

2010 Report:

New York Higher Education Loan Program (NYHELPS)



Submitted by
Higher Education Services Corporation

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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).

Key participants of the Program also 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.

Pursuant to section 694-b of the Education Law, this Report details activities with respect to education loans made under the Program for the 2009-10 academic year. Given the Program's mid- 2009-10 academic year launch, this 2010 Report will also preview activities during the first two quarters of the 2010-11 academic year.

Overview

In 2008, New York State colleges and universities certified an estimated \$600 million in predominantly variable-rate private education loans on behalf of New York State resident students alone.

The utilization of state-sponsored student loan programs continues to grow among students needing nonfederal loans to close gaps in their college costs. The College Board, in its 2010 Trends in Student Aid report, identified a 123 percent increase in the utilization of state-sponsored loans, from \$650 million nationally in 1999-2000 to \$1.45 billion in 2007-08. During the same period, utilization of private sector education loans (which exclude state-sponsored loans) grew by 383 percent, from \$4.5 billion in 1999-2000 to \$21.8 billion in 2007-08.

Distinctions are being made nationally about the benefits and reliability of state loan programs, which can carry fixed rates and offer borrower benefits not available with other

private loan products. Because of these benefits, independent financial aid organizations are advising potential private education loan borrowers to look to student loans offered by their home state or risk missing out on some of the best financial deals available for higher education.

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.*

New York students and families continue to have access to a fixed-rate education loan to finance their college costs so that they do not struggle with their loan repayments in future years and jeopardize their financial future.

Academic Year 2009-10 Activities

The Program was enacted in April 2009 and launched in December 2009. Implementation activities during this eight-month period included procurement of a vendor to develop a student-focused financial literacy platform; procurement of a loan servicer; preparation and delivery of rating agency presentations; bond issuance; development of regulations and underwriting criteria that would benefit the maximum number of New Yorkers and ensure equitable access; systems testing and implementation; outreach to engage colleges and enter into participation agreements; execution of agreements with lenders; establishment of internal and external operational procedures; and the hiring of a credit risk officer and program director. The agency began accepting applications from borrowers on December 21, 2009.

By virtue of its eligibility requirements, NYHELPS discourages unnecessary borrowing by compelling New York State students and families to pursue all other free and low-cost college financing options first.

The Program's financial literacy course further educates students about student loan indebtedness, a unique feature among both state-sponsored loan programs and private education loan products.

While the current interest rate environment has resulted in prolonged and historic low variable rates, these rates will likely increase over the next 10 years as students look to repay their college debt. It is imperative that

Academic Year 2009-10 Loan Activity Highlights

- 35 students received loans totaling \$215,772 for the spring 2010 term;
- Students receiving loans attended 18 of the participating colleges;
- More than 91 percent of the student borrowers came from households that meet TAP income eligibility;
- 43 percent of borrowers were in their freshmen or sophomore year;
- 51 percent of borrowers were in their junior or senior year;
- 6 percent of borrowers were graduate students;
- 54 percent of disbursed student loans were deferred while in college;
- 6 percent of disbursed student loans required interest-only payments while in college;
- 40 percent of disbursed student loans required principal and interest payments while in college;
- Average certified loans total was \$6,165*;
- The weighted average interest rate was 8.27%*;
and,
- The weighted average fee rate paid was 5.86%*.

* Amount and percentages based on dollar amount; all other percent distributions above are based on number of borrowers and number of loans.

Preview of the 2010-11 Academic Year

While Program utilization will largely follow traditional consumer new product behavior, Program activities and improvements for the 2010-11 academic year are helping to set the stage for future growth. NYHELPS is the only state-sponsored loan program which requires that a fee be paid by or on behalf of participating colleges. HESC requested and received authorization from the NYS Division of the Budget for this fee to be paid on behalf of colleges for the 2010-11 academic year, which led to an 89 percent increase in the number of participating colleges (from 44 to 83 colleges and universities). During 2010-11, 72 percent of the State's "Top 25" loan volume colleges (as measured by estimated, college-certified private loan volume for State residents) were participating in NYHELPS.

