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 Chairman Bradford:

The Californians for Economic Justice coalition and undersigned organizations write in support of AB 376, 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 these companies accountable when they fail to meet basic servicing standards.
In California 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.

The student debt burden hits virtually everyone – but it falls disproportionately on women, who collectively hold two-thirds of all student debt, and on people of color, exacerbating existing income and wealth gaps. According to a new study, a typical white male borrower pays off 44 percent of his debt 12 years after starting school, while the typical black female borrower sees her balance grow by 13 percent in that time.1

For the 3.7 million Californians currently holding student debt, leaving school means facing a complex and confusing loan repayment system that can make the loan burdens even worse. Loan servicers like Sallie Mae, Navient, or FedLoan Servicing are the gatekeeper for everything a borrower needs to do to manage a student loan. But as multiple investigations have shown, loan servicers consistently get in the way of borrowers’ ability to manage their loans, steering them into options that can add more interest to their loans and even pushing some borrowers into default.

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 these 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 and Education Secretary Betsy DeVos have pulled back protections for student loan borrowers and enabled a dysfunctional student loan industry. 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 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,

Suzanne Martindale  
Steering Committee Member  
Californians for Economic Justice

Natalia Abrams  
Executive Director  
Student Debt Crisis
Eddie Kurtz  
Executive Director  
Courage Campaign  

Kristin McGuire  
Western Region Director  
Young Invincibles  

Mike Pierce  
Policy Director & Managing Counsel  
Student Borrower Protection Center  

Stephanie Roman  
Senior Policy Analyst  
UnidosUS  

Emily Rusch  
Executive Director  
CalPIRG  

Carol Siegel Singh  
President  
University of California Student Association  

Arnold Sowell, Jr.  
Executive Director  
NextGen California  

Suzanne Martindale  
Senior Policy Counsel & Western States Legislative Manager  
Consumer Reports (formerly Consumers Union)  

Ted Mermin  
Executive Director  
California Low-Income Consumer Coalition (CLICC)  

Ron Rapp  
Legislative Director  
California Federation of Teachers  

Kimberly Rosenberger  
California State Council  
Service Employees International Union (SEIU)  

Christopher Sanchez  
Policy Advocate  
Coalition for Humane Immigrant Rights (CHIRLA)  

Linda Sherry  
Director, National Priorities  
Consumer Action