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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.¹

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. . . .”² 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.³ 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.

¹ 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>)

² Md. Code Ann., Com. Law § 13-301(2)(ii).

³ 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