



THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

Support: HB1562- Action to Collect a Private Education Loan- Required Documents

Chairman Davis and Members of the House Economic Matters Committee:

Bill Summary: HB 1562 bans the use of mass-produced documentation, also known as “robo-signing,” by requiring collectors to prove private student loan debts are valid when attempting to collect. This bill places the burden on creditors to certify that old debts are not barred by state statutes of limitations, preventing creditors from obtaining judgements against borrowers for time-barred debts.

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.

Bill Overview: Similar to the subprime mortgage crisis from several years ago, economically vulnerable borrowers across the higher education landscape were targeted by predatory private lenders a decade ago and continue to struggle and fall behind on these debts. For more than two years, law enforcement officials have brought significant federal and state litigation alleging predatory lending by the largest private education lender and alleging abusive collections, robo-signing, and illegal pursuit of invalid debts by collectors, investors, and servicers. These cases expose significant, systemic flaws in the way the judicial system approaches private education loan debts, particularly in terms of wage garnishment.

Private student loan creditors are seeking judgments every day to collect on loans that they cannot prove they own. Because they lack proper documentation, these companies are lying to both borrowers and the courts, including the Maryland courts, about their legal ability to sue borrowers and obtain court orders to garnish borrowers' wages.

The National Collegiate Student Loan Trusts, just one of these creditors, owned more than 15,000 separate loans owed by Maryland borrowers, totaling more than \$190 million. The federal government has ordered NCSLT to pay over \$20 million for its deceptive acts in the past.

An analysis of court filings in Maryland by the Student Borrower Protection Center shows that just this one creditor, NCSLT, filed 1,257 cases against Maryland borrowers in the past five years alone. These cases disproportionately target communities of color in Maryland. More than half of the lawsuits analyzed are against borrowers in majority-minority zip codes. And more than 25 percent of all lawsuits analyzed were filed in majority-minority Prince George's County, which as the committee knows well, was the center of Maryland's foreclosure crisis a decade ago.

In addition to people of color, seniors are also disproportionately impacted by this abuse. Because borrowers of private student loans almost always require a cosigner, parents and grandparents are more frequently defaulting on private student loan debt. According to AARP, 37 percent of the student loan borrowers over 65 are in default. Not only is the potential to retire put at risk,

many of these seniors are already on a fixed income and have benefits highly susceptible to wage garnishment.

Conclusion: A ban on robo-signing wage garnishments for defaulted student loans would end a predatory practice that has targeted and injured many Marylanders. I urge a favorable report.

Sincerely,

A handwritten signature in cursive script that reads "Lesley Lopez". The signature is written in black ink on a light-colored background.

Delegate Lesley Lopez, D-39