



Colorado Student Loan Lawyers

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**TESTIMONY OF KAREN CODY-HOPKINS BEFORE THE COLORADO SENATE
EDUCATION COMMITTEE IN SUPPORT OF SB19-002
“Regulate Student Education Loan Servicers”
Feb. 7, 2019**

Thank you for the opportunity to speak today in support of SB19-002 seeking to better regulate student loan servicers.

I am Karen Cody-Hopkins. I am a Colorado student loan lawyer. **There are only about 5 lawyers in Colorado who do student loan cases, and my office probably does the majority of such cases. Our phone is ringing off the hook!** This whole area of practice is new, the number of knowledgeable lawyers few, and the people who need help are many!

I am not here today to represent myself but really to **represent the thousands of Coloradans who were students but now have or are experiencing student loan problems.** I checked my files, and I believe I have had multiple clients from every Senate District represented on this Committee.

My first point is virtually all of our clients are no longer students like some of the other people testifying. **Our clients range from ages 20-80.** Many have been out of school decades but still have student loans. Or they are a co-signer on a student’s loan. People seek OUR help for many issues about federal or private student loan repayment or debt collection, bankruptcy or bankruptcy adversary discharge litigation; disability or administrative discharges; sorting out who or what they owe and why their loans have ballooned so much; who the people are trying to service or collect on student loans; or what repayment plan to choose, and many other reasons. Almost everyone has problems with the companies servicing or collecting student loans debt. **Most common question – Who are these people telling me I owe them? How can I owe them this much? What can I do??**

I rarely see, let alone represent, deadbeats. People of all ages and circumstances call me for help. **They have from 1 to 50 loans, usually divided between the 27 federal loan types and numerous private student loans.**

People owe \$2,000 - \$900,000, with loan totals over \$100,000, \$200,000, or \$300,000 rather common. Many -- including the high debt holders -- never got a degree or a job in their field, but many did get one or sometimes more degrees.

Many went to the **University of Colorado or Colorado State University and fewer went to DU or Colorado College or Regis or a community college.** The select private schools tend to do the best jobs helping their students. **Many people, however, went to for profit schools, including**

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the largest online schools in the US, and some that closed or are more interested in lending money than educating students.

Mainly they consult us because they are confused and their servicers have not been helpful. They want to repay do not understand how, having MADE payments, they owe MIUCH more than they borrowed. They do not understand who they owe and wonder where did the inflated balance they are quoted by companies they have never heard of, come from? How did it balloon so much? My clients are confused, stressed, and have no idea how to proceed safely.

And the call center employees at their servicers and collectors rarely offer borrowers the full range of options available. Why? Sorting out a borrowers' situation and explaining options takes gathering information from multiple sources and companies – there are about 70-90 companies at the core of student loan servicing and collecting – and then offering tailor-made solutions can take hours. The easiest and most common options offered to borrowers are the solutions that benefit the servicers or collectors – whose fees on federal loans can range on federal loans from 16-40% of a loan balance.

SB10-002 which would regulate student loan servicers and collectors would be a HUGE benefit to the thousands of Coloradans I have spoken to.

But the biggest reason I am here is because the student loan world has gotten so complex and lopsided and predatory. The student loan lenders and guarantors – federal and private – rely on Servicers and collectors to collect the \$1.5+ trillion dollars of student loan debts. And the system is structured so **the student or parent borrowers of all ages are at a systematic knowledge and rights disadvantage.**

Only a few companies nationwide do this work, it is highly lucrative work with legally allowable service and collection fees as high as 16-40% of the loan for federal loans. And high interest, low flexibility repayment, high collection cost private loans. The companies know the borrower has no escape. Student loans of ALL types are non-dischargeable in bankruptcy except in rare cases requiring a special lawsuit in bankruptcy court – which is so hard to win only 26 discharges have been granted in CO since 1998 – companies know they have people boxed in. Federal loans have NO statute of limitations and for private loans, collection can go on for many years beyond a typical CO 6 year statute of limitations due to complicated contracts, choice of law problems, and issues related to deferment and forbearances. I am currently defending people in collection cases for loans taken out 14 or more years ago. And often collection happens years after the last time person heard about or knew what happened to a loan.

Why will this bill will make a difference?

- **NOT duplicative – the few ways to complain or seek help are very slow and limited.**
- **CFPB emasculated – less than 5% of the people I have met have heard of it and only a few have ever used it to file a student loan complaint**

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- **DOE is pulling back on programs and defenses**
- **Federal Ombudsman is of limited help and is slow**
- **Congressional liaisons get spoon fed limited answers**
- **Courts overloaded with cases - one CO law firm filed over 5,000 SL collection cases for just one private student loan lender.**
- **Statistics and numbers in bill are vastly lower than I believe are true**

State licensing and regulation of servicers would give people comfort that the servicer is legitimate and subject to some well vetted rules. The ombudsman will give people a place to get information, file complaints, and know the companies are being monitored. The companies and borrowers would be accountable and encouraged to provide good service. The proposal is not burdensome or costly. Colorado already requires debt collectors to register but the rules allow servicers to operate without a license or needed oversight.

I believe this straightforward bill would help many Coloradans. I ask ALL committee members to vote YES on SB19-002 to help your constituents.