



Senate Committee on Judiciary
Testimony in Support of SB 1540: Licensing of Student Loan Servicers

Chair Prozanski, Vice Chairs Thatcher and Dembrow and members of the Committee.

My name is Trish Garner and I am the State Public Policy Chair of the American Association of University Women of Oregon. AAUW has been empowering women since 1881 by advancing equity through advocacy, education, and research.

Student loan debt has risen to epidemic proportions. It has been estimated that 45 million borrowers collectively owe \$1.6 trillion of student loan debt, falling second only to mortgages in the amount of consumer debt.¹ On a dollar basis, the highest increase in student loan debt is among 30 to 39-year-olds, who as a group now holds \$461 billion in student loans.

The provision of student loans is big business and the consequences of failing to pay a student loan bill can be serious and long lasting. The entire amount of the debt may be accelerated and immediately payable -- and collectible, without the availability of relief under bankruptcy laws. The student debtor may face wage garnishment, lost federal and state tax refunds, increased late fees, a ruined credit report, expensive lawsuits, not to mention losing eligibility for additional loans and grants, deferments, forbearances and flexible repayment options.² Liens can also be placed on one's home or other assets.

Given the size of the student loan servicing business and the potential negative impact on Oregon's students, it is important for Oregon to ensure that its students are fairly treated. Just as with similar businesses such as debt collection and mortgage servicing, at minimum they should be required to obtain a license.

SB 1540 also contains important provisions that are designed to make sure that student loan servicers do as promised. They are required to maintain sufficient liquidity, operating reserves and tangible net worth. They must credit payments received, correct any errors and maintain records. They must respond to complaints within 21 days and promise not to commit unethical business activities. The Department of Consumer and Business Services is authorized to oversee these protections and if violations are found, remedies are provided to student borrowers. These requirements represent limited and common-sense oversight.

¹ Zack Freidman, *Student Loan Debt Statistics In 2019: A \$1.5 Trillion Crisis*, Forbes, February 2, 2019, <https://www.forbes.com/sites/zackfriedman/2019/02/25/student-loan-debt-statistics-2019/> - 64604a80133f.

² Legal Consumer: Oregon Legal Guide, [Student Loan Default Consequences and Penalties](#)

Many of the loans taken out by students are entered into by those who are looking to better their lives and rise above underprivileged circumstances. The stakes for these individuals are high and the potential for failure if a student loan payment is missed great. Low income borrowers can find it particularly challenging to navigate the pre- and post-loan small print that is often found in student loan documents. Oregon needs to step up and provide these individuals a fair opportunity to move forward and achieve success by making sure they are treated fairly by student loan servicers.

AAUW of OR urges you to adopt SB 1540.

Thank you.

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