Lesley J. Lopez
Legislative District 39
Montgomery County

Health and Government
Operations Committee

Annapolis Office
The Maryland House of Delegates
6 Bladen Street, Room 210
Annapolis, Maryland 21401
301-858-3021 · 410-841-3021
800-492-7122 *Ext.* 3021
Lesley.Lopez@house.state.md.us

THE MARYLAND HOUSE OF DELEGATES
Annapolis, Maryland 21401

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Testimony in SUPPORT of HB 913 - Financial Institutions – Student Financing Companies – Required Registration and Reporting

Summary: HB 913 is a simple reporting bill that requires student loan companies acting in Maryland to register with the Commissioner of Financial Regulation and provide annual reports about their practices. These reports will give Maryland important data that helps us understand the landscape of private student loans owed by our residents and identify both the student loan companies following our laws and those that are violating them and causing financial harm to Marylanders.

Overview: Private student loans are a last resort for many borrowers who have exhausted their federal student loans, meaning they are usually only given to some of our most economically vulnerable residents.

They often have higher interest rates than federal loans and can be a burden on more than one family member at a time because they often require cosigners. According to the AARP, for example, about 25% of student loan borrowers over 50 are paying on private student loans because the original student failed to do so.

While many private student loan companies act in good faith, others willfully deceive consumers to trap them in predatory loans with high interest rates that students will never be able to pay off.

Collectively, it is estimated that 846,700 Marylanders owe nearly $40 billion in student loan debt. It is estimated that about $4 billion (10%) of this is private student loan debt—however, this number is *only* an estimate, because we currently rely on basing these numbers from consumer credit panel reporting by the Federal Reserve. Critically, this estimate does not tell us *who* is making these loans. This is in stark contrast to the federal student loan sector, about which the federal government regularly publishes data.

HB 913 requires student loan financing companies to register with the Commissioner of Federal Regulation and report annually on several key data points, including the number of Maryland consumers who owe the company debt, the range of interest rates for the debt, and the default rates for consumers who owe that company debt.

Maryland already gives the Commissioner of Federal Regulation the power to subpoena witnesses and request information from companies they believe have violated laws and/or regulations they oversee. However, without knowing who these companies are and what their practices look like, it is impossible for the Commissioner to know which companies are bad actors and need to be subject to these investigations.

By requiring the companies to report directly to the state, HB 913 allows the Commissioner to know not only which companies are operating in the state, but what practices they use and the consumers they target.

The bill does not make any changes to these companies' business practices—it merely allows the state to access information that will provide insight into how they operate.

Understanding this will help Maryland identify both good actors that lend in good faith and bad actors that deliberately target vulnerable people with economically predatory loans they will never be able to repay.

We as lawmakers have a responsibility to ensure our residents are protected from predatory practices and that they have access to safe and affordable financial products. As it stands today, we do not have the information we need to faithfully execute that responsibility. This bill would empower the Commissioner to gather this information, so that the public and we can understand what further steps, if necessary, should be taken.

There are several amendments to the bill, which change the information requested from calendar year to fiscal year, clarify that the data requested is for residents who currently reside in the state, and that the promissory notes requested are model promissory notes and not any individual person's promissory notes, among other technical changes.

Several other states, including Louisiana, Maine, and Colorado, have already implemented this legislation and have had success with publicly providing this information for their consumers. (See Colorado's website for an example of how this might look in practice.)

Conclusion: Maryland cannot protect its consumers from predatory student lending companies without more insight into who these companies are and what their practices look like. By requiring student loan lending companies to register with the Commissioner on Financial Regulation and report annually to them, HB 913 provides key insight that is necessary to protect the financial future of so many of our residents.

Thank you and I ask for a favorable report on HB 913.