



STUDENT
BORROWER
PROTECTION
CENTER

**Prepared Testimony of Seth Frotman
Executive Director, Student Borrower Protection Center
Before the Maryland Economic Matters Committee
HB 1562
Position: Favorable**

**Annapolis, MD
March 4, 2020**

Chairman Davis, Vice Chairwoman Dumais, members of the committee: My name is Seth Frotman, and I am the Executive Director of the Student Borrower Protection Center (SBPC).

This time last year, I was in Annapolis when this committee voted to pass common sense reforms in the student loan servicing market.¹ That work was timely and necessary, and we are already starting to see its benefits across the state. But I am here in Annapolis again because the work is not yet done.

This bill before you today is not about widespread loan forgiveness. It is not about people getting something for nothing.

The bill before you today is about protecting the most vulnerable student loan borrowers by following a commonsense principle – that you should pay back only what you owe. Nothing more and nothing less.

During the mortgage crisis, this state took action when consumers were preyed upon as predatory collectors sought judgments using falsified documents.² This practice – called “robo-signing” – is now happening in the student loan market as these same types of companies work to scare consumers and swindle courts. This legislation would merely require student loan collectors to prove that the debt being collected upon is valid – a small but powerful change in the rules that would ensure only legitimate companies can pursue collection actions against borrowers.

Because now, unfortunately, that is not the case. Just this morning, the SBPC released a new report telling the story of how borrowers across Maryland were preyed upon by the nation’s largest private student loan holder, the National Collegiate Student Loan

¹ Sarah Bloom Raskin and Seth Frotman, *As Feds ignore student debt crisis, states like Md. step in* (March 2019), <https://www.baltimoresun.com/opinion/op-ed/bs-ed-op-0312-student-loans-20190311-story.html>

² Maryland Attorney General, *AG Frosh: \$470 Million Settlement with HSBC to Address Mortgage Loan Origination, Servicing and Foreclosure Abuses* (2016), <http://www.marylandattorneygeneral.gov/press/2016/020516.pdf>; and Sarah Bloom Raskin, *Problems in the Mortgage Servicing Industry*, Board of Governors of the Federal Reserve System (2010), <https://fraser.stlouisfed.org/title/951/item/37019>.



Trust.³ NCSLT was created by big banks to hold billions in private student loans, including over a hundred million dollars in loans made to thousands of Maryland borrowers. It turns out that when the banks created these trusts, they saddled investors with some of the “worst-performing student loan investment vehicles ever created by Wall Street,”⁴ and stuck borrowers with debts that would shatter their financial lives. Now, as these loans are rubber stamped and sent off to collections, NCSLT is aggressively using the Maryland court system to target borrowers throughout this state, but most frequently in majority-minority neighborhoods in Prince George’s, Montgomery, and Baltimore Counties.

I have spoken to hundreds of borrowers across this state and thousands across the country. Their stories share a common theme of being treated differently simply because the word “student” comes before the word “loan.”

They are not looking for a handout. They are not looking for an easy way out. They are asking that they be protected from the companies seeking to profit from their plight, using their struggles as a chance to make a quick buck.

These borrowers are simply asking to be treated fairly – that student loan companies don’t get to play by a different set of rules than everyone else. Borrowers are simply asking that when creditors come before Maryland courts, these companies tell the truth. They are asking that before the collection calls pour in, the company proves it actually owns the debt.

That is exactly what this bill will do.

The nearly 800,000 student loan borrowers in this state are asking for help. This committee can answer their call – standing up for borrowers’ rights by passing Delegate Lopez’s critical legislation.

Thank you.

³ Student Borrower Protection Center, *The Long Legacy of Predatory Private Student Loans: Defrauding Borrowers and Lying to Courts (Maryland Spotlight)* (March 4, 2020), <https://protectborrowers.org/wp-content/uploads/2020/03/SBPC-PSL-Issue-Brief-Maryland-.pdf>

⁴ Shahien Nasiripour, *Wall Street is Fighting a CFPB Deal Over Billions in Defaulted Student Loans*, Bloomberg (Nov. 8, 2017), <https://www.bloomberg.com/news/articles/2017-11-08/wall-street-is-fighting-a-cfpb-deal-over-billions-in-defaulted-student-loans>.