Testimony of Elizabeth A. Davis, President of the
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Before the Subcommittee on Consumer Affairs,
Committee of the Whole

Hearing on,
"B21-877, Student Loan Ombudsman Establishment and Servicing Regulation Act of 2016"

October 20, 2016

Thank you, Chairwoman Nadeau for convening this hearing as you examine the oversight of student loan servicers in the District.

My name is Elizabeth Davis and I am the president of the Washington Teachers' Union. I represent 4, 800 DC educators who make up only one of more than 3,000 local affiliates of the American Federation of Teachers nationwide.

Yesterday, the Washington Teachers' Union sponsored a student debt clinic which was announced only two weeks ago and registered almost 100 teachers within two days after we announced it to our members. Student loan servicers are universally disliked by student loan borrowers and are known to be bad actors who face little-to-no oversight. Bill B21-877, Student Loan Ombudsman Establishment and Servicing Regulation Act of 2016, would go a long way towards fixing that. The legislation that's in Councilmember Nadeau's committee is very similar to legislation that the American Federation of Teachers is driving with locals around the country.

Before the WTU Student Debt Clinic ended, one teacher test drove the instructions shared during the clinic by going to one of the websites shared by the facilitator and putting in her debt data. She could not wait to report to the facilitator and other participants that after putting in the prescribed data, she went from paying $477 a month to $71 a month while sitting in the course room. Stories from participants who were placed in default by NelNet with no notice, and more were shared, and these stories were incredibly powerful for confirming the need for this legislation you are now proposing.

Here are some facts about student debt in the District;

The average student debt burden in the nation is $30,000. In the District of Columbia, some 140,000 borrowers owe a whopping average of $40,885, according to 2015 data released by the White House. ("The nation's capital of Washington, D.C.—one of the most educated cities in the U.S. and home to high-priced private schools–is the most indebted compared with states when it comes to average federal student-loan debt. Said another way: "At an average of $40,855 per borrower, the student loans of debtors in the nation's capital are 140 percent higher than the national average of $28,400, and they exceed by more than $10,000 what borrowers owe in Georgia, the state with the second-highest student debt level." -

DC residents collectively owe more than $5.7 billion in outstanding student loans. This data source is the White House and the Department of Education.
(https://www.whitehouse.gov/sites/default/files/docs/state_by_state_number_of_borrowers_and_outstanding_balance_final.pdf)

Since 2013, DC residents have filed complaints against 34 different student loan servicing companies. These complaints ranged from not being able to afford repayment of loans to questions of what loan servicers were doing with payments sent in.

In D.C., communities of color are being hit the hardest by student debt. "East of the Anacostia river, where the median household income hovers at about $30,000 a year, residents with student loans have balances that are either below the national average of $24,271 or between 10 percent and 25 percent higher. Still, they are three times as likely to be at least nine months behind on loan payments than people just across the river with twice as much debt. (https://www.washingtonpost.com/news/grade-point/wp/2015/12/02/this-captivating-map-details-student-debt-in-the-washington-area/)

In 2013, the New York Federal Reserve Bank shows that the nation's capital leads the country in student debt concentration. 25.9 percent of DC residents carry at least some student debt compared to a national average of 16.2%. (http://blogs.wsj.com/economics/2013/05/14/households-cut-overall-debt-but-student-loans-jump/)

The personal finance website, WalletHub, found that DC ranked 51st when compared to every other state for the percentage of income going towards paying off outstanding student debt. (https://wallethub.com/edu/best-and-worst-states-for-student-debt/7520/

Jill Gonzalez, an analyst with WalletHub said in the same article that, "In D.C., student debt accounts for about 67 percent of an annual income, and that was the highest percentage in the country,"

(http://wamu.org/news/16/08/15/district_residents_have_the_most_student_debt_in_the_us)

In March 2015, a Bloomberg news article reported that in DC, 11.4% of student loan borrowers are currently in default, meaning that one out of every ten DC residents with student debt haven't been able to make a payment in over a year. Consequences of default ranges from wage garnishment, withholding of tax returns, loss of jobs just to name a few. (http://www.bloomberg.com/news/articles/2015-03-11/the-10-states-with-the-most-student-debt)

Earlier this year, DC Attorney General (AG), Karl Raccine sued a student debt relief scam company for misleading struggling DC residents. (http://oag.dc.gov/release/attorney-general-sues-student-aid-center-inc-deceiving-consumers-seeking-student-debt-relief.)

AG Racine found evidence of the company's charging fees between $600 and $1,000 in exchange for simply mailing out paperwork that borrowers can obtain and submit for free through the federal government... To hook consumers, telemarketers implied or told them Student Aid Center was affiliated with the Education Department, a relationship that could help fast-track applications for loan forgiveness or lower monthly payments, the complaint said. That kind of deceptive advertising violates consumer protection laws, as does charging upfront fees for debt consulting.

(https://www.washingtonpost.com/news/grade-point/wp/2016/05/25/d-c-attorney-general-sues-student-debt-relief-company-caught-in-the-crosshairs-of-a-federal-regulator/).

While these practices are already illegal, this bill would put more boots on the ground to weed out bad actors taking advantage of residents.

Bill B21-877, will create critical borrower-focused protections for student loan borrowers who live in DC and would require student loan servicers to provide these residents with accurate and consistent information about their loans and to be transparent and accountable to our community. In passing this bill, D.C. has the opportunity to become only the third local or state entity to do so, and can set an example to the rest of the nation on how to stand up for people who need help in debt relief and have nowhere else to turn.

The Washington Teachers' Union has established a Student Debt Taskforce to design and facilitate Student Debt clinics, train members to become Student Debt Clinic facilitators and serve as a bargaining committee for student debt support in the District. It is our hope that the Student Loan Ombudsman will collaborate with this taskforce in compiling and analyzing data on student loan borrower complaints and making recommendations for resolving those concerns.

Thank you again for proposing this legislation and providing DC citizens the opportunity to address the need for it before this committee.