

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 \$115,201.¹ 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.²

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

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

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<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.³ 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

³ https://www.ncsl.org/Portals/1/Documents/legisbriefs/2020/JanuaryLBs/Student-Loan-Oversight_01.pdf