

House Bill 2588

Sponsored by Representative POWER, Senator TAYLOR; Representatives SANCHEZ, SMITH DB (at the request of Attorney General Ellen F. Rosenblum) (Pre-session filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Requires certain persons that service student loans in this state to obtain or renew license. Specifies license application and renewal procedures and required fees.

Prescribes duties of licensee and requires licensee to maintain specified liquidity, operating reserves and tangible net worth.

Prescribes civil penalty against person that engages in business as student loan servicer without license.

Permits Director of Department of Consumer and Business Services to participate in multistate examinations under specified circumstances.

Becomes operative January 1, 2020.

Declares emergency, effective on passage.

A BILL FOR AN ACT

1
2 Relating to student loan servicers; and declaring an emergency.

3 **Be It Enacted by the People of the State of Oregon:**

SECTION 1. As used in sections 1 to 11 of this 2019 Act:

4
5 (1) **"Affiliate" means a person who controls, is controlled by or is under common control**
6 **with another person.**

7 (2) **"Applicant" means a person that applies for a license to engage in business as a stu-**
8 **dent loan servicer in this state.**

9 (3) **"Borrower" means a resident of this state who has received or agreed to pay a stu-**
10 **dent loan or another person who shares responsibility with the resident for repaying a stu-**
11 **dent loan.**

12 (4) **"Branch office" means a location at which a business entity services a student loan**
13 **other than the business entity's headquarters or principal place of business.**

14 (5) **"Business entity" means a corporation, limited liability company, partnership, limited**
15 **partnership, business trust, joint venture or other form of business organization the con-**
16 **stituent parts of which share a common economic interest.**

17 (6) **"Controller" means:**

18 (a) **A director, officer or general partner of a business entity;**

19 (b) **A managing member of a limited liability company;**

20 (c) **A person that has a direct or indirect right to vote 10 percent or more of the secu-**
21 **rities of a business entity that have voting rights or the power to sell or cause the sale of**
22 **10 percent or more of any class of a business entity's securities;**

23 (d) **A person that has contributed 10 percent or more to a partnership's capital or has**
24 **the right to receive a distribution of 10 percent or more of a partnership's capital or assets**
25 **upon dissolution; or**

26 (e) **A person that, under the terms of a contract or because the person has an ownership**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 interest in another person, has the power to manage or set policies for the other person, or
 2 otherwise direct the other person's operations or affairs.

3 (7) "Licensee" means a person that has applied for and obtained or renewed a license
 4 from the Director of the Department of Consumer and Business Services to engage in busi-
 5 ness as a student loan servicer in this state.

6 (8) "Manager" means an individual who has supervisory authority over employees and
 7 operations at a business entity's branch office or other business location.

8 (9) "Person" means an individual or a business entity.

9 (10) "Service a student loan" means to:

10 (a) Receive a scheduled periodic payment or notice of a scheduled periodic payment from
 11 a borrower under the terms of a student loan;

12 (b) Apply payments to a borrower's account in accordance with the terms of a student
 13 loan or the contract under which the servicer services the student loan; or

14 (c) Perform other administrative services with respect to a student loan including, but
 15 not limited to, performing any of these actions during periods in which a payment on a stu-
 16 dent loan is not due:

17 (A) Maintaining account records for the student loan;

18 (B) Communicating with the borrower about the student loan on behalf of the lender; or

19 (C) Interacting with a borrower in order to prevent a default on a student loan or to
 20 enable the activities described in paragraphs (a) and (b) of this subsection.

21 (11) "Student loan" means a loan the proceeds of which a borrower uses primarily for
 22 personal use to pay education expenses or other school-related expenses.

23 **SECTION 2.** (1) A person may not directly or indirectly service a student loan in this
 24 state unless the person obtains or renews a license under section 3 of this 2019 Act.

25 (2) Subsection (1) of this section does not apply to:

26 (a) A financial institution, as defined in ORS 706.008.

27 (b) A person that has obtained a license under ORS 725.140.

28 (c) A financial holding company or bank holding company, both as defined in ORS 706.008,
 29 if the financial holding company or bank holding company does no more than control an af-
 30 filiate or a subsidiary, as defined in 12 U.S.C. 1841(d), and does not engage in business as a
 31 student loan servicer.

