



**Prepared Testimony of Seth Frotman  
Before the House Committee on Business and Labor  
HB 2588**

**Salem, OR  
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Chairman Barker, members of the committee: My name is Seth Frotman, and I am the Executive Director of the Student Borrower Protection Center.

It is my great pleasure to join Attorney General Rosenblum here today—she has been a national leader on these issues. It was right here in Oregon, back in 2016, at her invitation, that I was privileged to join law enforcement officials from across the country to discuss the critical importance of state action to protect student loan borrowers.

Student loans have become a crisis for families across Oregon and throughout the country.

Until August, I served as the Student Loan Ombudsman at the Consumer Financial Protection Bureau, where I led the only unit in the federal government solely focused on protecting student loan borrowers and young adults from predatory actors in the financial sector.

As the former top federal regulator for this market, I am here to tell you that we are at a crossroads. Down one path, our leaders choose to stand up for the millions of Americans struggling under the weight of historic debt. Down the other, Betsy DeVos and the student loan industry have free rein to run roughshod over a generation of student loan borrowers. It has never been more important that states—and in particular, the state of Oregon—choose the right path. Hundreds of thousands of families across Oregon depend on it.

You have heard the numbers before, but I think they are worth repeating—44 million Americans collectively owe more than \$1.5 trillion in student loan debt. That is more than all credit cards combined; more than all auto loans combined.

And these borrowers are hurting.

Across America, eight and half million federal student loan borrowers are in default. To give you a sense of scale, there are more student loan borrowers in default than there are people in all of Oregon.

And it doesn't stop there. Another five million borrowers—including more than 84,000 Oregonians—are at least two student loan payments behind. Millions of these are



defaults yet to come; borrowers we can expect the system to fail if we continue do nothing.

People across Oregon are hurting.

The student loan borrowers in this state are teachers, nurses, servicemembers, and veterans—young and old, urban and rural, black and white. In Oregon alone, more than half a million borrowers now owe nearly \$20 billion in student loan debt. This includes nearly 90,000 borrowers living in Oregon’s rural communities and nearly 35,000 older Oregonians.

And they need your help.

When the history of the student debt crisis is told, the first—and perhaps the most consequential—chapter will tell the story of how policymakers, regulators, and higher education officials dropped a trillion dollars of debt onto the back of a generation of students without any serious thought of the oversight, consumer protection, or accountability that is necessary to manage it. And in that trillion-dollar void, we find a system littered with predatory practices and the players that perpetuate them. What’s more, we find a series of broken laws with no accountability for those who break them.

- Like the borrower from Brookings whose servicer prevented her from making payments for five years while her cosigner was in bankruptcy, and saw her balance grow by \$23,000 as a result.
- Or the borrower from Beaverton whose servicer repeatedly ignored his payment instructions. Because the borrower couldn’t pay down extra principal like he had planned, he paid thousands of dollars in needless interest.
- Or the borrower from Klamath Falls whose servicer didn’t process her income-driven repayment plan application on time. As a result, her interest capitalized and an unaffordable payment came due.

This is the real story of our student debt crisis—one told through consumer complaints and in court filings, through cries for help on social media and in private conversations. Millions of borrowers’ lives and livelihoods are being crushed in the gears of a broken student loan system.

And at the center of it all are student loan servicers—some of the largest financial services companies in America. These are the out-of-state companies that will determine the financial future of hundreds of thousands of borrowers in Oregon—the same companies that are paid hundreds of millions of taxpayer dollars to collect



borrowers' loan payments and counsel them about their options when they run into trouble.

But it has become abundantly clear that this industry is failing—and in the process, cheating the very borrowers they are being paid to serve. Across the country, the student loan servicing industry has failed every type of borrower, with every type of loan, at every stage of repayment—from the day a student receives her first bill until the day she pays off her last loan.

