Oregon Student Loan Servicing Proposals
HB 2588 and SB 279

Overview of Guaranty Agencies

Guaranty agencies were established to help the U.S. Department of Education (Department) administer the Federal Family Education Loan Program (FFELP). There are currently 24 guaranty agencies, which, by law, must be part of the state government or nonprofit organizations that have an agreement with the U.S. Secretary of Education. Guaranty agencies assist students and taxpayers by providing a variety of services to borrowers, lenders, and schools to help borrowers avoid defaulting on their loans.

Established in 1994, Educational Credit Management Corporation (ECMC) is a nonprofit guaranty agency based in Minneapolis, Minnesota. ECMC is the designated FFELP guarantor for the states of California, Connecticut, Oregon, and Rhode Island, South Carolina, Tennessee, and Virginia.

Guaranty agencies, like ECMC, provide financial education services to empower students to make informed choices about their futures. We truly are borrower advocates, providing critically important services, including:

1. **Counseling, outreach and community service.** Guaranty agencies conduct pre-borrowing debt and repayment counseling and promote financial aid awareness through workshops, media events, financial aid nights, awareness months, hotlines, web sites and publications. Guaranty agencies provide specialized college access outreach for a variety of audiences including students in middle school, students in districts with low college placement rates, high poverty rates and high dropout rates, and first-generation college students.
2. **Default prevention activities.** Guaranty agencies operate default prevention programs with staff trained in default prevention techniques, counselling delinquent borrowers on the consequences of default and providing options available to avoid default. Since 2014, ECMC has successfully helped 18,423 delinquent Oregon borrowers avoid defaulting on their student loans. Default prevention is a key activity of guaranty agencies and should not be considered as servicing a student loan under state law.
3. **School and Lender Oversight and Compliance.** Guaranty agencies conduct program reviews, provide schools and lenders with training and compliance with federal regulations, and review and help resolve individual borrower complaints.
4. **Mediating Borrower Issues with Lenders and Servicers.** Guaranty agencies serve to help borrowers resolve issues they may experience with their lenders and servicers by facilitating three-way conversations between the borrower, lender, and loan servicer to clear up confusion and resolve any issues they may experience paying their student loans.

Many states have introduced and enacted student loan servicing legislation aimed at protecting students from unscrupulous behavior of loan servicers. Guaranty agencies do not service student loans—i.e. they do not collect payments from borrowers or apply payments pursuant to the terms of the loan, but instead serve a critically important role in helping students and borrowers make informed decisions and successfully repay their loans.

In each of the five jurisdictions that have enacted loan servicing laws, guaranty agencies have been excluded either through a carefully tailored definition of “servicing” similar to the one included in Oregon Senate Bill 279 (2019), as introduced, or by expressly exempting guaranty agencies (the approach taken by California, Illinois, and Washington). By contrast, the definition of "servicing" included in Oregon House Bill 2588 (2019) is overly broad and may negatively impact the important work performed by state and nonprofit guaranty agencies. Accordingly, as Oregon considers adopting student loan servicing legislation, it should follow the same approach taken by the five jurisdictions that have already passed similar laws and exclude guaranty agencies.

Respectively submitted by:

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