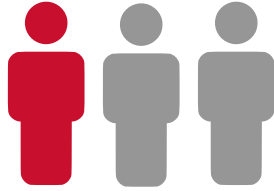




What States Can Do to Protect Consumers Student Loans



About 1/3 of Americans ages 18 to 29 have **outstanding student loans** for their own education.

People age 50 and over now owe more than **\$289 billion**, up from **\$47 billion** in 2004.

>\$1.6 trillion

Student loan debt in the U.S. now **exceeds \$1.6 trillion**, in federal and private loans.

5X the defaults

Students of color are targeted by for-profit schools, which have significantly higher default rates than nonprofits – **47% versus 12% at a public 4-year school**. Black graduates at any type of institution experience **default at 5 times the rate** of White graduates. Student loans worsen the racial wealth gap.

State Reforms to Protect Consumers

States have a variety of legislative, regulatory, and enforcement tools to protect student borrowers. They can increase oversight of for-profit schools, defend private student loan borrowers when they are sued (debt defense), and enforce existing consumer protection laws. More broadly, an array of policy reforms, such as reducing higher education costs and increasing the amount of wages and bank account balances protected from garnishment, are necessary to ensure a sustainable higher education system that lifts up low-income students and communities of color.

Reforming For-Profit & Online Schools

CONSUMER PROBLEMS

Predatory and deceptive recruiting practices harm for-profit school students even at accredited schools.

Lawmakers and students are uncertain how to hold for-profit schools accountable for poor student outcomes.

Students are mired in debt with no ability to repay because for-profits deceptively promise good jobs after graduation but deliver inadequate education to get a job.

Students enrolled in out-of-state online for-profit schools are not protected by their state's laws aimed at preventing common for-profit school abuses.

STATE SOLUTIONS

Establish and enforce strong consumer protections for all for-profit school students, regardless of school accreditation.

Create a private right of action so students can sue schools for relief and establish an independent for-profit oversight board and an agency regulating for-profits.

Require for-profits to meet minimum standards, such as job placement and program completion rates, and define those metrics and mandate auditing.

Ensure that laws aimed at predatory school practices cover schools that are only online in a state even if there is a State Authorization Reciprocity Agreement.

What States Can Do to Protect Consumers: Student Loans

Private Student Loan Debt Defense

CONSUMER PROBLEMS

Private student loan borrowers are sued by unknown third parties, such as debt buyers, and don't know if they truly owe a debt to that party.

Student borrowers are unable to defend themselves in court from wage and bank account garnishment, because they do not receive adequate notice of lawsuits.

Default judgments are issued against private student loan borrowers without evidence that the creditor has the right to collect.

STATE SOLUTIONS

Require creditors to provide documentation to borrowers showing the transfer of the individual debt from the original lender to the creditor before filing a collection suit.

Require at least 30 days notice to a consumer of intent to file suit to collect a debt and require the court to mail an additional notice to a verified address.

Require creditors to document that the debt has been legally transferred to them before any judgment is entered against the student.

State Enforcement Actions

CONSUMER PROBLEMS

For-profit schools misrepresent their value and use high-pressure sales tactics to convince people to enroll.

Federal student loan servicers fail to enroll students in income-based repayment plans and violate state laws on collection practices.

The U.S. Department of Education claims that federal law preempts state consumer protections, so student loan servicers cannot be held accountable for violating them.

Private student loan creditors are filing collection lawsuits and obtaining default judgments based on robo-signed affidavits and inadequate evidence.

STATE SOLUTIONS

State attorneys general should investigate for-profit school misconduct, bring suit for violations, and file borrower defense claims seeking federal loan relief for students.

State attorneys general should pursue monetary relief for borrowers and changes in servicer behavior as Massachusetts successfully did in 2016.

States should vigorously oppose this claim, as courts have upheld states' ability to enforce their consumer laws.

State attorneys general should investigate, as these suits may constitute an unfair and deceptive business practice under state law.

Learn more on how to protect student loan borrowers:

National Consumer Law Center's [Model Family Financial Protection Act](#); [Ensuring Education Integrity](#); and [Going to School on Robo-signing](#)

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