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March 26, 2019

Hon. Heather Sanborn, Senate Chair  
Hon. Denise Tepler, House Chair  
Joint Standing Committee on Health Coverage, Insurance and Financial Services  
Cross Building, Room 220  
Augusta, Maine 04333

Dear Senator Sanborn and Representative Tepler:

I am writing to express my support for LD 995, a bill which would regulate the companies that service student loans. This bill is designed to improve the accuracy of information provided to borrowers by servicers, ensure that borrowers are treated consistently, and increase servicer accountability in order to correct persistent failures. These measures aim to improve access to income driven repayment plans designed to help borrowers in distress avoid default.

Record numbers of Mainers struggle to make their student loan payments each month. Student loans are in a state of crisis. This situation is reminiscent of the global financial crisis when many Mainers were at risk of losing their homes. At that time the legislature enacted measures to address deficiencies, such as robo-signing, that pervaded mortgage loan servicing. We are now observing similar deficiencies in student loan servicing, including failures to provide information to borrowers about their repayment options and difficulties in contacting servicers through the servicer call centers.

States are addressing the student loan servicing crisis in two ways. First, some states including, Illinois, Washington, Pennsylvania, and California and the CFPB have sued Navient, the largest servicer of federal student loans alleging that it steered students to repayment options that created more profit for Navient to the detriment of the students. In every state case Navient sought to have the case dismissed alleging preemption. To date every court that has decided the issue has found that the State's lawsuits against Navient are not preempted by federal law.

Second, states are enacting student loan servicer licensing measures like LD 995. Yes, you will hear that portions of the student loan servicer licensing laws enacted in the District of Columbia were found to be preempted. The basis for the finding was that the law prevented the federal government from contracting with the company it chose. LD 995 has an amendment pending that would address this issue by automatically

licensing all servicers that meet the federal contracting requirements. Moreover, my office has spoken with our counterparts in Illinois and have learned that the servicers are complying with licensing laws enacted in Illinois and in California. Maine students deserve as much.

Thank you,

A handwritten signature in black ink that reads "Aaron M. Frey". The signature is written in a cursive style with a large initial 'A' and a distinct 'F'.

Aaron M. Frey  
Attorney General