

Date of Hearing: April 18, 2016

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Matthew Dababneh, Chair

AB 2251 (Mark Stone) – As Amended March 28, 2016

SUBJECT: Student loan servicers: licensing and regulation: Student Loan Borrower's Bill of Rights

SUMMARY: Establishes the Student Loan Borrower's Bill of Rights under the California Finance Lenders Law (CFLL) and requires servicers of student loans to get a license from the Department of Business Oversight (DBO). Specifically, **this bill:**

- 1) Requires a licensee to provide a student loan borrower with all of the following:
 - a) Accurate information about all the student education loan repayment options applicable to the student loan borrower;
 - b) Quality customer service and fair treatment; and,
 - c) Complete and accurate information on federal affordable repayment and loan forgiveness benefits applicable to the student loan borrower;
- 2) Specifies that a person shall not act as a student loan servicer, directly or indirectly, without a license from the Commissioner of DBO (Commissioner).
- 3) Exempts from licensing
 - a) A bank, trust company, insurance company, or industrial loan company doing business under the authority of, or in accordance with, a license, certificate, or charter issued by the United States or any state, district, territory, or commonwealth of the United States that is authorized to transact business in this state;
 - b) A federally chartered savings and loan association, federal savings bank, or federal credit union that is authorized to transact business in this state;
 - c) A savings and loan association, savings bank, or credit union organized under the laws of this or any other state that is authorized to transact business in this state; and,
 - d) A wholly owned service corporation of a savings and loan association or savings bank organized under the laws of this state or the wholly owned service corporation of a federally chartered savings and loan association or savings bank that is authorized to transact business in this state.
- 4) Prohibits a licensee from engaging in servicing a student education loan as a student loan servicer under a name other than the name that appears on a license.
- 5) Allows the Commissioner to promulgate regulations on the business activity that may be conducted at a location where a licensee engages in servicing student education loans to prohibit the conduct of business activity that facilitates evasions of the licensing requirements.

- 6) Requires a licensee to make available to the Commissioner all of the licensee's records pertaining to servicing a student educational loan for a student loan borrower, including, but not limited to, all books, accounts, papers, and files, regardless of the location of those records, within 10 calendar days of a request from the Commissioner.
- 7) Provides that the Commissioner shall issue a license to a person to engage in business as a student loan servicer if all of the following requirements have been met:
 - a) The person filed a complete application for a license in a form prescribed by the Commissioner;
 - b) The person signed the application under penalty of perjury;
 - c) The person made a payment of a reasonable fee (currently the amount of the fee is blank) to pay the actual costs for the department to investigate the application; and,
 - d) The DBO has completed an investigation of the application.
- 8) Specifies that the Commissioner may deny an application of a person to engage in business as a student loan servicer for any of the following reasons:
 - a) The person made a false statement of a material fact on the application;
 - b) The person or an officer, director, general partner, or other person owning or controlling, directly or indirectly, 10 percent or more of the outstanding interests or equity securities of the person applying for the license has, within the last 10 years of the date of application, committed any act involving dishonesty, fraud, or deceit, or been convicted of, or pleaded nolo contendere to, a crime substantially related to the qualifications, functions, or duties of a person engaged in the business of servicing student education loans; or,
 - c) The person or an officer, director, general partner, or other person owning or controlling, directly or indirectly, 10 percent or more of the outstanding interests or equity securities of the person applying for the license has violated any provision of this chapter.
- 9) Requires the Commissioner, within 60 days from the filing of a full and complete application for a license, including the receipt of background and investigative reports from the Department of Justice or other government agencies, and the payment of required fees, either grant a license pursuant to this chapter or provide a written explanation for a license denial.
- 10) Allows the Commissioner to suspend or revoke a license issued under this chapter if the Commissioner finds that the licensee violated any provision of this chapter or if any fact or condition exists which, if it had existed at the time of the initial application for the license, clearly would have warranted a denial of the license. The Commissioner shall not refund a license fee if the license is surrendered, revoked, or suspended prior to the expiration of the period for which it was issued.
- 11) Specifies that a licensee shall only engage in business as a student loan servicer at the place of business on the license. A change of location of a place of business of a licensee shall require prior written notice to the Commissioner. Only one place of business shall be authorized to engage in business under a license. A license shall not be transferable or assignable.

