



## Testimony in Support of Senate Bill 1540 Senate Committee on Judiciary

February 5, 2020

Chair Prozanski, Vice-Chair Thatcher, and Members of the Senate Committee on Judiciary:

My name is Peter Hainley and I am Executive Director of CASA of Oregon. I am submitting this testimony in strong support of Senate Bill 1540. This bill is about protecting student loan borrowers in Oregon from unscrupulous servicers, usually from out of state, which too often act in their own interests rather than directing borrowers into the best possible repayment plan.

CASA of Oregon is committed to serving low-income Oregonians, especially those from our most underserved communities. We develop affordable housing and community facilities, and support wealth building through the Oregon IDA Initiative. Through our Innovative Changes program, we provide financial coaching, classes, and responsible small dollar loans.

CASA and Innovative Changes work directly with those affected by student loans. Without student loans, most of us would not be able to afford college. More than half a million Oregonians owe over \$18 billion in student loan debt, including young people finishing college, those returning to school to finish their degrees under the promise of a better future, parents paying off their loans while struggling to afford their children's education, and even seniors, either paying their own debts, or financing their children and grandchildren's education. People take out loans because they are told that the good jobs they can access through higher education will pay off. If they cannot afford their payments, there are federal programs in place to help them, such as income driven repayment.

Education is a promise; a promise of better employment opportunities, higher income, and a brighter future for our families. It should be a path forward, but too often, student loans feel more like a trap. Student loan servicers are not subject to the same level of oversight Oregonians insist on for other types of lending. This lack of consumer protections allows predatory servicers to deliberately misinform borrowers in order to maximize their profits. For example, servicers often put borrowers into forbearance, which allows interest (paid to the servicer) to accrue and be added back into the loan, rather than income based repayment, which is a path forward with affordable payments.

Through our work, we know too well that loan servicers, rather than acting in the best interest of borrowers, often serve themselves by misinforming borrowers, misapplying payments, and even misplacing documents borrowers submit to qualify for income-based repayment programs. We see the ripple effect that that the resulting high loan balances, unaffordable loan payments, and defaults have on people's credit, which in turn makes nearly every aspect of their financial lives

more expensive: insurance rates, security deposits, car payments, and emergency loans, thus driving families deeper into poverty.

SB1540 protects the rights of student borrowers by creating a licensing scheme for student loan servicers working with borrowers in Oregon. Washington, Connecticut, Illinois, California, Virginia, Maryland, New York, Colorado, Maine, Rhode Island, New Jersey, Nevada, and the District of Columbia have all passed laws regulating student loan servicers; Oregon is being left behind. It is the state's responsibility to protect borrowers from deceitful practices and ensure they are provided with complete and accurate information about their repayment options.

Thank you for the opportunity to testify in favor of SB1540.