- We see student loan servicers cheat borrowers in financial distress—denying millions of the most vulnerable borrowers critical protections against financial ruin and saddling them with billions of dollars in additional debt.
- We see student loan servicers rip off servicemembers and veterans—denying tens of thousands of military families the key consumer protections they earned through service to our country.
- We see student loan servicers lie to public service workers—denying teachers, cops, nurses, and other public servants critical loan protections they were promised in exchange for giving back to their communities.
- We see student loan servicers force older borrowers into years of unexpected debt—denying parents and grandparents a promised “way out” after they had been required to co-sign for student loans that imperiled their retirement security.

And unfortunately, I could go on, and on, and on.

I came to Salem today to make one simple point as this committee considers action to protect borrowers: there is no white knight. There is no cavalry on the horizon.

Tens of millions of student loan borrowers are falling victim to a federal government that is not only walking away from this fight, but is aggressively arming the other side.

A report for the Department of Education's Inspector General, released just last week, found “recurring instances at all servicers of servicer representatives not sufficiently informing borrowers about available repayment options”—and finding that the Education Department did nothing to correct this misinformation. The report also found that the Department rarely, if ever, penalized servicers for misconduct.

This is shocking, but not unexpected. It is just the latest in a long line of audits, reports, and investigations that show the U.S. Department of Education has failed.

So I will say it again—there is no cavalry on the horizon.



But fortunately for student loan borrowers, the state of Oregon has the power to stand up for its citizens. And the first step in real reform requires putting aside the myths and misinformation that too many state policymakers use to justify inaction.

One of the most common retorts we hear from industry lobbyists and special interests is that “student loans are a federal problem. Let the federal government deal with it.”

Comments like “let Washington fix this mess” are a convenient escape hatch for an industry desperate to avoid the consequences of its actions.

But we all know better—not in Oregon.

And that’s why today’s hearing and the work of this committee is critical to the financial futures of thousands of families across Oregon.

We cannot afford to look the other way when there is a trillion-and-a-half-dollar black hole in the middle of our financial markets. Oregon cannot afford to look the other way when there is an \$20 billion black hole right in its back yard. That is where this committee and Representative Power’s bill, put forward by Attorney General Rosenblum, come in.

For too long, student loan companies have been allowed to operate in the shadows, unchecked. But this committee can change this by giving the state of Oregon new tools to stop abuses by these companies. This legislation to protect borrowers empowers the state of Oregon, through Department of Consumer and Business Services, to demand companies servicing loans within its borders get a license from the state and be subject to routine supervision—the type of routine oversight that Oregon already requires for collection agencies, payday lenders, and debt management companies. It also creates a new Student Loan Ombudsman to help individual Oregonians when they run into trouble and to help DCBS and the Attorney General spot problems and halt breakdowns across the industry.

Trust me, I know what industry lobbyists will say:

- They will tell you that Donald Trump, Betsy DeVos, and the Department of Education are doing such an “exemplary job” that you—the members of these committees, of this chamber, of this state government, need not—or worse, cannot—act to protect Oregonians with student debt. They are wrong.
- They will tell you that federal law prohibits you from demanding that these large, powerful financial services companies obey the laws of this state. They are wrong.



- They will tell you that by acting on this issue, Oregon will cause “confusion and conflicts”—that Washington has it under control and Oregon will only gum up the works. They are wrong.

The members of this committee, of this chamber, and of this state government have the power to act. Borrowers need you to intervene in order to protect an entire generation squeezed by mounting debt and crushed by abuses at the hands of this industry—the same industry arguing that it is above the law. But this industry is dangerously, deceptively, and desperately wrong.

We all know better. This committee can send a clear message to those borrowers who have done everything we have asked of them by taking on historic debts to earn a degree—to chase the American dream.

These borrowers need to know that their struggles matter; that their fight is your fight; that Oregon will not sit idly by while they are cheated; and that the companies responsible will finally be held to account.

They need to know that this committee, and that this state will stand up to protect student loan borrowers.

Thank you.