

# Colorado Can Stop Student Loan Predators

## What's the Problem?

Outstanding student loan debt now totals **\$24.75 billion** across Colorado, outpacing all other debt outside of mortgages. It's not just students who struggle — facing retirement, many parents and grandparents borrowed for a child or grandchild's education and are confronting crippling loan debt.

Adding insult to injury, **federal student loan servicers often operate deceptively and inappropriately to try and collect on these debts.** They take advantage of not having to be licensed or transparent to borrowers. In fact, the largest servicer in the country is being sued for defrauding over 1.5 million borrowers and adding more than \$4 billion to the cost of borrowers' loans.

## Is the Federal Government Cracking Down?

The federal government, led by Secretary of Education Betsy DeVos, has made it clear they will not stop predatory student loan providers — and the **Department of Education controversially believes states have no ability to regulate loan servicers.** Secretary DeVos recently issued guidance to this effect. The student loan servicing industry has been lobbying the federal government to prevent states from going after bad actors through law or regulation.

This is an unacceptable response from the federal government, who is clearly more interested in protecting companies and the student loan industry than borrowers.

## What Can Colorado Do to Help?

Colorado has the authority to hold student loan servicers accountable. Colorado's Attorney General signed a letter with 24 other state AGs arguing the federal Department of Education has no grounds to ignore those state rights. There should be transparency in the terms of loan agreements, as well as assurances that make student loan servicers operating in the state answer for deceptive and predatory practices.

Another important long-term step to stop the scourge of student loan debt is to make sure those who go to college don't have to rely so heavily on student loans just to get a degree. That means investing more in postsecondary education at the state level. **Colorado is 46<sup>th</sup> in the country in postsecondary spending,** and more state funds invested in education means less money borrowed by students.

### Key Points to Remember

- Student loan debt is a problem across Colorado
- Federal student loan servicers often operate deceptively and, in many cases, work to ensure borrowers pay more than they need
- The Department of Education believes states **cannot** crack down on predatory lending, despite evidence to the contrary, and wants to make it easier for loan servicers to operate in bad faith and hurt borrowers
- Colorado should work through legislative and regulatory action to make sure borrowers understand the terms of their loan agreements, and servicers are licensed and held accountable for predatory practices