12) Requires a licensee shall do all of the following:

- a) Maintain staff adequate to meet the requirements of this chapter, as prescribed by regulation or order of the Commissioner;
- b) File with the Commissioner any report required by regulation or order of the Commissioner;
- c) Comply with the provisions of this chapter, and with any regulation or order of the Commissioner;
- d) Submit to periodic examination by the Commissioner as required by this chapter;
- e) Advise the Commissioner by amendment to its application of any material judgment filed against, or bankruptcy petition filed by, the licensee within five days of the filing;
- f) Comply with all applicable state and federal laws and tax return filing requirements; and,
- g) Comply with any other requirement established by regulation or order of the Commissioner.

13) Prohibits a licensee from doing any of the following:

- a) Directly or indirectly employ any scheme, device, or artifice to defraud or mislead a student loan borrower;
- b) Engage in any unfair or deceptive practice toward any student loan borrower or misrepresent or omit any material information in connection with the servicing of a student education loan, including, but not limited to, misrepresenting the amount, nature or terms of any fee or payment due or claimed to be due on a student education loan, the terms and conditions of the student education loan agreement, or the student loan borrower's obligations under the student education loan;
- c) Obtain property of a student loan borrower by fraud or misrepresentation;
- d) Knowingly misapply or recklessly apply payments made by a student loan borrower to the outstanding balance of a student education loan;
- e) Knowingly or recklessly provide inaccurate information to a credit bureau regarding a student loan borrower;
- f) Fail to report both the favorable and unfavorable payment history of the student loan borrower to a nationally recognized consumer credit bureau at least annually if the loan servicer regularly reports information to a credit bureau;
- g) Refuse to communicate with an authorized representative of the student loan borrower who provides a written authorization signed by the student loan borrower, provided the licensee may adopt procedures reasonably related to verifying that the representative is in fact authorized to act on behalf of the student loan borrower; or
- h) Negligently or intentionally make any false statement or knowingly and willfully make any omission of a material fact in connection with any information or reports filed with the Commissioner, DBO, or another governmental agency.

14) Allows the Commissioner to conduct investigations and examinations as follows:

- a) For purposes of initial licensing, license suspension, license revocation, or general or specific inquiry or investigation to determine compliance application requirements, the Commissioner may access, receive, and use any books, accounts, records, files, documents, information, or evidence, including, but not limited to, any of the following relating to the business of servicing student education loans:
 - i) Criminal, civil, and administrative history information;
 - ii) Personal history and experience information, including, but not limited to, independent credit reports obtained from a consumer credit reporting agency; and,
 - iii) Any other documents, information, or evidence that the Commissioner deems relevant to the inquiry or investigation regardless of the location, possession, control, or custody of those documents, information, or evidence.

15) Provides for the following definitions:

- a) “Control” means the possession, directly or indirectly, of the power to direct, or cause the direction of, the management and policies of a licensee under this chapter, whether through voting or through the ownership of voting power of an entity that possesses voting power of the licensee, or otherwise. Control is presumed to exist if a person, directly or indirectly, owns, controls, or holds 10 percent or more of the voting power of a licensee or of an entity that owns, controls, or holds, with power to vote, 10 percent or more of the voting power of a licensee. No person shall be deemed to control a licensee solely by reason of his or her status as an officer or director of the licensee.
- b) “Department” means the DBO.
- c) “Engage in the business” means, without limitation, servicing student education loans, including, but not limited to, the dissemination to the public, or any part of the public, by means of written, printed, or electronic communication or any communication by means of recorded telephone messages or spoken on radio, television, or similar communications media, of any information relating to the servicing of student loans.
- d) “In this state” includes any activity of a person relating to servicing a student education loan that is directed to a person residing in the state.
- e) “Licensee” means a person licensed under this chapter.
- f) “Person” means a natural person, a sole proprietorship, a corporation, a partnership, a limited liability company, an association, a trust, a joint venture, an unincorporated organization, a joint stock company, a government, or a political subdivision of a government, and any other entity.
- g) “Servicing” means any of the following activities:
 - i) Receiving any scheduled periodic payments from a student loan borrower pursuant to the terms of a student education loan.

- ii) Applying the payments of principal and interest and other payments with respect to the amounts received from a student loan borrower, as may be required pursuant to the terms of a student education loan.
- iii) Performing other administrative services with respect to a student education loan.
- h) “Student education loan” means any loan primarily for personal use to finance education or other school-related expenses.
- i) “Student loan borrower” means either of the following:
 - i) A person who is a resident of the state who has received or agreed to pay a student education loan.
 - ii) A person who is a resident of the state who shares responsibility for repaying a student education loan with a person described in paragraph (1).
- j) “Student loan servicer” means, to the extent authorized by federal law, an entity or person, wherever located, responsible for the servicing of a student educational loan for a student loan borrower. “Student loan servicer” shall not include a bank or credit union.

