



Coastal Enterprises

Testimony of Jason Thomas

Before the Joint Standing Committee on Health Coverage, Insurance and Financial Services
In Support of LD 995, *An Act To Establish a Student Loan Bill of Rights To License and Regulate Student Loan Servicers*

March 26, 2019

Senator Sanborn, Representative Tepler, and honorable members of the Joint Standing Committee on Health Coverage, Insurance and Financial Services, my name is Jason Thomas. I am a resident of China, Maine and am here today to testify in favor of LD 995. It is my pleasure to hold the position of Director of Housing Counseling and Education for Coastal Enterprises, Inc. CEI is a Community Development Financial Institution based in Brunswick, Maine that makes investments all over our state in small business, affordable housing and community facilities with a mission of providing opportunities for low-income individuals to find quality jobs, increase their incomes and assets, and access quality affordable housing. In addition, we have been a HUD-certified housing counseling agency since 1996 and have provided foreclosure counseling for over 10 years for distressed residents all over the State of Maine, especially in rural areas of Lincoln and Sagadahoc county. I have testified on numerous consumer finance issues that affect Maine's most vulnerable populations, many of whom are our clients.

Over the last two years we have helped Maine student loan borrowers navigate the servicing world. The similarities between student loan and mortgage servicers are numerous. Instances of lost documentation and violations of the servicing rules set by loan originators are common occurrences as have been documented by the Department of Education's Office of the Inspector General's assessment of Federal Student Aid (FSA)¹. Some examples of these bad practices were failure to inform borrowers of their repayment options, miscalculating a borrower's payments, or failing to update a borrower's loan status correctly in matters of forbearance, deferment, and disability

You have heard many of the statistics already and are likely to hear more as the day moves along but these incidents are not just stories from away. These servicing issues have a ripple effect for several Maine consumers we have seen, especially as it relates to credit reporting. We worked with a

¹ <https://www2.ed.gov/about/offices/list/oig/auditreports/fy2019/a05q0008.pdf>

Rockland borrower who almost lost her home when she became disabled because a student loan servicer did not correctly designate her as such and did not discharge her loan. Suffering illness and a loss of income in the household, she had fallen behind on her mortgage payments and was facing the prospect of foreclosure. Even though the household income had since rebounded to a higher level than before, she was continually denied mortgage modification assistance because of the loan still reporting as an obligation. We were able to advocate for her to retain her home, but it should have happened a year earlier. We also helped an Auburn borrower work out rehabilitation payments with her defaulted student loan servicer so that she could work towards buying a home. She had secured a new, higher paying job and the defaulted loans were a real impediment to buying a home for herself and her daughter. After making payments for six months, she noticed that not only had the payments not been reflected on her credit report, but the past default was still showing as if no funds had been applied at all. We helped her correct the record, but the servicing errors have significantly slowed down her path to credit rehabilitation and homeownership.

LD 995, as amended, will enable Maine borrowers to get assistance with student loan servicing errors. It will also allow the proposed ombudsman to annually convey to the legislature the real depth and breadth of the problems which Maine borrowers have been facing. Most importantly, it will hold student loan servicers to standards like other debt servicers are required to meet when doing business here in Maine. Student loans are the fastest growing type of debt in the United States, recently topping 1.5 trillion dollars.² We urge you to support LD 995 to make sure that Mainers and their families are protected from systematic servicing failures. Thank you for your time. I am happy to answer any questions you may have.

² <https://www.forbes.com/sites/zackfriedman/2019/02/25/student-loan-debt-statistics-2019/#3d7039bb133f>