



NC Coalition *for* Responsible Lending

We, the undersigned faith leaders, community, civil rights, consumer, and student advocacy organizations call on the State of North Carolina to ensure that borrowers can repay student loan debt affordably, protect student borrowers from abusive practices, and enact policies that will provide student loan borrowers with recourse when abusive practices lead to harm.

Collectively, 45 million Americans owe over \$1.6 trillion in student loan debt. This financial burden is felt acutely by North Carolinians.

More than 1.2 million North Carolinians carry a total outstanding student loan debt of around \$44 billion. Such massive debt prevents borrowers from building wealth, and it drags down our state's economy. Burdened by unmanageable student loan debt, generations of North Carolinians are delaying or forgoing opportunities to build wealth, such as purchasing their first homes or saving for retirement. When people pay for goods and services, it keeps the economy running and growing. For a consumer-driven economy like ours, low levels of spending mean lower revenues and profits, which in return slows financial growth.

North Carolina can take concrete steps to protect borrowers within our communities from the worst impacts of this crisis. Currently, in our state, the companies that service these loans are not held to account when they make it harder for borrowers to repay their debts. North Carolina should follow the lead of 11 other states and Washington, DC, all of which addressed abuses by student loan servicers. North Carolina can make repaying student loan debt fair and more affordable by reining in abuses that mislead borrowers, misapply payments, provide inaccurate information to credit bureaus, or fail to put borrowers in income-based repayment plans for which they qualify. These actions and others keep borrowers from achieving the promise of higher education: getting ahead.

Unfair practices by loan servicers exacerbate the problems student loan borrowers face when they struggle with repayment. When servicers fail to provide information about income-based repayment, apply partial payments in a manner that drives late fees and negative credit reporting, employ a scheme that defrauds or misleads the borrower, or other unfair practices, they hinder borrowers' ability to start businesses, build families, buy homes, and save for retirement. These impacts are felt harder in and exacerbated for our communities of color because of existing inequities like income inequality and wealth.

In North Carolina:

- Rural communities have higher rates of severe delinquency (no payments for at least 90 days). On an aggregated basis, rural communities have a severe delinquency rate of about 20%, compared to 15.6% in Charlotte, 13.3% in Raleigh, and 16.4% in Greensboro.
- 20% of student loan borrowers who live in communities of color have student loan debt in collections, while only 14% of those who live in predominantly white neighborhoods do.
- Low-income student loan borrowers had a severe delinquency rate of 22.2% in June 2018, compared to a much lower rate of 14.3% for higher-income student loan borrowers.
- Military households experience a disproportionate impact on their finances from student loan debt, including being referred to debt collections, lowering their credit scores, and being less likely than any other demographic to be told about income-based repayment options. And debt can hurt military members' ability to get security clearance.
- Two-thirds of women with student loans borrowed more than \$26,500 for an undergraduate degree - more than twice the rate for men with student loans. Because women earn less than their male counterparts, paying this higher debt takes significantly longer.
- People over 60 held almost \$2.5 billion in student loan debt in 2017. Within this group of borrowers, nearly 1 in 5 have missed a payment on their student loans.

North Carolina should eliminate abusive practices by loan servicing companies that drive up student loan debt and exacerbate existing inequities for the most vulnerable within our state. Many North Carolinians experience the financial burden of student loan debt; their lives and potential for economic prosperity are tied to how the state chooses to address this crisis.

Sincerely,

Asset Building Coalition of Forsyth County, Inc
Blue Ridge Women in Agriculture
Carolina Farm Stewardship Association
Carolina Jews for Justice
Capital Area Food Network
Center for Community Self-Help
Center for Responsible Lending
Change Machine

Charlotte Center for Legal Advocacy
Church of the Nativity Episcopal Church
Community Empowerment Fund
Down Home North Carolina
East Carolina Board of Realtist
El Pueblo, Inc
Equality North Carolina
Financial Pathways of the Piedmont
HBCU Green Fund
IDA and Asset Building Collaborative of NC
LatinxED
MDC Inc.
National Association of Consumer Bankruptcy Attorneys
NC 100 Corporation
NC Child
NC Rural Center
North Carolina Center for Nonprofits
North Carolina Council of Churches
North Carolina Department of Military and Veterans Affairs
North Carolina Housing Coalition
North Carolina Justice Center
North Carolina State AFL-CIO
OnTrack WNC Financial Education & Counseling
Pisgah Legal Services
Policygenius
State Employees Credit Union
Thread Capital
The Winston Salem Foundation
United Way of Greater Greensboro
Veterans Education Success