



LD 1645 *An Act to Establish Protections for Private Student Loan Borrowers and a Registry of Lenders*

Testimony in Opposition

Senator Sanborn, Representative Tepler and members of the Health Coverage, Insurance & Financial Services Committee. My name is Kathy Keneborus, and I am a resident of Hollis. I am Vice President of Government Relations at the Maine Bankers Association, a state-wide trade association representing Maine's 28 retail banks and their 9,000 employees.

MBA is opposed to LD 1645 as currently drafted. MBA believes student loan borrowers must be treated fairly, but we need to ensure that any legislation that is enacted does not unintentionally limit access to student loan credit because a lender feels the potential fines and litigation risk are too severe due to an unintended processing or compliance error. Potential regulatory and legal risk often figure into the cost and availability of credit.

This proposed legislation creates an uneven playing field between Maine-chartered financial institutions and their federal counterparts relative to regulatory and litigation risk. This bill provides a preemption exemption for federal and national banks; however, it provides no exemption for state-chartered banks. The State of Colorado is working on a similar bill ([Senate Bill 21-057](#)), and it appears that bill provides full exemptions for all financial institutions.

We respectfully request that if the Committee decides to move forward with this bill, you provide the same financial institution exemption that is included in [9-A Article 14](#) (The Student Loan Bill of Rights).

"This Article does not apply to a supervised financial organization or a financial institution holding company as defined in Title 9-B, section 1011, subsection 1, to a mutual holding company as defined in Title 9-B, section 1052, subsection 2 or to a wholly owned subsidiary of a supervised financial organization, financial institution holding company or mutual holding company."

Granting this exemption would level the playing field for state-chartered banks. In addition, it would align with the bill moving through the Colorado Legislature.

This bill as drafted defines the Superintendent of Consumer Credit Protection as the regulator for the two Articles being proposed in this bill. If the Committee decides to move forward with this bill, we

respectfully request that the Superintendent of the Bureau of Financial Institutions have oversight of banking entities.

Article 16 of this bill deals with private education lending, and it appears to be an enhancement to [Maine's Truth-in-Lending Act](#) (TILA), which already deals with private education loans. Maine is one of roughly five states with their own Truth-in-Lending Act. Current Maine law conforms to the Federal Truth-in-Lending Act. The Federal Truth-in-Lending Act (Regulation Z) already addresses some aspects of private education loans. [Sections 1026.46-48 of Reg. Z](#) impose requirements on lenders for private education loans, including disclosure of terms and interest rates. It also imposes requirements on lenders regarding the advertisement of these terms. If you decide to move forward with the bill, we respectfully request that the Committee consider how Article 16 within LD 1645 interplays with the existing Maine TILA law. Also, we must remember that any future updates to the federal law relating to private education loans will automatically be incorporated into Maine TILA, regardless of any conflicts with Article 16 being proposed in this bill. Any current or future conflicts with Maine TILA would make it impossible for a lender who is subject to both laws to comply.

In closing, MBA believes student loan borrowers must be treated fairly, but we feel the potential regulatory fines and litigation risk for an unintended processing error outlined in LD 1645 may make Maine's highly regulated lenders reconsider student loan lending.

We urge you to vote ought-not-to-pass on LD 1645 as currently drafted. Thank you for allowing me to testify regarding this bill. I will be available for the work session.

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