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STUDENT LOAN BILL OF RIGHTS
SB 1351

SB 1351 creates a Student Loan Bill of Rights to protect student loan borrowers in Illinois. The bill ensures borrowers receive clear and accurate information about their loans and repayment options if they are struggling to make payments; creates a Student Loan Ombudsman in the Office of the Attorney General; and, establishes licensing and enforcement procedures to facilitate compliance with the Bill of Rights.

SCOPE OF THE STUDENT LOAN DEBT PROBLEM

- **Student Loan Debt Has Skyrocketed.** Over the past decade, student debt has doubled to become the largest type of unsecured consumer debt in the country. Over 40 million borrowers owe over \$1.4 trillion. Nearly 70 percent of graduates leave college with an average debt burden of \$30,000.
- **Borrowers Are Distressed.** One-in-four borrowers are behind on their payments or in default - *with 3,000 student loan defaults per day*. While federal income-based repayment options are available, the United States Treasury has reported only 20 percent of eligible borrowers were enrolled. According to a recent report by the federal Consumer Financial Protection Bureau, 9 in 10 of the highest-risk borrowers were not enrolled in income-based repayment plans.
- **Federal Consumer Protections Provided By President Obama Have Been Revoked.** The servicers are lightly regulated on the Federal level and Federal consumer protections have been revoked. The states must step in to protect their consumers in the vacuum of Federal regulation.
- **Servicers Are Not Doing Enough To Help Struggling Borrowers.** Illinois borrowers frequently experience problems with their student loan servicers. *Thousands of borrowers* have complained their servicers have failed to provide them with affordable repayment options, including federally available income-based payment plans that would keep borrowers out of default, follow payment instructions, and answer questions consistently.
- **Attorney General Madigan Sued The Largest Student Loan Servicer In The Country.** On January 18, 2017, the Illinois Attorney General sued Navient over widespread abuses across all aspects of its business including student loan servicing and student loan debt collection. The lawsuit alleged that when borrowers struggling with their federal student loans called Navient for help the company steered them into successive deferrals that increased the overall cost of their loan instead of informing borrowers about federally available income-based repayment plans.
- **Debt Relief Scams Capitalize On Poor Servicing.** Like the mortgage crisis, scam companies creep in to exploit desperate borrowers. Such companies falsely promise forgiveness and charge high fees. This could be prevented if servicers were informing borrowers of all their repayment options. The Illinois Attorney General has lead the country in shutting down illegal student loan debt relief operations, filing eight lawsuits against companies preying on Illinois borrowers.
- **Student Loan Debt Hampers Economic Growth.** The crushing weight of student loan debt has hindered the purchase of homes, cars, and the formation of small businesses.
- **Student Loan Debt Impacts Old And Young.** Student loan debt for borrowers 60 and older has quadrupled. Compared with younger borrowers, borrowers 65 and older are disproportionately in default. Once in default, their social security benefits can be taken.

SUMMARY OF THE STUDENT LOAN BILL OF RIGHTS' PROTECTIONS

Senate Bill 1351 establishes a Student Loan Bill of Rights to provide clear information and critical protections for borrowers against problems experienced in student loan servicing. The bill establishes:

➤ **Student Loan Borrower Rights:**

- ***Help for Struggling Borrowers*** - Student loan servicers must provide specialized employees to assist borrowers struggling with their student loan payments. Specifically, servicers must:
 - Train specialists to provide borrowers with all their repayment options;
 - Explain that borrowers may be eligible for repayment options tied to their income before servicers offer any other repayment options; and
 - Evaluate a borrower's financial situation and help the borrower determine which payment plan is appropriate.
- ***Prohibition on Deception*** - Student loan servicers may not mislead borrowers.
- ***Accurate Billing Statements*** - Student loan servicers must give borrowers accurate information on loan billing statements.
- ***Proper Payment Processing*** - Servicers must properly process borrowers' payments.
- ***Reasonable Fees*** - Servicers may not charge unreasonable fees.
- ***Disclosure of Loan Discharge Rights*** - Student loan servicers must tell borrowers when and how their federal loans may be discharged due to a borrower's disability or a problem with the school the borrower attended.
- ***Notification of Important Payment Plan Deadlines*** - Student loan servicers must notify borrowers when a borrower's federal income-driven repayment plan is set to expire and the consequences of failing to renew the plan.
- ***Notification about Cosigner Release*** - Servicers must provide information so cosigners know the conditions of being released from their obligations.
- ***Clear Information about how to Pay off Loans*** - Servicers must give borrowers clear information about how they can pay off their loans and the amount of the payment.
- ***Continuity When Servicers Change*** - Servicers must follow procedures when a loan is transferred to new servicer to ensure continuity and make sure borrowers' payments are properly handled.
- ***Rights to Dispute and Request Information*** - Borrowers have the right to request information and file account disputes with their servicer and appeal any servicer determination.
- ***History of Borrower Payments*** - Student loan servicers must provide borrowers with payment histories upon request.

➤ **Student Loan Ombudsman:** The bill creates a Student Loan Ombudsman in the Office of the Attorney General to assist borrowers with their student loans.

➤ **Student Loan Servicing License:** The bill establishes a student loan servicing license with the Illinois Department of Financial and Professional Regulation to qualify, oversee, and discipline servicers for violating the Student Loan Bill of Rights. The Act also provides that the Attorney General shall enforce the Student Loan Bill of Rights.

EXEMPTIONS

- banks and credit unions
- universities
- ISAC
- Licensed credit counselors and collection agencies
- State authorized loan collectors in other states
- Other State authorized servicers with under 20K loans

PROPONENTS

- Woodstock Institute
- Illinois Asset Building Group
- AARP
- Young Invincibles
- Citizen Action
- Heartland Alliance for Human Needs & Human Rights
- Illinois PIRG
- Office of the President - Cook County Government