

Maryland H.B. 111 Coalition Letter

January 14, 2022

Dear Chair McIntosh and Members of the Appropriations Committee,

We, the undersigned organizations, write in support of H.B. 111 and urge you to support this legislation, which will strengthen protections for hundreds of thousands of private student loan borrowers in Maryland. These protections address specific and well-documented abuses of state courts and debt collection procedures by private student lenders. They are also critically necessary now, when households' budgets are coming under additional strain as various COVID financial safety net programs are set to expire.

More than 270,000 Maryland residents owe a collective \$2.89 billion in private student loan debt.¹ Borrowers with private student loans face a wide range of unique challenges when managing student debt. These loans often have extremely high interest rates and lack affordable repayment options,² leaving borrowers with little recourse when faced with a financial shock. When borrowers fall behind on this debt, they often face aggressive debt collection tactics and lawsuits.³ Some of the most egregious private student loan companies exploit state court systems to get default judgments against borrowers, including robo-signing “false and misleading” affidavits in pursuit of debts that are not actually owed. Unscrupulous private student loan companies have now brought hundreds of cases against Maryland borrowers for unsubstantiated private student loan debt.

Last year, a coalition of organizations issued a report⁴ detailing the debt collection lawsuits filed in the state of Maryland from 2015 through 2020. Navient, the largest private creditor in the student loan market, has obtained default judgments⁵ and wage garnishment orders⁶ against Maryland borrowers, despite its public pledge to halt collections litigation in the wake of the pandemic. Similarly, another large creditor in the student loan market, the National Collegiate Student Loan Trusts (NCSLT),⁷ which is notorious for suing to collect on private student loans that it can not prove it actually owns, is active in the state. Across all Maryland counties, NCSLT has filed over 1,330 cases against Maryland borrowers since 2015. This avalanche of litigation weighs most heavily on communities of color. For example, more than 1-in-4 of NCSLT debt collection lawsuits were filed in Prince George's County—Maryland's largest majority-Black county. Against this backdrop, it is clear to see why this legislation is desperately needed.

¹ Student Borrower Protection Center calculation based on Department of Education and Federal Reserve Bank of New York data

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<https://www.consumerfinance.gov/about-us/newsroom/cfpb-report-finds-distressed-private-student-loan-borrowers-driven-into-default/>

³ <https://www.studentloanborrowerassistance.org/wp-content/uploads/2013/05/robo-signing-2014.pdf>

⁴ <https://protectborrowers.org/psl-collections-report/>

⁵ <https://perma.cc/7A5V-N6E4>

⁶ <https://perma.cc/UT4F-79UF>

⁷ <https://www.nytimes.com/2017/07/17/business/dealbook/student-loan-debt-collection.html>

H.B. 111 is the response that Maryland needs in order to address some of the most harmful tactics employed by private education lenders to sue borrowers for unsubstantiated debts. Some of these common-sense but important protections include:

- Requiring lenders and debt collectors to have documentation related to the private student loan debt in question prior to initiating a collection action and that the same be filed with the court before a judgment can be entered;
- Mandating that lenders and debt collectors communicate specific information about the private student loan debt to the consumer when seeking payment and upon request of the consumer;
- Providing that a failure to produce any of the documents required by the bill to a borrower constitutes an unfair, abusive, or deceptive practice under Maryland law, furthering industry accountability and enhancing the state Attorney General's oversight over these predatory practices; and
- Creating a private right of action for borrowers to seek recourse if they suffer any damages as a result of a lender or collector's failure to comply with the law.

For decades, private student loan companies have run roughshod over borrowers simply for choosing to pursue a better life for themselves and their families. Maryland has the opportunity to stand with private student loan borrowers who are in need of stronger protections against unscrupulous lenders and debt collectors who have taken advantage of borrowers. We urge you to support HB 111, in order to protect the hundreds of thousands of borrowers across this state who took on debt to chase the American Dream, only to be misled and deceived by companies that exploit the lack of protections in this market.

Sincerely,

AFSCME Council 3
AFSCME Maryland Council 67
Baltimore Teachers Union
CASH Campaign of Maryland
Consumer Reports
Maryland Consumer Rights Coalition
SEIU Local 500
Student Debt Crisis Center
The Student Borrower Protection Center
UFCW 400
1199SEIU United Healthcare Workers East MD/DC

Cc: Delegate Mark S. Chang, Vice Chair of the Appropriations Committee