



Friends Committee on Legislation of California

1225 8th Street, Suite 220
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June 14, 2019

The Honorable Steven Bradford
Chair, Senate Committee on Banking and Financial Institutions
State Capitol, Room 405
Sacramento, CA 95814

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

Dear Chair Bradford:

The Friends Committee on Legislation of California (FCLCA) writes in support of AB 376 (Stone), the Student Borrower Bill of Rights. This bill would make California the first state in the nation to create a comprehensive set of rights for people holding student debt, by requiring student loan companies to treat borrowers fairly and giving borrowers the right to hold companies accountable when they fail to meet basic servicing standards.

Since 1952, FCLCA has advocated, based on Quaker values of equity, integrity and community, for a more just and compassionate California. We support fair and robust access to high quality education, including higher education. In our own state and across the nation, millions of people each year seek to continue their education after high school because they want to build a better future for themselves, their families and communities. Unfortunately, public funding cuts, rising costs of living and the residual effects of the 2008 financial crisis have made it nearly impossible for most families to avoid taking out loans to pay for school. As a result, 3.7 million Californians currently hold student debts with average balances of more than \$35,000.

Unlike mortgages or credit cards, there is no industry-wide framework at the federal level to regulate the student loan industry. As a result, people with student loans do not have safeguards to help them get out of debt. To address longstanding problems, **AB 376 would create enforceable industry-wide 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 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 has pulled back protections for student loan borrowers. While the federal government turns its back on students, California can and should step up to hold private companies accountable for their activities. **To promote financial security and economic justice for California communities, the Legislature must ensure that everyone can successfully reduce the burden of education debt.**

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

Sincerely,

Kevan Insko, Co-Director
Friends Committee on Legislation of California