

State Corporation Commission 2017 Fiscal Impact Statement

1. **Bill Number:** HB1915

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. **Patron:** Simon

3. **Committee:** Commerce and Labor

4. **Title:** Student loan servicers; student loan ombudsman.

5. **Summary:** Student loan servicers; student loan ombudsman. Prohibits any person from acting as a student loan servicer without first obtaining a license from the State Corporation Commission (SCC) and establishes procedures pertaining to such licenses. Banks and credit unions are exempt from the licensing provisions. The servicing of a student loan encompasses (i) receiving any scheduled periodic payments from a student loan borrower pursuant to the terms of a student education loan; (ii) applying the payments of principal and interest and such other payments with respect to the amounts received from a student loan borrower, as may be required pursuant to the terms of a student education loan; and (iii) performing other administrative services with respect to a student education loan. Student loan servicers are prohibited from, among other things, (a) misrepresenting the amount, nature, or terms of any fee or payment due or claimed to be due on a student loan, the terms and conditions of the loan agreement, or the borrower's obligations under the loan; (b) knowingly misapplying or recklessly applying student loan payments to the outstanding balance of a student loan; and (c) failing to report both the favorable and unfavorable payment history of the borrower to a nationally recognized consumer credit bureau at least annually if the loan servicer regularly reports information to such a credit bureau. The measure also establishes the Office of the Student Loan Ombudsman within the SCC's Bureau of Financial Institutions. The Office of the Student Loan Ombudsman is required to provide timely assistance to any student loan borrower of any student education loan in the Commonwealth. The Office of the Student Loan Ombudsman is further required to establish and maintain a student loan borrower education course, which shall cover key loan terms, documentation requirements, monthly payment obligations, income-based repayment options, loan forgiveness, and disclosure requirements. Violations are subject to a civil penalty not exceeding \$2,500. The bill has a delayed effective date of January 1, 2019.

6. **Budget Amendment Necessary:** Yes, see Item 7a.

7. **Fiscal Impact Estimates:** Fiscal impact estimates are preliminary. See Item 8.

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7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2017	\$ 103, 500	1 FTE	02100
2018	\$ 195, 300	3 FTE	02100
2019	\$ 78,200	1 FTE	02100
2020			
2021			
2022			
2023			

7b. Revenue Impact: License, investigation and annual fees will be set by the Commission to generate revenue to offset anticipated expenses.

8. Fiscal Implications: In FY2017, 1 FTE required to (i) establish the Office of Student Loan Ombudsman and (ii) develop a student loan borrower education course. In FY2018 and beyond, 3 additional FTE's are required (two entry level analysts for the student loan ombudsman office and one for investigation of license applications). For FY2019, 1 entry level examiner position to receive training and become qualified to begin examining student loan servicer licensees by January 1, 2020.

9. Specific Agency or Political Subdivisions Affected: Virginia State Corporation Commission and the Commission's Bureau of Financial Institutions

10. Technical Amendment Necessary: Yes, see Item 11.

11. Other Comments: There is no provision for funding of the Office of the Student Loan Ombudsman in the bill.

The word "Article" is used in many places throughout the bill instead of "chapter."

The date in § 6.2-2601 should be changed to December 1, 2018 to allow the Commission sufficient time to establish the Office of the Student Loan Ombudsman and the student loan borrower education course.

Additional language is needed to permit the Commission to use the Nationwide Multi-state Licensing System to process student loan servicer applications.

House Bill 1915 has been assigned to House Commerce and Labor's Special Subcommittee on Consumer Lending.