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March 26<sup>th</sup>, 2019

Senator Sanborn, Representative Tepler, and honorable members of the Health Care, Insurance and Financial Services Committee,

My name is Taryn Hallweaver, and I am the Legislative Director of the Maine People's Alliance. On behalf of our 32,000 members, I am pleased to submit testimony in support of LD 995, An Act To Establish a Student Loan Bill of Rights To License and Regulate Student Loan Servicers.

Maine has the 11<sup>th</sup>-highest student debt-to-median income ratio in the country.<sup>i</sup> Nearly two-thirds (63%) of the students at Maine's public and private 4-year colleges have student debt. The average debt of a Maine graduate is \$30,000.<sup>ii</sup> Students who graduate from Maine's public college system are more likely to be in debt than their peers who attend a private institution, despite the lower cost of tuition. More than three-quarters (77%) of University of Maine graduates have student loan debt, and the average debt burden is \$33,000.<sup>iii</sup>

If these numbers aren't striking enough, consider that in a recent survey, 37% percent of students with outstanding student loan debt have monthly payments of over \$400 per month; 16% of participants with student debt have monthly payments that make up over 20 percent of their monthly take home pay; and 31% cannot pay their loans or currently have their loans in deferment or forbearance. Nearly a quarter anticipate that it will take between 20 and 30 years to pay off their loans, while another 15% think that they will never be able to fully pay off their loans.<sup>iv</sup>

At a time when our state urgently needs to be retaining and attracting young students, it is prudent and smart that we takes steps to address this debt crisis. Student loan debt prevents young graduates from buying a house, creating a new business, or starting a family.<sup>v</sup>

Servicing has been a completely ignored piece of consumer finance oversight. Bad student loan servicing puts people in poverty. Of the people whose loans are being garnished, most have such low incomes that they would qualify for income-based repayments to hugely reduce their monthly payments.

Student loan consumer protections are necessary at the state level. The US Department of Education contracts with private companies who act as their servicers to manage federal and private loans. These services act as banks, whose interests are in collecting debt, not protecting consumers. Prior to 2017, the US Department of Education included guidance in their contracts with servicers about how to protect student loan borrowers, including mandated posting about the availability of affordable, income-based repayment plans. In April 2017, that guidance was withdrawn.

Abuse is widespread: in 2015, the federal Consumer Finance Protection Bureau Bureau released a report outlining widespread servicing failures reported by both federal and private student loan borrowers. In 2017, the Bureau sued Navient, the largest of serving company in the country, for cheating borrowers, alleging that Navient has "failed to provide the most basic functions of adequate student loan servicing at every stage of repayment for both private and federal loans."<sup>vi</sup>

In Maine, new data demonstrates that student loan servicing companies are using predatory practices to drive Maine borrowers into default and drive up costs and fees. One in three student borrowers in Maine say servicing companies failed to tell them about income-based repayment plans that would help them keep up with payments, and another one-third report that the cost of their student loan increased from new fees or higher interest rates due to problems with servicers. The costs to those individuals are enormous: 28% said problems with their loan servicer caused them to default on their loan, and 42% of borrowers with multiple loan servicer problems said they had skipped needed medical appointments or chosen not to buy a prescribed medicine in order to pay a student loan.<sup>vii</sup>

Considering all this, and in the absence of federal oversight, Maine must enact rigorous protections for student loan borrowers. LD 995 will require licensing and oversight of student loan servicers operating in Maine and prohibit deceptive practices like misrepresenting loan terms, knowingly misapplying loan payments, and ignoring a borrower's income-based repayment options. Through the creation of a position of student loan ombudsman under the Superintendent of Consumer Credit Protection within the Department of Professional and Financial Regulation, Bureau of Consumer Credit Protection, this bill puts in place important structure and process to gain regulatory control over licensing and enforcement.

We strongly support the creation of a Student Loan Bill of Rights and the structure this bill puts in place to start bringing in control deceptive lending practices and the overwhelming debt load of Maine's students.

Thank you for your time,

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<sup>i</sup> [http://www.mecep.org/wp-content/uploads/2014/09/ME-Student-Debt-Report\\_v2-2\\_BH-2.pdf](http://www.mecep.org/wp-content/uploads/2014/09/ME-Student-Debt-Report_v2-2_BH-2.pdf)

<sup>ii</sup> [http://ticas.org/posd/map-state-data#overlay=posd/state\\_data/2016/me](http://ticas.org/posd/map-state-data#overlay=posd/state_data/2016/me)

<sup>iii</sup> [http://ticas.org/posd/map-state-data#overlay=posd/state\\_data/2016/me](http://ticas.org/posd/map-state-data#overlay=posd/state_data/2016/me)

<sup>iv</sup> [http://www.mecep.org/wp-content/uploads/2014/09/ME-Student-Debt-Report\\_v2-2\\_BH-2.pdf](http://www.mecep.org/wp-content/uploads/2014/09/ME-Student-Debt-Report_v2-2_BH-2.pdf)

<sup>v</sup> [http://www.asa.org/site/assets/files/3793/life\\_delayed.pdf](http://www.asa.org/site/assets/files/3793/life_delayed.pdf)

<sup>vi</sup> <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-nations-largest-student-loan-company-navient-failing-borrowers-every-stage-repayment/>

<sup>vii</sup> <https://www.mecep.org/wp-content/uploads/2018/12/Policy-Brief-Education-Debt-in-Maine-121018.pdf>