

**03.24.22 Letter of Support for H.B. 128 Senate Fin**

Uploaded by: Amy Czulada

Position: FAV



STUDENT  
BORROWER  
PROTECTION  
CENTER

**Written Testimony of the Student Borrower Protection Center  
at a Bill Hearing before the  
Senate Finance Committee on H.B. 128  
March 24, 2022**

Dear Chair Kelley and Members of the Senate Finance Committee,

We, the Student Borrower Protection Center, write to you in support of H.B. 128, which would add student loans to the Maryland Debt Services Act and protect borrowers from companies engaging in deceptive practices. We urge you to support this bill to ensure that for-profit companies cannot falsely advertise themselves as student debt relief services through the Department of Education.

In the states of Maryland, there are 871,500 borrowers each holding an average of \$42,600 in student loans.<sup>1</sup> Nearly [1 in 7](#) of these borrowers are in delinquency. For-profit companies prey on student loan borrowers by falsely presenting themselves as debt relief service providers through the Department of Education, duping borrowers into paying for services that would otherwise be free with their student loan servicer. The bill would require companies engaging in these practices to clearly state that they are private companies not affiliated with the Department of Education. In addition, the legislation prohibits companies from advising borrowers to stop communicating with their student loan servicer and accessing a consumer's student aid information in violation of federal law. These are common-sense solutions to predatory practices.

To be clear, this legislation protects student loan borrowers in the same way that Maryland is already protecting other debt holders across the state. We urge you to support H.B. 128 for all of the 871,500 borrowers in the state of Maryland who could easily fall victim to deceptive practices like these. With federal student loan payments turning back on in May 2022 and several student loan servicers leaving the federal student loan market, borrowers could be more susceptible to these predatory practices and the time to act is now to protect borrowers.

*Please contact Amy Czulada, the Outreach and Advocacy Coordinator at the Student Borrower Protection Center, at [amy@protectborrowers.org](mailto:amy@protectborrowers.org) if you have further questions about this comment.*

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

**HB128\_NACA\_FAV**

Uploaded by: Ira Rheingold

Position: FAV



**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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**crossover HB128 MCRC Testimony 2022.pdf**

Uploaded by: Isadora Stern

Position: FAV

## Testimony to the Senate Finance Committee

### HB128: Debt Settlement Services – Student Education Loan Debt Relief – Disclosures and Prohibitions Position: Favorable

March 24, 2022

The Honorable Delores Kelley, Chair  
Senate Finance Committee  
3 East, Miller Senate Office Building  
Annapolis, Maryland 21401  
cc: Members, Senate Finance Committee

Honorable Chair Kelley and Members of the Committee:

My name is Isadora Stern I am a policy associate with the Maryland Consumer Rights Coalition. MCRC is a statewide coalition of individuals and organizations that advances financial justice and economic inclusion for Maryland consumers through research, education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

MCRC is in strong support of HB128.

MCRC works on issues related to college affordability, student loan debt, and debt collection. Student borrowers who face financial hardship may become delinquent or default on their debt. In 2021, the average student loan debt owed in Maryland was \$43,219 and the amount of student borrowers in delinquency was \$115,201.<sup>1</sup> In the United States, women owe the majority of the outstanding \$1.7 trillion dollars in student loans and Black women carry about 20% more student debt than white women do.<sup>2</sup>

When borrowers fall behind on their student loans, or take out loans from multiple sources, they may choose to pursue debt settlement services to reduce the cost of their overall loans and avoid delinquency or bankruptcy. However, predatory debt settlement practices can further exacerbate the financial burden of Maryland borrowers by charging hidden fees for unfulfilled services and steering borrowers into high-cost repayment options. These companies market to consumers services such as reductions in monthly payments, reductions in interest, or loan forgiveness. However there is no guarantee that the consumer will get the promised services.

The recent \$1.8 billion Navient student loan settlement highlights the need for stronger oversight in student loan debt settlement and repayment. This settlement was reached after lawsuits filed by several states allege that Navient broke a wide range of state and federal laws as a student loan servicer, including by pursuing a years-long scheme to steer borrowers into high-cost repayment options and away from income-driven

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<sup>1</sup> <https://educationdata.org/student-loan-debt-by-state>

<sup>2</sup>

<https://www.cnn.com/2021/06/14/black-women-owe-22percent-more-in-student-debt-then-white-women-on-average.html>

repayment. HB128 would provide greater protection to consumers by ensuring debt settlement servicers are transparent about their services and costs.

Maryland consumers have a right to know what services they are paying for and how much they are paying in exchange for those services. By mandating that debt settlement service providers include these disclaimers, it can provide the consumer with knowledge that is essential to making informed consent.

Nationally, more than 20 states have introduced or enacted student loan oversight legislation.<sup>3</sup> Maryland should join these states as a proponent for both regulating loan servicers and helping borrowers stay informed about repayment.

For these reasons, we support HB128 and urge a favorable report.

