



PRESS RELEASE

Attorney General Frosh Joins Bipartisan Coalition Urging Congress to Reject Legislation Blocking State Oversight of Student Loan Servicing Industry

BALTIMORE, MD (March 16, 2018) – Maryland Attorney General Brian E. Frosh today joined a bipartisan coalition of 30 Attorneys General in a letter urging Congress to reject legislation that would block states from preventing and combatting fraud and abuse by the student loan industry.

“Attorneys General stand on the frontlines, enforcing laws to protect consumers from unfair and deceptive practices,” said Attorney General Frosh. “Stripping states’ ability to prevent and combat fraudulent and abusive loan originating, servicing, and collection practices would imperil millions of student loan borrowers and families.”

Americans are facing a student debt crisis. As of the fourth quarter of 2017, U.S. borrowers owed an estimated \$1.38 trillion in federal and private student loans—more than for auto loans, credit cards, or any other non-mortgage loan category. In recent years, state Attorneys General have investigated significant, far-reaching abuses in the student loan industry and won settlements returning tens of millions of dollars to student borrowers. However, the pending version of the Higher Education Act Reauthorization (H.R. 4508), also known as the PROSPER Act, includes language to preempt state level oversight of private companies that originate, service, or collect on student loans. As drafted, the language attempts to immunize the student loan industry from the state-level enforcement and reforms underway across the country.

Describing the language as “an all-out assault on states’ rights and basic principles of federalism,” the letter urges Congress to strip the language from the House bill and to omit it from consideration in the Senate. This follows a similar bipartisan effort in October, in which state officials from across the United States called on the U.S. Department of Education to reject improper industry efforts to achieve similar results.

Major state-led investigations of student loan abuses have recently included:

- **Education Management Corporation:** The investigation uncovered that the school misled students about program costs, graduation rates, and job placement rates. As part of the multi-state settlement, State Attorneys General obtained over \$100 million in loan forgiveness.
- **Aequitas Capital Management:** An investigation found that Corinthian Colleges misrepresented graduates’ employment success in connection with some of its programs,

making certain students eligible for discharge of their federal student loans managed by Aequitas Capital Management, Inc. The resulting multi-state settlement provided \$183 million in student loan relief for 41,000 students nationwide.

In addition to Maryland, the letter was also signed by the Attorneys General of California, Colorado, Connecticut, Delaware, Hawaii, Illinois, Iowa, Kansas, Kentucky, Maine, Massachusetts, Minnesota, Mississippi, Montana, Nebraska, New Mexico, New Jersey, New York, North Carolina, Oklahoma, Oregon, Pennsylvania, Rhode Island, Tennessee, Utah, Vermont, Virginia, Washington, and the District of Columbia, as well as the Executive Director of the Hawaii Office of Consumer Protection.