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(Original Signature of Member)

116TH CONGRESS
1ST SESSION

H. R. _____

To amend the Truth in Lending Act to require certain creditors to obtain private loan certifications from institutions of higher education, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M____. _____ introduced the following bill; which was referred to the
Committee on _____

A BILL

To amend the Truth in Lending Act to require certain creditors to obtain private loan certifications from institutions of higher education, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Know Before You Owe
5 Private Education Loan Act of 2019”.

6 **SEC. 2. INSTITUTIONAL CERTIFICATION.**

7 (a) IN GENERAL.—Section 128(e) of the Truth in
8 Lending Act (15 U.S.C. 1638(e)) is amended—

1 (1) by striking paragraph (3) and inserting the
2 following:

3 “(3) PRIVATE LOAN CERTIFICATION RE-
4 QUIRED.—

5 “(A) IN GENERAL.—Except as provided in
6 subparagraph (B), a private educational lender
7 shall, before consummating any loan with re-
8 spect to a student attending an institution of
9 higher education, obtain, from the institution of
10 higher education the student intends to attend,
11 a private loan certification as described in sub-
12 paragraph (E).

13 “(B) EXCEPTION.—A private educational
14 lender may consummate a private education
15 loan with respect to a student attending an in-
16 stitution of higher education without obtaining
17 a private loan certification as required in sub-
18 paragraph (A) if, in , before the end of the 15-
19 day period following the date on which the pri-
20 vate educational lender requests a certification
21 from such institution, such institution does
22 not—

23 “(i) notify the private educational
24 lender of the refusal of the institution to
25 provide such certification; or

1 “(ii) notify the private educational
2 lender that more time will be needed to
3 comply with the request for the private
4 loan certification.

5 “(C) PRIVATE LOAN CERTIFICATION CON-
6 TENTS.—Any private loan certification provided
7 by an institution of higher education pursuant
8 to subparagraph (A) shall include—

9 “(i) the enrollment status of the stu-
10 dent;

11 “(ii) the cost of attendance at the in-
12 stitution for the student as determined by
13 the institution under part F of title IV of
14 the Higher Education Act of 1965; and

15 “(iii) the difference between—

16 “(I) such cost of attendance; and

17 “(II) the total estimated amount
18 of financial assistance for such stu-
19 dent, including assistance received
20 under title IV of the Higher Edu-
21 cation Act of 1965.

22 “(D) CONSUMMATION OF LOAN WITHOUT
23 CERTIFICATION.—If a private educational lend-
24 er consummates a loan in violation of this sub-
25 section, such private education lender shall re-

1 port the consummation of such loan in a man-
2 ner determined by the Bureau.

3 “(E) INSTITUTION PROVISION OF CERTIFI-
4 CATION.—If a private educational lender sub-
5 mits a request to an institution of higher edu-
6 cation for a private loan certificate, such insti-
7 tution of higher education shall, not later than
8 the end of the 15 day period beginning on the
9 date such institution receives such request—

10 “(i) provide such certification;

11 “(ii) notify the private educational
12 lender that the institution refuses to pro-
13 vide such certification; or

14 “(iii) notify the private educational
15 lender that more time will be needed to
16 comply with the request for the private
17 loan certification.

18 “(F) INSTITUTION DISCLOSURES TO BOR-
19 ROWER.—Before providing a private loan cer-
20 tification to a private educational lender, an in-
21 stitution of higher education shall provide to
22 the borrower notice of—

23 “(i) the amount of any Federal stu-
24 dent assistance under title IV of the High-

1 er Education Act of 1965 for which the
2 borrower is eligible;

3 “(ii) the advantages of Federal stu-
4 dent assistance under title IV of the High-
5 er Education Act of 1965, including disclo-
6 sure of the fixed interest rates, deferments,
7 flexible repayment options, loan forgiveness
8 programs, and other protections;

9 “(iii) the right of the borrower to
10 choose a private educational lender of their
11 choice;

