

# SENATE HIGHER EDUCATION COMMITTEE

## STATEMENT TO

### SENATE, No. 1149

# STATE OF NEW JERSEY

DATED: FEBRUARY 8, 2018

The Senate Higher Education Committee reports favorably Senate Bill No. 1149.

This bill establishes the Office of the Student Loan Ombudsman within the Department of Banking and Insurance (DOBI) and regulates student loan servicers. Under the bill, the ombudsman will, at a minimum:

- (1) receive, review, and attempt to resolve any complaints from student loan borrowers;
- (2) compile and analyze data on student loan borrower complaints;
- (3) assist student loan borrowers to understand their rights and responsibilities;
- (4) provide information and make recommendations to the public, agencies, legislators, and others regarding the problems and concerns of student loan borrowers;
- (5) analyze and monitor the development and implementation of federal, State, and local laws, regulations, and policies relating to student loan borrowers;
- (6) review the complete student education loan history for any student loan borrower who has provided written consent for review; and
- (7) disseminate information concerning the availability of the Student Loan Ombudsman to assist student loan borrowers and potential student loan borrowers.

No later than October 1, 2019, the ombudsman, in consultation with the commissioner, is required to establish and maintain a student loan borrower education course that will include educational presentations and materials regarding student education loans.

Under the bill, student loan servicers are required to obtain a license from the commissioner before directly or indirectly acting as a student loan servicer. State or federally chartered banks, savings banks, savings and loan associations, and credit unions are exempt from the licensure requirement. Any person seeking to act within the State as a student loan servicer must make a written application to the commissioner accompanied by:

- (1) a financial statement prepared by a certified public accountant or a public accountant;

(2) the history of criminal convictions of the applicant or certain other individuals in the case of certain business entities; and

(3) certain licensure fees.

Upon the filing of an application for an initial license and the payment of the fees for license and investigation, the commissioner will investigate the financial condition and responsibility, financial and business experience, character and general fitness of the applicant. The bill provides that licenses expire at the close of business on September 30 of the odd-numbered year following their issuance, unless renewed or earlier surrendered, suspended or revoked. The bill establishes procedures for license renewal and surrender.

The bill requires student loan servicers, and certain other entities exempt from the other requirements of the bill, to maintain student loan records for at least two years following final payment or assignment of the loan. The records are to be provided to the commissioner for inspection upon request.

The bill grants the commissioner the authority to conduct certain investigations and examinations for purposes of initial licensing, license renewal, license suspension, license revocation or termination, or general or specific inquiry or investigation to determine compliance, in which the commissioner may access, receive and use any books, accounts, records, files, documents, information or evidence.

The bill also provides that any person who violates any provision of this act will be liable, in a civil action brought by the commissioner in a court of competent jurisdiction, for a penalty of not more than \$5,000 for the first violation, \$10,000 for the second violation and \$15,000 for each subsequent violation.