

February 6, 2019

TO: Senate Committee on Judiciary
FR: Charlie Fisher, State Director, Oregon State Public Interest Research Group (OSPIRG)
RE: Support SB 1540

OSPIRG is a statewide, citizen-based organization that represents thousands of Oregonians around the state.

OSPIRG supports SB 1540.

Higher education in Oregon continues to be critical for both individual success and the social and economic health of our state. While college attendance has grown over the past two decades, state appropriations and federal aid have failed to keep pace with the rising cost of college, shifting more costs to students. As a result, more students than ever must rely on student loans to pay for a college degree, with the average borrower now graduating with over \$26,000 in loan debt.

Heavy student loan debt carries negative consequences for borrowers, who must make monthly payments with their hard-earned dollars rather than save up and get ahead. High debt can affect where graduates live, the kind of careers they pursue, when they start a family or purchase a home, and whether they can save for retirement. The combination of high student debt and low earnings can lead to default, ruined credit and wage garnishment. Such distress runs counter to the goal of higher education.

Loan servicers are the companies that many borrowers interact with directly, rather than the lending institutions themselves. Given the amount of money involved and the complicated nature of student loans, it's especially important that these servicers act in the best interest of borrowers. SB 1540 will empower Oregon to hold servicers accountable when they mismanage payments, deceive borrowers, or knowingly provide the wrong information. By creating a student loan ombudsman, SB 1540 will also give borrowers a trusted source of information and ensure proactive enforcement of consumer protections.

That being said, we want to highlight an important area of improvement that this committee and the legislature should take up next year. While creating a regulatory apparatus for student loan servicers and putting in place basic consumer protections for borrowers is a critical first step, we think it still remains a low bar. In addition to prohibiting certain acts, the state should also set affirmative duties that servicers must do in order to operate in Oregon. Those affirmative duties should include, among others: 1) evaluating the borrower for an income-driven repayment program prior to placing the borrower in forbearance or default, 2) inquiring of a borrower how to apply an overpayment to a student loan, and 3) applying partial payments in a manner that minimizes late fees and negative reporting.

Due to the tight timeline of the short session we understand that making changes to the current bill is not likely, so we urge you to support SB 1540 as-is this session, but to come back to the issue next year and make necessary improvements.