

SENATE FLOOR ALERT

FILE ITEM # 140

SUPPORT AB 376 (Stone) The Student Borrower Bill of Rights



FLOOR ALERT: Support AB 376 (Stone) Student Borrower Bill of Rights

The Building the California Dream Alliance, California Asset Building Coalition, Californians for Economic Justice, California Reinvestment Coalition, and the undersigned organizations write in support of AB 376, the Student Borrower Bill of Rights. **This bill would make California the first state in the nation to create a comprehensive set of rights for people holding student debt**, by requiring student loan companies to treat borrowers fairly and giving borrowers the right to hold these companies accountable when they fail to meet basic servicing standards.

Loan servicers like Sallie Mae, Nelnet, Great Lakes, Navient, or FedLoan Servicing are meant to serve as gatekeepers — working in good faith for students. But multiple investigations show that loan servicers consistently work against students' best interests even in the midst of the current pandemic, by steering students into options that can add more interest to their loans, pushing some borrowers into default and most recently by not following through implementing recent federal payment relief options. **For the nearly 4 million Californians currently holding a total of \$147 billion in student debt, paying for college means facing a complex and confusing loan repayment system that can make the loan burdens even worse.**

Low-income, first generation, and African-American borrowers - whose communities have seen a high incidence of COVID-19 - also bear a disproportionately heavy burden with loan repayment and greater risk of loan default. **The student debt burden falls disproportionately on women, who collectively hold two-thirds of all student debt,¹ and on people of color, exacerbating existing income and wealth gaps.** According to a recent study, a typical white male borrower pays off 44 percent of his debt 12 years after starting school, while the typical black female borrower sees her balance grow by 13 percent in that time.²

Unlike mortgages or credit cards, student loans come with little to no consumer protections to give borrowers a chance to reduce their debt burdens.

AB 376 would create enforceable industry-wide standards for loan servicing companies and protect existing and future borrowers from predatory lenders. It will:

- **Ban “abusive” student loan servicing practices** that take unreasonable advantage of borrowers' confusion over loan repayment options;
- **Create minimum servicing standards** related to application of payments, paperwork retention and specialized staff training;
- **Establish a Student Borrower Ombudsman** within the Department of Business Oversight (DBO) responsible for reviewing complaints, gathering data and coordinating with related state agencies; and
- **Grant DBO additional “market monitoring” authorities**, to collect better data about the student loan servicing industry.

For these reasons, we strongly support AB 376 and respectfully urge your “AYE” vote.

¹ AAUW, Deeper in Debt: Women and Student Loans (2020), *available at* <https://www.aauw.org/resources/research/deeper-in-debt/>.

² For more recent data on student debt and the racial wealth gap, *see* DEMOS, DEBT TO SOCIETY (2019), *available at* <https://www.demos.org/sites/default/files/2019-06/Debt%20to%20Society.pdf>.

Sincerely,

Americans for Financial Reform (AFR)
Asian Americans Advancing Justice
Association of Young Americans
Beneficial State Foundation
Building the California Dream Alliance
California Asset Building Coalition
California Association of Nonprofits
(CalNonprofits)
California Council of Community Behavioral
Health Agencies
California Dental Association
California Dream Network
California Federation of Teachers
CA-HI NAACP
California Immigrant Policy Center
California League of Conservation Voters
California League of United Latin
American Citizens (LULAC)
California Low Income Consumer Coalition
Californians for Economic Justice
California Reinvestment Coalition
California Secretary of State Alex Padilla
CALPIRG
Centro Legal de la Raza
City and County of San Francisco
Office of Financial Empowerment
City of Stockton Mayor Michael Tubbs
Clean Water Action
Coalition for Humane Immigrant Rights
(CHIRLA)
Community Water Center
Consumer Action
Consumer Attorneys of California
Consumer Federation of California
Consumer Reports
Courage California

Disability Rights California
East Bay Community Law Center
Friends Committee on Legislation of
California
Generation Progress
Hildreth Institute
Housing and Economic Rights Advocates
Improve Your Tomorrow
Latino Coalition for a Healthy California
Leadership Counsel for Justice and
Accountability
League of Women Voters of California
Mental Health California
Mi Familia Vota
Mission Asset Fund
National Student Legal Defense Network
New Economics for Women
NextGen California
Public Counsel
Public Law Center
San Diego State College Democrats
SEIU
Student Borrower Protection Center
Student Debt Crisis
Student Senate for California Community
Colleges
The Institute for College Access & Success
(TICAS)
UNIDOS US
United Food and Commercial Workers
(UFCW)
University of California Student Association
Veterans Education Success
Western Center on Law and Poverty
Young Invincibles