



June 12, 2019

Hon. Steven Bradford  
Chair, Senate Banking & Financial Institutions Committee  
State Capitol, Room 405  
Sacramento, CA 95814

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

Hearing: Senate Banking & Financial Institutions Committee, June 19, 2019

Dear Chair Bradford:

The Student Borrower Protection Center is proud to co-sponsor AB 376, the Student Borrower Bill of Rights. **This groundbreaking legislation would, for the first time, give California borrowers the same type of clear, enforceable rights granted to consumers with credit cards and mortgages—banning widespread abuses and setting new “rules of the road” for the student loan industry.**

The Student Borrower Protection Center is a nonprofit organization founded by former senior regulators at the Consumer Financial Protection Bureau. Our team led the first government-wide effort at the federal level to halt abuses by the student loan industry and create new consumer protections to ensure 44 million Americans with student debt were no longer preyed upon by an industry looking to get rich off of our nation’s student debt crisis.

However, the Trump Administration and Education Secretary Betsy DeVos have rolled back much of this progress, siding with the largest student loan companies over the rights of student borrowers.

Today, another student loan borrower defaults on a loan every 28 seconds. For these borrowers, and the countless others who are making their payments but barely getting by, these are “kitchen table” financial issues that affect every aspect of their lives. From buying a home to choosing a career, from starting a family to saving for retirement, student debt casts a shadow that many Americans cannot escape. And yet the most alarming consequences of the student debt crisis happen not at the individual level, but where student debt begins to affect all of us—shaping our economy and society.

Mounting evidence shows that the ripple effects of student debt are substantial. The country is just beginning to see how this debt fuels economic, gender, and racial inequality, inhibits asset accumulation, accelerates wealth gaps, and carves out a generational divide that, even in the best of circumstances, will take decades to erase.

To add insult to injury, student loan borrowers are being ripped off from the day they receive their first bill, to the day they pay off their loans. They struggle while billion-dollar companies profit by exploiting their financial distress. The companies dominating this market-- student loan servicers-- drive borrowers into delinquency and default—hurting millions of borrowers at every single point of their financial lives.

AB 376 picks up where past federal efforts to reform the student loan system have fallen short by:



- **Ending abusive practices by the student loan industry.** Companies should never be able to take advantage of borrowers when borrowers ask for help. AB 376 prohibits “abusive” practices, and gives borrowers new tools to take action if they’ve been victims of industry abuse.
- **Creating new “rules of the road” for student loan companies.** Borrowers deserve the same rights as homeowners and consumers with credit cards. AB 376 will create new protections to ensure companies handle student loan payments in borrowers’ best interest, provide accurate information when borrowers ask for help, and protect borrowers from fees and credit damage when companies make mistakes.
- **Creating special protections for military families, teachers and other public service workers, disabled borrowers, and older Americans.** The most vulnerable borrowers often have special rights under federal law and in loan contracts, but consumer complaints<sup>1</sup> and government enforcement actions<sup>2</sup> show that industry routinely denies borrowers these rights. AB 376 requires student loan companies to train their staff to understand these rights and creates strong new protections to prevent companies from misleading military borrowers, deceiving teachers and public service workers, cheating borrowers with disabilities, and defrauding older Americans.
- **Establishing a new Student Borrower Advocate in California.** For too long, borrowers have depended on officials in Washington to handle complaints about loan companies, often running out of options when federal agencies fail to act. AB 376 creates a new Student Borrower Advocate in California to help individuals who run into trouble, and to serve as a voice for California student borrowers in Sacramento and in Washington.
- **Demanding transparency from the student loan industry.** Lawmakers and the public lack basic information about how much student debt exists, what types of borrowers are most likely to struggle, and what industry practices cause pain for California consumers. AB 376 will shine a light on the student loan industry, giving the Department of Business Oversight the authority to create a new “student loan industry report card” to measure how effective companies are at preventing loan defaults, enrolling borrowers in affordable payment options, and meeting

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<sup>1</sup> See Consumer Financial Protection Bureau, *A Nationwide Look at How Student Debt Impacts Older Adults* (2017), <https://www.consumerfinance.gov/about-us/blog/nationwide-look-how-student-debt-impacts-older-adults/>; and Consumer Financial Protection Bureau, *CFPB Report Finds Complaints Spurred Actions that Brought More than \$750 Million in Relief to Student Loan Borrowers* (2017), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-report-finds-consumer-complaints-spurred-actions-brought-more-750-million-relief-student-loan-borrowers/>

<sup>2</sup> U.S. Department of Justice, *Nearly 78,000 Service Members to Begin Receiving \$60 Million Under Department of Justice Settlement with Navient for Overcharging on Student Loans* (2014), <https://www.justice.gov/opa/pr/nearly-78000-service-members-begin-receiving-60-million-under-department-justice-settlement>; and Boston Globe, *Healey alleges loan servicer overcharged student borrowers eligible for debt forgiveness* (2017), <https://www.bostonglobe.com/business/2017/08/23/healey-says-loan-servicer-mismanaged-student-debt-forgiveness-program/nPwZokgYilchWL3nTIN3vJ/story.html>



borrowers' needs.

Today, more than 3.7 million California student loan borrowers now owe more than \$141 billion in student debt—a debt burden that has more than doubled in just over a decade. These are borrowers come from all corners of the Golden State, including nearly half a million borrowers in rural California. These borrowers are millennials and older Californians, borrowers of color, veterans and military families.

Each of these borrowers depends on their student loan servicer to send bills, manage student loan accounts, handle monthly payments, and advise these borrowers about their repayment options. These servicers have been accused of a wide range of abuses, facing lawsuits and enforcement actions by the California Attorney General and other state and federal enforcement officials across the country. These abuses must stop.

**AB 376 will help end the student debt crisis in California, ensuring all California borrowers can access their rights to affordable loan payments and take action to stop abuses across the student loan industry.**

**For these reasons, we are proud to co-sponsor AB 376 and urge an AYE vote.** If you have any questions regarding our position, please contact me at [mike@protectborrowers.org](mailto:mike@protectborrowers.org).

Respectfully,

A handwritten signature in black ink, appearing to read 'MP', is placed over a light gray rectangular background.

Mike Pierce  
Policy Director & Managing Counsel  
Student Borrower Protection Center