32 (d) An attorney who is licensed or otherwise authorized to practice law in this state if
 33 the attorney:

34 (A) Services a student loan as an ancillary matter while representing a client; and

35 (B) Does not receive compensation from a student loan servicer.

36 (e) An agency or instrumentality of this state or the United States.

37 (f) A person that the Director of the Department of Consumer and Business Services
 38 designates by rule or order as exempt.

39 (3) Notwithstanding subsection (2) of this section, the director may require any person
 40 to obtain a license under section 3 of this 2019 Act before the person services a student loan
 41 if the director determines that the person has violated state or federal law or has engaged
 42 in a course of dealing that is fraudulent, deceptive or dishonest.

43 (4)(a) If the director reasonably believes that a person is subject to sections 1 to 11 of
 44 this 2019 Act or is engaging in or is about to engage in an act or practice that constitutes
 45 servicing a student loan in this state without first obtaining a license as provided in sub-

1 section (1) of this section, the director may:

2 (A) Order the person to:

3 (i) Cease and desist from the act or practice; or

4 (ii) Affirmatively perform an act; or

5 (B) Apply to a circuit court of this state to enjoin the person from engaging in the act
6 or practice.

7 (b) The director shall state in reasonable detail the facts on which the director bases an
8 order under paragraph (a)(A) of this subsection.

9 (c) If a person that is subject to an order under paragraph (a)(A) of this subsection re-
10 quests a hearing, the director shall schedule and give notice of a hearing in accordance with
11 ORS chapter 183. If the person does not request a hearing, the director's order becomes final
12 30 days after the date of the order.

13 (5) The director may waive or modify a requirement set forth in this section if the di-
14 rector determines that a person's compliance with the requirement would cause the person
15 to violate federal law.

16 **SECTION 3.** (1)(a) A person that is subject to the requirement to obtain or renew a li-
17 cense under section 2 of this 2019 Act shall submit an application to the Director of the De-
18 partment of Consumer and Business Services in the manner, on a form and with the
19 contents the director specifies by rule.

20 (b) The director by rule may require an applicant to submit the application described in
21 paragraph (a) of this subsection to the Nationwide Multistate Licensing System instead of,
22 or in addition to, submitting the application to the director.

23 (2)(a) An applicant shall submit with or as part of an application under subsection (1) of
24 this section:

25 (A) Fingerprints from all of the applicant's controllers, registered agents and managers;

26 (B) A unique identifier that the applicant applies for and receives from the Nationwide
27 Multistate Licensing System;

28 (C) The name and address of the applicant's registered agent in this state;

29 (D) The street address of the applicant's principal place of business and of each branch
30 office in this state at or from which the applicant will service a student loan;

31 (E) The name of the manager of any branch office the applicant maintains in this state;

32 (F) The assumed business name, if any, that the applicant intends to use or under which
33 the applicant intends to operate; and

34 (G) Other information the director requires to conduct a state and national criminal
35 history and background check and evaluate the application.

36 (b) The director by rule may modify or waive, for an application to renew a license, any
37 requirement under paragraph (a) of this subsection that the director determines is not nec-
38 essary for evaluating or approving the application for renewal.

39 (3) At the time an applicant submits an application under subsection (1) of this section,
40 the applicant shall also:

41 (a) Pay to the director a fee in an amount that the director specifies by rule. The director
42 shall specify the fee in an amount that is sufficient, when aggregated with fees from other
43 applicants, to meet the director's cost of administering sections 1 to 11 of this 2019 Act.

44 (b) Submit to the director a corporate surety bond or irrevocable letter of credit issued
45 by an insured institution, as defined in ORS 706.008, that runs to the State of Oregon in an

1 amount the director specifies by rule. If the applicant seeks to renew a license and previously
2 submitted a corporate surety bond or irrevocable letter of credit, the applicant shall show
3 that the corporate surety bond or irrevocable letter of credit remains effective in the amount
4 the director specifies.

