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S.F. No. 1502 – Requiring Licensure of Student Loan Servicers

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Senate File No. 1502 establishes a new regulatory structure in a new chapter of law for student loan servicers. This bill requires student loan servicers to be licensed by the Department of Commerce, imposes duties on the servicers, and prohibits certain conduct. The committee with the primary jurisdiction for this bill is the Commerce and Consumer Protection Finance and Policy Committee, and the bill also amends the Data Practices Act, which is under the jurisdiction of the Civil Law and Data Practices Policy Committee.

Section 1 (13.712, subd. 7) amends the Data Practices Act. Data under this new chapter of law, providing that data under this chapter is governed by section 58B.10.

Section 2 (58B.01) states that the new chapter, Minnesota Statutes, chapter 58B, is the “Student Loan Borrower Bill of Rights.”

Section 3 (58B.02) provides the definitions for the chapter.

Section 4 (58B.03) requires student loan servicers to be licensed by the Commissioner of Commerce. Specifies who is except from licensure, the application procedures, the process for issuing a license, and imposes duties on the servicer.

Section 5 (58B.04) states that a person licensed as a student loan servicer may not do so under any other name or place of business than that named on the license.

Section 6 (58B.05) requires licenses to be renewed on January 1 each year, and specifies the renewal procedures.

Section 7 (58B.06) specifies the duties of the loan servicers when the servicer receives written communication from the borrower. This section is effective July 1, 2021, and applies to student loan contracts executed on or after that date.

Section 8 (58B.07) lists the conduct that is prohibited under this act. The servicer must not attempt to mislead the borrower, engage in unfair or deceptive practices, knowingly or negligently misapply student loan payments or provide inaccurate information to a consumer reporting agency, fail to report payment loan information to consumer reporting agency, refuse to communicate with an authorized representative of the borrower, violate laws, or misrepresent the availability of student loan forgiveness for which the servicer has reason to know the borrower is eligible.

Section 9 (58B.08) states that the commissioner has the power to examine books and affairs of student loan servicers, as vested in Minnesota Statutes, section 46.04.

Section 10 (58B.09) establishes the powers of the commissioner, which include the denial, suspension, or revocation of licenses.

Section 11 (58B.10) classifies data collected under this chapter of law and allows data sharing when necessary to accomplish the purpose of the chapter.

Section 12 is a blank appropriation to the Commissioner of Commerce to administer this chapter.

Makes all sections except section 7 effective July 1, 2021.