



Testimony to the Senate Judicial Proceedings Committee
SB165: Action to Collect a Private Education Loan - Required Documents
Position: Favorable

February 02, 2023

The Honorable Senator Smith, Chair
Senate Judicial Proceedings Committee
Second Floor, Miller Senate Office Building
Annapolis, Maryland 21401
cc: Members, Senate Judicial Proceedings

Honorable Chair Smith and Members of the Committee:

Economic Action Maryland (formerly the Maryland Consumer Rights Coalition) is a people-centered movement to expand economic rights, housing justice, and community reinvestment for working families, low-income communities, and communities of color. Economic Action Maryland provides direct assistance today while passing legislation and regulations to create systemic change in the future.

We are writing today in support of SB165.

Economic Action Maryland works on issues related to college affordability, student loan debt, and debt collection. In 2022, the average student loan debt owed in Maryland was \$42,861 with 837,600 student borrowers living in Maryland.¹ Maryland residents are more likely to have a great deal of student loan debt than their peers across the country with several studies indicating Maryland as having the highest student loan debt in the United States. However, this burden is not felt equally by all borrowers. 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.²

Although creditors often lack documentation to prove they have the legal right to pursue private student loan debt, they have continued to seek wage garnishment orders in court, even throughout the COVID-19 pandemic. For example, the 2022 Navient AG Multi-State Settlement demonstrates the need for better student borrower protections. Navient, the largest private creditor in the student loan market, obtained default judgments and wage garnishment orders against Maryland borrowers since the pandemic began, despite its public pledge to halt collections litigation in the wake of COVID-19. The settlement will result in the cancellation of \$1.7 billion in debt cancellation of predatory student loans nationwide, \$34 million of which will benefit Maryland borrowers. The settlement will help Maryland borrowers, but leaves other predatory lenders free to seek collection of their harmful loans in court.

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

²

<https://www.cnbc.com/2021/06/14/black-women-owe-22percent-more-in-student-debt-then-white-women-on-average.html>



Furthermore, an analysis of court filings in Maryland shows that just one creditor, NCSLT, filed more than 1,330 cases against Maryland borrowers in the past six years alone.³ 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 more than 25% of all lawsuits analyzed were filed in Prince George's County.⁴

The growth of student loan debt indicates that consumer protections must be enacted to prohibit predatory practices and debt collection tactics in the student lending industry. It is an inclement time for borrowers as the execution of the Biden-Harris Administration's Student Debt Relief Plan remains uncertain, and they need your support.

SB165 strengthens protections for student borrowers by banning the use of mass-produced documentation, also known as "robo-signing" and prohibiting creditors from obtaining judgments against borrowers without accurate documentation. Maryland has a history of requiring better documentation for debt collection as demonstrated by former Attorney General Frosh's 2019 legislation prohibiting student loan servicers from engaging in any unfair, abusive, or deceptive trade practice.⁵ SB165 provides protections for student borrowers that are in line with these laws and will help ensure that student borrowers are protected from abusive debt collection tactics.

For these reasons, we support SB165 and urge a favorable report.

Best,
Isadora Stern
Policy Manager

3

<https://protectborrowers.org/md-pslcollections/#:~:text=Across%20all%20Maryland%20counties%2C%20NCSLT,in%20the%20past%20six%20years.&text=These%20abuses%20aren't%20unique,court%20from%20coast%20to%20coast.>

⁴ <https://protectborrowers.org/wp-content/uploads/2021/12/Maryland-NCSLT.pdf>

⁵ https://mgaleg.maryland.gov/2019RS/chapters_noln/Ch_546_hb0594T.pdf