5 (4)(a) The director may not issue or renew a license under this section unless the direc-
6 tor finds that:

7 (A) The applicant submitted a complete application that does not contain a material
8 misstatement;

9 (B) The application identifies a registered agent in this state;

10 (C) The application names a manager for each of the applicant's branch offices in this
11 state;

12 (D) The applicant and the applicant's controllers, registered agents and managers have
13 not pleaded guilty or no contest in, or been convicted by, a state, federal, foreign or military
14 court:

15 (i) In the seven years before the date of the application, if the plea or conviction was for
16 a felony, or for a misdemeanor an essential element of which involved a false statement or
17 dishonesty; or

18 (ii) At any time before the date of the application if the plea or conviction was for a fel-
19 ony an element of which was fraud, dishonesty, a breach of trust or laundering a monetary
20 instrument;

21 (E) The applicant and the applicant's controllers, registered agents and managers have
22 demonstrated adequate financial responsibility, character and general fitness to command
23 the confidence of the community and warrant a determination that the applicant will operate
24 honestly, fairly and efficiently under the provisions of sections 1 to 11 of this 2019 Act;

25 (F) The applicant has paid the fee and submitted the corporate surety bond or irrevocable
26 letter of credit required under subsection (3) of this section; and

27 (G) The applicant has passed the director's background checks and has satisfied any
28 other criteria for evaluating the applicant's financial responsibility and fitness that the di-
29 rector specifies by rule.

30 (b) An applicant need not report a conviction on an application under this section if the
31 conviction was later pardoned or expunged.

32 (5)(a) The director may deny, revoke or decline to renew a license if an applicant, a
33 licensee or a person that services a student loan:

34 (A) Does not meet criteria set forth in subsection (4) of this section that the director
35 has not waived under subsection (2)(b) of this section;

36 (B) Engages in a course of conduct that violates state or federal law or that constitutes
37 fraudulent, deceptive or dishonest dealing;

38 (C) Fails or refuses to comply with the director's written request under section 9 of this
39 2019 Act to respond to a complaint against the applicant or licensee; or

40 (D) Fails or refuses to comply with a final order the director issued.

41 (b) The director shall provide a licensee with notice and an opportunity for a hearing
42 under ORS chapter 183 before revoking or declining to renew a license.

43 (6)(a) A license that the director issues or renews under this section expires on Decem-
44 ber 31 of the calendar year in which the director issued or renewed the license and is not
45 transferable or assignable. A licensee shall display a copy of the license at the licensee's

1 principal place of business and at each branch office in this state at or from which the
 2 licensee services a student loan.

3 (b) An applicant that intends to renew a license shall apply for the renewal before the
 4 license expires.

5 (c) A licensee may reinstate a license that has expired only if the licensee applies to re-
 6 new the license under this section within the time permitted by the Nationwide Multistate
 7 Licensing System.

8 (d) A licensee may not service a student loan during a period in which the licensee has
 9 applied to reinstate a license unless the director has given conditional approval to the
 10 licensee. The conditional approval may specify which accounts the licensee may service and
 11 which services the licensee may provide during the period in which the licensee's application
 12 for reinstatement is pending.

13 (e) A licensee that ceases servicing student loans in this state or otherwise ceases
 14 transacting business in this state shall, within 10 days after doing so, surrender to the di-
 15 rector any unexpired license the director issued under this section and shall attach the li-
 16 cense to the notice the licensee provides to the director under section 6 of this 2019 Act. A
 17 licensee's surrender of a license under this paragraph does not reduce or eliminate any civil
 18 or criminal liability that arises from any of the licensee's acts or omissions that occurred
 19 before the surrender.

20 **SECTION 4.** (1) A licensee shall designate and maintain a principal place of business at
 21 or from which the licensee services student loans in this state and shall designate a regis-
 22 tered agent in this state.

23 (2)(a) If a licensee does not maintain a principal place of business in this state the
 24 licensee shall nevertheless designate a registered agent in this state. The registered agent
 25 must be available to receive on the licensee's behalf any notice, demand or service of process
 26 permitted by law to be given, made or delivered to, or served upon, the licensee.

27 (b) If the licensee does not designate a registered agent in this state, or if the licensee's
 28 registered agent cannot with reasonable diligence be located, the Director of the Department
 29 of Consumer and Business Services is the licensee's registered agent.

30 (3) A licensee may not use or operate under an assumed business name unless the
 31 licensee first registers the assumed business name under ORS chapter 648 and lists the name
 32 on an application under section 3 of this 2019 Act or in a notice to the director under section
 33 6 of this 2019 Act.

