

## **SB 279 STAFF MEASURE SUMMARY**

### **Senate Committee On Judiciary**

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**Prepared By:** Channa Newell, Counsel

**Meeting Dates:** 2/25

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#### **WHAT THE MEASURE DOES:**

Requires student loan servicers to be licensed by the Department of Consumer and Business Services (DCBS). Provides specific guidance on process for servicing student loans. Prohibits student loan servicer from using any device, scheme, or artifice to defraud another person, or to knowingly making untrue statements of material fact or omit statements of material fact. Provides specific and general authorities to DCBS to supervise and regulate loan servicers. Outlines process for DCBS to obtain and investigate complaints about student loan servicers. Creates ombudsman position within DCBS. Provides exemptions to licensing requirements for financial institutions, consumer finance entities, holding companies, state or federal agencies, and certain qualifying attorneys. Authorizes DCBS to order an unlicensed person to cease and desist from acts relating to servicing a loan without a license. Specifies process for obtaining license, including providing fingerprints of agents and managers, the address of each branch of offices within the state, and names of managers of branch offices, and a surety bond or letter of credit. Provides parameters for branch manager information, including convictions or pleas. Provides grounds for denial or revocation of license, including not meeting the criteria for licensure, engaging in conduct violates state or federal law, or conduct that is fraudulent, dishonest, or deceptive, or failing to comply with a written direction from DCBS. Requires license be posted in principal place of business and each branch office. Requires licensee to designate a registered agent within the state or maintain a principal place of business. Requires yearly renewal of license. provides standards for maintaining liquidity, operating reserves, and tangible net worth to adequately meet costs, expenses, and financial requirements. Allows DCBS to take and hold property or assets within state until licensee returns to compliance. Provides procedure for taking and retaining property. Requires 30 days notice be given by licensee to DCBS of new branch location or closing of branches. Requires notice within ten days of filing for bankruptcy or reorganization, indictment of manager or agent on manners relating to loan servicing, change of business name, cessation of operations in state, or order from other state that halts loan servicing activity in other state. Defines terms. Becomes operative January 1, 2020. Declares emergency, effective on passage.

#### **ISSUES DISCUSSED:**

##### **EFFECT OF AMENDMENT:**

No amendment.

##### **BACKGROUND:**

Analysts report there are over 44 million Americans with student loan debt, totally \$1.5 trillion. Billing and processing payments for student loans are handled by a variety of loan servicers.

Senate Bill 279 requires student loan services to obtain a license from the Department of Consumer and Business Services (DCBS). The measure gives DCBS authority to regulate student loan services and a provides a variety of requirements for a servicer before they do business in the state.