



**Testimony to the Senate Finance Committee
HB 128 – Student Education Loan Debt Relief – Disclosures and
Prohibitions
Position: Favorable**

March 23, 2022

Senator Delores G. Kelley
Miller Senate Office Building, 3 East Wing
11 Bladen St.
Annapolis, MD 21401

cc: Members, Senate Finance Committee

Honorable Chair Kelley and Members of the Committee:

The National Association of Consumer Advocates is a nonprofit organization whose members are private and public sector attorneys, legal services attorneys, law professors, and law students whose primary focus involves the protection and representation of consumers. NACA's mission is to promote justice for all consumers by maintaining a forum for information-sharing among consumer advocates across the country and by serving as a voice for its members and consumers in the ongoing struggle to curb unfair or abusive business practices that affect consumers. In pursuit of this mission, NACA advocates for student loan protections for consumers and families.

Marylanders regularly encounter servicing issues related to their federal student loans. In particular, their federal student loan servicers hire third-party companies to send them written communications about the status of their account and repayment options. Accordingly, the area is already ripe for predatory companies who seek to assist already-confused consumers on massive amounts of debt with historically convoluted repayment plans and histories.

In Maryland, and throughout the country, consumers receive written solicitations from companies who purchase their information from credit bureaus and extend written offers that often look like they are from the federal loan servicers or their agents. These companies offer services that are already either free to consumers or impossible to render due to the specific nature of federal student loan law. Due to the misleading advertising and seemingly specific information about their accounts, consumers often sign up for bogus services and trust predatory businesses.

One current case involves a hardworking Harford County resident who paid over \$800.00 in illegal fees to a “document processing” company that claimed it could lower her monthly student loan payment and possibly forgive the total amount of the debt— actions that are not possible in her case under existing federal law. When she subscribed to the monthly service and provided all of her confidential financial information, she learned that the company wanted her to lie to the federal government by stating she had four extra family members, which would cause her monthly payments to go down, but would tack the unpaid interest onto the back end of her loan.

These companies are as unscrupulous as other illegal debt settlement companies and credit services businesses that target vulnerable consumers who are only seeking to improve their financial situations. Instead of a benefit, they operate outside of state regulation and collect unearned fees for illusory services. Most significantly, these actors argue that they are not covered by the existing definitions of debt settlement companies under current law. For these reasons, HB 128 is a much-needed expansion to the Maryland law governing debt settlement services.

Consumers and their families need stronger student loan protections. HB 128 will provide these necessary protections. For this reason, we strongly urge a favorable report.

Sincerely,

Ira Rheingold
Executive Director, NACA

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