


Government of the District of Columbia
Office of the Chief Financial Officer



Glen Lee
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Glen Lee
Chief Financial Officer 

DATE: June 14, 2024

SUBJECT: Fiscal Impact Statement – New Student Loan Borrower Bill of Rights
Amendment Act of 2024

REFERENCE: Draft Committee Print as provided to the Office of Revenue Analysis on
June 13, 2024

Conclusion

Funds are sufficient in the fiscal year 2025 through fiscal year 2028 budget and financial plan. The bill has an applicability date of October 1, 2024, and the Fiscal Year 2025 Local Budget Act, as passed on June 12, 2024, includes funding for the Department of Insurance, Securities and Banking (DISB) to carry out the bill.

Background

DISB regulates student loan servicers¹ in the District of Columbia through the Office of the Student Loan Servicing Ombudsman. The Ombudsman, appointed by the DISB Commissioner, helps District student loan borrowers understand their rights and responsibilities, monitors servicers' actions, and refers actions to the Office of the Attorney General as needed. The Office also assists student loan borrowers in resolving issues and complaints.²

The bill establishes a set of required activities for student loan servicers regulated by DISB, clarifies the responsibilities of the District in regulating federal student loan servicers, outlines prohibited practices for student loan servicers, and establishes a private right of action for student loan borrowers who have been harmed. The bill outlines several other actions required of student loan

¹ DC Code § 31-106.02. Student loan servicer; licensure and reporting requirements.

² The Office submits a yearly report on its activities, including the number of cases it received, the underlying complaint, and the disposition of those cases.

The Honorable Phil Mendelson

FIS: "New Student Loan Borrower Bill of Rights Amendment Act of 2024", Draft print as provided to the Office of Revenue Analysis on June 13, 2024

servicers, including clearly disclosing automatic payment changes when servicing or loans are transferred between companies, establishing the requirements for discharge of loans due to disability of the borrower or cosigner, and clarifying the requirement for cosigner release (including setting a maximum requirement of 18 timely consecutive monthly payments).

The bill also clarifies how the District's regulation of student loan servicers interacts with federal regulation of companies holding service contracts for student loans under the U.S. Department of Education. These student loan servicers will be granted a District student loan servicing license automatically under the bill³ but will still be subject to the bill's other requirements regarding prohibited practices and the private right of action for borrowers, provided those requirements do not otherwise conflict with federal law.

Financial Plan Impact

Funds are sufficient in the fiscal year 2025 through fiscal year 2028 budget and financial plan. The bill has an applicability date of October 1, 2024. The Fiscal Year 2025 Local Budget Act of 2024⁴ includes \$146,179 in FY 2025 and \$521,908 over the financial plan period for DISB to carry out the requirements in the bill.

DISB will hire one full-time financial examiner at the grade 13 step 5 level to clarify the scope of the District's oversight of student loan servicers, draft the new Student Loan Borrower Bill of Rights, and provide public outreach on these rights and authorities to the public. The financial examiner will also work with servicers on their requirements under the bill, including auto-discharge of loans in the case of borrower disability; inclusion of DISB's contact information on loan materials; requirements for cosigner release; and servicer responsibilities to borrowers if the loans are sold or the servicing is transferred.

³ Automatically conferring licensing for federal contracted servicers is intended to avoid issues of federal preemption upheld in *Student Loan Servicing Alliance vs. District of Columbia et al.*, (D.D.C. 2018) (1:18-cv-640), https://ecf.dcd.uscourts.gov/cgi-bin/show_public_doc?2018cv0640-39, 2018.

⁴ Bill 25-785.