



**Prepared Testimony of Seth Frotman
Before the Maryland House Appropriations Committee
& House Judiciary Committee
HB 26
Position: Favorable**

January 20, 2021

Chairwoman McIntosh, Chairman Clippinger, I am Seth Frotman, Executive Director of the Student Borrower Protection Center (SBPC). Prior to this role, I served as the Student Loan Ombudsman for the Consumer Financial Protection Bureau.

In March of last year, mere weeks before the COVID-19 pandemic hit, I was in Annapolis to testify about this same legislation introduced by Delegate Lopez.¹ As the former top federal regulator for the student loan industry, I witnessed the myriad of ways predatory private student loan companies exploit state court systems to get default judgments against borrowers, including robo-signing “false and misleading” affidavits in pursuit debts that are not actually owed.² I testified about how these companies pull from the same nefarious playbook that exacerbated the mortgage crisis—stringing borrowers along with promises of relief as they “lose” their paperwork and fast-track them to court.³

Fortunately, Maryland Delegates recognized this abuse happening in their own state. They understood the necessity of giving student loan borrowers the same protections afforded to consumers in nearly every other consumer financial market and the bill advanced through committee. But within days, the coronavirus pandemic changed everything, including bringing the session to an early end.⁴

As state officials sought to mitigate the fallout of the pandemic, these companies saw an opportunity to pad their profits. Across Maryland, some of the most predatory private student loan companies ignored the public health and economic crises raging around us and continued their aggressive and deceptive debt collection tactics—hauling borrowers into courtrooms, in the middle of a pandemic, to collect on dubious debts. In fact, last week, the Student Borrower

¹ See House Bill 1562, Action to Collect a Private Education Loan - Required Documents (2020), <http://mgaleg.maryland.gov/mgaweb/Legislation/Details/hb1562/?ys=2020rs>.

² Stacy Cowley & Jessica Silver-Greenberg, *Behind the Lucrative Assembly Line of Student Debt Lawsuits*, N.Y. Times (Nov. 13, 2017), <https://www.nytimes.com/2017/11/13/business/dealbook/student-debt-lawsuits.html>.

³ See, e.g., Natalie Kitroeff, *The Lawsuit Machine Going After Student Debtors*, Bloomberg Business (June 3, 2015), <https://protectborrowers.org/NCSLTclips>.

⁴ Pamela Wood & Luke Broadwater, *Maryland lawmakers to end General Assembly Wednesday, with thread of coronavirus looming*, Balt. Sun (Mar. 15, 2020), <https://www.baltimoresun.com/politics/bs-md-pol-ga-sunday-20200315-3iradfjihrekxq47qj6gngxhke-story.html>.



Protection Center, along with Maryland Consumer Rights Coalition, the American Federation of Teachers-Maryland, and SEIU Local 500, released a report showing how one of the largest private student loan holders, the National Collegiate Student Loan Trusts (NCSLT), made more than \$190 million in loans to thousands of Maryland borrowers.⁵ It then chopped up and sold these loans off into some of the “worst-performing student loan investment vehicles ever created by Wall Street.”⁶ Now, as these loans are rubber stamped and sent off to collections, NCSLT is aggressively using the Maryland court system to target borrowers all across the state, including in Prince George’s, Montgomery, and Baltimore Counties.⁷

Since the start of the pandemic, the National Collegiate Student Loan Trusts have filed more than five dozen lawsuits against Maryland borrowers.⁸ But it’s not only NCSLT. Companies across the private student loan collections market use these same shady tactics, driving Maryland borrowers into the same harmful outcomes.

The bill before you today is about protecting the most vulnerable student loan borrowers by following a common sense 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 fly-by-night collectors sought judgments using falsified documents. This practice is now happening in the student loan market as companies work to scare consumers and swindle courts. This legislation would merely require student loan collectors to prove the debt is valid—a small but powerful market fix that would ensure only legitimate companies are pursuing judgments.

I have spoken to hundreds of borrowers across this state and thousands across the country. Their stories tell 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 for exactly what this bill will do—ensure that student loan companies do not get to play by a different set of rules than everyone else. They are asking that

⁵ Student Borrower Protection Center, *The Long Legacy of Predatory Private Student Loans* (Jan. 2021), <https://protectborrowers.org/wp-content/uploads/2021/01/Maryland-NCSLT.pdf>.

⁶ 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>.

⁷ Student Borrower Protection Center, *The Long Legacy of Predatory Private Student Loans* (Jan. 2021), <https://protectborrowers.org/wp-content/uploads/2021/01/Maryland-NCSLT.pdf>.

⁸ *Id.*



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when they 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.

This legislation was critical when it was on the path to passage last year. And in the intervening months, as our entire world has changed, this legislation is even more critical now.

Thank you.