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Testimony of Kathryn Childs, Esq.
For Pine Tree Legal Assistance
Comments In Favor of LD 995

Before the Committee on Health Coverage, Insurance and Financial Services on March 26, 2019

Good afternoon Senator Sanborn, Representative Tepler, and members of the Committee on Health Coverage, Insurance and Financial Services. I am the Managing Attorney of the Lewiston Area Office of Pine Tree Legal Assistance. Thank you for the opportunity to share my comments on LD 995 on behalf of Pine Tree Legal Assistance.

I have been asked to provide testimony regarding this bill and I am speaking on behalf of Pine Tree Legal Assistance. Since 1967, Pine Tree Legal Assistance has provided free civil legal assistance to low-income people through the State of Maine. In 2018, Pine Tree Legal Assistance provided legal services to Maine families and individuals in 7,223 cases, of which 898 involved representation of clients in consumer cases. Thirty-three of these cases involved representation clients involved in student loan cases.

In the past two of years, we have developed the Student Loan Assistance Project as a branch of our consumer work and a significant portion of my work has focused on helping student loan borrowers navigate the various student loan issues that they face. We have sought to increase our representation to student loan borrowers in recognition of the critical need for advocacy in light of the growing student loan crisis.

As part of this project we provide advice and assistance to borrowers with both private and federal loans to help them navigate various problems that they face including defaults and garnishments of their wages, tax refunds and disability benefits. We also represent clients who are sued by student loan servicers who often employ questionable practices in enforcing private loans.

It is often difficult for borrowers to navigate the student loan world and the various complexities it entails. We help borrowers to navigate these systems where their student loan servicers do not. Much of the advocacy I do is simply helping the borrower obtain information about their loans so that I can direct them to the solutions to help them avoid default; bring their loans out of default; obtain an income-driven repayment plan; avoid disability benefit garnishments; and submit applications for discharge.

Through our work with student loan borrowers, we have seen how defaulted student loans push low-income people further and further into poverty. In many cases, my clients who have defaulted federal student loans have no idea how they can get those loans out of default, or that they may be entitled to income-driven repayment. This information is critical for them to be able to take advantage of important protections that already exist, and yet this information is not given to them by their servicers.

Many student loan borrowers believe that their loan services must be trustworthy, and that they must be giving borrowers information about all of their options because the servicers should be experts and they should be required to assist borrowers in obtaining the student loan program most advantageous to the borrower.

Unfortunately, that has not been my experience. My clients have been steered toward costly forbearance that are not in their best interest and they have been given inaccurate information about their options. This bill would prohibit such misinformation by servicers and would require servicers to provide borrowers with the critical information that they need to make informed decisions about their student loans and their financial lives.

Garnishments often happen when they shouldn't, because the borrower does not understand that they can get the loan out of default and into income-based repayment, which can provide them with affordable monthly payments as low as zero dollars a month.

This bill offers solutions to these problems by holding servicers accountable and imposing a common-sense requirement that they act in good faith. The bill requires servicers to evaluate borrowers for eligibility for income-based repayment prior to placing the borrower's loan in forbearance or default, which has the likely outcome of saving low-income borrowers from garnishments that push them further into poverty.

There are other ways in which this bill helps to protect student loan borrowers in Maine. The bill requires that the servicers make accurate reports to the credit reporting agencies and that they report both favorable and unfavorable payment histories. It also requires that the servicers communicate with a representative of the student loan borrower, where the borrower has provided written authorization, which will help to ensure that advocates can efficiently communicate with servicers on behalf of the borrower.

This bill will also help borrowers by creating a student loan ombudsman who can assist borrowers to understand their rights and responsibilities and work to address borrowers' complaints. This is a large part of the need that we see with our clients, where there is a substantial information gap that puts low-income borrowers at a significant disadvantage.

Finally, this bill contains the critical provision that gives borrowers the right to bring legal action against servicers who fail to provide the protections to borrowers contained in this bill.

We strongly recommend that you vote *ought to pass* on LD 995.