

Already read this statement in person on 3/4, but was having audio issues so Chairwoman Zenzinger asked I also submit it in written form.

Thank you to Madame Chairwoman and to the entire Education Committee for the opportunity to speak with you today on the behalf of young adults in Colorado. My name is Sarah Staron and I am a Rocky Mountain Policy Fellow with Young Invincibles and a graduate student at the University of Colorado Denver.

It has never been more difficult to save for college than it is today, and the pandemic has only exacerbated existing inequalities among students pursuing higher education. The price of college is increasing almost 8 times faster than wages, and we know that young adults are hit hardest by this. Many students are forced to take out more than they were planning to, and aren't always able to qualify for sufficient federal aid. Loans from banks and other private lenders can be the financial life support that students need in order to get themselves to the end of the semester, but they come with serious caveats.

These loans are riskier and have significantly fewer safeguards for borrowers to manage their monthly payments. Also, these loans often aren't eligible to be discharged through the normal bankruptcy process, meaning that this immense debt can follow a student for their entire life. But it is not just the students, like myself, who are impacted by this, but their families too. AARP reported in 2018 that "student loan debt is soaring for borrowers over 50." This due to the fact that older consumers, who are either the cosigners of these private student loans or borrowers themselves, are taken advantage of by exploitative practices such as robo-signing or marketing tactics that promise "cosigner release" after a few years, but in reality, bound that person to a lifetime of debt. Since students need access to private student loans in order to afford the chance for an education, they deserve to do so without having to prepare for a range of servicing abuses from the private loan firms.

This lack of consumer protections isn't just an issue of fairness and opportunity, but also an issue of racial justice and equity. We know that Black, Latinx and low-income borrowers use private student loans less when compared to white and higher-income borrowers, but frequently face far greater challenges in repayment. Studies show that Black and Latinx borrowers are four times more likely to fall behind due to economic hardship than their white counterparts. This gross inequity calls for swift and definitive action.

It is time to bring the predatory practices of private lenders out of the shadow and into the light. It is time to demand accountability and transparency from the lenders so that a "means to an end" for students does not turn into a lifetime of payments. Young people are the future and now, more than ever, we need YOUR help to build lasting power in our generation by progressing on issues that impact the most marginalized among us.

The cost of an education should never be a barrier to success because every single student deserves the opportunity to pursue a degree and passion of their choosing. Moreso, they

deserve the opportunity to pursue that degree without the threat of predatory lending practices hanging over their head, waiting for a misstep. Give our students grace to be more focused on figuring out their path instead of their payments. Give them the dignity of consumer protections. Today I ask that you think of students and their loved ones, and vote YES on Senate Bill 57, Private Lenders Of Student Loans Acts And Practices.

Thank you for your time and consideration today.



**Prepared Testimony of Seth Frotman
Executive Director of the Student Borrower Protection Center
Before the Colorado Senate Education Committee
Denver, Colorado
March 3, 2021**

SB21-057: In Favor

Chairwoman Zenzinger, Vice Chairwoman Story, members of the committee, thank you for the opportunity to testify today as Colorado once again leads the nation in 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, Colorado 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, 140,000 Colorado residents owe more than \$2 billion in private student loans—loans made by 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 go wrong. For example:

- Consider the borrower from North Denver, whose private student loan balance increased by \$2,100 after it was sold to another company. The borrower never received any explanation or notification of this change.
- Or consider the borrower from Colorado Springs who tried to navigate the lender's disability discharge process, only to have the lender claim to repeatedly lose the



borrower's paperwork and deny the discharge, despite also issuing the borrower a 1099-C reflecting the discharged loans.

- Or consider the borrower who was struggling during COVID and reached out to his student loan company after the company publicly promised to offer relief to its customers. However, after speaking with the customer service representative
- , the borrower was told his balance was too high to receive a temporary payment modification.
- Or consider the borrower from Longmont who was being illegally pursued in court for time-barred debt. And it was only once the borrower pointed out the illegal practices that the debt collector then offered to dismiss the case in exchange for releasing the collector from liability for its violations of law. Unfortunately, borrowers are rarely in a position to turn the tables on collection agencies like this borrower did.

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.

This legislation from Senators Winter and Gonzales 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 critical transparency through a registry of lenders, mirroring requirements in place for consumer lenders in states across the country. As part of this registry, companies operating in the state are required to report key metrics about new student loan originations, giving Colorado 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 Colorado’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, nonbank 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 misled and deceived by companies that exploit the lack of protections in this market. They need you to step up and lead once again.

Last session, this state—this committee—pushed back. In fact, this year, nearly a dozen states are slated to follow Colorado’s bold lead in establishing state-level rights for student loan borrowers. And now, Colorado has the opportunity to once again stand up for borrowers—in particular, Colorado can champion the borrowers who have been repeatedly left behind and ignored by federal efforts to provide relief and protections. As the coronavirus pandemic continues, time is of the essence—private student loan borrowers urgently need these protections and Colorado must have the tools necessary to take action.

Colorado must continue the fight to protect borrowers.



STUDENT BORROWER
PROTECTION CENTER

Thank you.