

Testimony of Diane Standaert
Director of State Policy, Center for Responsible Lending
Before the Maine Committee on Health Coverage, Insurance, and Financial Services

March 26, 2019

Recommends a Positive Report on LD 995, "An Act to Establish a Student Loan Bill of Rights to License
and Regulate Student Loan Servicers"

Members of the Committee:

My name is Diane Standaert, Director of State Policy for the Center for Responsible Lending. Thank you for the opportunity to testify today in support of LD 995.

The Center for Responsible Lending is a national non-partisan advocacy and research organization working to ensure a fair, inclusive financial marketplace by addressing harmful lending practices. CRL is an affiliate of Self-Help Credit Union, which is the nation's largest community development financial institution, and over the past few years we have worked on student lending issues around the country.

LD 995 comes at a critical time. As an October 2018 poll of Mainers illuminated, student loan borrowers in this state are in crisis:

- 44% of polled borrowers know someone who has moved away from Maine because of their student loan debt
- 56% have reduced what they are saving for retirement
- 42% delayed homebuying
- 60% struggled to make their monthly payment, and
- 25% skipped a *needed* medical appointment or prescription to pay their monthly debt.¹

While conversations continue in Maine and nationally about how to address affordability in higher education, the nearly \$6 billion that Mainers owe in outstanding federal student loan debt is and will continue to be collected by servicing companies.² Just like during the foreclosure crisis, servicers are a key driver in leading to these devastating financial consequences for Mainers. One of the many lessons learned from the foreclosures crisis was the importance of servicing in successful repayment, as well as seeing states step up to the plate to hold servicers accountable, just as Maine did to ensure people did not unnecessarily lose their homes.

In the student loan context, servicers are charged with evaluating borrowers for income-driven repayment programs, discharges, and other plans that can help them manage their monthly payments.

¹ Lake Research Partners. Student Lending Reform: Findings from a Survey of 400 Maine Adults with Education Debt, October 2018. Available at: <https://www.mecp.org/wp-content/uploads/2018/11/MECEP-CRL-Student-Loans-and-Lending-PollNovember-2018.pdf>.

² Consumer Finance Protection Bureau. 50 State Snapshot of Student Loan Debt, October 2017. Available at: https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_student-loans_50-state-snapshot_complaints.pdf.

Failure to properly serve borrowers, however, leads to delinquencies, defaults, and even an increase in outstanding student loan debt. When servicers do not do their job, students cannot reasonably repay their loans.

The failure to act to protect student loan borrowers from abusive student servicing practices puts not only the financial future of Mainers at risk, but also the state's economy as a whole. At the federal level, the U.S. Department of Education is actively rolling back student protections, bolstering the need for state action. Nearly every day there is another news headline about student loan servicing abuses and the federal government's blind eye towards them.

Maine is well-positioned to protect its student loan borrowers. LD 955 would establish state-level oversight of servicers – a commonsense approach to ensure servicers help students repay, rather than delay, their student loan debt.

We know that servicers are failing students, and the federal government is failing to act. State oversight of student loan servicers is critical now more than ever. With LD 995, this committee has an opportunity to take a stand for student loan borrowers and prevent abusive student loan servicing practices for Mainers. Therefore, we urge you to vote for a positive report on LD995.

Thank you again for the opportunity to testify.