34 **SECTION 5.** (1)(a) A licensee shall maintain in accordance with generally accepted ac-
 35 counting principles sufficient liquidity, operating reserves and tangible net worth to permit
 36 the licensee to adequately meet all costs, expenses and other financial requirements related
 37 to servicing student loans in this state. The Director of the Department of Consumer and
 38 Business Services may specify by rule the standards a licensee must meet to comply with
 39 the requirements set forth in this subsection.

40 (b) A licensee complies with the requirements set forth in this subsection if the licensee
 41 meets the standards for liquidity, operating reserves and tangible net worth established by
 42 the licensee's home state or primary federal regulator. If the home state's or primary federal
 43 regulator's standards do not apply to a particular student loan, the licensee in servicing the
 44 student loan shall meet the highest standards the home state or primary federal regulator
 45 has established for liquidity, operating reserves and tangible net worth.

1 (2)(a) If a licensee fails to meet the applicable standards for liquidity, operating reserves
 2 and tangible net worth set forth in subsection (1) of this section, the director may take and
 3 retain possession of the licensee's property, business and assets located in this state until
 4 the licensee returns, under the director's supervision or oversight, to compliance with the
 5 applicable standards.

6 (b) In taking and retaining possession of the licensee's property, business and assets
 7 under paragraph (a) of this subsection, the director shall conduct an inventory appropriate
 8 for establishing a receivership for the licensee and file a copy of the inventory with:

9 (A) The Department of Consumer and Business Services;

10 (B) The clerk of the circuit court in the county in which the licensee's principal place
 11 of business in this state, or any branch office in this state, is located; and

12 (C) Each of the licensee's controllers, at the last address for each controller that the
 13 director has in the director's records.

14 (c) A circuit court that receives a copy of an inventory under paragraph (b)(B) of this
 15 subsection shall file the inventory, list the filing in the court's docket as a pending proceed-
 16 ing and assign a case number to the proceeding.

17 (3) If a licensee refuses to permit the director to take and retain possession of the
 18 licensee's property, business and assets under subsection (2) of this section or if the director
 19 can show that the interests of the licensee's borrowers or creditors require the appointment
 20 of a receiver, the director may apply to the circuit court in the county in which the
 21 licensee's principal place of business in this state is located for an order to appoint a receiver
 22 to take and retain possession of, operate or liquidate the licensee's property, business and
 23 assets. The court may appoint the director as the receiver.

24 (4) If, 60 days after the date on which the director took possession of a licensee's prop-
 25 erty, business and assets under subsection (2) of this section, the licensee has not returned
 26 to compliance with the applicable standards described in subsection (1) of this section, the
 27 director shall liquidate the licensee's property, business and assets. If the director is not the
 28 receiver for the licensee's property, business and assets, the director shall apply to the cir-
 29 cuit court with which the director filed an inventory under subsection (2)(b)(B) of this sec-
 30 tion for an order to appoint the director or another person as receiver.

31 **SECTION 6.** (1)(a) A licensee shall notify the Director of the Department of Consumer
 32 and Business Services in writing at least 30 days before the licensee:

33 (A) Relocates or closes the licensee's principal place of business or a branch office in this
 34 state; or

35 (B) Opens a branch office that the licensee did not list in an application under section 3
 36 of this 2019 Act.

37 (b) In a notice under paragraph (a) of this subsection the licensee shall list, as applicable:

38 (A) The new address to which the licensee relocates the licensee's principal place of
 39 business or any branch office; and

40 (B) The address for any new branch office the licensee opens.

41 (2)(a) A licensee shall notify the director in writing not later than 30 days after:

42 (A) Any appointment, resignation or other change occurs in the licensee's controllers,
 43 registered agents or managers; or

44 (B) Any material change occurs in the information that the licensee submitted in an
 45 application under section 3 of this 2019 Act.

1 (b) The licensee shall provide in a notice under paragraph (a)(A) of this subsection the
2 name, address and title of any new controller, registered agent or manager the licensee ap-
3 points.

