Supporters of AB 376 (Stone) The Student Borrower Bill of Rights
August 17, 2020

The Honorable Anthony J. Portantino
Chair, Senate Committee on Appropriations
State Capitol, Room 3086
Sacramento, CA 95814

RE: Assembly Bill 376 (Stone) Student Borrower Bill of Rights — SUPPORT

Dear Chair Portantino:

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.

Before the current COVID-19 pandemic, student borrowers contended with a predatory student loan servicing industry — and now, in the midst of this public health crisis, they must contend with an industry overwhelmed by a morass of new programs and a borrower population desperately in need of assistance. With the ensuing economic fallout from the pandemic, student loan borrowers need to know their rights; be afforded strong consumer protections; and understand the resources and tools available to assist them. 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

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 their 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 student debt, paying for school means facing a complex and confusing loan repayment system that can make the loan burdens even worse.

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.
In tumultuous times, taking action to fight for students defrauded or deceived by student loan companies is more critical than ever. With soaring unemployment rates, and renewed attention to the economic toll of systemic racism, it is critical that borrowers have the ability to protect their financial futures. Our students — many of whom are essential workers — are desperate to move forward with their lives, to break free from predatory loan servicers. But 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 Advocate** 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.

As we rebuild California during this unprecedented time, we must ensure that everyone can reduce the burden of education debt, and promote financial security and economic justice for California communities. The Legislature can and must ensure that the future will remain bright for hard-working Californians on a path toward economic recovery.

For these reasons, we strongly support AB 376 and urge an AYE vote.

Sincerely,
The following undersigned organizations:

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The Honorable Gavin Newsom, Governor of California
The Honorable Toni G. Atkins, President pro Tempore of the California State Senate
Members, Senate Appropriations Committee
The Honorable Anthony Rendon, Speaker of the California Assembly
The Honorable Mark Stone, Assemblymember and Bill Author