EXISTING LAW: Provides for the CFLL, administered by DBO, which authorizes the licensure of finance lenders, who may make secured and unsecured consumer and commercial loans (Financial Code Sections 22000 et seq.).

FISCAL EFFECT: Unknown

COMMENTS:

According to the author,

Student loan debt in America has become a national crisis. Total student debt exceeds \$1.2 trillion, surpassing both the amount of credit card debt and car loans. In California alone there are 4,156,000 student loan borrowers with debt totaling \$1.2 billion. High levels of student debt negatively affect the saving and spending habits of the individual and have negative effects on the greater economy.

Students graduating with high levels of student must delay or forgo starting new households, buying new homes, investing in further education, taking entrepreneurial risks, and returning to rural areas.

Student loan servicers serve as a critical link between borrower and lenders: they manage accounts, process payments, and communicate directly with borrowers. According to the federal Consumer Finance Protection Bureau, there are no consistent market-wide federal standards for student loan servicing. California should be one of the first states to enact statewide student loan servicing regulation by creating a student loans servicer licensure program. With so many Californians struggling to repay their loans or defaulting on their loans, it is important that the state ensures that servicers communicate effectively with consumers on repayment programs and helps remove industry-created barriers to repayment. In creating this licensure requirement, California will take a necessary step to protect student loan borrowers. Licensure will create accountability from the servicer to the consumer and provide oversight of the servicing industry.

Student loan options

There are four types of postsecondary education loans. Direct Loans are federal loans made directly to borrowers by Department of Education (DOE) through the William D. Ford Federal Direct Loan program. Federal Family Education Loan Program (FFELP) loans were originated by private lenders and guaranteed by the federal government. Federal Perkins Loans are co-funded by higher education institutions and the federal government and are originated and administered by the education institutions. Federal law ended new originations of FFELP loans in 2010 but many remain outstanding. Private student loans are made by depository and non-depository financial institutions, states, institutions of higher education, and other entities. These loans and their servicing come with varying levels of consumer protections.

Student loan debt

Student loan debt is the second highest outstanding consumer debt in the United States, second only to mortgage debt. Nationwide student loan debt is \$1.2 trillion with an average debt balance of \$29,000. California ranks relatively well compared to the other states on the average student loan debt per student. However, even with a low ranking on the debt scale a California student will rack up an average of \$21,383 in public education institution debt. Data is unclear on how much private education debt may add to the average per student but private education debt overall is on the rise from a \$55.9 billion in 2005 to \$140.2 billion in 2011 and in large part fueled by the reselling of loans on the secondary market in a system very similar to mortgage funding and asset backed securities (*The High Economic and Social Costs of Student Loan Debt*, CNBC. June 15, 2015) According to the Wall Street Journal, *Congratulations, Class of 2015: You're the Most Indebted Ever*, May 2015, not only is average debt rising but the number of students taking out loans is also on the rise with 71% of bachelor's degree recipients taking out loans, double the number two decades ago.

This growing trend toward increasing the use of loans for education financing is taking a toll on graduates. For example, homeownership rates are dropping among people under the age of 35. Some of this may be related to the fact that mortgage lenders must look at all sources of debt, including student loans and this debt can either delay homeownership or require the borrower to reduce their housing expectations. National Association of Realtors has found that over half of potential first time buyers that are having trouble saving for a down payment for house are have trouble due to student loan debt. According to CNBC student loan default rates stand around 13-15% with the average amount of default at \$14,000 while the default rates for some private-for profit schools is at 30%. A recent report from the Wall Street Journal, *More Than 40% of Student Borrowers Aren't Making Payments*, April 7, 2016 found:

- 1) 40% of Americans who borrowed from the Government's main student-loan program aren't making payments or are behind on more than \$200 billion owed.
- 2) One in six borrowers (3.6 million) were in default on \$56 billion in student debt.
- 3) Three million borrowers owing almost \$110 billion were in forbearance or deferment.

The costs of education is obviously on the rise and loans are filling a greater portion of the financing options. As the use of loans increases the levels of student financial literacy remain for the most part, dismal. A decade ago the biggest obstacle for students entering college was the potential draw of credit card offers that could lead to thousands of dollars on debt. With rising college costs the

addition of more student loans is adding tens of thousands of dollars in debt. Twenty somethings reaching for the dream of a bachelor's degree are able to run up massive debt with little understanding of how to even balance a checkbook. A survey on student loans by Citizens Bank reveals that recent college graduates are lacking in basic details about their loan debt. For example, 45% didn't know what percentage of their salary went to paying off their loans. Another 37% were unaware of the interest rate on their loan and 59% did not know how long it would take to pay off their loans.

