



STUDENT BORROWER  
PROTECTION CENTER

**Prepared Testimony of Seth Frotman  
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Before the Maine Committee On Health Coverage, Insurance and Financial Services**

**Augusta, Maine  
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Chairwoman Sanborn, Chairwoman Tepler, members of the committee, thank you for the opportunity to testify today as Maine once again leads the fight to end the student debt crisis.

In 2019, this committee took the critically important step of passing a Student Loan Borrower Bill of Rights. Now under law, Maine borrowers know that their state has their back. Student loan companies can no longer rip off citizens of this state without repercussions. Borrowers have a place to turn within their own state government for essential information and advice. And most importantly, because of the actions taken by this committee, borrowers in this state have the power to pursue justice when they have been wronged by predatory servicing practices.

But the work is not yet done.

Today, more than 70,000 Mainers owe nearly one billion dollars in private student loans—loans made by banks and other private lenders without the involvement of the federal government. These loans are often peddled by predatory for-profit college operators and small lenders that operate in the shadows—using deceptive bait-and-switch tactics that leave borrowers with little to no safeguards when things go wrong. And unfortunately, things often do go wrong. For example:

- In Bangor, debt collectors relentlessly pursued a woman with severe disabilities for a private student loan debt she did not even owe, seeking a court order to garnish what little income she had.<sup>1</sup>

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<sup>1</sup> Judy Harrison, *Maine woman sues to stop collection of student loans she says she doesn't owe*, Bangor Daily News (May 22, 2016), <https://bangordailynews.com/2016/05/22/news/state/maine-woman-sues-to-stop-collection-of-student-loans-she-says-she-doesnt-owe/>.



- In rural Maine, after a borrower lost her job due to COVID, her lender offered to work with her to lower her monthly payments. However, after auto-debiting her new payment amount, the lender told her she did not qualify for a reduced payment and immediately demanded payment in full.
- Another borrower was told by his lender that he could extend his hardship payment plan for as long as necessary during the pandemic, but was later told his cosigner's credit score was too high to be eligible for a reduced payment. This same lender publicly announced in June of last year, amid unprecedented unemployment, that due to the "reopening" of the economy, it would cease offering borrowers COVID relief.<sup>2</sup>

And sadly, these are only a few of countless examples of private student loan borrowers struggling all across the state. Now, as the economy grapples with the fallout of the coronavirus pandemic, we are already seeing predatory lenders pull from the same playbook they used in 2008—targeting vulnerable students into taking out loans designed to fail. And unfortunately, these borrowers have been left out of any relief from Washington and still desperately need help.

Senator Vitelli's legislation would fill critical gaps in consumer protection law. For example:

- Older borrowers have been repeatedly denied key protections like disability discharge and access to payment relief when living on a fixed income. This legislation sets new standards for the servicing of cosigned private student loans by mandating a process for disability discharge, requiring servicers to apply payments from cosigners only to the cosigned loans, and establishing new standards for customer service representatives to provide assistance to older student loan borrowers.
- The specialty private student lenders that prop up the most predatory schools thrive on their ability to operate in the shadows, away from regulatory and public scrutiny. This legislation establishes a first-of-its-kind registry of lenders, mirroring requirements in place for consumer lenders in states across the country. As part of this registry, companies

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<sup>2</sup> Navient, *COVID-19 Student Loan Support Center* (last accessed Dec. 17, 2020) <https://perma.cc/XD2V-HDHE> ("In light of the reopening of the U.S. economy and the resumption of normal business activities that have already begun in many states and industries, this program is no longer offered as of June 30, 2020").



operating in the state are required to report key metrics about new student loan originations, giving Maine critical insight into disparate impact of lending practices across the student loan market.

- Unscrupulous collectors abuse this state's court system, exploiting loopholes that allow companies to pursue judgments for debts they do not even own. Through practices like dual tracking and robo-signing, these predatory companies target borrowers living in Maine's most vulnerable communities as they seek to replicate the worst practices of the mortgage crisis. This legislation will end this practice by ensuring collectors can only pursue judgments when they can prove they own the debt and have already explored available workout options with the borrower.

For decades, financial companies have run roughshod over student loan borrowers simply because those people chose to pursue a better life for themselves and their families. The legislation before you today creates protections for hundreds of thousands of borrowers across this state—your neighbors, your constituents—who took on debt to chase the American Dream, only to be left with very few rights and even fewer protections. They need you to step up and lead once again.

Two years ago, this state—this committee—pushed back. In fact, in 2021, nearly a dozen states have taken action to follow Maine's bold lead. And now, Maine has the opportunity to once again stand for student loan borrowers. As the coronavirus pandemic continues, time is of the essence—private student loan borrowers urgently need these protections and Maine must have the tools necessary to take action.

Thank you.