2009-10 Program Highlights

- *NYHELPS bonds received an A+ rating from Standard & Poor's as well as Fitch Ratings in the first year of the Program, attesting to the strength of the Program's features and allowing for the offering of competitive interest rates.*
- *First-year interest rates were at or below fixed rates offered by long-standing state loan programs in Massachusetts, New Jersey and Rhode Island.*
- *Forty-four colleges initially participated in the Program, agreeing to reallocate funds to pay the required 1 percent fee midway through their academic year. By the close of 2009-10, 62 colleges were participating.*
- *While most students select their full year loan product during the peak student lending months of July and August, NYHELPS began accepting applications from New York students and families in late December 2009 – nearing the close of the smaller spring semester lending cycle.*

The increase in the annual maximum loan amount for 2010-11 has enabled borrowers to satisfy their remaining funding gap while avoiding over-borrowing, while the addition of a second cosigner option has helped to improve 2010-11 loan approval rates for students and families. Further, enhanced borrower benefits will help ensure that NYHELPS borrowers avoid becoming delinquent or entering into default.

In 2009-10 and 2010-11, NYHELPS has served to largely fill a need for New York's TAP eligible students and families attending an eligible New York State postsecondary institution. In the coming years, the Program has the potential to serve thousands more New York State students and families. We look forward to working to ensure the effective and efficient administration of this fixed-rate loan program as students and families look to finance their future college costs.

2009-10 NYHELPS Program Highlights

(Spring Term Only)

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
 - \$10,000.
- 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
- An annual minimum of \$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.
- 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 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 threshold. Extended payments must be requested by the borrower and must have cosigner approval.

Table 1: 2009-10 NYHELPS Loans
(Spring Term Only)

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	14 2 19
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	10 4 0 2 0 0 19 0 0
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	32
6. Income Established by the Corporation Pursuant to Section 692 of the Education Law	<u>Less than or equal to \$80,000 NTI</u>	32
7. Number of Students Who Received Fixed-Rate Loans	N/A	35
8. Number of Students Who Received Variable-Rate Loans	N/A	N/A
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	N/A

Table 2: 2009-10 NYHELPS Participating Colleges
 (as of 12/21/2009 start up)

Adelphi University	Manhattan College
Bryant & Stratton College	Metropolitan College of New York
Canisius College of Buffalo	Molloy College
Cazenovia College	New York University
Clarkson University	Niagara University
College of Mount Saint Vincent	Paul Smith's College
College of New Rochelle	Polytechnic University
College of Saint Rose	Rochester Institute of Technology
Culinary Institute of America	Sarah Lawrence College
Daemen College	Siena College
Dominican College of Blauvelt	Skidmore College
Dowling College	St. Joseph's College
D'Youville College	State University College at Oswego
Elmira College	SUNY College of Technology at Canton
Fashion Institute of Technology	SUNY Empire State College
Five Towns College	The College of Westchester
Fordham University	The Sage Colleges
Hartwick College	Trocaire College
Iona College	Union Graduate College
Keuka College	Utica College
Le Moyne College	Villa Maria College
Long Island University	Wells College

**Table 3A: NYHELPS Academic Year 2009-10
Independent Colleges and Universities**

	No. of Students	No. of Loans	Certified Approved Dollars	Average Loan
Interest Rate (%)				
7.55	11	11	\$63,379	\$5,762
8.25	1	1	\$10,000	\$10,000
8.75	16	16	\$105,282	\$6,580
Default Fee (%)				
4	7	7	\$38,879	\$5,554
5	5	5	\$34,500	\$6,900
6	0	0	0	0
7	16	16	\$105,282	\$6,580
8	0	0	0	0
Student's Family Income (AGI)*				
<\$30,000	7	7	\$52,788	\$7,541
\$30,000 - \$59,999	8	8	\$38,889	\$4,861
\$60,000 - \$96,999	10	10	\$71,284	\$7,128
>=\$97,000	3	3	\$15,700	\$5,233
Residence of Borrower				
Upstate	21	21	\$131,351	\$6,255
NYC & Long Island	7	7	\$47,310	\$6,759
TOTAL	28	28	\$178,661	\$6,381

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

Table 3B: NYHELPS Academic Year 2009-10
State University of New York (SUNY)

