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

**February 25<sup>th</sup>, 2019**

Chair Barker, Vice-Chairs Bynum and Barreto, and members of the Committee,

On behalf of the Oregon Law Center (OLC), thank you for the opportunity to submit testimony in support of House Bill 2588, which would establish licensing requirements for certain student loan servicers.

OLC's mission is to achieve justice for low-income communities of Oregon by providing a full range of the highest quality civil legal services. The vast majority of our clients have incomes at or below the federal poverty level, and work hard to provide the basic necessities for themselves and their family. Despite Oregon's recent economic recovery, many vulnerable low-income people continue to struggle to make ends meet. Many of our clients struggle because of medical and other debt, foreclosure, eviction, or abusive lending or collection practices. Recently, we have seen more clients seeking assistance because of student loan debt.

Education is access to opportunity. Many low-income individuals go to great lengths and great expense to obtain an education in the hopes of a better future for themselves and their families. Our clients cannot access higher education without taking out student loans, and they are not alone: more than half a million Oregonians currently owe over \$18 billion in student loan debt.

Too often, a student loan that was once perceived as a helpful tool to access opportunity becomes a trap that prevents success. Oregonians Student loan servicers play a critical role in helping borrowers understand their loan requirements and payment options. Borrowers depend upon servicers to process and apply their payments, make accountings, provide information, and manage requests for assistance and modifications to prevent default.

Should a servicer manage an account in bad faith, or simply fail to provide accurate information, the impact on a borrower can be catastrophic. Low-income borrowers, without resources to hire help, are most at risk in the event of servicer mismanagement. And during our state's housing crisis, when low-income communities are extremely rent-burdened, there is no margin for error.

Despite the critical role that servicers play for the half a million Oregonians who have student loans, the student loan servicer industry remains largely unregulated. Oregon currently has reasonable and meaningful oversight of similar business entities, such as mortgage lending servicers, collection agencies, and debt buyers. Student loan servicers should be subject to regulation to ensure that bad practices do not sabotage the efforts of industrious Oregonians seeking to access educational opportunity.

House Bill 2588 will establish a licensing program and standards of practice to ensure consistent and ethical treatment of student loan borrowers. The bill gives oversight to DCBS for the purposes of investigating violations of standards, and ensuring remedy for injured borrowers. Of particular interest to the Oregon Law Center is the proposed Ombudsman program proposed in Section Eleven of the bill. This position will provide education and outreach to ensure that borrowers better understand their rights and options, and could prevent many instances of injury. The ombudsman position will help study and summarize trends to ensure that the State of Oregon can evaluate the efficacy of servicer regulation and can continue to hone and improve our response to the plight of student loan borrowers.

For the above reasons, we urge support of this bill, and thank you for the opportunity to submit testimony.

Sincerely, Sybil Hebb