

**TESTIMONY OF WILL LUND, SUPERINTENDENT
BUREAU OF CONSUMER CREDIT PROTECTION**

Neither for nor against LD 1645

***An Act To Establish Protections for Private Student Loan Borrowers and a
Registry of Lenders***

Sponsored by Senator Vitelli

**Before the Joint Standing Committee on Health Coverage, Insurance and
Financial Services**

Thursday May 13, 2021

Senator Sanborn, Representative Tepler and members of the Committee – I am Will Lund, Superintendent of the Bureau of Consumer Credit Protection. I appear before you to speak neither for nor against LD 1645, but to provide information to the Committee.

This bill would add two new Articles to the Maine Consumer Credit Code (Title 9-A): Article 15, “Private Student Loan Registry,” and Article 16, “Private Education Lending.”

The first Article would require that any “Student financing company” register with my agency, the Bureau of Consumer Credit Protection (BCCP). With each annual registration, registrants would provide information listing all the schools attended by recipients of the loans, the number of loans issued, the default rates, and copies of all form contracts used by the student financing companies. The bureau would then be required to post that information, or summaries of that information, on a publicly accessible website.

The second Article would regulate private (non-federally owned or insured) student loan lenders, and would require certain disclosures to borrowers and co-signers, including rules governing “co-signor releases.” This includes releasing co-signors if the primary borrowers become permanently disabled. The bill’s language would govern acceleration of the loan debts, and collection of such debts. It would govern evidentiary requirements if a private loan lender pursues a debt in court. It would authorize administrative penalties, criminal penalties and private rights of action for violations. It would require my office to issue rules pursuant to the APA.

Regarding potential financial impact, the bill sets up regulatory programs for “student financing companies” and “private education lenders,” but does not provide any funding mechanism to pay for the costs of the new programs. The number of potential registrants is unknown, but it could be a large number, given that the bill would require registration even by those companies that provide funding for online schools. The bureau would incur costs of administering the program, gathering data, and posting that data on a publicly accessible website. The bureau would potentially be responsible for determining whether a borrower was totally and permanently disabled, such as to warrant a loan discharge.

The bureau currently assists borrowers who encounter problems with private student lenders. Under existing law, private student lenders must obtain licenses as “supervised lenders.” This bill goes well beyond current law in requiring the posting of information, and in dictating what a private lender must prove in court in order to get a judgment.

My concerns relate primarily to the issue of the resources that would be needed to perform our regulatory function if this bill were to become law. Simply put, the bureau would not be able to operate these additional programs within existing personnel resources. The bill would establish programs that require rulemaking, registration of companies located in different states, and an administrative enforcement program. I am not authorized to suggest the extent to which additional resources would be needed, and would also point out that these provisions would be added to our agency’s existing responsibilities as “student loan ombudsman” under the Student Loan Bill of Rights, and that no additional positions were provided as part of that program.

I would be happy to respond to any questions.