



# Support HB 707: Student Borrowers' Bill of Rights

May 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.

North Carolinians with student loan debt in 2019 owed, on average, **\$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 know what repayment options are available to borrowers and are the only entity that can place borrowers into a repayment plan. Servicers don't always give borrowers correct information about their options, and, in North Carolina, borrowers don't have much protection when servicers provide bad or incomplete information.

Even before COVID-19, at least **16.5%** of NC student loan borrowers were in **severe delinquency**, having made no payments for 90 days or more. Roughly half of those borrowers are eligible for income-based repayment plans where they could afford to make on-time payments. Instead, they're falling further behind.

Even if borrowers were enrolled in an appropriate income-based repayment plan, they might not be on track to get out from under their student debt. Nationally, **32 borrowers** who participate in Income Based Repayment, a program that allows low-income borrowers to repay their debt affordably, have received the promised discharge of their debt after 20 or 25 years of payments. Why? Servicers steer borrowers to more expensive options, lose or delay processing of applications, and (in the case of at least one large servicer, Navient) provide misinformation about the steps necessary to successfully finish the program.

Servicers also harm government employees and non-profit staff who relied on the government's promise that 10 years of payments would qualify them for forgiveness of the remaining balance. In 2018, **55 borrowers** out of 19,000 received the benefit of the program. By 2020, thousands more borrowers became eligible for the relief offered by Public Service Loan Forgiveness. A total of **5,264 borrowers** received the benefit of the program since its inception.

Student loan servicers are failing military and civilian borrowers at the Department of Defense. As of April 22, 2021, nearly 5500 DoD employees submitted applications for Public Service Loan Forgiveness. 124 military and 163 civilian borrowers' applications have been approved.

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

**Is the pandemic having an impact?**

45% of student loan borrowers report a decrease in their household income since the onset of COVID-19, with the most severe impact hitting borrowers who earn less than \$50,000 per year (55% reporting a decrease).

Most students with federal loans should have the benefit of a pause in loan payments that will continue until October. However, a quarter of NC borrowers report they don't know about the payment pause; these borrowers continue to make payments at a time when borrowers could instead be spending on that money in other ways.

**What is the impact on our economy?**

NC student loan borrowers struggle to make their student debt payments (51%). 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 (27%) due to their student loan burdens.

Joy from Chatham County struggles to make her student loan payment. “[I] was not able to purchase some meals for a while, could no longer afford dental insurance, [and] wasn't able to fix my car for a while so I couldn't take it a long distance” because her student loan servicer didn't tell her about ways to make her loan payments more affordable (like pandemic-related relief and income-based repayment).

**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.

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

[Rochelle.sparko@responsiblelending.org](mailto:Rochelle.sparko@responsiblelending.org)