

June 12, 2019

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

RE: Assembly Bill 376 (Stone) Student Borrower Bill of Rights -- CO-SPONSOR

Dear Chair Bradford,

NextGen California is proud to co-sponsor AB 376 (Stone), which will ensure student loan borrowers receive accurate and reliable information, quality customer service, and meaningful access to loan repayment and loan forgiveness programs. Passage of this groundbreaking legislation, entitled the “Student Borrower Bill of Rights,” will enable California to be the first state in the nation to provide student loan borrowers with the same comprehensive set of consumer protections as mortgage and credit card holders.

Many market analysts and economists label student loan debt as the next looming economic crisis -- with over 44 million borrowers nationwide carrying more than \$1.5 trillion in student loan debt. In California, there are more than 3.7 million individuals carrying student loan debt -- estimated to total about \$134.3 billion -- with more than 500,000 of these borrowers in delinquency. This level of student loan debt has a tremendous negative effect on the California economy as well as on the lives of individual borrowers. Studies show that student loan borrowers are often unable to buy a home or car, save for retirement, choose a career path, or start families and these indices have consequences -- fueling economic, gender and racial inequalities as well as exacerbating wealth gaps. Studies also show that low-income, first generation, and African-American borrowers disproportionately struggle with loan repayment and are at greater risk of loan default.

The current statutory environment surrounding student loans does not provide much in the way of consumer protections, subjecting borrowers to an unregulated world of private lenders, debt collectors, and student loan servicers who are more focused on their bottom line than assisting borrowers. This leads to high default and delinquency rates. When student loan borrowers become delinquent or default, they can have their professional licenses revoked, their wages garnished, and their Social Security payments seized, causing these individuals to struggle with everyday financial choices while billion-dollar companies increase their profit margins.

At a time when the federal government is blatantly turning its back on student loan borrowers by rolling back consumer protections at the Department of Education and the Consumer Financial Protection Bureau (CFPB), California must act to assist and protect its citizens. In 2016, California laid the statutory groundwork to protect student loan borrowers by passing the Student Loan Servicing Act (AB 2251/Stone), which authorized the Department of Business Oversight (DBO) to oversee the creation of a regulatory licensing regime for student loan servicers in the state. Almost all of the student loan servicers doing business in our state have complied with these new regulations. Last year, however, California's Attorney General filed a lawsuit against Navient (formerly Sallie Mae), one of the largest student loan companies in the nation, for loan servicing abuses on every type of student loan at every step of the repayment process.

Given the significant negative macro and micro economic effects posed by student loan debt, now more than ever, student loan borrowers need to know their rights, be afforded strong consumer protections as well as understand the resources and tools available to assist them. AB 376 will improve the regulatory environment around student loan servicing and provide student loan borrowers with much needed consumer protections.

NextGen California prioritizes policies and programs that support student access, success and time-to-completion. Addressing college affordability, reforming the state's financial aid system, and improving the regulatory environment around student loans are all part of the equation to strengthen California's higher education system. For the above reasons, we are a proud co-sponsor of the Student Borrower Bill of Rights and respectfully request your "Aye" vote on AB 376.

Sincerely,



Arnold Sowell Jr.

Executive Director, NextGen California