



August 14, 2020

The Honorable Toni G. Atkins
President pro Tempore of the California State Senate
State Capitol, Room 205
Sacramento, CA 95814

The Honorable Anthony J. Portantino
Chair, Senate Committee on Appropriations
State Capitol, Room 3086
Sacramento, CA 95814

RE: AB 376 (Stone) - Civil Rights Organizations SUPPORT

Dear President pro Tempore Atkins and Chair Portantino:

We write in strong support of Assembly Bill 376, the Student Borrower Bill of Rights. This critical legislation aims to bring much-needed reforms to the student loan market and regulate the private-sector companies that service both federal and private student loans for California borrowers. As COVID-19 leaves millions of Californians in dire financial situations, the need for increased protections is clear: not only are too many student loan borrowers in the state

struggling under the burden of student debt, but their loans are managed – and too often mismanaged – by companies that conduct business in harmful and potentially deceptive ways.

While the student loan crisis touches borrowers across the State, the most severe consequences are shouldered by Black and Latino borrowers and the communities in which they live. Too many of these borrowers face significant barriers that impede progress and compound the historic socioeconomic inequality faced by these communities. Moreover, the health and economic fallout of COVID-19 has been felt most acutely by these communities.

More than 90 percent of Black and 72 percent of Latino students fund their higher education with student loans in comparison to 66 percent of white students.¹ In addition to taking on more debt, Black and Latino borrowers also face significant hurdles in repayment. The average white borrower pays down almost 95 percent of their loans 20 years after starting college in stark contrast to their black peers who still owe 95 percent of their original balance after the same period.²

Mounting evidence shows that these same borrowers continue to experience extremely high rates of delinquency and default, particularly when compared to their white peers. Findings from the Federal Reserve Bank of San Francisco show the significant challenges facing borrowers of color in the state. In Los Angeles, default rates in predominantly minority zip codes are double those in predominantly white zip codes.³ Similarly, Bay Area zip codes with the highest level of delinquency and default also have larger percentages of black and Latino residents.⁴

It bears emphasis that the underlying issue here is not personal responsibility; these are students who have taken out loans in good faith to invest in higher education, and now must manage the demands of life under an overhang of debt. What is clear is that student loan servicers and big banks have failed Black and Latino student loan borrowers in California. Across the state, predatory players are preying upon Black and Latino borrowers, too often seeing them simply as a means to get rich quick. These systemic failures demand far-reaching reform and accountability.

As the Trump Administration turns its back on 3.8 million California borrowers and the effects of COVID-19 send shockwaves through communities, the time is now for the State of California to

¹ Aisa Canchola and Seth Frotman, The Significant Impact of Student Debt on Communities of Color, CFPB (Sept. 15, 2016) <https://www.consumerfinance.gov/about-us/blog/significant-impact-student-debt-communities-color/>

² Laura Sullivan, Tatjana Meschede, Thomas Shapiro, and Fernanda Escobar, Stalling Dreams: How Student Debt is Disrupting Life Chances and Widening the Racial Wealth Gap, Institute on Assets and Social Policy (Sept. 2019) <https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/racial-wealth-gap/stallingdreams-how-student-debt-is-disrupting-lifechances.pdf>

³ Fed. Res. Bank of NY, Senator Booker Requested Report (Sept. 24, 2019) <https://www.scribd.com/document/428472893/Booker-Requested-Report-from-NY-Fed-Detailing-Racial-Disparities-Student-Loan-Debt>

⁴ Bina Patel Shrimali, Jacob DuMez, & Sarika Abbi, At What Cost? Student Loan Debt in the Bay Area, San Francisco Off. of Fin. Empowerment (Apr. 2019), <https://www.frbsf.org/community-development/files/student-loan-debt-in-the-bay-area.pdf>

step in to protect borrowers from predatory and illegal industry practices. To protect borrowers of color and their families, the State must strengthen oversight, make civil rights enforcement a priority, and enact new protections to address discrimination by the student loan industry and across the higher education system at large. California has an opportunity to do just that, and lead the nation by passing the Student Borrower Bill of Rights.

We urge you to pass this legislation, which will provide protections and rights to borrowers of color, and all California student loan borrowers, that are long overdue.

Thank you for your consideration.

Sincerely,

Asian Americans Advancing Justice
California State Conference NAACP
California Federation of Teachers
California Immigrant Policy Center
California Low-Income Consumer Coalition
Californians for Economic Justice
CALPIRG
Centro Legal de la Raza
Clean Water Action
Coalition for Humane Immigrant Rights
Community Water Center
Consumer Reports
East Bay Community Law Center
Friends Committee on Legislation of California
Housing and Economic Rights Advocates
Leadership Counsel for Justice and Accountability
Mi Familia Vota
NextGen California
Public Counsel
Student Borrower Protection Center
Student Debt Crisis
UNIDOS US
Young Invincibles

Cc: The Honorable Gavin Newsom, Governor of California
The Honorable Anthony Rendon, Speaker of the Assembly
The Honorable Mark Stone, Assemblymember Author