

Regulate Student Education Loan Servicers (SB19-002)

Testimony to the Senate Education Committee
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Madame Chair and members of the committee, thank you for this opportunity to testify on behalf of SB19-002. My name is Amanda Valenta and I'm a policy analyst on work and learning at the Bell Policy Center. We provide policymakers, advocates, and the public with reliable resources to create a practical policy agenda that promotes economic mobility for every Coloradan.

At the end of 2018, [over 50 percent](#) of Colorado's college grads owe tens of billions of dollars in student debt. Several factors have led to this huge debt burden, one of which is fraud and misinformation on the part of student loan servicers. In addition to steering borrowers into high-cost repayment plans, private loan servicers have also consistently presented misleading or inaccurate repayment information. For instance, borrowers who have the option of enrolling in income-driven repayment plans are [often steered into forbearance](#), where they rack up interest that balloons the total cost of repayment. This rapid expansion of student debt has contributed to economic uncertainty for many Coloradans.

The [Consumer Financial Protection Bureau reports](#) that from September of 2016 to August of 2017, it handled approximately 12,900 federal student loan servicing complaints and 7,700 private student loan complaints. These complaints dealt with breakdowns in servicing at every step of the student loan debt cycle. Vulnerable borrowers, including servicemembers, borrowers with disabilities, and older borrowers, are [acutely impacted](#) by such servicing breakdowns.

Disabled borrowers have the right to discharge their loans through the Total and Permanent Disability (TPD) discharge process, but disabled borrowers often find themselves at risk of or in default. SB19-002 would help ensure that these borrowers have full access to the discharge process.

Servicemembers have access to student loan protections such as interest rate caps under the Servicemembers Civil Relief Act (SCRA), automatic recertification of income-driven repayment plans during active duty, and zero percent interest rate reductions, but the CFPB continues to hear from military borrowers struggling to access basic protections, despite repeated attempts for information. This bill would aid servicemembers in accessing the basic protections they are guaranteed under federal law, and that these protections do not disappear or fluctuate based on the timing of active duty.

Finally, although most student loan borrowers are young adults between the ages of 18 and 39, the number of borrowers aged 60 [quadrupled from 2005 to 2015](#), increasing from about 700,000 to 2.8 million. Benefits like Social Security can be offset and used to repay loans in default, which can shatter the financial stability of older borrowers on fixed incomes. Such events increase the burden of student debt for older borrowers, by intensifying existing financial distress and making it difficult to afford basic necessities like medication and housing. This bill would offer older borrowers an ally to help them access

information on how to avoid or cure a default, so they do not have to choose between paying off debt or receiving necessary medical care.

Several other states have used recent legislative sessions to fill the gaps in these protections by [passing laws that aim to hold servicers accountable](#) to the best practices enshrined in other lending industries, and to reduce the fraud and misinformation that have been well-documented in this market. Colorado can and should do the same.

SB19-002 will give borrowers an ally in the attorney general's office, which will be responsible for making information accessible and clear to borrowers, and for holding servicers accountable when they do business in the state. Again, this bill helps provide borrowers with the types of protections already available in other forms of lending and servicing. SB19-002 simply puts student loan servicers on a more even playing field with other industries, making it more difficult for servicing companies to commit bad acts that hurt borrowers. Your support for this bill will help ensure student loan servicers are held to a fair standard, and borrowers in Colorado have access to the information, clarity, and financial security they deserve.