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*Testimony of Sen. Eloise Vitelli introducing  
**LD 1645, An Act To Establish Protections for Private Student Loan  
Borrowers and a Registry of Lenders**  
Before the Joint Standing Committee on Health Coverage, Insurance and Financial Services  
May 13, 2021*

Senator Sanborn, Representative Tepler, and esteemed members of the Health Coverage, Insurance and Financial Services Committee, my name is Eloise Vitelli, and I represent Senate District 23, which includes all of Sagadahoc County and the Town of Dresden in Lincoln County. I am pleased to be here today to introduce LD 1645, “An Act To Establish Protections for Private Student Loan Borrowers and a Registry of Lenders.”

The student debt crisis continues to threaten the health and financial wellbeing of millions of Americans and tens of thousands of Mainers. Right now, 45 million U.S. borrowers owe lenders a total of \$1.71 trillion in student debt, with 43.2 million student borrowers owing an average \$39,351 each. This doesn’t only affect the student; every five years, the amount of student debt held by borrowers over the age of 60 [increases by 50%](#). Because of the pandemic, many borrowers with federal student loans currently have their loans in forbearance, and there is talk of cancelling some amount of federal student debt. But many private lenders have not been as generous.

Students, parents and other cosigners who turn to private lenders to finance education face many additional risks that federal borrowers do not. Two years ago, the 129<sup>th</sup> Legislature passed my bill LD 995, which established a Student Loan Bill of Rights to implement consumer protection measures for borrowers with federal loans. This Bill of Rights requires lenders to register with the state and directs them on how to apply over- or under-payments, and to evaluate borrowers for income-based repayment plans. It also created the student loan ombudsman and identified and prohibited misleading and fraudulent lending practices. Passing this law was a big step, but it still leaves a contingent of Mainers unprotected.

The bill before you today, LD 1645, is a step toward protecting the 70,000 Mainers who hold private student loan debt. This bill will require private lenders to register with the state, as we now require federal lenders to do. The bill prohibits lenders to place loans into default or acceleration in most circumstances, except for payment default, and outlines other collection practices designed to protect borrowers and help them fairly pay down their debt. The bill also requires lenders to publish any flexible or alternative repayment options they offer, such as income-based repayment plans, and to offer these plans equally to all borrowers.

However, some of the most critical protections in this bill, to my mind, cover cosigners of private student loans. Many older Mainers take on debt to help their children or grandchildren receive an education. As their circumstances change or they prepare for their retirement, many are surprised to find they are saddled with a debt that had been misrepresented to them, or that they thought they would be able to discharge. I've heard from many constituents over the years who have found themselves backed into this very corner.

LD 1645 will extend to cosigners the same rights held by the primary borrower and will provide cosigners with information and protections regarding the release from or discharge of debt. It requires lenders to make the conditions of cosigner release clear upfront, and to not require more than 12 consecutive on-time payments as criteria for release. Many cosigners of private student loans agree to cosign under misleading circumstances and are surprised to find themselves attached to the loan for longer than they expected.

The bill also requires lenders to discharge the debt, for both borrowers and cosigners, if the borrower dies or becomes totally and permanently disabled. If it is the cosigner who dies or becomes totally or permanently disabled, they will be released from the debt.

Too many Mainers are drowning in private student loan debt, which unfortunately has the potential to sink whole families. As older Mainers [take on more student debt](#), they risk their ability to sustain themselves during retirement, to pay for necessary health care, to miss loan payments and to fall into poverty. Instituting greater protections from predatory lending practices is the right thing to do for private borrowers and their cosigners, and for Maine's greater health and economy.

Thank you for your consideration of this bill. I would be happy to try and answer any questions, but those following me will be able to speak more authoritatively to some of the specific measures included in this bill.