	No. of Students	No. of Loans	Certified Approved Dollars	Average Loan
Interest Rate (%)				
7.55	3	3	\$17,611	\$5,870
8.25	1	1	\$3,600	\$3,600
8.75	3	3	\$15,900	\$5,300
Default Fee (%)				
4	3	3	\$17,611	\$5,870
5	1	1	\$3,600	\$3,600
6	0	0	0	0
7	3	3	\$15,900	\$5,300
8	0	0	0	0
Student's Family Income (AGI)				
<\$30,000	1	1	\$4,611	\$4,611
\$30,000 - \$59,999	3	3	\$18,400	\$6,133
\$60,000 - \$96,999	3	3	\$14,100	\$4,700
>=\$97,000	0	0	0	0
Residence of Borrower				
Upstate	6	6	\$29,111	\$4,852
NYC & Long Island	1	1	\$8,000	\$8,000
TOTAL	7	7	\$37,111	\$5,302

**Table 3C: NYHELPS Academic Year 2009-10
All College Sectors**

	No. of Students	No. of Loans	Certified Approved Dollars	Average Loan
Interest Rate (%)				
7.55	14	14	\$80,990	\$5,785
8.25	2	2	\$13,600	\$6,800
8.75	19	19	\$121,182	\$6,378
Default Fee (%)				
4	10	10	\$56,490	\$5,649
5	6	6	\$38,100	\$6,350
6	0	0	0	0
7	19	19	\$121,182	\$6,378
8	0	0	0	0
Student's Family Income (AGI)				
<\$30,000	8	8	\$57,399	\$7,175
\$30,000 - \$59,999	11	11	\$57,289	\$5,208
\$60,000 - \$96,999	13	13	\$85,384	\$6,568
>=\$97,000	3	3	\$15,700	\$5,233
Residence of Borrower				
Upstate	27	27	\$160,462	\$5,943
NYC & Long Island	8	8	\$55,310	\$6,914
TOTAL	35	35	\$215,772	\$6,165

Table 4: NYHELPS 2010-11 Academic Year Preview
NYHELPS Participating Colleges
 (First and Second Quarters)

Adelphi University	Molloy College
Albany College of Pharmacy and Health Sciences	Mount Saint Mary College
Albany Medical College	New York Institute of Technology
Berkeley College	New York School of Interior Design
Bryant & Stratton College	New York University
Canisius College	Niagara University
Cazenovia College	Olean Business Institute
Clarkson University	Pace University
College of Mount Saint Vincent	Paul Smith's College
College of New Rochelle	Phillips Beth Israel School of Nursing
College of Saint Rose	Polytechnic Institute of New York University
Concordia College	Rochester Institute of Technology
Cooper Union for the Advancement of Science and Art	Sarah Lawrence College
Culinary Institute of America	Siena College
Daemen College	Skidmore College
Dominican College of Blauvelt	St. Joseph's College of Nursing, St. Joseph's Hospital
Dowling College	St. John's University
D'Youville College	St. Joseph's College
Elmira Business Institute	St. Lawrence University
Elmira College	State University College at Cortland
Fashion Institute of Technology	State University College at New Paltz
Five Towns College	State University College at Oswego
Fordham University	State University of New York at Albany
Fulton-Montgomery Community College	SUNY at Buffalo
Hartwick College	SUNY at Stony Brook
Helene Fuld College of Nursing	SUNY College of Technology at Canton
Hobart and William Smith Colleges	SUNY Empire State College
Hofstra University	SUNY College of Ag and Tech at Cobleskill
Houghton College	Syracuse University
Hudson Valley Community College	The College of Westchester
Iona College	The Juilliard School
Keuka College	The Sage Colleges
Le Moyne College	Trocaire College
Long Island University	Union College
Manhattan College	Union Graduate College
Manhattanville College	University of Rochester
Maria College of Albany	Utica College
Marymount Manhattan College	Utica School of Commerce
Medaille College	Vassar College
Mercy College	Villa Maria College
Metropolitan College of New York	Wells College
Mohawk Valley Community College	

Table 5A: NYHELPS 2010-11 Academic Year Preview
NYHELPS Certified Loan Volume by Class Year
 (First and Second Quarters)

