

Banking Committee JOINT FAVORABLE REPORT

Bill No.: HB-5318

Title: AN ACT ESTABLISHING A STUDENT LOAN REGISTRY.

Vote Date: 3/15/2022

Vote Action: JOINT FAVORABLE Substitute

PH Date: 3/10/2022

File No.: 134

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SPONSORS OF BILL:

BANKING COMMITTEE

REASONS FOR BILL:

Currently, there is no unified, state-managed registry that keeps private student loan lenders accountable. This bill is designed to establish a student loan registry to promote transparency among private student loan lenders. This bill would also allow policymakers to have another source of information when regulating the private student loan industry. By having this information available to the public in one spot, controlled by the banking commissioner, it ensures that the data is accurate and transparent for all registered private student loan lenders.

Note: this was one of the recommendations that came from the Post-Secondary Education Financing Working Group that met during the off-session as a result of 2021 legislation.

JF Substitute language – Kept the general premise of the bill the same while changing a couple of things. The definition of “private education lender” updated to exclude the Connecticut Higher Education Supplemental Loan Authority (CHESLA) from the definition. The information that each private education lender must provide was updated to include the following pieces of information: the number of private education loans made annually at each school listed; the dollar amount of private education loans made annually; the spread of interest rates for private education loans made; and the number of private education loans made with a cosigner annually.

RESPONSE FROM ADMINISTRATION/AGENCY:

None expressed.

NATURE AND SOURCES OF SUPPORT:

Student Borrower Protection Center (SBPC): SBPC urges the committee to pass this bill. “If passed, HB 5318 would create a registry for student lenders in Connecticut. This would provide the state with much-needed data, with which it can determine whether further regulation is required, without unduly burdening industry”. SBPC also believes that it will promote transparency among private education lenders. There are a couple of amendments that SBPC would like to. SBPC would like to see the definition of “private education loan” to focus on whether “credit” is extended, rather than whether a “loan” is being extended. They state that the bill should include reporting requirement, which would be helpful data points for policymakers when drafting future regulation, that includes dollar amount and spread of interest rates originated during a reporting year, and a count of loans with cosigners. The third amendment that SBPC suggests is that the bill should say that any loans made by a lender who failed to register should be voided and unenforceable.

NATURE AND SOURCES OF OPPOSITION:

Jeanette Weldon, Executive Director, Connecticut Higher Education Supplemental Loan Authority (CHESLA): Ms. Weldon, on behalf of CHESLA, has concerns that this bill does not specify that CHESLA is not a “private education lender”. CHESLA must submit an annual report as well as an audit to both the Office of the Governor as well as the Auditor of Public Accounts. Due to this, the witness states that CHESLA is not a traditional for-profit private education lender. Therefore, CHESLA requests that bill is amended to specify that CHESLA is not included in the definition of a “private education lender”.

Reported by: Jack Weitsen / Dawn Marzik

Date: 3/25/2022