

AB 376 (Stone)

Student Borrower Bill of Rights

SUMMARY

This bill establishes the Student Borrower Bill of Rights which will ensure that student borrowers are given reliable information, quality customer service, and meaningful access to repayment and forgiveness programs.

AB 376 also establishes the Student Borrower Advocate position in order to provide timely assistance to any student loan borrower facing issues with their loan.

EXISTING LAW

In 2016, California enacted the Student Loan Servicing Act with AB 2251 (Stone). This bill created a regulatory licensure program within the Department of Business Oversight (DBO) and gave DBO the ability to oversee companies that service student loans in California. The program currently helps ensure that student loan borrowers in the state are treated fairly.

NEED FOR THIS BILL

The original bill, AB 2251, was first introduced to complement increased servicing standards that were set to be enacted by the federal government in 2016. However, since then, Secretary of Education Betsy DeVos cancelled plans to increase servicing standards and consumer protections¹ and former Consumer Financial Protection Bureau director Mick Mulvaney closed the office investigating student loan abuses and fraud². It is very clear that the federal government is no longer fulfilling their obligation to protect student loan borrowers.

¹<https://www.nytimes.com/2017/04/14/business/dealbook/education-department-federal-student-loan-program.html>

² <https://talkingpointsmemo.com/news/cfpb-shutters-student-lending-office>

Although AB 2251 created some protections for borrowers, it did not offer the kind of comprehensive, transparent, and enforceable standards that are used in other regulated financial markets. With 3,819,700 student loan borrowers across California owing \$147.17 billion, it is imperative that California takes a strong stance to protect borrowers against bad actors.

SOLUTION

- **End abusive practices by the student loan industry.** Companies should never be able to take advantage of borrowers who come to them asking for help. AB 376 prohibits abusive practices and gives borrowers new tools to take action if they are victims of industry abuse.
- **Create new “rules of the road” for student loan companies.** Borrowers deserve the same rights as homeowners with mortgages and consumers with credit card debt. AB 376 will require companies to handle student loan payments in borrowers’ best interests while also ensuring that servicers give accurate information is given to borrowers asking for help. Additionally, the bill will protect borrowers from fees and credit damage due to mistakes made by loan servicing companies.

- **Create special protections for vulnerable populations.** The most vulnerable borrowers often have special rights under federal law and in loan contracts, but consumer complaints³ and government⁴ enforcement actions⁵ show that industry routinely violates the rights of these borrowers. AB 376 requires student loan companies to train their staff to understand these rights and creates strong new protections to prevent companies from misleading military borrowers, deceiving teachers and public service workers, cheating borrowers with disabilities, and defrauding older Americans.
- **Create a new Student Loan Ombudsman in California.** For too long, borrowers have depended on officials in Washington to handle complaints about loan companies and often run out of options when federal agencies fail to act. AB 376 creates a new Student Loan Ombudsman in California to help individuals who run into trouble, and to serve as a voice for California student borrowers in Sacramento and in Washington.
- **Demand transparency from the student loan industry.** Lawmakers and the public lack basic information about how much student debt exists, what types of

borrowers are most likely to struggle with repayment, and what industry practices are harming California consumers. AB 376 will shine a light on the student loan industry, tasking the Department of Business Oversight with creating a new “student loan industry report card” to measure the relative effectiveness of different companies at preventing loan defaults, enrolling borrowers in affordable payment options, and meeting borrowers’ needs.

FOR MORE INFORMATION

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 Beneficial State Foundation
 Building the California Dream Alliance
 California Asset Building Coalition (CABC)
 California Association of Nonprofits
 California Association of Realtors
 California Association of Veteran Service
 Agencies (CAVSA)
 California Attorney General, Xavier Becerra
 (California Department of Justice)
 California Community Colleges Chancellor’s
 Office

³ <https://www.consumerfinance.gov/about-us/blog/nationwide-look-how-student-debt-impacts-older-adults/>

⁴ <https://www.justice.gov/opa/pr/nearly-78000-service-members-begin-receiving-60-million-under-department-justice-settlement>

⁵ <https://www.bostonglobe.com/business/2017/08/23/healey-says-loan-servicer-mismanaged-student-debt-forgiveness-program/nPwZokgYilchWL3nTIN3vJ/story.html>

California Council of Community Behavioral
Health Agencies
California Dental Association
California Dream Network
California Immigration Policy Center
California Insurance Commissioner, Ricardo Lara
California – Hawaii NAACP
California Labor Federation
California League of Conservation Voters
California League of United Latin American
Citizens (LULAC)
California Lieutenant Governor Eleni Kounalakis
California Low-Income Consumer Coalition
(CLICC)
California Optometric Association
California Professional Firefighters
California Reinvestment Coalition (CRC)
California Secretary of State, Alex Padilla
California Student Aid Commission
California Women’s Law Center
Californians for Economic Justice Coalition
CalPIRG
Centro Legal de la Raza
City and County of San Francisco - Office of
Financial Empowerment
City and County of San Francisco, Treasurer’s
Office
City of Stockton, Mayor Michael Tubbs
Clean Water Action
Coalition for Humane Immigrant Rights (CHIRLA)
Common Sense Kids Action
Community Water Center
Consumer Action
Consumer Attorneys of California (CAOC)
Consumer Federation of California
County Welfare Directors Association of
California
County of Los Angeles
Courage Campaign
Disability Rights California
East Bay Community Law Center
Friends Committee on Legislation of California
Generation Progress
Housing & Economic Rights Advocates (HERA)

Hildreth Institute
Improve Your Tomorrow (IYT)
Latino Coalition for a Healthy California (LCHC)
Leadership Counsel for Justice and Accountability
League of Women Voters
Mental Health California
Mi Familia Vota
Mission Asset Fund
National Student Legal Defense Network (NSLDN)
New Economics for Women (NEW)
PolicyLink
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State Building and Construction Trades Council
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