Student loan servicing

The Consumer Financial Protection Bureau (CFPB) released a report, *Student Loan Servicing: Analysis of Public Input and Recommendations for Reform*, in September of 2015.

The report indicated that consumers with federal and private student loans report a range of problems around servicers making mistakes, records getting lost, payments being processed too slowly, or servicer personnel not having the latest information about a consumer's account. Borrowers report that these issues include:

- 1) Poor customer service and bad information causing borrowers distress: Borrowers report problems accessing basic account information, receiving conflicting information about repayment programs and loan features, and receiving inaccurate billing statements. When errors occur, borrowers report problems getting them resolved and a lack of recourse.
- 2) Servicing transfers leading to surprise fees and lost benefits: More than 10 million borrowers have had their servicer change in the past five years. Consumers and industry report, however, that servicing transfers can create confusion when companies have different policies and procedures related to payment posting, allocation, and processing, as well as the administration of certain borrower benefits. When servicers change, payments may be lost, consumers may incur surprise late fees, and processing problems and missing account records can knock borrowers off track on repaying their loans.
- 3) Roadblocks to refinance keeping borrowers tied to high-rate loans: Borrowers seeking to refinance student loans often depend on their current servicer to provide accurate and timely information about how to pay off their student loans. Public comments from borrowers and from student loan refinancing companies describe payoff problems, including inaccurate payoff statements, surprise bills demanding extra payments, and customer service confusion that increases costs for borrowers, lenders, and servicers.
- 4) Co-signer policies causing auto-defaults and borrower distress: Private student loan borrowers continue to report serious financial distress when a company unexpectedly puts their loan in default status. These borrowers report paying on time each month, only to discover that their loan has been placed into default and sent to a debt collector following the death or bankruptcy of a co-signer, causing damage to their credit.
- 5) Payment processing practices increasing fees and penalizing borrowers: Borrowers expect servicers to process monthly payments and apply them to the loans in their account correctly, in a timely manner and without needlessly increasing costs.

Other issues reported to the CFPB include:

- 1) Servicing failures may contribute to millions of distressed borrowers defaulting: The U.S. DOE offers numerous plans to borrowers with federal student loans to make payments more affordable. These include options that let borrowers set their monthly payment based on their income. Millions of borrowers may not be receiving important information about repayment options or may encounter breakdowns when attempting to enroll. Borrowers report servicers steering them into forbearance or other short-term options that, while appropriate for some borrowers, may increase costs and may not be in the consumer's best interest. Others told of servicers providing conflicting or inaccurate information, preventing them from accessing tools to avert default.
- 2) Sloppy practices boosting costs and causing distressed borrowers to lose critical protections: Consumers enrolled in an income-based repayment plan must recertify for the program on a yearly basis. Recent data sources suggest that three in five borrowers in income-driven repayment plans do not recertify on time although they are eligible. Borrowers report that inadequate renewal notices can contribute to the missed deadlines.
- 3) Debt relief scams targeting distressed borrowers: Problems with servicing can leave distressed borrowers without the tools to help them avoid default. Student debt relief scams prey on these borrowers, charging up-front fees while promising to enroll borrowers in free federal consumer protections, including income-driven repayment plans.
- 4) Student loan servicing can affect certain special populations, such as servicemembers, veterans, and older consumers, at an increased level due to unique circumstances associated with these individuals. Servicing practices hindering servicemembers and veterans with disabilities seeking to access important benefits: Servicemembers report poor servicing practices that make it harder for them to access the benefits they've earned through military service, such as difficulties obtaining interest rate reductions and problems enrolling in a beneficial repayment program. The Bureau has also heard from service-disabled veterans who ended up with damaged credit after their loan discharge was incorrectly reported to the credit reporting agencies.
- 5) Servicing problems may put older consumers' retirement at risk: Poor servicing practices may negatively affect many older consumers, especially those who, as co-signers on private student loans, become responsible for their children's or grandchildren's defaulted loans.
- 6) Borrowers with disabilities may not be accessing benefits for canceling or discharging student debt: Some borrowers with disabilities report providing information about their financial circumstances to servicing personnel, but never being told about options to discharge student debt due to their "Total and Permanent Disability," which entitles them to certain loan forgiveness benefits. In cases like these, borrowers with disabilities who have limited financial resources may make unnecessary extra payments toward their loans.

