



April 15, 2019
Hon. Monique Limón
Chair, Assembly Banking & Finance Committee
State Capitol, Room 6031
Sacramento, CA 95814

RE: AB 376 (Stone) – Student Borrower Bill of Rights – SUPPORT

Hearing: Assembly Banking & Finance Committee, April 22, 2019

Dear Chair Limón:

On behalf of Student Debt Crisis, I write to request your support of AB 376, the “Student Borrower Bill of Rights”.

Student Debt Crisis is a non-profit (501c4) organization dedicated to fundamentally reforming student debt and higher education loan policies. Student Debt Crisis takes a personal approach to member needs—working directly with borrowers to understand their challenges and fears, repayment obstacles and frustrations.

California would lead the nation by becoming the first state to create a comprehensive set of rights for people holding student debt. This bill requires student loan companies to treat borrowers fairly and giving borrowers the right to hold these companies accountable when they fail to meet basic servicing standards, mislead borrowers, or commit illegal business practices.

Millions of people each year seek to continue their education because they want to build a better future for themselves, their families and communities. Unfortunately, even a decade after the Great Recession, public funding for higher education remains low and the costs of living has increased. Now, it is nearly impossible for most families to pay for college without taking out student loans.

The crisis is real in California. There are 3.7 million Californians currently holding over \$130 billion in total student debt. A student today will leave school with over \$35,000 in college related debt.

Having debt is bad enough, but after school borrowers face two main obstacles: navigating a complex and confusing repayment system and working with loan servicers with a track record of abuse.

Multiple state and federal investigations have shown servicers routinely lose paperwork, misapply payments, give inaccurate information, and even steer borrowers into repayment options that add to the overall cost of their loans – or worse, cause them to fall behind on payments and slide toward default.

“I called about the payment plan and now the new service company tells that my loans do not qualify for the original program because I have one parent student loan in the consolidation. Why didn't someone tell this before I consolidated? I was so distraught, I lay in bed awake at night wondering what am I going to do.” - Micheline, Sacramento.

Unlike mortgages or credit cards, there is no industry-wide federal level regulation of the student loan industry. As a result, people with student loans do not have the same consumer protections and safeguards to help them manage their debt.

AB 376 would address these longstanding problems by creating enforceable standards for loan servicing companies. The bill would:

- Ban “abusive” student loan servicing practices that take unreasonable advantage of borrowers’ confusion over loan repayment options;
- Create minimum servicing standards related to the application of payments, paperwork retention and specialized staff training;
- Establish a Student Borrower Advocate within the Department of Business Oversight (DBO) responsible for reviewing complaints, gathering data and coordinating with related state agencies; and
- Grant DBO additional “market monitoring” authorities, to collect better data about the student loan servicing industry.

For two years now, the Trump Administration and Education Secretary Betsy DeVos have rolled back protections for student loan borrowers and threatened other programs borrowers rely on. They have allowed for a dysfunctional student loan industry at every opportunity - one that creates profits while harming students and their families.

While the federal government turns its back on students, California can and should step up to hold private companies accountable for their activities. The Legislature must ensure that everyone can successfully reduce the burden of education debt, to promote financial security and economic justice for California communities.

For these reasons, we strongly support AB 376 and urge an AYE vote.

Sincerely,

A handwritten signature in black ink, appearing to read 'N. Abrams', written in a cursive style.

Natalia Abrams
Executive Director
Student Debt Crisis