SB 1540 -1   STAFF MEASURE SUMMARY

Senate Committee On Judiciary

Prepared By:	Channa Newell, Counsel
Meeting Dates:	2/6, 2/10

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 from knowingly making untrue statements of material fact or omitting 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. 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 managers, the address of each branch of offices within the state, 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 that violates state or federal law; conduct that is fraudulent, dishonest, or deceptive; or failing to comply with a written direction from DCBS. Allows Director to deny, revoke, or decline to renew a license based on revocation of a license in another jurisdiction. 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. Exempts nonprofits and state agencies acting as guarantor of student loans from licensing, and application requirements as long as the agency or nonprofit acts as a guarantor that engages in diversion of defaults. Specifies process for cases in which guarantor becomes loan servicer. Requires payment of fee by guarantor and identification of a registered agent. 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 day's 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. Requires retention of student loan servicing records for two years and requires inspection of records within 5 days of request. Requires response to student loan servicing complaint within 21 days of consumer's complaint. Requires response to student loan servicing complaint within 21 days of consumer's complaint. Defines terms. Becomes operative July 1, 2021. Declares emergency, effective on passage.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-1 Clarifies exceptions for financial institutions, financial hold companies, and bank holding companies.

BACKGROUND:

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

Senate Bill 1540 requires student loan servicers to obtain a license from the Department of Consumer and Business Services (DCBS). The measure gives DCBS authority to regulate student loan servicers and provides a variety of requirements for a servicer before they can do business in Oregon.