U.S. DOE, CFPB and U.S. Department of the Treasury (DOT) released a *Joint Statement of Principles on Student Loan Servicing* subsequent to the release of the CFPB report. The joint statement was developed as a framework to improve student loan servicing through focus on the following issues:

- 1) Consistent. Student loan borrowers and servicers alike would benefit from a clear set of expectations for what constitutes minimum requirements for servicers provided by student loan servicers and servicer communications with borrowers, including adequate and timely customer service. Student loan borrowers should expect effective student loan servicing, including, but not limited to, conduct related to payment processing, servicing transfers, customer requests for information, error resolution, and disclosure of borrower repayment options and benefits. Such conduct should account for and recognize variations in loan features, terms, and borrower protections.
- 2) Accurate and Actionable. Student loan borrowers often depend on servicers to provide basic information about account features, borrower protections, and loan terms. It is critical that information provided to borrowers by student loan servicers be accurate and actionable. Information, including explanation and instructions regarding borrowers' loans and repayment options, should be presented in a manner that best informs borrowers, helps them achieve positive outcomes, and mitigates the risk and costs of default.
- 3) Accountable. Student loan servicers, whether for-profit, not-for-profit or government agencies, should be accountable for serving borrowers fairly, efficiently and effectively. If servicers fall short and violate federal or state consumer financial laws, the DOE, contractual requirements, or federal regulations, borrowers, federal and state agencies and regulators, and law enforcement officials should have access to appropriate channels for recourse, as authorized under law.
- 4) Transparent. The public, including student loan borrowers, may benefit from information about the performance of private and federal student loans and the practices of individual student loan lenders and servicers, including information related to loan origination, loan terms and conditions, borrower characteristics, portfolio composition, delinquency and default, payment plan enrollment, utilization of forbearance and deferment, the administration of borrower benefits and protections, and the handling of borrower complaints. The federal government already makes much of this information available for federal student loans, and private-sector lenders and servicers should follow suit. Portfolio performance data, including data at the individual servicer level, should be available for all types of student loans.

In an effort to improve loan repayment and loan servicing DOE announced on April 5th, 2016 a plan to improve and streamline the way in which federal student loan borrowers pay back their loans. DOE has put out a request for creation of a web portal that would be a single source for borrowers to pay back their loans regardless of which loan servicer they have. Correspondence sent to borrowers would come from DOE, not loan servicers and loan transfers between servicers would decrease. This portal would also take complaints from borrowers.

Discussion.

There are 10 DOE approved servicers for federal student loans. These servicers are:

- 1) CornerStone
- 2) ESA/Edfinancial
- 3) FedLoan Servicing (PHEAA)

- 4) Granite State – GSMR
- 5) Great Lakes Educational Loan Services, Inc.
- 6) MOHELA
- 7) Navient
- 8) Nelnet
- 9) OSLA Servicing
- 10) VSAC Federal Loans

The private student loan market is estimated to comprise roughly 7.6% of the \$1.31 trillion student loan market, according to MeasureOne. Commercial banks hold 40% of private student loans and around 20% of federal student loans, according to the Federal Reserve. Six companies — Citizens Bank, Discover, Navient, PNC Bank, Sallie Mae and Wells Fargo — represent 66.7% of the private student loan market, according to MeasureOne, a student loan data research company. Banks and credit unions are exempt from licensing under AB 2251 therefor companies such as Citizens Bank, PNC Bank and Wells Fargo would not need to be licensed under this bill. Even if they were included it may raise some potential federal preemption issues as national banks cannot be regulated by state regulators.

Concerns regarding servicing practices of student loans provided the impetus for this bill. The CFPB report on servicing problems makes a series of recommendations, yet this is a situation of an unacknowledged dinner guest. CFPB and DOE have criticized servicing practices yet it is DOE that approves servicers for federal student loans and therefore could have direct impact on the actions of servicer

The federal response thus far has been to highlight the problems in the marketplace and do little to resolve the issue over which they have direct control.

AB 2251 is well intentioned legislation designed to bring fairness to student loan borrowers. However, it contains numerous and elaborate licensing requirements for potential licensees as opposed to robust standards for providing appropriate standards of service to student loan borrowers. It is not that the standards don't exist in the bill, rather the duties owed to borrowers are vague and unclear and are not as robust as the licensing requirements for servicers. Licensing is a potential a tool to compel certain types of positive market behaviors but it is no guarantee. The following are some issues that the author may want to consider going forward. Staff has recommended amendments to deal with some of these issues, but more work should be done to ensure that this bill can bring value and change to the student loan servicing marketplace.