4 (3)(a) A licensee shall notify the director in writing not later than 10 days after:

5 (A) Filing for bankruptcy or reorganization;

6 (B) A controller, registered agent or manager of the licensee becomes subject to an
7 indictment that is related in any manner to the licensee's activities;

8 (C) The licensee receives notice of a final order issued in this or another state that:

9 (i) Demands that the licensee cease and desist from any act;

10 (ii) Suspends or revokes a license or registration; or

11 (iii) Constitutes any other formal or informal regulatory action against the licensee;

12 (D) The licensee registers or changes and uses or operates under an assumed business
13 name;

14 (E) The licensee ceases doing business or ceases servicing student loans; or

15 (F) Another change in the licensee's operations or governance occurs in a manner or
16 with an effect that the director determines by rule is significant enough to warrant the
17 licensee's notifying the director.

18 (b) A licensee shall specify in a notice under paragraph (a)(C) of this subsection the
19 reasons any final order sets forth for taking a regulatory action against the licensee.

20 (c) A licensee shall identify in a notice under paragraph (a)(E) of this subsection the lo-
21 cation in which the licensee stores records related to student loan servicing in this state and
22 shall provide the name and contact information for an individual with authority to provide
23 access to the records.

24 (4) A licensee shall notify the director immediately if the licensee changes registered
25 agents or if the name or address of the licensee's registered agent in this state changes. In
26 the notice, the licensee shall update the name and address of the registered agent.

27 **SECTION 7.** (1) The Director of the Department of Consumer and Business Services has
28 general supervisory authority over:

29 (a) Each licensee in this state;

30 (b) Any person that services a student loan in this state, if the person is subject to
31 sections 1 to 11 of this 2019 Act or if the director required the person to obtain a license
32 under section 2 (3) of this 2019 Act; and

33 (c) Any person that had a license that the director withdrew, canceled, suspended, con-
34 ditioned or revoked, if the person continues to service a student loan.

35 (2)(a) The authority described in subsection (1) of this section includes the authority to
36 examine a licensee or a person described in subsection (1) of this section at any time.

37 (b) The director may charge and collect from a licensee or a person the director exam-
38 ines under this section the costs the director incurs in conducting the examination.

39 (3) In order to conduct an examination under this section, the director may:

40 (a) Retain attorneys, accountants or other professionals and specialists as examiners,
41 auditors or investigators.

42 (b) Enter into agreements or relationships with other government officials or regulatory
43 associations to share resources, use and create standardized methods, procedures, docu-
44 ments, databases, records, information or evidence or to reduce the director's regulatory
45 burden or improve efficiency.

1 (c) Participate in multistate examinations that the Conference of State Bank Supervisors
2 or the federal Consumer Financial Protection Bureau schedules and conducts. In conducting
3 an examination under this paragraph, the director shall follow the protocol that the confer-
4 ence or bureau establishes for the examination.

5 (d) Accept and rely on examination or investigation reports from other government offi-
6 cials in this or another state.

7 (4) Books, accounts, papers, records, files, correspondence, contracts and agreements,
8 disclosures, documentation and other information, material or evidence the director obtains
9 in an examination under this section is confidential and subject to the provisions of ORS
10 705.137, except that a borrower may request to inspect material related to the borrower's
11 student loan that the director by rule specifies is available for inspection. The director shall
12 authenticate the borrower's identity before disclosing any material to the borrower.

13 (5) The director may adopt rules for the purpose of implementing sections 1 to 11 of this
14 2019 Act.

15 **SECTION 8.** (1) A person that services a student loan shall:

16 (a) Assess any fee that the person may assess against a borrower within 45 days after
17 the borrower incurs the fee.

18 (b) Accept and credit, or treat as credited, to the borrower's account all amounts the
19 person receives as payment, or for which the person receives notification of payment, at the
20 address to which the borrower has been instructed to send payments on the borrower's
21 student loan. The person must credit the payment, or treat the payment as credited, within
22 one business day after receiving the payment if the borrower has provided sufficient infor-
23 mation to credit the account. If the person uses the scheduled method of accounting and the
24 person receives a regularly scheduled payment before the scheduled due date, the person
25 shall credit the payment to the borrower's account not later than the scheduled due date.

26 (c) Correct promptly any errors the person makes and refund promptly any fees the
27 person assesses against the borrower in error.

