

## 2022 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.

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.

In Minnesota and across the country, actions have been taken to hold these companies accountable. Minnesota took the first step in 2021 when it passed the Student Loan Borrower Bill of Rights, which requires out-of-state student loan servicers that operate here to follow stricter guidelines. These requirements ensure that those with student debt can repay their loans and get necessary information on loan repayment and forgiveness options.

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. The AFT was successful in its lawsuit, resulting in significant changes in how loan servicers must do business and providing automatic review to public servants who were denied forgiveness on minor technicalities.

Attacking the education debt crisis—a massive, billion-dollar problem—requires overhauls at the federal and state level. The time is now to offer critical support to the 775,300 Minnesotans with student loan debt. This includes legislation that would:

- Create a student loan advocate position within the Department of Commerce to assist and protect student loan borrowers from the bad practices of student loan servicers.
- Hold 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. Minnesota can join the 15 other states and counting who are stepping up to provide an advocate who will protect borrowers.

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[www.educationminnesota.org](http://www.educationminnesota.org)

Education Minnesota is an affiliate of the American Federation of Teachers, the National Education Association and AFL-CIO.  2495



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