

*LEGISLATIVE MEMO:*

**WE SUPPORT**



## **License Student Loan Servicers**

Budget Bill Article VII, TED

Part W, Subpart A

This bill would license, oversee and examine student loan servicers in New York State through the Department of Financial Services (DFS) to protect students from predatory loan servicers, who are currently unregulated by the federal government.

New York State has a long tradition in consumer protection and student loan servicing is an important and complex arena that needs regulation. The nation is currently facing a student loan debt crisis. In New York, student loan debt has more than doubled during the last decade, to \$82 billion, with an average outstanding balance of \$32,000.

Student loan servicers, who are the primary link between lenders and borrowers, have the power to help borrowers remain current on their accounts or to allow them to fall into default. A study by the Government Accountability Office (GAO) found that 70 % of borrowers in default actually qualified for a lower monthly payment through income-driven repayment plans that cap monthly payments at a percentage of earnings. Servicers had failed to provide sufficient information for borrowers to enroll -- to the servicers' financial benefit. Further, borrowers report that servicers often provide inaccurate information or discourage enrollment in such programs, instead encouraging deferment or forbearance of loans.

District Council 37 supports legislation that will assist its members and their families navigate the student loan process and to make the best decisions in applying, accepting and paying off student loans. Regulating the student loan servicers is an important step in that direction.

On behalf of DC37's 125,000 members and 50,000 retirees, we urge you to include this legislation in the final State Budget.

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**Political Action and  
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