



April 12, 2019

Hon. Monique Limón
Chair, Assembly Banking & Finance Committee
State Capitol, Room 6031
Sacramento, CA 95814

Re: Support AB 376 – Student Borrower Bill of Rights

Dear Chair Limón:

I 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.

As San Francisco's Treasurer, I believe that my responsibility to safeguard our city's money extends to the financial wellbeing of our residents, and I have worked hard to develop programs and policies that help build financial security for low-income San Franciscans. This includes the creation of the San Francisco Office of Financial Empowerment (OFE), which has developed and launched pioneering strategies to improve financial access and inclusion, build universal college savings, reduce use of predatory fringe financial services, and build economic stability and mobility through financial coaching.

The OFE is preparing to release a research report co-authored with the Federal Reserve Bank of San Francisco focused on student loan debt in the Bay Area. We found significant indicators of student loan distress, with huge increases in prevalence of borrowing, total and median debt balances, delinquency, and default. Higher rates of delinquency and default are found among borrowers in low-income neighborhoods, borrowers living in neighborhoods with high percentages of Black and Latinx residents, and borrowers with low student loan balances. I will be happy to share this report with you when it is published.

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. As a

result, 3.7 million Californians currently hold student debts with average balances of more than \$35,000.

In 2016, California enacted the Student Loan Servicing Act with AB 2251 (Stone). This bill created a regulatory licensure program within the Department of Business Oversight (DBO) and gave DBO the ability to oversee companies that service student loans in California. The program currently helps ensure that student loan borrowers in the state are treated fairly.

Although AB 2251 created some protections for borrowers, it did not offer the kind of comprehensive, transparent, and enforceable standards that are used in other regulated financial markets. With 3,780,000 student loan borrowers across California owing \$134.3 billion, it is imperative that California takes a strong stance to protect borrowers against bad actors.

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 at every opportunity. While the federal government turns its back on students, California can and should step up to hold private companies accountable for their activities. I urge the legislature to support AB 376 to help reduce the burden of student loan debt and promote financial wellbeing among our residents.

Sincerely,



José Cisneros
Treasurer, City and County of San Francisco

City Hall – Room 140 • 1 Dr. Carlton B. Goodlett Place • San Francisco, CA 94102
Mailing Address: P.O. Box 7425 • San Francisco, CA 94120-7425
Taxpayer's Assistance: Call 311