

Support HB 707: Student Borrowers' Bill of Rights

September 2021

Who owes student debt?

1.3 million North Carolinians owe nearly **\$48 billion** in student loan debt. This is triple the amount North Carolinians owed in 2008.

In 2019, North Carolinians with student loan debt owed an average of **\$36,200**. Borrowers of color, rural borrowers and low-income borrowers experience the most distress paying their student loans.

What are loan servicers doing?

Lenders hire loan servicers to collect payments from borrowers and respond to borrowers' questions about their accounts. Servicers won't always give borrowers information, and when they do, that information is sometimes incomplete or inaccurate. Many servicers have a practice of applying borrowers' payments in ways that increase the amount of money borrowers spend on late fees or interest. In the last year, some servicers falsely reported thousands of borrowers to credit reporting bureaus for being late on payments. In North Carolina, borrowers don't have much protection when servicers provide bad or incomplete information.

Student loan borrowers end up paying more than they need to, falling further behind in their payments, having their credit scores lowered, and often owing more than they did when they started paying their loans.

What is the impact on our economy?

NC student loan borrowers struggle to make their student debt payments (51%), which has a negative impact on our state's economy. 41% of borrowers reduced the amount they save for retirement, 34% put off major purchases like a car, and 27% put off purchasing a home due to their student loan burdens.

After she was orphaned as a teen, Kanethia from New Hanover County received a sports scholarship to attend college. But when she lost her scholarship due to injury, she was forced to take on student loan debt to stay in school. Saddled with an ever-growing debt burden, she made the difficult decision to drop out. Yet the challenge didn't end there: Without a degree, Kanethia didn't have enough income to both meet her basic needs and pay the debt, and so she ended up in default. Decades later, Kanethia has a great job, and she wants to complete her degree so that she can advance in her career. For months, she's been trying to get information from her loan servicer about how to get her loans into good standing. Her servicer hasn't provided the clear direction Kanethia needs to rearrange her budget to get back on track toward paying off her debt. She's ready to move forward, and her servicer is holding her back.

Contact:

Rochelle Sparko, Director of NC Policy
Center for Responsible Lending
919-410-7645

Rochelle.sparko@responsiblelending.org

What can we do? Pass House Bill 707, Student Borrowers' Bill of Rights. The bill will license and regulate servicers, collect complaints from borrowers, and give NC residents the ability to hold servicers responsible when servicers harm student loan borrowers.

New and improved: HB 707 has been updated to reflect legislator and industry feedback

HB 707 reflects the needs of borrowers and industry. Updated to reflect feedback from legislators and industry leaders, the bill in its current form applies only to certain loan servicers. Loan servicers subject to HB 707 include those who have failed to adhere to sound consumer protection standards and have added the most to borrowers' financial burden. The bill was carefully crafted to ensure borrower protection while allowing the loan servicing industry to function.

Contact:

Rochelle Sparko, Director of NC Policy
Center for Responsible Lending
919-410-7645

Rochelle.sparko@responsiblelending.org