28 (2) A person that services a student loan may not, directly or indirectly:

29 (a) Employ any device, scheme or artifice to defraud another person;

30 (b) Knowingly make an untrue statement of a material fact or omit a material fact that
31 is necessary to make the person's statement true in light of the circumstances in which the
32 person makes the statement, or misrepresent the amount, nature or terms of any fee or
33 payment due or claimed to be due on a student loan or the terms and conditions of a loan
34 agreement or the borrower's obligations under the loan agreement;

35 (c) Obtain property by fraud or misrepresentation;

36 (d) Knowingly misapply or recklessly apply payments to the outstanding balance of a
37 student loan;

38 (e) Engage in an act, practice or course of business that operates or that the person in-
39 tends to operate as a fraud or deceit upon another person;

40 (f) Make or file with the department, or cause to be made or filed with the department,
41 a statement, report or document that the person knows is false in any material respect or
42 manner;

43 (g) Fail to maintain adequate records of each student loan transaction for a minimum
44 of two years, or a period otherwise specified by law, after a final payment on a student loan
45 or after the person assigns the student loan, whichever occurs first. At the director's re-

1 **quest and within five days after the request or within the time the director specifies in the**
2 **request, the person shall make the records available to the director or send the records to**
3 **the director in the manner the director specifies by rule; or**

4 **(h) Fail to respond within 15 calendar days to a consumer complaint or other communi-**
5 **cation from the student loan ombudsman at the Department of Consumer and Business**
6 **Services, or within a reasonable time that the student loan ombudsman specifies in the**
7 **communication. The person may request in writing that the student loan ombudsman allow**
8 **not more than 45 additional calendar days within which to respond if in the request the**
9 **person explains why the additional time is reasonable and necessary.**

10 **SECTION 9. (1) If the Director of the Department of Consumer and Business Services**
11 **receives a complaint concerning a person that services a student loan, the director:**

12 **(a) Shall notify the person of the complaint, provide a copy of the complaint in the notice**
13 **and require the person to respond to the complaint and to the director within 30 days after**
14 **the date of the notice;**

15 **(b) May investigate the complaint and require the person to provide books, accounts,**
16 **papers, records, files, correspondence, contracts and agreements, disclosures, documentation**
17 **and other information, material or evidence necessary for the director's investigation; and**

18 **(c) May investigate the person and the person's policies and practices with respect to**
19 **servicing a student loan and require the person to provide books, accounts, papers, records,**
20 **files, documentation and other information, material or evidence necessary for the director's**
21 **investigation.**

22 **(2)(a) Except as provided in paragraph (b) of this subsection, books, accounts, papers,**
23 **records, files, correspondence, contracts and agreements, disclosures, documentation and**
24 **other information, material or evidence the director receives or possesses as a consequence**
25 **of an investigation under subsection (1) of this section are confidential unless state or federal**
26 **law or a court order permits or requires disclosure.**

27 **(b) The director may share any item listed in paragraph (a) of this subsection with any**
28 **state or federal agency.**

29 **(3) The director may charge and collect from a person the director investigates under**
30 **this section the costs the director incurs in conducting the investigation.**

31 **SECTION 10. (1) If after conducting an investigation, the Director of the Department of**
32 **Consumer and Business Services determines that a person that services a student loan has**
33 **violated sections 1 to 11 of this 2019 Act, a rule the director adopted or an order the director**
34 **issued under sections 1 to 11 of this 2019 Act or another applicable law, the director may**
35 **order the person to:**

36 **(a) Cease and desist from any act that constitutes a violation of sections 1 to 11 of this**
37 **2019 Act.**

38 **(b) Resolve any complaint the director received under section 9 of this 2019 Act and pay**
39 **the borrower that submitted the complaint any damages to which the borrower would be**
40 **entitled under law.**

41 **(c) Pay a borrower any amount the person received from the borrower as compensation**
42 **while engaging in any action that constituted a violation of sections 1 to 11 of this 2019 Act.**

43 **(2)(a) In addition to and not in lieu of any other penalty provided by law, the director**
44 **may impose a civil penalty under ORS 183.745 in an amount of not more than \$5,000 for each**
45 **instance in which a person violates, aids or abets another person in violating, or procures a**

1 violation of, sections 1 to 11 of this 2019 Act or an order the director issues under sections
 2 1 to 11 of this 2019 Act.

