SB 485 STAFF MEASURE SUMMARY

Senate Committee On Labor and Business

Action Date:	02/11/21
Action:	Do pass and requesting referral to Ways and Means.
Vote:	5-0-0-0
Yeas:	5 - Hansell, Jama, Kennemer, Lieber, Riley
Fiscal:	Fiscal impact issued
Revenue:	No revenue impact
Prepared By:	Tyler Larson, LPRO Analyst
Meeting Dates:	2/2, 2/11

WHAT THE MEASURE DOES:

Requires certain persons that service student loans in this state to obtain or renew license administered by the Department of Consumer and Business Services (DCBS). Specifies license application and renewal procedures. Prescribes duties of licensee and requires licensee to maintain sufficient liquidity, operating reserves, and tangible net worth. Prescribes standards of service for licensees and prohibits certain behaviors including any device, scheme, or artifice to defraud another or knowingly making an untrue statement. Provides specific and general authorities to DCBS to supervise and regulate student loan servicers, including investigation and enforcement of violations. Requires director of DCBS to appoint ombudsman to receive, review, and attempt to resolve complaints from borrowers and report annually on activity. Becomes operative on July 1, 2022. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Provisions of the measure
- Impact of rising student debt levels on borrowers
- History of student loan servicer practices and affects on borrowers

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

According to industry analysts, the national student loan debt balance now exceeds $1.6 trillion and is the second largest segment of U.S. debt after mortgages. Oregonians hold $19.5 billion in student debt, with the average borrower owing over $36,000. Adults ages 25 to 34 hold the most student loan debt, with an average monthly payment of nearly $400.

In a 2017 suit, the U.S. Consumer Financial Protection Bureau alleged that the nation's largest student loan servicer Navient (formerly part of Sallie Mae) systemically and illegally failed borrowers at every stage of repayment. The ongoing complaint alleges that Navient failed to correctly apply or allocate borrower payments, steered struggling borrowers toward higher payment options, obscured information consumers needed to maintain lower payments, deceived private borrowers about requirements to release co-signers, and harmed the credit of disabled borrowers, including injured veterans. Also in 2017, the Federal Trade Commission and 11 states and the District of Columbia announced "Operation Game of Loans", a coordinated federal-state law enforcement initiative targeting deceptive student loan debt relief scams that had taken more than $95 million in illegal upfront fees from borrowers seeking student loan debt relief.

Senate Bill 485 establishes a state regulatory model for student loan servicers doing business in Oregon. The measure requires servicers to be licensed by the Department of Consumer and Business Services (DCBS); establishes duties and minimum service requirements for licensees; requires DCBS to establish an ombudsman to receive, review, and attempt to resolve borrower complaints; and grants DCBS broad regulatory authority to address violations, including denial or revocation of a license and the assessment of civil penalties. If enacted, the requirements would become operative on July 1, 2022.