

## 2021 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 \$37,492 for state college students, according to the Student Borrower Protection Center.

Minnesota's outstanding debt burden is \$29.1 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 Minnesotans 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 information or outright 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 passing a Student Borrower Bill of Rights to lay out clear expectations for out-of-state loan servicers that operate here to ensure that those with student debt can repay their loans and get necessary information on loan repayment and forgiveness options.

It's time to offer critical support to the 775,300 Minnesotans with student loan debt. This includes legislation that would:

- Maintain minimum standards that loan servicers must meet in Minnesota and require servicers to be licensed according to those standards.
- Hold student loan servicers accountable for meeting standards for information-sharing, customer service and representing the interests of borrowers in transactions.
- Charge the Department of Commerce with ensuring that student borrowers are protected from abusive tactics from loan servicers.

Out-of-state corporations are taking advantage of Minnesotans. Minnesota can join the 15 other states and counting who are stepping in to protect borrowers.

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