



March 27, 2019

Hon. Mark Stone
State Capitol, Room 3146
Sacramento, CA 95814

RE: AB 376 – Student Borrower Bill of Rights – SUPPORT

Dear Assemblymember Stone:

Consumer Reports (formerly Consumers Union) is proud to co-sponsor your AB 376, the Student Borrower Bill of Rights.

This bill would establish a first-in-the-nation consumer protection framework for people holding student debt by requiring loan servicing companies to provide borrowers with fair treatment and accurate information, and holding them accountable when they fail to meet basic standards.

In California and across the nation, millions of people have taken out loans in recent years to pay for postsecondary education, due to skyrocketing tuition costs and other economic factors. Since the 2008 crisis, student debt is the only kind of consumer debt that has continued to grow; it is now second only to mortgage debt, and far surpasses outstanding credit card and auto loan debt.

For people who have to borrow money for their education, the specter of holding the debt is bad enough - but when they leave school, they find that they also have to navigate a terribly complex and confusing repayment system. Once in repayment, a borrower's main point of contact is a loan servicer: a company like Sallie Mae, Navient, or FedLoan Servicing. The servicer becomes the gatekeeper for everything a borrower needs to do to manage a student loan, whether it's making monthly payments, enrolling in a repayment plan, or applying for important benefits.

As multiple investigations by the California Attorney General, the Consumer Financial Protection Bureau, and other agencies have shown, loan servicers are consistently failing borrowers throughout the repayment process. 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. Unlike consumers with mortgages or credit cards, there is no industry-wide framework to regulate the student loan industry. As a result, student loan borrowers are not afforded clear and consistent safeguards to help them avoid falling behind on their loan payments.

To address these longstanding problems, AB 376 would create affirmative, enforceable protections for California residents repaying their education loans by setting 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 and Education Secretary Betsy DeVos have pulled back protections for student loan borrowers and enabled a dysfunctional student loan industry at every opportunity. While the federal government turns its back on student borrowers, California can and should step up to hold private companies accountable for their activities. The Legislature must ensure that everyone can effectively reduce the burden of their education debt, to promote financial security and economic justice for California communities.

For these reasons, we strongly support AB 376 and applaud your commitment to fighting for the rights of student loan borrowers.

Sincerely,



Suzanne Martindale
Senior Policy Counsel