

## Legislative Fiscal Office

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## Joint Committee on Ways and Means

Sen. Betsy Johnson, Senate Co-Chair  
Sen. Elizabeth Steiner Hayward, Senate Co-Chair  
Rep. Dan Rayfield, House Co-Chair

Sen. Fred Girod, Senate Co-Vice Chair  
Rep. David Gomberg, House Co-Vice Chair  
Rep. Greg Smith, House Co-Vice Chair

**To:** Natural Resources Subcommittee

**From:** Matt Stayner, Legislative Fiscal Office

**Date:** February 20, 2020

**Subject:** SB 1540 – Relating to student loan servicers  
Work Session Recommendations

The measure establishes a comprehensive regulatory program for student loan servicers providing broad financial oversight of certain private, for-profit, non-governmental persons and entities providing student loan servicing in Oregon, with exceptions. The measure requires student loan servicers to obtain or renew a license from the Department of Consumer and Business Services (DCBS) to service a loan in Oregon, either directly or indirectly. The license application, renewal procedures and required fees are to be set by rule. The measure delineates the minimum required duties of a loan servicer, including setting minimum net worth and liquidity requirements and other substantive compliance requirements to obtain and maintain the license. DCBS has authority to take control of a failing loan servicer's property, business and assets, or petition a circuit court for receivership. DCBS is also permitted to retain attorneys, accountants, or other professionals and specialists as examiners, auditors or investigators, and permits DCBS to charge and collect from a loan servicer licensee the costs incurred to conduct the examination. DCBS is required to appoint or designate a student loan ombudsman to receive, review, analyze and attempt to resolve complaints from borrowers.

The substantive portions of the measure related to the regulatory program are effective July 1, 2021. The Division will license applicants through the Nationwide Multistate Licensing System (NMLS), which will be annual license that renews each December, however, DCBS anticipates that they will collect an initial fee as of the effective date to enable the licensure of entities during the intervening six months.

The Division will borrow the program's estimated 2019-21 biennial costs from the Consumer and Business Services Fund to cover its startup costs, which the division plans to repay in the 2021-23 biennium.

The estimated total startup costs are \$165,752 Other Funds in 2019-21, which includes \$58,066 in personal services for the two positions (0.34 FTE) and \$107,686 in services and

supplies. The agency plans to phase in the Ombudsman position in February 2021 and the Licensing/Examination position in April 2021. The estimated costs for the 2021-23 biennium are \$439,152 Other Funds, which includes \$332,354 in personal services for the two positions (2.00 FTE) and \$106,798 in services and supplies, including legal services from the Department of Justice and one-time costs to contract with a vendor to develop a borrower education program.

The LFO recommended amendment increases the Other Funds expenditure limitation for the Division of Financial Regulation by \$165,752 and authorizes the establishment of two, permanent, full-time positions (0.34 FTE). The non-personal services portion of the increased limitation will be phased-out of the agency's budget in 2021-23 in anticipation of a comprehensive budget request related to the program once the agency has a complete understanding of the costs and associated fees for the program.

### **Recommended Changes**

LFO recommends adoption of the -A2 amendment.

**MOTION: I move adoption of the -A2 amendment to SB 1540. (VOTE)**

### **Final Subcommittee Action**

LFO recommends that SB 1540, as amended by the -A2 amendment, to be moved to the Ways and Means Full Committee.

**MOTION: I move SB 1540, as amended, to the Full Committee with a do pass recommendation. (VOTE)**

### **Carriers**

Full Committee: \_\_\_\_\_

House Floor: \_\_\_\_\_

Senate Floor: \_\_\_\_\_