

DEPARTMENT OF BUSINESS OVERSIGHT*Ensuring a Fair and Secure Financial Services Marketplace for all Californians*

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DBO Seeks Answers from 12 Student Loan Servicers That Have Not Applied for Licenses

Law Set July 1 Deadline; One Large Servicer Signals Claim of Federal Preemption

SACRAMENTO – The Department of Business Oversight (DBO) today sent [letters](#) to 12 student loan servicers seeking information about why they have not applied for licenses pursuant to the state’s Student Loan Servicing Act (Act) of 2016.

Great Lakes Educational Loan Services, Inc., (Great Lakes), one of the largest federal student loan servicers in the U.S., has signaled to the DBO it will not comply with the Act’s licensure requirements because the firm believes federal law preempts state regulation of federal loan servicers. The DBO on June 22 sent a separate letter to Great Lakes’ parent company, NelNet, Inc.

NelNet, Inc. notified the DBO about Great Lakes’ position on June 15. NelNet, Inc. purchased Great Lakes in a \$150 million deal that closed in February of this year.

NelNet, Inc. also owns NelNet Servicing, LLC, another of the country’s largest student loan servicers. NelNet Servicing, LLC, did apply for a license to operate in California.

The DBO is responsible for licensing and regulation of student loan servicers under the Act. The Act specifies that, effective July 1, no student loan servicer can operate in California without a license.

The DBO developed a list of [36 companies](#) it believes service student loans in the state and require a license. Twelve companies on the DBO’s list, including Great Lakes, have not filed applications.

The DBO has received license applications from 24 servicers on the list and approved 17 of those applications. Decisions are pending on the other seven.

The [June 22 letter](#) to NelNet, Inc. regarding Great Lakes says, “To the extent you believe that a specific licensing requirement under the Act is preempted by federal law, please identify the Act’s provision and the specific federal law you claim preempts it.”

NelNet, Inc. responded in a [June 28 letter](#). The letter said Great Lakes’ position was consistent with a U.S. Department of Education “interpretation,” published March 12 in the Federal Register.

(MORE)

Today's letter to the 12 non-filers asks the firms to inform the DBO if they intend to file or, if they do not, to explain the factual and legal bases for that decision. It may turn out some of the non-filers will not need a license because they are not doing business in the state and have no plans to do so. Others may file their applications at a later date.

Some of the Act's borrower protections require servicers to:

- Provide information on their websites about alternative repayment plans and loan forgiveness options, and provide such information in writing to each borrower at least once annually.
- Notify borrowers 15 days in advance when their loans will be transferred to another servicer, and provide information related to the transfer to help borrowers remain current with their payments.
- Respond within 30 business days (which may be extended for not more than 15 days) to written requests from borrowers for information related to potential account errors.
- For 60 days after receipt of a borrower's written request for information related to possible account errors, refrain from furnishing adverse information to any consumer reporting agency regarding any payment that is the subject of the written request.

As part of its effort to enforce the Act, the DBO now is accepting consumer complaints against student loan servicers. Complaints can be filed online at http://www.dbo.ca.gov/Consumers/consumer_services.asp, or by calling toll free at 866-275-2677.

The DBO licenses and regulates more than 360,000 individuals and entities that provide financial services in California. DBO's regulatory jurisdiction extends over state-chartered banks and credit unions, money transmitters, securities broker-dealers, investment advisers, non-bank installment lenders and payday lenders, mortgage lenders and servicers, escrow companies, franchisors and more.

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