TESTIMONY OF COASTAL ENTERPRISES, INC.

IN SUPPORT OF LD 1507
An Act to Establish a Student Loan Bill of Rights To License and Regulate Student Loan Servicers
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Senator Whittemore, Representative Lawrence, and members of the Joint Standing Committee on Insurance & Financial Services, my name is Jason Thomas. I am the Director of Housing Counseling and Education at Coastal Enterprises, Inc. (CEI) - a Community Development Financial Institution and Community Development Corporation based in Brunswick. We integrate financing, industry expertise, and policy solutions to help grow good jobs, environmentally sustainable enterprises, and shared prosperity in Maine and other rural regions.

Part of our work in hoping to further shared prosperity involves assisting Maine people to preserve the assets they have and preventing them from entering a cycle of debt. CEI is one of the leading foreclosure prevention counseling organizations in the state since 2009 along with being a leader in both homebuyer education and pre-purchase counseling since 1996. We also are Maine's only reverse mortgage counseling organization and began offering student loan debt counseling in 2015.

With extensive experience in these areas, we are here today to lend our support to LD 1507. This legislation would create a significant position within Maine's Bureau of Consumer Credit Protection to give Maine student loan borrowers a true advocate at the state level to address their concerns, assist them with substandard servicing issues, and paint a true picture for legislators and the public how pervasive and egregious some of the purported claims surrounding student loans truly are for Mainers.

As additional testimony in favor of this act is likely to reinforce, there have been numerous cases of fraud and abuse in this servicing space, the most recent being serious accusations against Navient, the nation's largest student loan servicer. Included in these charges are steering borrowers away from more advantageous repayment plans, obscuring deadlines, incorrect processing of payments, misrepresentation, and the issuance of some predatory student loans.[1]

As we have long experienced in mortgage servicing, practices which one company undertakes are traditionally echoed in some way across the entire industry. Maine's Bureau of Consumer Credit protection has extensive experience in dealing with loan servicers in most other types of financial products and is a well-suited home for the position created by this legislation.

Aside from the abuses and improprieties of servicers, Mainers already face far-reaching impact from student debt – and often in places which may stray from conventional wisdom. Certainly, young borrowers have seen the skyrocketing cost of some post-secondary education lead them to put off homeownership longer than previous generations. Perhaps even more impactful than that is the need for many of these young students to depart their home state for opportunities in other parts of the country because of this financial obligation.

Surprisingly, however, the fastest growing segment of student loan borrowers are those aged 60 to 65.[2] This fact, based on Maine's current demographics, should be equally alarming. In our counseling experience, we have seen how student loan debt volume could begin a ripple effect among a population who historically would be focused on retirement savings instead. We have seen examples of parents or grandparents, who might have previously used some of their home's equity to assist with the cost of their child's education, turn to a Parent PLUS loan instead since the housing crisis took place. Even though these loans do not require repayment until the student is no longer enrolled at least in a half-time basis, interest accrual still takes place at 7.9% for the borrower. This is also a loan that is not assumable by the student short of a full refinance. We have seen several occurrences of Maine seniors turning to reverse mortgages on their homes to offset that expense, leading to further interest accrual and using funds that might have otherwise been used to support them in retirement. As this is federal debt as well, those who find themselves in arrears on these loans might see such a default reducing their Social Security payments by upwards of $140 a month. [3] Instead of placing defaulting borrowers into an income-driven repayment plan, they face garnishment of tax returns, social security, and social security disability - despite the

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[1] https://www.nytimes.com/2017/04/09/business/dealbook/accusations-navient.html
[2] http://www.npr.org/sections/thetwo-way/2017/01/17/510238206/more-people-over-60-are-struggling-to-pay-off-student-loans-report-finds
[3] http://fortune.com/2016/12/20/social-security-checks-garnished/

fact that some of those federal borrowers might otherwise qualify for full or partial discharge of their loans.

In closing, poor and deceptive loan servicing of any kind can lead people into poverty. Maine has proven to be a leader in protecting its citizens against similar behaviors in other areas of servicing and we see no reason that those same strong and thorough protections not be adopted for the servicing of student loans. The average student debt of a Maine graduate is nearly $30,000[4] – leading to the 11th highest debt to income ratio in the country.[5] While this fact might get lost in light of numbers like 1.23 Trillion dollars in nationwide student debt[6], it is no less important for those individual students and their families hoping to achieve prosperity here in Maine. I urge you to pass LD 1507.

Thank you for the opportunity to testify.

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[4] http://ticas.org/posd/map-state-data#overlay=posd/state_data/2016/me

[5] http://mecep.org/wp-content/uploads/2014/09/ME-Student-Debt-Report_v2-2_BH-2.pdf

[6] https://www.bostonfed.org/publications/new-england-public-policy-center-research-report/2016/student-loan-debt-delinquency-and-default-a-new-england-perspective.aspx