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R SHEET ON MASSACHUSETTS SUSPENSION OF OCCUPATIONAL LICENSES FOR STUDENT LOAN DEFAULT

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BACKGROUND

In recent years, student loan debt in America has ballooned. Estimates peg the [total outstanding student loan debt](#) at \$1.4 trillion, an increase of over \$800 billion in the last decade. If anything, the situation is even worse in the Bay State, as Massachusetts sits in the [top 10 of states](#) with the highest average debt levels for recent college graduates. At present, 60 percent of Massachusetts graduates from the Class of 2016 are burdened, with the average amount owed being \$31,563.

When it comes to defaults, recent data suggests that 4.6 million Americans are defaulting on student loan payments, and Massachusetts graduates have a [6.1 percent default rate](#) on federal student loans.

Massachusetts is also one of only 14 states that can suspend the professional licenses of individuals who have defaulted. Nationally, such licensing suspension laws were largely the result of a crackdown on delinquent borrowers throughout the 1980s and 1990s. At that time, the U.S. Department of Education [recommended](#) that states adopt these laws, and many did—including Massachusetts.

However, punishing those who fall behind on their loans by stripping them of their livelihood merely compounds an already difficult situation.

Fortunately, a legislative fix is winding its way through the Massachusetts Legislature. H.3620—an Act prohibiting license revocation for student loan default, filed by State Rep. Natalie Higgins (D-Leominster)—would repeal the state’s revocation power and clarify that licenses cannot be suspended or revoked on account of a student loan default.

CURRENT DEBATE

While license suspension laws started as well-intentioned efforts to deter defaults and encourage borrowers to recover their satisfactory repayment status, they

SUMMARY

- Thousands of Massachusetts residents struggle with student loan debt.
- Massachusetts law permits licensing boards to strip individuals of their professional licenses for falling behind on student loan payments.
- This power hinders workers’ abilities to repay debts and fails to reliably deter defaults.
- License revocations are unnecessary because other, less-harmful, debt-collection tools are available.
- Massachusetts should repeal this power, as other states have already done.

have proven counterproductive and, given the existence of traditional loan collection tools, largely unnecessary. While Massachusetts’ license revocation law has not been widely enforced, it continues to raise a host of public policy issues.

It is certainly important to hold borrowers accountable, but it is also important to do so responsibly. As it stands, the authority to suspend an occupational license due to student loan default creates a classic catch-22: It allows the state to strip people of their occupational license (and therefore their job) for defaulting on their student loans which, in turn, makes it harder for borrowers to pay back their debts. After all, it is difficult to repay loans when one does not have a job.

Furthermore, professional-license suspensions encourage poor financial decisions. Some individuals try to repay loans after being threatened with suspensions or losing their licenses by borrowing money from elsewhere at high interest rates—for example, by accumulating credit card debt—which often causes existing debt to spiral out of control.

Ultimately, license revocation is also unnecessary. 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 throughout history.

ACTION ITEMS

Even though license-suspension authority does not appear to have been used excessively in Massachusetts, it is bad public policy. As long as it remains law, future presidential and gubernatorial administrations could extend its use and exacerbate current problems, which highlights the need for repeal.

States are increasingly realizing that suspending licenses of those in default is counterproductive and unnecessary. In fact, in recent years, many states have been working toward repeal. In 2018 alone, Illinois, Virginia and Washington repealed their authority to suspend delinquent borrowers' professional licenses. In 2019, Kentucky followed suit—with more states expected to do the same.

Rather than maintaining the status quo, Massachusetts 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 the negative effects related to its use while still holding borrowers accountable through tried-and-true, debt-collection tools.

CONTACT US

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