

# 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,<sup>1</sup> 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.<sup>2</sup>

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.**

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

<sup>2</sup> 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.**

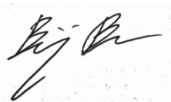
Sincerely,  
The following undersigned organizations:



Alexis Goldstein  
Senior Policy Analyst  
Americans for Financial Reform



Liza Chu  
California Policy Manager  
Asian Americans Advancing Justice



Ben Brown  
Founder  
Association of Young Americans



Emma Guttman-Slater  
Policy Advocacy & Field Building  
Director  
Beneficial State Foundation



Sabrina Hamm  
Statewide Managing Director  
California Asset Building Coalition



Jan Masaoka  
CEO  
California Association of Nonprofits



LeOndra Clark Harvey, Ph.D.  
Director of Policy and Legislative Affairs  
California Council of Community  
Behavioral Health Agencies



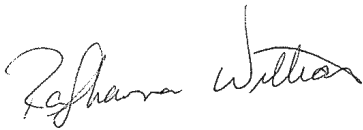
Christopher Sanchez  
Policy Advocate  
California Dream Network



Ron Rapp  
Legislative Director  
California Federation of Teachers



Orville Thomas  
Government Affairs Director  
California Immigrant Policy Center



Rashawna Williams  
Youth President  
CA-HI NAACP Youth and College Division  
National Youth Works NAACP  
Region I Youth Rep



Melissa Romero  
Legislative Affairs Manager  
California League of Conservation  
Voters



Yvonne Gonzalez Duncan  
State Director  
California LULAC



Ted Mermin  
Executive Director  
California Low-Income Consumer  
Coalition (CLICC)

Suzanne Martindale  
Steering Committee Member  
Californians for Economic Justice

Paulina Gonzalez-Brito  
Executive Director  
California Reinvestment Coalition

Alex Padilla  
California Secretary of State

Emily Rusch  
Executive Director  
CalPIRG

Carolina Martin Ramos, Esq.  
Director of Programs and Advocacy  
Centro Legal de la Raza

Jacob Dumez  
Manager, Policy and Partnerships  
City and County of San Francisco  
Office of Financial Empowerment

Michael Tubbs  
Mayor  
City of Stockton

Jennifer Clary  
California Director  
Clean Water Action

Joseph Villela  
Director of Policy and Advocacy  
Coalition for Humane Immigrant Rights  
(CHIRLA)

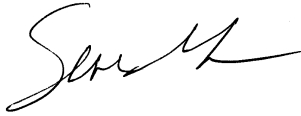
Jonathan Nelson  
Policy Director  
Community Water Center



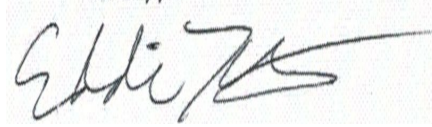
Linda Sherry  
Director, National Priorities  
Consumer Action



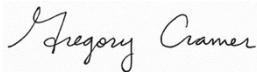
Richard Holober  
Executive Director  
Consumer Federation of California



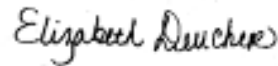
Suzanne Martindale  
Senior Policy Counsel  
Consumer Reports



Eddie Kurtz  
Executive Director  
Courage Campaign



Gregory Cramer  
Senior Legislative Advocate  
Disability Rights California



Elizabeth Deucher  
Registered Legal Services  
Attorney/Clinical Supervisor  
East Bay Community Law Center



Kevan Insko  
Co-Director  
Friends Committee on  
Legislation of California



Charlotte Hancock  
Communications Director  
Generation Progress



Maeve Elise Brown  
Executive Director  
Housing & Economic Rights Advocates



Bahar Akman Imboden  
Managing Director  
Hildreth Institute

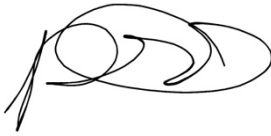


Michael Lynch  
CEO and Co-Founder  
Improve Your Tomorrow, Inc.



Abigail Ramirez  
State Policy Sr. Manager  
Latino Coalition for a Healthy California





Phoebe Seaton  
Co-Director and Attorney at Law  
Leadership Counsel for Justice and  
Accountability



Samuel Molina  
CA State Director  
Mi Familia Vota



Maggie Cervantes  
Executive Director  
New Economics for Women



Cindy Pánuco  
Directing Attorney, Consumer Law Project  
Public Counsel



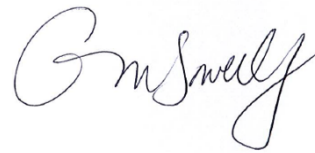
Kimberly Rosenberger  
California State Council  
Service Employees International Union  
(SEIU)



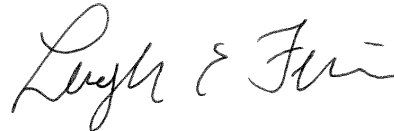
Kristene (K.N.) Smith  
Chief Executive Officer  
Mental Health California



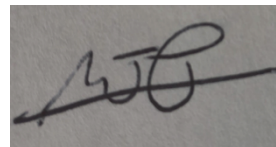
Aaron Amendt  
Executive Director  
National Student Legal Defense  
Network



Arnold Sowell, Jr.  
Executive Director  
NextGen California



Leigh Ferrin  
Directing Attorney, Consumer Law  
Public Law Center



Mike Pierce  
Policy Director & Managing Counsel  
Student Borrower Protection Center

Natalia Abrams  
Executive Director  
Student Debt Crisis

R. Cameron Couperthwaite  
Vice President of Legislative Affairs  
Student Senate of the California  
Community Colleges

Debbie Cochrane  
Executive Vice President  
The Institute for College Access &  
Success

Amber Baur  
Executive Director  
United Food and Commercial  
Workers

Amalia Chamorro  
Associate Director of Education Policy  
UnidosUS

Carol Siegel Singh  
President  
University of California Student  
Association

Carrie Wofford  
President  
Veterans Education Success

Kristin McGuire  
Western Region Director  
Young Invincibles

Lea Ann Tratten  
Political Director  
Consumer Attorneys of California

Dharia McGrew  
Legislative Advocate  
California Dental Association

Cc:

- 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