



Generation Progress
Higher Ed, Not Debt Campaign
1333 H Street NW
Washington, DC 20005

Honorable Members of the Massachusetts Senate
Massachusetts Senate
State House, Room 332
Boston, MA 02133

April 10, 2018

Dear Members of the Massachusetts Senate:

We at Generation Progress – the national youth engagement arm of the Center for American Progress – have been engaged in a multi-year campaign comprised of dozens of organizations dedicated to tackling the crippling and ever-growing issue of student loan debt in America. Our campaign, *Higher Ed, Not Debt*, works to address the existing \$1.4 trillion national student debt, make college more affordable, and give those currently with education debt the resources for repayment and consumer protection. In the Commonwealth of Massachusetts, there are over 330,000 federal student loan borrowers.[1] State residents hold over \$32.83 billion in federal and private student loans.[2] Average student debt held by Massachusetts college graduates has risen substantially over the past decade, now above national average.[3] The student lending market currently is marked by a lack of consumer protections or loan modification options for borrowers who are struggling with their debt or who may not have a clear understanding of the best repayment options available to them.

In 2015, Connecticut was the first state to pass a Borrower's Bill of Rights law. Since then, more states have proposed their own versions of a Student Loan Bill of Rights. The premise is simple – the protections that borrowers have for other kinds of debt, like mortgage or auto debt, should also be applied to student loan debt, and states have a responsibility to ensure borrowers have these protections using their licensing authority.

Licensing and regularly reviewing servicers to operate in the state establishes necessary standards and oversight to be sure loan borrowers are given proper accommodation, customer service, and are not underserved or exploited by their servicing agencies for financial gain at their detriment.

Our organization works with thousands of student loan borrowers, many who struggle to pay back their debt, and who have not been given a good understanding of their loan repayment options by their student loan servicer. For example, many borrowers who struggle to make their payments month to month have not been given information about options like income-driven repayment – a suite of programs, such as Pay as You Earn, available to federal loan borrowers. Pay As You Earn can serve as a lifeline to a struggling borrower, allowing them to cap their monthly loan payments at 10% of their discretionary income. Default in the student loan market is financially disastrous for borrowers, and disastrous for local economies. Ensuring that loan



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servicers are giving borrowers information about programs like income-driven repayment is a simple way to ensure that students and families are not in undue financial distress because they have not been told of programs that could help them manage their student loans. A recent analysis by our organization in partnership with the Washington Center for Equitable Growth thought our Mapping Student Debt project offers a visualization that demonstrates the impact of student debt delinquency on local economies at the ZIP-code level. Delinquency on student loans is especially acute in in low-income areas where borrowers with student debt are most likely to be struggling. [4]

We have supported efforts by multiple states to enshrine consumer protections for student loan borrowers through the passage of state Borrowers Bills of Rights. We applaud the Massachusetts General Court for currently considering a similar bill to enact consumer protections for students and student loan borrowers. A Student Loan Bill of Rights enacted in Massachusetts will benefit borrowers and their families by ensuring they can manage their student debt sustainably. This bill will make student loan servicing transparent and accountable to standards of practice, protect student loan borrowers from fraud and abuse, and help borrowers with their current debt.

Establishing a student loan ombudsman provides borrowers a service to help them submit, review, and resolve issues with their student loan servicer, as well as give them a consumer protection watchdog that both actively educates them on loan repayment options, as well as analyze ways to improve loan servicing in the state and report to the legislature on solutions to wide-ranging problems.

These protections will help address contributing factors to student debt and debt default, as the regulation of servicers prevents excessive fees and exploitative services that increase borrower debt. The establishment of an ombudsman will ensure that borrowers have the help they need to understand their loans and repayment options while providing analysis that helps the state address issues with student lending before borrowers slip into delinquency or default.

We urge all members of the Senate to pass Senate Bill 2380 for the benefit of student loan borrowers, their families, and local economies across the state.

Respectfully Submitted,

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- [1] <https://obamawhitehouse.archives.gov/blog/2016/04/28/six-recent-trends-student-debt>
[2] https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/cfpb_student-loans_50-state-snapshot_complaints.pdf
[3] <http://massbudget.org/reports/pdf/Educated%20and%20Encumbered%20FINAL.pdf>
[4] www.mappingstudentdebt.org