2020 Legislative Session Issue Brief

Student loan advocacy and education debt relief

College affordability and education debt are no longer just a burden – they have become a barrier to the American Dream.

Minnesota ranks fifth in the nation for student debt, with the average student debt load at $34,932 for state college students, according to the Student Borrower Protection Center.

Minnesota’s outstanding debt burden is $27.1 billion. In a potentially devastating blow to our state economy, a fast-growing group of borrowers isn’t just college students, it’s seniors. Between 2012 and 2017, there was a 46 percent increase in the number of Minnesota seniors with education debt.

One of the biggest barriers Minnesotan’s face in paying back loans or receiving loan forgiveness is systematic and widespread misinformation by student loan servicers, the multi-million dollar corporations who serve as intermediaries between borrowers and lenders. Student loan servicers such as Navient and FedLoan Servicing have been sued by the American Federation of Teachers, Consumer Finance Protection Bureau and states all over the country.

Minnesota borrowers report that loan servicers misallocate payments causing borrowers to accrue huge interest instead of paying down principal, steer borrowers into forbearance instead of income-driven repayment plans and provide unclear or misinformation on options including repayment and loan forgiveness. Thousands of borrowers report that they are in default, have accrued millions of dollars in interest and have been disqualified from loan forgiveness options because of the inaction of student loan servicers.

This is unacceptable. Attacking the education debt crisis—a massive, billion-dollar problem—requires overhauls at the federal and state level. In Minnesota, a good first step is creating a student loan advocate with the power of the state behind their office to regulate student loan servicers and represent the interest of borrowers, not corporations.

HF 1424/SF 1484 provide critical support to the 775,600 Minnesotans with student loan debt.

This bill:

• Establishes a student loan advocate within the Office of the Minnesota Attorney General responsible for representing the interests of borrowers including receiving, reviewing and working to resolve complaints from borrowers.

• Provides for widespread information and education on student loans for borrowers, including options on repayment and loan forgiveness.

• Licenses student loan servicers and maintains minimum standards servicers must meet in Minnesota.

• Holds student loan servicers accountable for meeting standards for information-sharing, customer service and representing the interests of borrowers in transactions.

Out-of-state corporations are taking advantage of Minnesotans while the federal government stands by and does nothing. Minnesota needs to join the 13 other states who are stepping in to regulate loan servicers and protect borrowers.

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www.educationminnesota.org

Education Minnesota is an affiliate of the American Federation of Teachers, the National Education Association and AFL-CIO.