

HB 2588 STAFF MEASURE SUMMARY

House Committee On Business and Labor

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Sub-Referral To: Joint Committee On Ways and Means

Meeting Dates: 2/25

WHAT THE MEASURE DOES:

Requires licensure of certain persons who service student loans. Establishes license application and annual renewal procedures, fee, and bond requirement. Prescribes duties of licensee. Prescribes duties and prohibited actions of student loan servicers. Authorizes Department of Consumer and Business Services to investigate complaints and order violator to cease and desist and pay restitution and damages to borrow. Authorizes Department to impose civil penalties and charge costs and fees. Requires Director of DCBS to appoint ombudsman to receive and resolve complaints from student loan borrowers, develop education program, compile and analyze data on complaints, and help borrowers understand their rights and responsibilities. Requires annual report from Director to Legislative Assembly that summarizes ombudsman's activities and effectiveness and that recommends changes necessary to achieve regulatory compliance among student loan servicers and to reduce complaints and problems from borrowers. Becomes operative January 1, 2020. Declares emergency, effective on passage.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

According to the National Conference on State Legislatures, the number of postsecondary students incurring debt increased by 89 percent between 2004 and 2014, and the average amount owed increased by 77 percent. At the end of 2014, 43.3 million borrowers collectively owed \$1.2 trillion in student loan debt.

Student loan servicers receive and apply payments from borrowers under the terms of a student loan. They maintain account records for the student loan, communicate with the borrower on the lender's behalf, and interact with the borrower to prevent default. Oregon's Department of Consumer and Business Services licenses and regulates consumer finance lenders, collection agencies, debt buyers, debt managers, and state-chartered banks and credit union. Student loan servicers are not regulated by the State of Oregon.

House Bill 2588 establishes licensing requirements for certain student loan servicers. Exempt from the licensing requirement are, among others, financial institutions and financial or bank holding companies. The measure gives authority to the Department of Consumer and Business Services to investigate, issue orders to cease and desist, and issue orders to pay borrower restitution and damages. The measure also establishes a student loan ombudsman within the Department.