

RON WATSON, PH.D
Legislative District 23
Prince George's County

Judicial Proceedings Committee



James Senate Office Building
11 Bladen Street, Room 121
Annapolis, Maryland 21401
301-858-3631 · 410-841-3631
800-492-7122 Ext. 3631
Fax 301-858-3174 · 410-841-3174
Ron.Watson@senate.state.md.us

The Senate of Maryland

ANNAPOLIS, MARYLAND 21401

March 9, 2022

Chair Smith, Vice-Chair Waldstreicher, and members of the Judicial Proceedings Committee:

Thank you for the opportunity to present this legislation before you today.

SB 732 bans the use of mass-produced documentation, also known as “robo-signing,” by requiring collectors to prove private student loan debts are valid when attempting to collect. This bill places the burden on creditors to certify that old debts are not barred by state statutes of limitations, preventing creditors from obtaining judgements against borrowers for time-barred debts. This protection will prevent creditors from obtaining court orders to garnish wages and seize assets to repay defaulted student loans that creditors cannot prove borrowers owe.

As Marylanders continue to feel the economic pain of COVID-19, one group of economically vulnerable constituents has been left out of conversations regarding relief: private student loan borrowers. These borrowers were excluded from all federal relief packages and collectively owe more than \$100 billion nationally, often at higher interest rates and with less protections than borrowers with only federal student loans.

Private student loans are often a last resort for students who have taken the maximum amount for federal loans. Because many private loans require cosigners, the financial repercussions can span generations.

Lack of oversight of private loan creditors has led to disastrous consequences for these borrowers. Similar to the subprime mortgage crisis from several years ago, economically vulnerable borrowers across the higher education landscape were targeted by predatory private lenders a decade ago and continue to struggle and fall behind on these debts. For more than two years, law enforcement officials have brought significant federal and state litigation alleging predatory lending by the largest private education lender and alleging abusive collections, robo-signing, and illegal pursuit of invalid debts by collectors, investors, and servicers. These cases expose significant, systemic flaws in the way the judicial system approaches private education loan debts, particularly in terms of wage garnishment.

Private student loan creditors are seeking judgments every day to collect on loans that they cannot prove they own. Because they lack proper documentation, these companies are lying to both borrowers and the courts, including the Maryland courts, about their legal ability to sue borrowers and obtain court orders to garnish borrowers' wages.

The National Collegiate Student Loan Trusts (NCSLT), just one of these creditors, owned more than 15,000 separate loans owed by Maryland borrowers, totaling more than \$190 million. The federal government has ordered NCSLT to pay over \$20 million in penalties for its deceptive acts in the past.

An analysis of court filings in Maryland by the Student Borrower Protection Center shows that just this one creditor, NCSLT, filed 1,334 cases against Maryland borrowers in the past five years alone. These cases disproportionately target communities of color in Maryland. More than half of the lawsuits analyzed are against borrowers in majority-minority zip codes. And 25.9% of all lawsuits analyzed were filed in majority-minority Prince George's County, which as the committee knows well, was the center of Maryland's foreclosure crisis a decade ago.

In addition to people of color, seniors are also disproportionately impacted by this abuse. Because borrowers of private student loans almost always require a cosigner, parents and grandparents are more frequently defaulting on private student loan debt. According to AARP, 37 percent of the student loan borrowers over 65 are in default. Not only is the potential to retire put at risk, many of these seniors are already on a fixed income and have benefits highly susceptible to wage garnishment. Since 2005, the amount of seniors whose benefits were garnished as the result of a defaulted student loan has quadrupled.

SB 732 prevents these abuses from happening in Maryland by requiring creditors to provide specific evidence in wage garnishment lawsuits that proves that the loan is in default and that they are the creditor owed the loan. This will ensure that private loan borrowers in Maryland do not fall victim to predatory and unsubstantiated lawsuits.

In closing, accompanying this testimony is an amendment that matches the Senate version of this bill to its House cross-file. I also have panelists in attendance with me who are testifying in favor of this bill and are willing to answer any additional questions you may have.

For these reasons, I respectfully ask for a favorable report on SB 732.

Sincerely,

A handwritten signature in blue ink that reads "Ron L. Watson". The signature is written in a cursive, flowing style.

Senator Ron Watson

Legislative District 23