Class Year	No. of Students	No. of Loans	Certified Approved Dollars
Undergraduate 1st Year	108	108	\$850,540
Undergraduate 2nd Year	98	98	\$884,947
Undergraduate 3rd Year	115	115	\$1,224,398
Undergraduate 4th/5th Year	111	112	\$1,244,606
Graduate	27	27	\$278,956
GRAND TOTAL	459	460	\$4,483,447

Table 5B: NYHELPS 2010-11 Academic Year Preview
NYHELPS Certified Loan Volume by Lender
 (First and Second Quarters)

Lender	No. of Students	No. of Loans	Certified Approved Dollars
M&T Bank	361	362	\$3,514,105
Pioneer Savings Bank	98	98	\$969,342
GRAND TOTAL	459	460	\$4,483,447

Table 5C: NYHELPS 2010-11 Academic Year Preview
NYHELPS Certified Loan Volume by College
 (First and Second Quarters)

College	No. of Students	No. of Loans	Certified Approved Dollars
Adelphi University	3	3	\$31,400
Albany College of Pharmacy	2	2	\$25,000
Bryant & Stratton Business Institute	1	1	\$8,000
Canisius College	20	20	\$175,864
Cazenovia College	4	4	\$62,214
Clarkson University	16	16	\$155,566
College of Saint Rose	28	28	\$324,210
Daemen College	20	20	\$136,265
Dominican College of Blauvelt	3	4	\$45,600
Dowling College	1	1	\$12,000
D'Youville College	5	5	\$47,300
Elmira College	8	8	\$82,964
Fashion Institute of Technology	3	3	\$22,084
Five Towns College	1	1	\$10,000
Fordham University	5	5	\$66,400
Hartwick College	8	8	\$78,278
Hobart and William Smith Colleges	2	2	\$10,000
Hofstra University	9	9	\$122,500
Houghton College	1	1	\$2,000
Hudson Valley Community College	3	3	\$15,000
Iona College	5	5	\$74,000
Keuka College	3	3	\$25,000
Le Moyne College	21	21	\$237,600
Long Island University	4	4	\$53,000
Manhattan College	3	3	\$33,959
Manhattanville College	1	1	\$9,100
Maria College	1	1	\$7,500
Medaille College	5	5	\$42,894
Molloy College	5	5	\$40,000
Mount Saint Mary College	9	9	\$89,348
New York Institute of Technology	2	2	\$15,000
New York University	7	7	\$108,000
Niagara University	18	18	\$149,212
Pace University- Pleasantville Campus	1	1	\$9,000
Paul Smith's College of Arts & Sciences	1	1	\$7,000
Polytechnic University	2	2	\$12,800
Rochester Institute of Technology	53	53	\$554,867
Sage Colleges	1	1	\$10,000
Saint John's University	3	3	\$33,000
Saint Joseph's College	4	4	\$31,500
St. Joseph's College of Nursing, St. Joseph's Hospital	2	2	\$15,000
Siena College	13	13	\$158,194

Table 5C: NYHELPS 2010-11 Academic Year Preview (cont'd)
NYHELPS Certified Loan Volume by College
 (First and Second Quarters)

College	No. of Students	No. of Loans	Certified Approved Dollars
State University of New York at Albany	3	3	\$21,000
State University of New York at Buffalo	15	15	\$122,670
State University of New York at New Paltz	4	4	\$25,597
State University of New York at Stony Brook	4	4	\$31,000
SUNY College at Oswego	38	38	\$331,581
SUNY College of Technology at Canton	3	3	\$30,921
SUNY Cortland	20	20	\$161,222
SUNY Empire State College	1	1	\$4,628
Syracuse University	14	14	\$161,516
The Culinary Institute of America	1	1	\$4,000
Trocaire College	12	12	\$61,428
Union College	8	8	\$104,642
University of Rochester	7	7	\$83,158
Utica College	15	15	\$128,540
Villa Maria College	2	2	\$20,000
Wells College	4	4	\$36,925
GRAND TOTAL	459	460	\$4,483,447

Table 6A: NYHELPS 2010-11 Academic Year Preview
Independent Colleges and Universities
 (First and Second Quarters)

