HB913 XO Letter of Support.pdf
Uploaded by: Amy Hennen
Position: FAV

March 22, 2023

Senate Finance Committee

Chair: Senator Melony Griffith
House Bill 913 - Financial Regulation – Student Financing Companies – Required Registration and Reporting

Re: Letter of Support

The Office of the Commissioner of Financial Regulation's ("OCFR") houses the Student Loan Ombudsman ("Ombudsman"). The Ombudsman monitors student loan servicing activity in Maryland. The Ombudsman serves as a liaison between student loan borrowers and student loan servicers. The Ombudsman receives and reviews complaints from student loan borrowers and attempts to resolve those complaints.

The Ombudsman is charged with helping student loan borrowers understand their rights and responsibilities under the terms of student education loans. The Ombudsman is also charged with generating an annual report based on the complaints received by the office.

The data provided to the Ombudsman would be useful in helping the Ombudsman and the Legislature understand student lending and servicing in the state as well as in creating the Ombudsman's annual report. The additional public data would be a benefit to the citizens of Maryland.

With that, we request a favorable Committee Report.

HB 913 Sponsor Testimony Senate.pdf
Uploaded by: Lesley Lopez
Position: FAV

Lesley J. Lopez
Legislative District 39
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Health and Government
Operations Committee

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The Maryland House of Delegates
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THE MARYLAND HOUSE OF DELEGATES
Annapolis, Maryland 21401

March 22, 2023

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.

The bill passed the House 136-0.

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

HB913 Letter of Support DoL.pdf
Uploaded by: Lesley Lopez
Position: FAV

Maryland
DEPARTMENT OF LABOR

OFFICE OF THE COMMISSIONER OF FINANCIAL REGULATION
1100 NORTH EUTAW STREET; SUITE 611
BALTIMORE, MARYLAND 21201
ANTONIO P. SALAZAR, COMMISSIONER

March 1, 2023

House Economic Matters Committee

Chair: Delegate C.T. Wilson
House Bill 913 - Financial Regulation – Student Financing Companies – Required Registration and Reporting

Re: Letter of Support

The Office of the Commissioner of Financial Regulation's ("OCFR") houses the Student Loan Ombudsman ("Ombudsman"). The Ombudsman monitors student loan servicing activity in Maryland. The Ombudsman serves as a liaison between student loan borrowers and student loan servicers. The Ombudsman receives and reviews complaints from student loan borrowers and attempts to resolve those complaints.

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The data provided to the Ombudsman would be useful in helping the Ombudsman and the Legislature understand student lending and servicing in the state as well as in creating the Ombudsman's annual report. The additional public data would be a benefit to the citizens of Maryland.

With that, we request a favorable Committee Report.

SBPC, CASH, and MCCFW Testimony in Favor of HB 913

Uploaded by: Winston Berkman-Breen

Position: FAV

Written Testimony at a Bill Hearing before the
Senate Finance Committee
on HB 913
"Financial Institutions - Student Financing Companies - Required Registration and Reporting"

FAVORABLE

March 22, 2023

Chair Griffith, Vice Chair Klausmeier, and Members of the Committee:

The CASH Campaign of Maryland, the Student Borrower Protection Center, and the Maryland Center for Collegiate Financial Wellness write in favor of HB 913, a bill that would create a registry for student loan lenders in Maryland and would provide the state with much-needed data. The state has almost no information about the private student loan market in Maryland, but with this registry it can obtain the information it needs to determine whether further regulation is required without unduly burdening industry. Critically, the bill requires no changes to industry's current business practices, and is a reporting bill only.

In support of this bill, attached please find written testimony in favor of HB 913 submitted to the House Economic Matters Committee by six organizations representing Maryland student loan borrowers, workers, educators, and advocates, including the undersigned. This testimony goes into greater detail about the need for this data and the harm to borrowers and to the State in not addressing this regulatory blind spot.

This bill passed the House unanimously, 136-0, and is supported by the Commissioner of Financial Regulation. We therefore respectfully urge this Committee to take a favorable position.

Sincerely,

CASH Campaign of Maryland
Student Borrower Protection Center
Maryland Center for Collegiate Financial Wellness

For more information, please contact Winston Berkman-Breen, Deputy Advocacy Director and Policy Counsel with the Student Borrower Protection Center, at winston@protectborrowers.org.

Written Testimony of Borrower Advocates
at a Bill Hearing before the
House Economic Matters Committee
on HB 913
"Financial Institutions - Student Financing Companies - Required Registration and Reporting"

FAVORABLE

March 1, 2023

Chair Wilson, Vice Chair Crosby, and Members of the Committee:

The undersigned 6 organizations, representing Maryland student loan borrowers and workers, write in support of HB 913, which, if passed, would create a registry for student lenders in Maryland and would provide the state with much-needed data, with which it can determine whether further regulation is required without unduly burdening industry. Critically, the bill requires no changes to industry's current business practices, and is a reporting bill only.

