

**Testimony in Support of House Bill 2588
House Committee on Business and Labor**

February 25, 2019

Chairman Barker, Vice Chairs Baretto and Bynum, and Members of the Committee.

My name is Rachel Stein, and I am the Innovative Products Manager at Innovative Changes, a program of CASA of Oregon. I also serve on the steering committee of the Stop the Debt Trap Oregon Alliance. Thank you for allowing me to submit this testimony in support of HB 2588 to protect Oregonians from abusive practices by student education loan servicers.

Innovative Changes (IC\$) is a nonprofit Community Development Financial Institution that has joined forces with CASA of Oregon to provide financial education, small-dollar consumer loans, and access to credit building and asset building opportunities. Our mission is to help people build their long-term financial health and our guiding principles work to advance racial equity and economic justice. We do this by providing financial capability services to low-income Oregonians, including one-one-one student loan counseling.

In late 2017, the Stop the Debt Trap Oregon Alliance was formed by a group of agencies united by our dedication to wealth building, poverty alleviation, and consumer protections in Oregon. In addition to Innovative Changes, the steering committee includes representatives from Neighborhood Partnerships and Hacienda CDC. We are fortunate to also have the support of the Center for Responsible Lending.

At this moment, outstanding student loans have reached the 1.5 trillion dollar mark, and over \$18 billion are owed by Oregon residents alone. This debt, which was taken with the good faith that higher education will lead to better jobs, has been trapping low income individuals for many years, and many of them are struggling to pay it back. But this issue is not affecting everyone equally; while statewide, 13% of student loan holders in Oregon have had student loan debt in collections, an astounding 50% of non-white student loan borrowers have their student loan debt in collections.

This is also not just a “millennial problem.” Older borrowers, those aged 50 and older, are the fastest growing group with student debt. A Government

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Accountability Office report found that in 2015, 114,000 older Americans had their Social Security income seized to pay off loans in default. This number was up 440% from 2002. In Oregon, the number of older borrowers with student loan debt increased by 30% between 2012 and 2017, to a total of over 44,000. The total debt balance held by these borrowers reached almost \$1.2 billion in 2017.

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With these numbers, it is no surprise that issues are arising, and the Consumer Financial Protection Bureau saw a 69% increase in complaints from Oregon residents just between 2016 and 2017.

A report published in January by the Stop the Debt Trap Alliance of Oregon found that more than half of those surveyed individuals had outstanding student loans, or lived with an immediate family member that had outstanding student loans. More shocking, the report shows that one third of those with outstanding student loans were behind on their payments, and that more than half of them have delayed making a large purchase, such as a car, a house down payment, or starting their own business, because of their student loans.

Day in and day out we see the daily struggles of low-income families simply trying to make ends meet, a feat that is even more difficult under the burden of all kinds of debt, including student loan debt. CASA and Innovative Changes work directly with those affected by student loans, from young people to seniors, and unfortunately, we also see how student loan servicers fail to act in the best interest of borrowers, and instead, mislead and misinform them with the purpose of extracting a few more dollars out of them.

This bill in front of you today, HB 2588, will create a licensing scheme that will require student loan servicers to abide by a set of common sense standards that protect student loan borrowers. We strongly believe that the State of Oregon has the responsibility to protect consumers from predatory practices, and I ask this committee today to take a stand with student loan borrowers, and support HB 2588.

Thank you for the opportunity to submit testimony in support of HB2588.

