



THE PRINCE GEORGE'S COUNTY GOVERNMENT

OFFICE OF THE COUNTY EXECUTIVE

BILL: House Bill 1562 - Action to Collect a Private Education Loan - Required Documents

SPONSOR: Delegate Lopez

HEARING DATE: March 4, 2020

COMMITTEE: Economic Matters

CONTACT: Intergovernmental Affairs Office, 301-780-8411

POSITION: SUPPORT

The Office of the Prince George's County Executive **SUPPORTS House Bill 1562**, which prohibits a private education lender or a private education loan collector from initiating a private education loan collection action unless the lender or collector possesses (and introduces into evidence) specified documents related to the loan. Similarly, a private education loan collector must provide specified documentation in the first collection communication with the student loan borrower (and upon request of the borrower). The bill also authorizes a person that suffers damage as a result of a creditor's failure to comply with the bill to bring an action against the creditor. Failure to produce the required documentation upon request by the borrower is an unfair, abusive, or deceptive trade practice under the Maryland Consumer Protection Act (MCPA), subject to MCPA's civil and criminal penalty provisions.

Private student loan borrowers often face a wide range of challenges when managing student loan debt. Private loans tend to have high interest rates and lack the flexibility of federally backed student loans. They leave borrowers with limited affordable repayment options and few recourses when borrowers are faced with financial difficulties or unemployment. When borrowers of these loans fall behind, they often face aggressive debt collection tactics and lawsuits, all without the benefit of the type of bankruptcy protection available to consumers with other types of consumer debt. Circumstances are worse for borrowers pushed into high-rate debt by for-profit colleges and predatory lenders.

Abuses are widespread across Maryland. Public filings show that over the past two decades, just one creditor, the National Collegiate Student Loan Trusts (NCSLT), owned more than 15,000 separate loans owed by Maryland borrowers totaling more than \$190 million.

An analysis of court filings in Maryland by the Student Borrower Protection Center shows that just one creditor, NCSLT, filed 1,257 cases against Maryland borrowers in the past five years, 326 of these cases were in Prince George's County alone. These cases disproportionately target communities of color in Maryland, with more than half of the lawsuits analyzed against borrowers existing in majority-minority zip codes.

House Bill 1562 bans the use of mass-produced documentation, also known as “robo-signing,” by prohibiting creditors from obtaining judgements against borrowers without accurate, personalized loan records and documentation. This protection will prevent creditors from obtaining court orders to garnish wages and seize assets to repay defaulted student loans that creditors cannot prove borrowers owe.

For the reasons stated above, the Office of the Prince George's County Executive **SUPPORTS House Bill 1562** and asks for a **FAVORABLE** report.