For Immediate Release:
July 1, 2021

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IDFPR Submits Comments to the U.S. Department of Education Advocating for Strong, Equity-Centered Student Loan Reforms and Enhanced Consumer Protections for Borrowers

CHICAGO - The Illinois Department of Financial and Professional Regulation (IDFPR) submitted comments today to the U.S. Department of Education urging it to proceed with strong equity-centric student loan regulations to help borrowers struggling with their student loan debt. The letter outlined ways in which borrowers of color disproportionately struggle with their student loans and called for standardized consumer protections while highlighting the need for continued state and federal partnerships. This comes after the Department of Education requested comments from stakeholders for consideration as it establishes rulemaking committees on topics in higher education, including the improvement of student loan repayment outcomes.

“When so many borrowers are struggling under the crippling weight of their student loan debt, it is necessary to equip them with all the tools possible to successfully pay down their student loans,” said **Mario Treto, Jr., Acting Secretary of the Illinois Department of Financial and Professional Regulation**. “The steps that the Department of Education is taking are incredibly important to that aim, and the Pritzker administration will continue to advocate for strong reforms that help Illinois student loan borrowers.”

There is currently approximately $1.7 trillion in outstanding student loan debt, owed by 43 million loan borrowers across the country, with about 1.6 million Illinois residents owing $60 billion in federal student loans to the United States government. These federal loans are all serviced by private companies that process monthly bills and payments, administer loan repayment and cancellation programs such as Public Service Loan Forgiveness, and are often borrowers’ sole points of contact for assistance managing their loans.

In response to this growing crisis, Illinois and other states across the nation have passed laws requiring private servicers obtain licenses to do business in their jurisdictions and requiring them to follow specific servicing rules and protections. In 2019, Illinois passed the Student Loan Servicing Rights Act, which requires student loan servicers to be licensed and adhere to a comprehensive Bill of Rights that establishes strong borrower protections for Illinois borrowers covering proper payment processing, complaint handling, and ensuring that borrowers receive appropriate repayment options, including income-based repayment.

In response to the COVID-19 pandemic, borrowers with student loans held by the U.S. Government have had their monthly payments and interest automatically postponed. However, the pause in repayment is temporary and is currently set to expire on September 30, 2021.

Borrowers should contact their servicers to ensure they are enrolled in the repayment options that are appropriate to their financial circumstances and can explore more information about repayment options on the Federal Student Aid website https://studentaid.gov/loan-simulator/.

Illinois Department of Financial and Professional Regulation
100 West Randolph St., 9th Floor
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July 1, 2021

United States Department of Education
Attn: Vanessa Gomez
400 Maryland, Ave., SW., Room 2C179
Washington, DC 20202

Re: Docket ID ED-2021-OPE-0077

Dear Ms. Gomez,

I am grateful for the opportunity to submit comments on the Administration's efforts to advance changes to the nation's student loan system through negotiated rulemaking. The importance of these reforms for borrowers in Illinois and throughout the country cannot be overstated. The Illinois Department of Financial and Professional Regulation is Illinois's principal regulator of state-chartered financial institutions, including banks, credit unions, mortgage lenders, debt collectors, and other financial service providers.

Beginning in 2019, Illinois became the fourth jurisdiction in the nation to license student loan servicers. Out of all jurisdictions, Illinois boasts some of the strongest borrower protections in the country. Many of these, in fact, were modeled on the principles outlined in the Department of Education's Mitchell Memo issued under the Obama Administration by Undersecretary of Education Ted Mitchell. Illinois' Student Loan Bill of Rights ensures student loan servicers are providing Illinois borrowers with timely and accurate information about both their private and federal student loans.

A college education remains a vital pathway for economic empowerment and continues to be an essential investment for individuals and society overall. It increases lifetime earnings above those without a college degree and reaps long-term benefits in terms of health and general welfare. Ensuring that our younger generations are educated is a critical imperative to meet the needs of our residents and to preserve our country's status as a leader in the ever-transforming global economy.

