



SB19-002: Student Loan Servicer Accountability Act

Sponsors: Sen. Winter, Sen. Fenberg, Rep. Jackson and Rep. Roberts

New Era Colorado and AFT Colorado are asking legislators to support **Senate Bill 2 to regulate student loan servicers**, a bill that would help prevent fraud and misconduct, improve transparency, and save money for the 56% of Colorado graduates affected by student debt, by aligning oversight of student loan servicers with existing Colorado law.¹

Lack of Oversight Leads to Predatory Practices and Financial Mismanagement

Student loans are the only type of major consumer loan without annual licensing requirements for servicers and consistent state and federal regulations to govern their behavior—unlike servicers for mortgages, credit cards, and business loans that must follow strict rules that determine their interactions with consumers, set maximum rates and charges, and provide standard remedies for consumers in default. This lack of oversight led the Consumer Financial Protection Bureau to find that many student loan servicers²:

- inappropriately and inaccurately discourage borrower-friendly alternative payment plans that could save borrowers money
- fail to respond to questions and payment processing errors
- fail to provide sufficient information to borrowers regarding payments, interest rates, and eligibility for benefits such as loan forgiveness

One of the largest servicers, Navient, is facing a joint lawsuit—from the CFPB, Washington, and Illinois—that charges they defrauded more than 1.5 million borrowers and added over \$4 billion to the cost of student borrowers' loans³. Navient employees have routinely put borrowers into forbearance programs without their knowledge, significantly raising the cost of their loans by allowing interest to accrue and become added to the principal of the loan. **Coloradans have issued over 1000 complaints against servicers, and total complaints are up 78% in 2017 compared to previous years⁴. 9.5% of those complaints were from military service members.**

Protecting Borrowers by Filling a Gap in Oversight

Currently, the Colorado Attorney General's office oversees a small fraction of student loan servicers who handle loans with interest rates higher than 12.5% APR. Most student loans have fixed interest rates that fall below that, creating a gap in what the Attorney General's office can investigate and who they can hold accountable. By including student loans servicers in the Uniform Consumer Credit Code, and establishing licensing requirements for student loan servicers, the Attorney General can prevent misconduct and ensure student loan servicers meet the most basic standards for consumer protections in order to operate in the state.

This bill would also empower the Attorney General's office to field, review and attempt to resolve complaints by borrowers against servicers, in addition to providing educational support resources. The Attorney General would also be able investigate alleged cases of fraud and misconduct and take corrective action if necessary. These changes would prevent misconduct and ensure that the more than 761,000 Coloradans repaying more than \$26 billion in federal student loan debt are not steered away from the quickest, least costly repayment methods on their student loans, allowing Coloradans to more effectively balance repaying student loans with other investments that build our economy, such as buying a home. Colorado can join Connecticut, Illinois, Washington, California, D.C. and other states considering this kind of legislation in protecting student borrowers by establishing operating standards for loan servicers.

Endorsing Organizations: Colorado Fiscal Institute | Bell Policy Center | United Veterans Committee of Colorado | CoPIRG | Interfaith Alliance of Colorado | Young Invincibles | Center for Responsible Lending | Consumers United Association | Colorado Center for Law and Policy

¹ https://ticas.org/posd/state-state-data-2015#overlay=posd/state_data/2015/co

² http://files.consumerfinance.gov/f/201509_cfpb_student-loan-servicing-report.pdf

³ <https://www.consumerfinance.gov/about-us/newsroom/cfpb-sues-nations-largest-student-loan-company-navient-failing-borrowers-every-stage-repayment/>

⁴ http://files.consumerfinance.gov/f/documents/cfpb_student-loans_50-state-snapshot_complaints.pdf