	No. of Students	No. of Loans	Certified Approved Dollars	Average Loan
Interest Rate (%)				
7.55	87	87	\$841,638	\$9,674
8.25	103	103	\$1,011,111	\$9,817
8.75	173	174	\$1,846,995	\$10,615
Default Fee (%)				
4	55	55	\$548,279	\$9,969
5	104	104	\$1,036,887	\$9,970
6	21	21	\$157,083	\$7,480
7	182	183	\$1,942,495	\$10,615
8	1	1	\$15,000	\$15,000
Student's Family Income (AGI)				
<\$30,000	62	63	\$553,407	\$8,784
\$30,000 - \$59,999	49	49	\$416,156	\$8,493
\$60,000 - \$96,999	126	126	\$1,284,589	\$10,195
>=\$97,000	126	126	\$1,445,592	\$11,473
Residence of Borrower				
Upstate	314	315	\$3,105,144	\$9,858
NYC & Long Island	49	49	\$594,600	\$12,135
TOTAL	363	364	\$3,699,744	\$10,164

Table 6B: NYHELPS 2010-11 Academic Year Preview
State University of New York (SUNY)
 (First and Second Quarters)

	No. of Students	No. of Loans	Certified Approved Dollars	Average Loan
Interest Rate (%)				
7.55	19	19	\$134,896	\$7,100
8.25	29	29	\$239,867	\$8,271
8.75	46	46	\$390,940	\$8,499
Default Fee (%)				
4	9	9	\$71,084	\$7,898
5	31	31	\$253,667	\$8,183
6	6	6	\$34,828	\$5,805
7	47	47	\$399,240	\$8,494
8	1	1	\$6,884	\$6,884
Student's Family Income (AGI)				
<\$30,000	12	12	\$79,680	\$6,640
\$30,000 - \$59,999	11	11	\$73,879	\$6,716
\$60,000 - \$96,999	37	37	\$289,045	\$7,812
>=\$97,000	34	34	\$323,099	\$9,503
Residence of Borrower				
Upstate	78	78	\$636,803	\$8,164
NYC & Long Island	16	16	\$128,900	\$8,056
TOTAL	94	94	\$765,703	\$8,146

Table 6C: NYHELPS 2010-11 Academic Year Preview
Proprietary Degree-Granting Institutions
 (First and Second Quarters)

	No. of Students	No. of Loans	Certified Approved Dollars	Average Loan
Interest Rate (%)				
7.55	0	0	0	0
8.25	2	2	\$18,000	\$9,000
8.75	0	0	0	0
Default Fee (%)				
4	0	0	0	0
5	2	2	\$18,000	\$9,000
6	0	0	0	0
7	0	0	0	0
8	0	0	0	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	0	0	0	0
>=\$97,000	0	0	0	0
Residence of Borrower				
Upstate	2	2	\$18,000	\$9,000
NYC & Long Island	0	0	0	0
TOTAL	2	2	\$18,000	\$9,000

Table 6D: NYHELPS 2010-11 Academic Year Preview
All College Sectors
 (First and Second Quarters)

	No. of Students	No. of Loans	Certified Approved Dollars	Average Loan
Interest Rate (%)				
7.55	106	106	\$976,534	\$9,213
8.25	134	134	\$1,268,978	\$9,470
8.75	219	220	\$2,237,935	\$10,172
Default Fee (%)				
4	64	64	\$619,363	\$9,678
5	137	137	\$1,308,554	\$9,551
6	27	27	\$191,911	\$7,108
7	229	230	\$2,341,735	\$10,181
8	2	2	\$21,884	\$10,942
Student's Family Income (AGI)				
<\$30,000	75	76	\$643,087	\$8,462
\$30,000 - \$59,999	61	61	\$498,035	\$8,165
\$60,000 - \$96,999	163	163	\$1,573,634	\$9,654
>=\$97,000	160	160	\$1,768,691	\$11,054
Residence of Borrower				
Upstate	394	395	\$3,759,947	\$9,519
NYC & Long Island	65	65	\$723,500	\$11,131
GRAND TOTAL	459	460	\$4,483,447	\$9,747