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R SHEET ON

GEORGIA SUSPENSION OF OCCUPATIONAL LICENSES FOR STUDENT LOAN DEFAULT

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BACKGROUND

Georgia is currently one of 15 states that can suspend the professional licenses of individuals who have defaulted on their student loans. Nationally, such licensing suspension laws were largely the result of a crackdown on delinquent borrowers throughout the '80s and '90s. The U.S. Department of Education recommended that states adopt these laws, and many did.

In 1998[1] and 2001,[2] the Georgia General Assembly approved bills to do just this. The measures directed state licensing boards to suspend occupational licenses for certain borrowers in default of state[3] and/or federal student loans, including federally guaranteed student loans.[4] Once delinquent by at least 270 days, a borrower's occupational license can be suspended if either the Georgia Higher Education Loan Program or the federal government requests it.[5]

While these laws were well-intentioned efforts to encourage borrowers to recover their satisfactory repayment status and deter future defaults, the measures have proven counterproductive and are largely unnecessary given the existence of traditional loan recollection tools.

PROBLEM OF STUDENT DEBT

In recent years, student-loan debt in America has ballooned. Estimates peg the total outstanding student-loan debt load at $1.4 trillion, an increase of over $800 billion in the last decade. Despite launching the Hope Scholarship, student debt affects many in the Peach State. In fact, 60 percent of Georgians from the Class of 2016 are burdened by student-loan debt. The average amount owed by each Georgian from that class sits at just over $27,000, which is a sharp increase from the national average of $20,000 a little over a decade ago.

While remaining current on student-loan payments can be stressful on its own, Georgia appears determined to make life more difficult for borrowers by allowing licensing boards to suspend their professional licenses.

SUMMARY

- Thousands of Georgians struggle with student-loan debt.
- Georgia law permits boards to strip individuals of their professional licenses for falling behind on student loans.
- This power creates poverty, harms families, hinders workers' abilities to repay debts and fails to reliably deter defaults.
- Moreover, licensure suspensions are unnecessary because other, less harmful debt-collection tools are available.
- Georgia should repeal this power like other states have already done.

This is no small problem. Recent data suggests that 4.6 million Americans are defaulting on student-loan payments, and Georgians have an 11.3 percent default rate on federal student loans. What's more, the problem has been getting worse, as the number of people behind on student loans has recently increased.

NEED FOR REFORM

It is certainly important to hold borrowers accountable but this must be done responsibly. As it stands, the authority to suspend an occupational license due to student-loan default is misguided. It allows the state to strip someone of their occupational license (and therefore their job) for defaulting on student loans. This merely makes it harder to pay their debts. After all, it is difficult to repay loans when one does not have a job.

This policy essentially pushes workers into poverty and once jobless, borrowers are more likely to apply for taxpayer-funded assistance. Thus, suspending licenses increases the burden on working Georgians, too. Furthermore, professional-license suspensions encourage poor financial decisions. Some individuals repay loans after being threatened with suspensions or after losing their licenses. In order to do this, they often borrow money from elsewhere at high interest rates to repay their debts, which often causes existing debt to spiral out of control.

Such suspensions are unnecessary. Currently, delinquent borrowers' wages can be garnished, tax returns or social-security payments seized or liens assessed against their property. These long-recognized options form a toolkit that has served creditors and governments well in recent history.

Ostensibly justified as a deterrent to defaults, the threat of suspension does not appear to be effective at discouraging them in Georgia. As of 2015, Georgia's federal education student loan default rate was 11.3 percent, but the average default rate in states that cannot suspend occupational licenses for defaulting on student loans was lower, at 10.57 percent.[6]

Licensure suspension may also have unintended consequences. Rural Georgia suffers from a shortage of medical professionals. Having healthcare workers' licenses suspended therefore endangers the well-being of rural Georgians who desperately need healthcare access.

Even though this authority does not appear to have been abused excessively in Georgia, it is bad public policy. As long as it remains on the books, future presidential and gubernatorial administrations could extend its use and exacerbate current problems, which highlights the need for its repeal.

RECOMMENDATIONS

States are increasingly realizing that suspending licenses of those in default is counterproductive and unnecessary. In fact, many states have been working toward repealing this authority. In 2018 alone, the Illinois,[7] Virginia[8] and Washington[9] state legislatures repealed their state's authority to suspend delinquent borrowers' professional licenses.

Rather than maintaining the status quo, Georgia should follow these states' leads by addressing unnecessary license suspensions. Abolishing the power of state boards to suspend professional licenses due to defaults will mitigate negative impacts related to its use, while still holding borrowers accountable and permitting tried and true debt-collection tools.

ENDNOTES

1. H.B. 884, (Ga. 1998). http://www.legis.ga.gov/Legislation/Archives/19971998/leg/fulltext/hb884.htm.

2. H.B. 532, (Ga. 2001). http://www.legis.ga.gov/Legislation/en-US/display/20012002/HB/532.

3 Ibid. § 20-3-295; § 43-1-19(a)(12); §12-6-49.2(b); § 2-7-102(d); § 7-1-1017(a)(3); § 33-23-21(21); § 26-4-60(k); § 43-39A-14; § 7-1-708.1(a); 43-20A-16(a)(13); § 43-40-15(l); § 43-34-8(a)(23).

4. Ga. Code Ann. § 43-1-29; § 43-34-8(b1).

5. Higher Education Act of 1965 § 435(l), 20 U.S.C. § 1085(l).

6. Ibid. (average borrower default rate for AL, AK, AR, CO, CT, DE, ID, IN, KS, ME, MD, MI, MO, MT, NE, NV, NH, NJ, NY, NC, ND, OH, OK, OR, PA, RI, SC, UT, VT, WV, WI, WY).

7. S.B. 2439, 100 Gen. Assembly, 2017-2018 Leg. Sess. (Ill. 2018). http://www.ilga.gov/legislation/publicacts/100/PDF/100-0872.pdf.

8. H. 1114, 2018 Leg. Sess. (Va. 2018). https://lis.virginia.gov/cgi-bin/legp604.exe?181+ful+CHAP0170; S.B. 918, 2018 Leg. Sess. (Va. 2018). https://lis.virginia.gov/cgi-bin/legp604.exe?181+sum+SB918.

9. H.B. 1169, 65 Leg., 2018 Reg. Sess. (Wa. 2018). http://lawfilesext.leg.wa.gov/biennium/2017-18/Pdf/Bills/House%20Passed%20Legislature/1169-S3.PL.pdf#page=1.

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