- 1) This bill amends the CFFL and changes its title to the CFFL and "The California Student Loan Borrowers Bill of Rights." The CFFL allows consumer loans of varying amounts including auto purchase finance lending, commercial and residential mortgage lending, loan brokering and even small dollar unsecured and secured loans. Adding in provisions concerning student loan servicing is adding another layer of complication to a law that is already in vital need of reform. Therefor staff recommends taking The California Student Loan Borrowers Bill of Rights out of

the CFFL and into its own standalone section within the financial code.

- 2) Broad definition of "servicing" which includes "performing other administrative services." More detail is needed on what types of "administrative services" would be covered and trigger a licensing requirement.
- 3) A licensee is required to provide a borrower with certain information but it does not specify how the information must be provided or if any timelines are associated with the information. For example, a servicer must provide "accurate information about...repayment options..." but not within a specified time or in a specified manner..
- 4) Uses undefined terms potentially open to broad interpretation such as "quality customer service and fair treatment." This vagueness could cause potential long and drawn out disagreements between a licensee and DBO concerning licensing requirements.
- 5) The licensing fee is undetermined. What is the appropriate fee? Licensing fees are often based on the total size of the licensed population. It is unclear how many entities would need to be licensed or even where they are located.
- 6) The licensing portion is far larger than the actual consumer protection pieces of the bill. The requirements to get and maintain a license are more numerous and prescriptive than the duties owed to student loan borrowers. Additional provisions should be added that will ensure quality servicing to borrowers.
- 7) Proposed section 22660.5 requires a licensee to provide a student loan borrower with specified items though those items are somewhat unclear (see note #4). Section 22660.25 states a licensee "shall do all of the following:" Staff suggests merging these sections together, as well as, add further clarity to the duties owed to a borrower. These proposed amendments are in #2 below and should not be considered a definitive list of items but rather a starting point.
- 8) Page 11, lines 16-19 allows the Commissioner of DBO to require "an applicant to submit a statement signed under penalty of perjury agreeing to comply with the requirements of this section." No other provision in the Financial Code affords the Commissioner of DBO this authority to determine whether a licensee should sign a statement under penalty of perjury that they will comply with a specific section of code. Staff recommends deleting this provision.
- 9) AB 2251 contains many technical and drafting issues that will need to be addressed as the bill moves forward. It defines "servicing" among other things, as "performing other administrative services" with respect to a student loan. This is vague and unclear as to what level of administrative services would elevate to the level of "servicing" and creates a potential issue where a broad interpretation could include almost any activity, including loan origination.
- 10) A licensee may only engage in servicing in one location per language on page 8, lines 34-39. It is unclear what this restriction is attempting to accomplish. Additionally, this ties into the definition of servicing mentioned in #9. Based on the location restriction the licensee would not be allowed to have any administrative services located at another location. Licensing laws in the Financial Code vary in how they authorize branch office activity. Staff recommends that that author further refine this provision.

11) This bill may also apply to colleges and universities that do their own servicing of loans. Is it the intent of the bill to cover those circumstances? The bill should be clarified to address its intended and practical application.

Proposed Amendments.

- 1) Remove provisions of bill from CFLL and place in standalone section within Financial Code.
- 2) Delete section 22660.5 and instead add changes to section 22660.25 that require student loan servicers to do the following:
 - a. Inform borrowers of repayment or loan forgiveness options.
 - b. In the case of a borrower seeking to resolve an issue or enter a repayment plan, appoint a single point of contact for that borrower.
 - c. Respond to written request from a borrower for specified information within 30 business days.
 - d. Appropriately apply amounts in excess of the minimum payment to the interest and fees owed on the payment due day and then to the principal balance of the loan.
- 3) Inform the borrower if the servicing of their loan transfers to another entity, as well as the contact information for the new servicer.
- 4) Eliminate the ability of the Commissioner to require an application to submit a signed statement under penalty of perjury agreeing to comply with the act.
- 5) Add clear enforcement provisions consistent with enforcement authorities the Commissioner has under other licensing laws.

REGISTERED SUPPORT / OPPOSITION:

Support

Attorney General Kamal Harris (Sponsor)
National Association of Social Workers (NASW)

Opposition

None on file.

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