

Department of Planning and Budget

2018 Fiscal Impact Statement

1. Bill Number: SB 439

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|------------------------|--|-------------------------------------|------------------------------------|
| House of Origin | <input checked="" type="checkbox"/> Introduced | <input type="checkbox"/> Substitute | <input type="checkbox"/> Engrossed |
| Second House | <input type="checkbox"/> In Committee | <input type="checkbox"/> Substitute | <input type="checkbox"/> Enrolled |

2. Patron: Senator Wexton

3. Committee: Education and Health

4. Title: Establish the Office of the Student Loan Ombudsman

5. Summary: This bill establishes the Office of the Student Loan Ombudsman (OSLO) within the State Council of Higher Education for Virginia (SCHEV). The OSLO's duties include:

- receiving, reviewing, and attempting to resolve complaints from student loan borrowers;
- compiling and analyzing data on such complaints;
- assisting student loan borrowers to understand their rights and responsibilities under the terms of student education loans;
- providing information regarding the problems and concerns of student loan borrowers;
- analyzing and monitoring the development and implementation of applicable laws and policies;
- reviewing complete student education loan histories of borrowers who have consented;
- disseminating information concerning the availability of the OSLO to assist student education loan borrowers and any other participant in student education loan lending, with qualified education loan servicing concerns; and
- taking necessary actions to fulfill the duties of the OSLO.

By December 1, 2018, the OSLO is required to establish and maintain a student loan borrower education course that will cover key loan terms, documentation requirements, monthly payment obligations, income-based repayment options, loan forgiveness, and disclosure requirements. Finally, on or before January 1, 2019, and continuing annually thereafter, SCHEV will submit a report to the House Committees on Commerce and Labor and Education and the Senate Committees on Commerce and Labor and Education and Health regarding the implementation of the OSLO and its effectiveness.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Preliminary (see Section 8)

8. Fiscal Implications: SCHEV estimates that the personnel costs associated with an ombudsman position would be approximately \$117,000 (GF) (\$75,000 salary plus benefits) per year. The cost associated with establishing and maintaining an education course could range from a minimum of \$15,000 to over \$100,000 depending upon the quality and

complexity of the information. Online educational materials are relatively inexpensive to produce. However, the cost of a facilitated course or an enhanced website can be substantial.

The introduced budget proposes \$115,333 for FY 2019 and \$124,000 for FY 2020 to support a student loan ombudsman position. This funding would essentially cover the estimated salary and benefits for the position proposed by this bill. The expectation is that the delay in filling the position in FY 2019 should provide sufficient funds for the development of a basic student educational loan course. However, if the legislative intent were for a more robust course, then additional general fund support would be necessary.

9. Specific Agency or Political Subdivisions Affected: State Council of Higher Education for Virginia

10. Technical Amendment Necessary: No.

11. Other Comments: This bill is similar HB 1138 and SB 394.

Date: 01/24/18

c: Secretary of Education