Sincerely,

Isadora Stern  
Policy Associate

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<sup>3</sup> [https://www.ncsl.org/Portals/1/Documents/legisbriefs/2020/JanuaryLBs/Student-Loan-Oversight\\_01.pdf](https://www.ncsl.org/Portals/1/Documents/legisbriefs/2020/JanuaryLBs/Student-Loan-Oversight_01.pdf)



# **HB 128 Senate Sponsor Testimony.pdf**

Uploaded by: Lesley Lopez

Position: FAV



THE MARYLAND HOUSE OF DELEGATES  
ANNAPOLIS, MARYLAND 21401

March 24, 2022

**Testimony in SUPPORT of HB 128 - Debt Settlement Services – Student Education Loan Debt Relief – Disclosures and Prohibitions**

**Summary:** HB 128 adds a requirement to companies that advertise themselves as student loan debt relief services to disclose that they are private companies and that they are not affiliated with the Department of Education. This change will protect Maryland’s most economically vulnerable citizens from deceptive practices that further harm their economic well-being.

**Overview:** Student loan payments, which are currently on pause due to the pandemic, are scheduled to resume on May 1, 2022. According to the Student Debt Crisis Center, [89% of borrowers](#) were not financially prepared to resume payments in February, and 21% of borrowers would *never* be financially ready to resume repayments.

Combined with a lack of information about the free services already available to borrowers, this financial anxiety creates an environment that allows predatory for-profit companies falsely advertising themselves as student loan relief companies to thrive.

These companies often falsely advertise themselves solely as loan relief services (and not the for-profit companies they are) and then charge for services borrowers could obtain for free from their loan servicer. In some instances, the companies advise their clients to take illegal actions to reduce their payments. These companies prey on borrowers who are already economically vulnerable, subjecting them to high initial costs and repeated monthly fees for services that do not provide the relief they are claiming to offer.

Maryland law currently regulates other types of debt relief services; under the Maryland Debt Settlement Services Act. The bill requires companies advertising themselves as student loan relief services to clearly state that they are a private company not affiliated with the US Department of Education on both their service agreements and advertisements.

It also prohibits these companies from:

1. Advising a consumer to stop communicating with their student loan service provider
2. Accessing or obtaining a consumer’s student aid information in violation of federal law

**Conclusion:** Maryland’s most economically vulnerable citizens are at risk of losing even more money to predatory companies falsely advertising themselves as debt relief services. By establishing these disclosure requirements, HB 128 helps protect these citizens from further deceptive practices. This bill passed the House 99-26. Thank you and I ask for a favorable report on HB 128.

# CPD HB 128 - Support Senate.pdf

Uploaded by: Philip Ziperman

Position: FAV

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*Attorney General*

**ELIZABETH F. HARRIS**  
*Chief Deputy Attorney General*

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*Deputy Attorney General*



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Consumer Protection Division

Writer's Fax No.

**STATE OF MARYLAND**  
**OFFICE OF THE ATTORNEY GENERAL**  
**CONSUMER PROTECTION DIVISION**

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(410) 576-6417

March 24, 2022

**TO:** The Honorable Delores G. Kelley  
Chair, Senate Finance Committee

**FROM:** Philip Ziperman, Deputy Chief - Consumer Protection Division

**RE:** House Bill 128 – Debt Settlement Services – Student Education Loan Debt Relief –  
Disclosures and Prohibitions

**TESTIMONY IN SUPPORT**

The Consumer Protection Division of the Office of the Attorney General (the “Division”) supports HB 128 sponsored by Delegate Lopez, which requires student loan debt relief services providers to disclose when they are private entities and not affiliated with either the U.S. Department of Education; any academic entity; any government agency; or any lender, guarantor, or servicer of federal student loans. Student loan debt relief agencies have been the target of law enforcement, including for holding themselves out as being affiliated with the U.S. Department of Education.<sup>1</sup>

The Consumer Protection Act already makes it an unfair, deceptive or abusive trade practice for a business to hold itself out as having “a sponsorship, approval, status, affiliation, or connection which [it] does not have. . . .”<sup>2</sup> In March 2021, the Consumer Protection Division prosecuted a tax debt relief company for violating this provision of the Consumer Protection Act when it held itself out to consumers as a government agency.<sup>3</sup> Requiring student loan debt relief services providers to be transparent and disclose that they are not related to government agencies, lending institutions, and academic institutions, should help consumers make informed decisions when deciding whether to utilize their services.

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<sup>1</sup> See e.g., FTC Sends Refunds to Students Charged Upfront Fees for Student Loan Debt Relief. (“According to the FTC, these companies tricked people into thinking they were affiliated with the Department of Education, charged illegal upfront fees for free government programs, and collected monthly fees they falsely claimed would be credited toward student loans.”)

(<https://www.ftc.gov/enforcement/cases-proceedings/refunds/student-debt-relief-group-refunds>)

<sup>2</sup> Md. Code Ann., Com. Law § 13-301(2)(ii).

<sup>3</sup> Attorney General Frosh Charges Tax Debt Relief Company with Deceiving Consumers.  
<https://www.marylandattorneygeneral.gov/press/2021/031621.pdf>

The Division supports HB 128 as amended because its disclosure requirement will help consumers from being misled when they hire companies to assist them in settling their student loan debts.

cc: Members, Finance Committee  
Honorable Lesley Lopez