				
4	145	148	\$1,241,859	\$8,391
5	162	165	\$1,535,820	\$9,308
6	43	44	\$337,256.00	\$7,665
7	315	327	\$3,047,406	\$9,319
8	3	3	\$40,654.00	\$13,551
Student's Family Income (AGI)				
<\$30,000	144	153	\$1,264,194	\$8,263
\$30,000 - \$59,999	90	93	\$708,089	\$7,614
\$60,000 - \$96,999	218	225	\$2,025,441	\$9,002
>=\$97,000	211	216	\$2,205,271	\$10,210
Residence of Borrower				
Upstate	548	576	\$5,115,274	\$8,881
NYC & Long Island	105	111	\$1,087,721	\$9,799
TOTAL	653	687	\$6,202,995	\$9,029