While strides have been made in higher education, the prosperity and upward mobility is not necessarily spread evenly across society. As I am sure you are aware, the evidence consistently points to the fact the student loan crisis has disproportionately hit minority student loan borrowers. I know this story all too well as a first-generation Latino college student who was the first in my family to go beyond the 6th grade, a story that is anything but unique in the US. The facts are:

- Black and Latinx borrowers are more likely to take on student loan debt to finance their educations. Many of them are first in their family to go to college and lack sources of familial wealth and assistance to fund education apart from taking out loans.
- Black borrowers are less likely to have made progress paying down their loans. Black borrowers are nearly twice as likely to never pay off their loans and similarly are less likely to receive family assistance in paying down their loans.
- Borrowers of color are more likely to experience repayment distress and default. In some instances, studies have found doubled default rates for minority borrowers;
- Minority women are particularly impacted by student loan debt. Overall, women hold 2/3 of America's student loan debt. Out of all women borrowers, Black women take out the largest amount of debt. The pace of repayment is also slower for Black and Latinx women, due in part to the gender pay gap.

In light of these facts, I echo the importance of the Department's choice to approach student loan reform from an equity lens by seeking to address repayment outcomes for student loan borrowers of color. I would urge the continual recognition of the difficulties these borrowers face in the context of higher education and beyond as well as the importance of taking steps to help them stay on track to successfully paying down their student loan debt. Similarly, this includes a commitment to helping borrowers of limited English proficiency understand and repay their student loans as well. Indeed, as Secretary Cardona and the Department have made this commitment to diversity, equity, and inclusion clear, I stand in strong support of those efforts.

The path forward involves strengthening student loan standards and oversight across the board. This includes considering rules that impose consumer protection standards such as those enshrined in the aforementioned Mitchell Memo as well as ensuring oversight and baseline consistency across the board so all student loan borrowers avail themselves of the repayment options appropriate to their financial circumstances and which keep them out of delinquency and default.

For borrowers already in default, the Department's Private Collection Agencies should give borrowers straightforward and unbiased information about their post-default options to assist them to successfully rehabilitate or consolidate. While advances have been made to assist defaulted borrowers' transitions into repayment, to the extent possible, loans should be streamlined directly into affordable repayment plans without the hassle of additional paperwork.

Importantly, borrowers who qualify for any type of discharge, whether Disability Discharge or Public Service Loan Forgiveness, should get it without any difficulties receiving credit for their payments and employment. Even in my own agency, we are taking proactive steps to ensure that all our committed state employees are on track for receiving Public Service Loan Forgiveness options that they may be entitled to.

Finally, I would also urge future rulemaking recognizes the coordinate role for state regulators in helping effectuate their consumer protection mandates. States are the laboratories of democracy and any impediment to states exercising their lawful police powers to protect their residents is inappropriate. The states have long stood in this position and hear directly from the residents of their states who are struggling under the burden of student loan debt.

But we don't need to go at protecting consumers alone. Aside from partnering with other state regulators and attorneys general, it is important to strive for continual coordination and strengthening of the longstanding partnership regulators have had with the Department.

I appreciate the steps the FSA has recently taken to improve regulators' access to the information they need to perform their duties under state law. However, there remain concerns that a future administration could reverse course. Thus, to the extent possible, negotiated rulemaking could form a good route to establish a permanent solution for state regulators to obtain the information they routinely need to examine the servicers and debt collectors under their state authority.

We also stand ready to help you crack down on student loan debt relief scams that take advantage of vulnerable student loan borrowers. During this past legislative session, Illinois passed a law to strengthen regulatory tools to stop practices that prey on struggling borrowers. IDFPR will continue to enforce its debt settlement licensure laws to push these predatory practices out of the state. In this regard, I would urge the Department to issue guidance under the Federal Stop Student Loan Debt Scams Act about the appropriate use of access devices. Again, servicers and debt collectors must do their part to ensure that borrowers receive the appropriate information so they don't need to turn to scams.

As student loan debt takes its toll on borrowers across the country, the economy as a whole is impacted, worsening financial stress, widening the wealth gap, increasing debt, and deepening structural inequalities. But change is possible to help borrowers to stay on track with payment options that are designed to make their federal student loans affordable. These issues will not be solved overnight, but it begins with a recognition and commitment to improvements as are being done through rulemakings that are being discussed today.

Again, I thank you for opportunity to comment here and for the steps the Department is taking. IDFPR and other state regulators stand as partners with you in this endeavor to help assist all student loan borrowers help establish policies to bring equity and justice to the student loan space. On behalf of the over 1.6 million student loan borrowers in Illinois, I'm eager to step up to help do what's best for student loan borrowers throughout the nation.

Sincerely,

Mario Treto, Jr.

Mario Treto, Jr.
Secretary
Illinois Department of Financial and Professional Regulation