Overview of the student debt crisis and available data.

Over 846,7000 Maryland residents owe approximately $40 billion in student loan debt.[1] Based on national averages, nearly $4 billion of this is likely private student debt, separate from the federal student loan system. The federal government regularly releases data about its loan portfolios, broken out by state and status, and the terms of those loans are set by Congress. So there is generally good transparency of the federal portfolio.

The private student loan market, on the other hand, has almost no transparency. What we know about this sector is extrapolated from representative consumer credit panel data analyzed by the Federal Reserve, and is not a true snapshot of the state of affairs.

The lenders operating in this market are major banks and prominent non-banks, but also shadier companies that specialize in subprime debt and who often target low-income and majority minority communities. These are the companies that partner with for-profit schools and saddle students with debt to pay for low-quality education that will never land them the job they'll need to repay that debt. It's a vicious but well-documented cycle.[2]

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[1] Student Borrower Protection Center calculation based on data made available by Federal Student Aid, U.S. Dep't of Educ., *Portfolio by Location* (Sept. 30, 2022), https://studentaid.gov/data-center/student/portfolio.
[2] Stacy Cowley & Jessica Silver-Greenberg, *Loans "Designed to Fail": States Say Navient Preyed on Students*, N.Y. Times (Apr. 9, 2017), https://www.nytimes.com/2017/04/09/business/dealbook/states-say-navient-preyed-on-students.html.

Part of the reason there is so little information on the private student loan market is because, unlike the mortgage industry, the student loan industry generally is not subject to student-loan specific regulations, and is treated like any other consumer product, despite the fact that it is the second largest form of household consumer credit after mortgage debt. This is a problem: although we know there is a student debt crisis, no state has accurate data on the complete picture of student loans in their jurisdiction, on what entities are originating these loans, and on these lenders' practices.

States are filling the gaps by creating lender registries.

Several states have started to address this issue, not by licensing these lenders, which is a relatively more involved process with greater cost to both industry and the state, but by requiring these companies to register with the state. With registries, companies must inform the state that they are operating in their jurisdiction and provide some annual reporting.

Maine, Colorado, Illinois, Louisiana, and California have done this, each in slightly different ways, but they are gathering the same information.[3] When paired with the federal information, these states will have a complete and accurate snapshot.

HB 913 is nearly identical to the laws in Maine, Colorado, and Louisiana. If passed, the bill would help the Office of Commissioner of Financial Regulation gather this information from its existing licensees, while requiring non-traditional lenders who are not required to be licensed to register with the Commissioner and to submit the same student loan data. Once implemented, the Commissioner will for the first time have comprehensive, annual data about student lending to share with policymakers. This will improve policy making and identify stand out good actors, as well as outlier bad actors.

Importantly, the bill would cover postsecondary education institutions that extend student loans, which is an example of a non-licensee that would have to register and submit data to the Commissioner, but would not otherwise be subject to the Commissioner's regulatory authority. The federal Consumer Financial Protection Bureau announced last year that it would start to routinely examine schools' lending practices as part of its mission to protect student loan borrowers.[4] To attempt to create a snapshot of the private student loan market in Maryland without these school-lenders would result in an incomplete analysis. For this reason, the bill is

[3] *See* LD 1645, An Act to Establish Protections for Private Student Loan Borrowers and a Registry for Lenders (Me. 2021), codified at Sec. 1 9-A M.R.S.A. Art. 15; SB21-057, Private Lenders of Student Loans Acts and Practices (Co. 2021), codified at C.R.S. 5-20-201 et seq.; H.B. 2746, Know Before You Owe Private Education Loan Act (Ill. 2021); Cal. Fin. Code § 90010.

[4] Press Release, Consumer Fin. Prot. Bureau, *Consumer Financial Protection Bureau to Examine Colleges' In-House Lending Practices* (Jan. 20, 2022), https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-to-examine-colleges-in-house-lending-practices/.

designed to include these non-traditional lenders, but provides the Commissioner with the flexibility to create alternative registration and data reporting mechanisms for them.

This bill does not require changes to covered lenders' business practices. It merely requires them to provide information about their student lending and loan portfolio to the Commissioner so that policymakers can determine whether any further action is required.

The bill's provisions make common sense. The state has the authority to request this data, and should want to know what is happening in its jurisdiction. We already comprehensively and specifically regulate the mortgage industry, but for some reason until recently student lending has been treated separately and as if it's different. It is not different. It is a financial product with specific characteristics that differ from other consumer products and merit unique data requests.

Conclusion

We urge this committee to vote in favor of HB 913, which will introduce critical transparency to the private student loan market in Maryland.

Sincerely,

Student Borrower Protection Center
CASH Campaign of Maryland
Consumer Reports
Maryland Center for Collegiate Financial Wellness
SEIU Local 500
UFCW Local 400

For more information, please contact Winston Berkman-Breen, Deputy Advocacy Director and Policy Counsel with the Student Borrower Protection Center, at winston@protectborrowers.org.