3 (b) Each instance described in paragraph (a) of this subsection is a separate violation and
 4 each day in which a person engages in a continuous violation is a separate violation. The
 5 director may not impose a penalty that exceeds \$20,000 for a continuous violation.

6 (3) The director may assess the costs of conducting an administrative proceeding under
 7 this section against the person that is the subject of the administrative proceeding or may
 8 include the costs of the administrative proceeding in any civil penalty the director imposes
 9 under this section.

10 (4) A person that is subject to a civil penalty under this section may appeal the penalty
 11 as provided in ORS chapter 183.

12 (5) The director shall deposit any amount the director receives under this section to the
 13 General Fund of the State Treasury.

14 **SECTION 11.** (1) The Director of the Department of Consumer and Business Services
 15 shall appoint or designate an ombudsman within the Department of Consumer and Business
 16 Services for the purposes set forth in subsection (2) of this section.

17 (2) The ombudsman that the director appoints or designates under subsection (1) of this
 18 section shall, in consultation with the director or with other individuals the director desig-
 19 nates:

20 (a) Receive, review and attempt to resolve complaints from borrowers. The ombudsman
 21 may consult or collaborate with student loan servicers, institutions of higher education,
 22 federal regulators or regulators in this state or other states and any other person that par-
 23 ticipates in activities related to student loans.

24 (b) Compile and analyze data on complaints from borrowers.

25 (c) Assist borrowers in understanding the borrowers' rights and responsibilities under
 26 the terms of the borrowers' student loans.

27 (d) Provide information about problems that borrowers have with student loans and re-
 28 commend methods for addressing the problems to the public, to state agencies in this state
 29 or in other states, to members of the Legislative Assembly and to other persons that have
 30 an interest in student loans or in lending and servicing practices related to student loans.

31 (e) Monitor and analyze the substance and implementation of federal, state and local
 32 laws, regulations, rules and policies related to student loans and borrowers, and recommend
 33 any changes the ombudsman deems necessary.

34 (f) Review the history of any student loan for which the borrower has provided consent
 35 for the review.

36 (g) Publicize the ombudsman's availability and the services that the ombudsman provides
 37 to borrowers and other persons that participate in activities related to student loans.

38 (h) Establish an education program for borrowers that, at a minimum, discusses key loan
 39 terms, documentation requirements, monthly payment obligations, income-based repayment
 40 options, loan forgiveness opportunities and requirements, and disclosure requirements. The
 41 ombudsman may provide the program or may contract with a vendor to provide a program
 42 that meets standards the ombudsman specifies. The ombudsman or vendor may provide the
 43 program remotely or electronically.

44 (i) Take any other action that is necessary to implement the duties described in this
 45 section.

1 **(3) Each January 1, beginning in 2021, the director shall submit a report to a committee**
2 **of the Legislative Assembly related to higher education that:**

3 **(a) Summarizes the ombudsman’s activities in implementing this section;**

4 **(b) Evaluates the effectiveness of the ombudsman and the ombudsman’s activities in**
5 **implementing this section and makes recommendations for any changes that are necessary**
6 **in the ombudsman’s powers or responsibilities; and**

7 **(c) Recommends changes in law or rule or in the application or implementation of laws**
8 **or rules related to servicing student loans that are necessary to achieve regulatory compli-**
9 **ance among student loan servicers and otherwise to reduce the incidence of problems and**
10 **complaints from borrowers.**

11 **SECTION 12. Sections 1 to 11 of this 2019 Act apply to actions that a person takes to**
12 **service a student loan for which a borrower enters into or renews an agreement on or after**
13 **the operative date specified in section 13 of this 2019 Act.**

14 **SECTION 13. (1) Sections 1 to 11 of this 2019 Act become operative on January 1, 2020.**

15 **(2) The Director of the Department of Consumer and Business Services may adopt rules**
16 **and take any other action before the operative date specified in subsection (1) of this section**
17 **that is necessary to enable the director, on and after the operative date specified in sub-**
18 **section (1) of this section, to exercise all of the duties, functions and powers conferred on**
19 **the director by sections 1 to 11 of this 2019 Act.**

20 **SECTION 14. This 2019 Act being necessary for the immediate preservation of the public**
21 **peace, health and safety, an emergency is declared to exist, and this 2019 Act takes effect**
22 **on its passage.**

23 _____