The Bell Policy Center

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Private Lenders of Student Loans Acts & Practices (SB 21-57)

Testimony to Senate Education Committee

Laura Valle Gutierrez, Senior Policy Analyst • March 2, 2021

Madame Chair and members of the committee, thank you for this opportunity to testify on behalf of SB21-57. My name is Laura Valle Gutierrez and I am the senior policy analyst at the Bell Policy Center. The Bell Policy Center provides policymakers, advocates, and the public with reliable resources to create a practical policy agenda that promotes economic mobility for every Coloradan.

For many Coloradans, pursuing a postsecondary credential is an intergenerational investment. Parents bet on their children, and students bet on themselves and their ability to provide for their families, in the short- and long-term, through higher education. As the costs of postsecondary education have risen, more and more families, especially families who lack intergenerational wealth or savings, have needed to turn to student loans to be able to pursue postsecondary education. About 14 percent of all borrowers are using private loans. While most of these borrowers (17 percent) are white, Black borrowers (7.5 percent) are four times as likely to default.

Regardless of where a student receives their loan from, whether a private lender or the federal government, basic consumer protections are critical to help prevent predatory practices that can derail entire lives. This is particularly important in Colorado, since as a state, we disproportionately rely on tuition revenue to fund our institutions of higher education.

In order for Colorado to remain competitive in the national economy, and to help reduce equity gaps in education and workforce outcomes, higher education is still the best vehicle we have to address these needs. Yet, high amounts of student debt reduce the return on investment of a postsecondary credential, since increasing debt reduces net wealth.

A report released by the Bell, "Economic Mobility for Colorado's Low-Income Families," troublingly finds a growing number of Coloradans with a postsecondary credential are considered "low income." For these communities, investments in higher education aren't translating to upward mobility.

Your support for SB21-57 would not only help equity, but would also help preserve the value of postsecondary education. It would help ensure where someone receives a student loan from doesn't determine the types of consumer protections they receive. Furthermore, over 90 percent of private loans are cosigned. SB21-57 would help protect whole families by providing cosigners more information about loan terms and access to records related to the loans they have cosigned, furthermore it allows for cosigner release in certain conditions. These commonsense protections are an important first step to ensuring that people can continue to realize greater economic opportunity through postsecondary education.

Thank you for your time, and I'm happy to answer questions.