

To: Senate Judiciary Committee
From: Sybil Hebb, Oregon Law Center
Date: February 2, 2020
Re: SB 485

Chair Riley, Vice-Chair Hansell, and members of the committee:

On behalf of the Oregon Law Center (OLC), thank you for the opportunity to submit testimony in support of SB 485, which would establish licensing requirements for certain student loan servicers.

OLC's mission is to achieve justice for low-income communities of Oregon by providing a full range of the highest quality civil legal services. The vast majority of our clients have incomes at or below the federal poverty level, and work hard to provide the basic necessities for themselves and their family. During this incredible pandemic and the economic downturn caused by COVID, vulnerable low-income Oregonians struggle more than ever to make ends meet. Many of our clients struggle because of medical and other debt, foreclosure, eviction, or abusive lending or collection practices. Prior to the pandemic, we were seeing more clients seeking assistance because of student loan debt. We expect this issue to continue to be a concern for clients as we enter pandemic recovery.

Education is access to opportunity. Many low-income individuals go to great lengths and great expense to obtain an education in the hopes of a better future for themselves and their families. Our clients cannot access higher education without taking out student loans, and they are not alone: more than half a million Oregonians currently owe over \$20 billion in student loan debt. Communities of color are disproportionately impacted by this debt.

Too often, a student loan that was once perceived as a helpful tool to access opportunity becomes a trap that prevents success. Student loan servicers play a critical role in helping borrowers understand their loan requirements and payment options. Borrowers depend upon servicers to process and apply their payments, make accountings, provide information, and manage requests for assistance and modifications to prevent default.

Should a servicer manage an account in bad faith, or simply fail to provide accurate information, the impact on a borrower can be catastrophic. Low-income borrowers, without resources to hire help, are most at risk in the event of servicer mismanagement. And during our state's housing crisis, when low-income communities are extremely rent-burdened, and at risk of eviction, there is no margin for error.

Despite the critical role that servicers play for the half a million Oregonians who have student loans, the student loan servicer industry remains largely unregulated. Oregon currently has reasonable and meaningful oversight of similar business entities, such as mortgage lending servicers, collection agencies, and debt buyers. Student loan servicers should be subject to regulation to ensure that bad practices do not sabotage the efforts of industrious Oregonians seeking to access educational opportunity.

SB 485 will establish a licensing program and standards of practice to ensure consistent and ethical treatment of student loan borrowers. The bill gives oversight to DCBS for the purposes of investigating violations of standards, and ensuring remedy for injured borrowers.

For the above reasons, we urge support of this bill, and thank you for the opportunity to submit testimony.