12 “(iv) the impact the private education
13 loan for which the institution of higher
14 education is submitting a private loan cer-
15 tification would have on the eligibility of
16 the borrower for other financial assistance
17 including Federal assistance under title IV
18 of the Higher Education Act of 1965;

19 “(v) the right of the borrower to ac-
20 cept or reject a private education loan
21 within the 30-day period following a pri-
22 vate educational lender’s approval of the
23 borrower’s application for a private edu-
24 cation loan; and

1 “(vi) the right of the borrower to can-
2 cel any private educational loan within 3
3 days of the consummation of such loan.”;

4 (2) by redesignating paragraphs (9), (10), and
5 (11) as paragraphs (10), (11), and (12), respec-
6 tively; and—

7 (A) by inserting after paragraph (8) the
8 following:

9 “(9) LOAN STATEMENTS FOR BORROWERS.—

10 “(A) IN GENERAL.—A private educational
11 lender that consummates a private education
12 loan with respect to a student attending an in-
13 stitution of higher education shall provide a
14 loan statement to the borrower not less than
15 once every 3 months during the period during
16 which the student attends the institution of
17 higher education.

18 “(B) CONTENTS OF LOAN STATEMENT.—
19 Any loan statement provided to a borrower pur-
20 suant to subparagraph (A) shall—

21 “(i) report the amount of the bor-
22 rower’s total remaining debt with the pri-
23 vate educational lender, including any ac-
24 crued but unpaid interest and capitalized
25 interest; and

1 “(ii) report the amount of any in-
2 crease in the borrower’s total debt with the
3 private educational lender in the period fol-
4 lowing the most recent loan statement was
5 provided to the borrower.

6 “(10) NOTIFICATION OF PRIVATE EDU-
7 CATIONAL LOAN.—Not later than 3 days after a pri-
8 vate educational lender consummates a private edu-
9 cation loan with respect to a student attending an
10 institution of higher education, such private edu-
11 cational lender shall notify the institution of higher
12 education the student is to attend of the amount of
13 the private education loan the private educational
14 lender has extended to such student.

15 “(11) ANNUAL REPORT.—Each private edu-
16 cational lender shall, each year, submit to the Bu-
17 reau information about the private education loans
18 such private educational lender has entered.”.

19 (b) DEFINITION OF PRIVATE EDUCATION LOAN.—
20 Section 140(a)(8)(A) of the Truth in Lending Act (15
21 U.S.C. 1650(a)(8)(A)) is amended—

22 (1) by redesignating clause (ii) as clause (iii);

23 (2) in clause (i), by striking “and” after the
24 semicolon; and

25 (3) by inserting after clause (i) the following:

1 “(ii) is not made, insured, or guaran-
2 teed under title VII or title VIII of the
3 Public Health Service Act (42 U.S.C. 292
4 et seq. and 296 et seq.); and”.

5 (c) REGULATIONS.—Not later than 365 days after
6 the date of enactment of this Act, the Director of the Bu-
7 reau of Consumer Financial Protection shall issue rules
8 in final form to implement paragraphs (3), (9), and (11)
9 of section 128(e) of the Truth in Lending Act, as amended
10 by this section. Such regulations shall become effective not
11 later than 6 months after their date of issuance.

12 (d) EFFECTIVE DATE.—The amendments made by
13 this section shall take effect 1 year after the date of the
14 enactment of this section.

15 **SEC. 3. REPORT.**

16 (a) IN GENERAL.—Not later than 24 months after
17 issuing rules under section 2(e), the Director of the Bu-
18 reau of Consumer Financial Protection shall submit to the
19 Congress a report about the compliance of private edu-
20 cational lenders and institutions of higher education with
21 section 128(e) of the Truth in Lending Act, as amended
22 by section 2.

23 (b) CONTENTS.—Any report submitted to Congress
24 pursuant to subsection (a) shall include information about
25 the degree to which institutions of higher education, in

1 making disclosures to borrowers pursuant to section
2 128(e)(3)(F) of the Truth in Lending Act, effectively en-
3 courage borrowers to exhaust Federal assistance under
4 title IV of the Higher Education Act of 1965 before enter-
5 ing a private educational loan.