



The Student Borrower Credit Improvement Act

The Student Loan Debt Crisis

Student loan debt has burdened an entire generation—hindering people’s ability to purchase a home, start a small business, and save for retirement. In fact, **across the country, 44 million student loan borrowers owe more than \$1.5 trillion in debt.**¹ It is actively hindering the economic mobility of hardworking Americans who are attempting to improve their lives through a higher education.

Predatory Private Student Loans

While most student debt is owned by the federal government, student loan borrowers also turn to private student loans to pay for college. Private student loans are much riskier and lack the important consumer protections and repayment options of federal loans. **In 2018, nearly \$120 billion of the outstanding student loan debt was a result of private student loans.**²

A defaulted or delinquent private student loan could be catastrophic for a borrower’s credit score, impacting their ability to open a bank account, rent an apartment, or buy a home.¹

The Student Borrower Credit Improvement Act

[H.R. 3621-The Student Borrower Credit Improvement Act](#) would provide much needed support to private student loan borrowers struggling to improve their credit by:

1. **Establishing a credit rehabilitation process** for borrowers facing economic hardship to repair their credit profile. The Consumer Financial Protection Bureau would be charged with overseeing this credit rehabilitation process.
2. **Prohibiting Credit Reporting Agencies (CRAs) from reporting out delinquent or defaulted student loans** after the borrower makes 9 out of 10 monthly payments on-time.
3. **Providing a grace period for borrowers seeking rehabilitation** but experiencing significant financial hardship or other extenuating circumstances such as certain military deployments and residing in an area impacted by a major disaster.
4. **Requiring private lenders offering repayment plans** to borrowers seeking rehabilitation, to offer affordable monthly payments and additional assistance.

¹ Federal Reserve. Consumer Credit - G.19 [Internet]. Washington, DC. 2019 [cited 2019 July 8]. Available from: <https://www.federalreserve.gov/releases/g19/current/default.htm>

² United States Government Accountability Office. Report to Congressional Committees: Private Student Loans. Washington, DC. 2019 [cited 2019 July 8]. Available from: <https://www.gao.gov/assets/700/699338.pdf>



National Student Loan Debt Trends:

- Student loan debt now exceeds credit card debt, auto loan debt and is now the second highest form of consumer debt, behind mortgage debt.³
- Nearly 8 percent of all outstanding student loan debt derives from private student loans.²
- Among the class of 2018, nearly 70% of all college graduates are borrowed a student loan, graduating with an average debt of \$29,800.

Student Debt Across the Commonwealth:

- Across the Commonwealth of Massachusetts, a total of 855,500 borrowers owe a total of \$33.3 billion. The average student loan balance is \$38,877.⁴
- Between 2007 and 2017, student loan debt has doubled in the Commonwealth.
- In the last year, the total outstanding student loan debt increased by almost \$2 billion.⁵
- The Commonwealth ranks 7th in the nation for borrowers with the highest average debt levels.⁶

³ Federal Reserve Bank of N.Y. Household Debt and Credit Report: Q1 2019. Washington, DC. 2019 [cited 2019 May]. Available from: https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2019Q1.pdf

⁴ Student Borrower Protection Center [Internet]. Massachusetts: State of Student Debt. 2019 [cited 2019 May] Available from: <https://protectborrowers.org/wp-content/uploads/2019/02/MA-Shareable.jpg>

⁵ Frotman, S. *Prepared Testimony of Seth Frotman Before the Joint Committee on Financial Services*. Massachusetts State House: Joint Committee on Financial Services. Available from: https://protectborrowers.org/wp-content/uploads/2019/07/Frotman_Student-Loan-Bill-testimony_5.2.19-1.pdf

⁶ The Institute for College Access and Success. *Student Debt and the Class of 2017: 13th Annual Report*. 2018 September. [cited 2019 July 8]. Available from: https://ticas.org/sites/default/files/pub_files/classof2017.pdf