[DISCUSSION DRAFT]

H. R. ______

To provide for the discharge of a private education loan in the case of death or total and permanent disability of a student obligor, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Ms. DEAN introduced the following bill; which was referred to the Committee on ______

A BILL

To provide for the discharge of a private education loan in the case of death or total and permanent disability of a student obligor, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Private Loan Disability Discharge Act of 2021”.

SEC. 2. PROTECTIONS FOR OBLIGORS AND COSIGNERS IN CASE OF DEATH OR TOTAL AND PERMANENT DISABILITY.

(a) In General.—Section 140(g) of the Truth in Lending Act (15 U.S.C. 1650(g)) is amended—

(1) in paragraph (2)—

(A) in the heading, by striking “IN CASE OF DEATH OF BORROWER”;

(B) in subparagraph (A), by inserting after “of the death”, the following: “or total and permanent disability”; and

(C) in subparagraph (C), by inserting after “of the death”, the following: “or total and permanent disability”; and

(2) by adding at the end the following:

“(3) DISCHARGE IN CASE OF DEATH OR TOTAL AND PERMANENT DISABILITY OF BORROWER.—The holder of a private education loan shall, when notified of the death or total and permanent disability of a student obligor, discharge the liability of the student obligor on the loan and may not, after such notification—

“(A) attempt to collect on the outstanding liability of the student obligor; and

“(B) in the case of total and permanent disability, monitor the disability status of the
student obligor at any point after the date of discharge.

“(4) TOTAL AND PERMANENT DISABILITY DEFINED.—For the purposes of this subsection and with respect to an individual, the term ‘total and permanent disability’ means the individual is totally and permanently disabled, as such term is defined in section 685.102(b) of title 34 of the Code of Federal Regulations.

“(5) PRIVATE DISCHARGE IN CASES OF CERTAIN DISCHARGE FOR DEATH OR DISABILITY.—The holder of a private education loan shall, when notified of the discharge of liability of a student obligor on a loan described under section 108(f)(5)(A) of the Internal Revenue Code of 1986, discharge any liability of the student obligor (and any cosigner) on any private education loan which the private education loan holder holds and may not, after such notification—

“(A) attempt to collect on the outstanding liability of the student obligor; and

“(B) in the case of total and permanent disability, monitor the disability status of the student obligor at any point after the date of discharge.”.
(b) **TAX LIABILITY.**—Section 108(f)(5)(A) of the Internal Revenue Code of 1986 (26 U.S.C. 108(f)(5)(A)) is amended—

(1) by striking “, and before January 1, 2026”;

(2) in clause (ii), by striking “or”;

(3) by redesignating clause (iii) as clause (iv);

and

(4) by inserting after clause (ii) the following:

“(iii) pursuant to paragraph (3) or (5) of section 140(g) of the Truth in Lending Act, or”.

(c) **RULEMAKING.**—The Director of the Bureau of Consumer Financial Protection may issue rules to implement the amendments made by subsection (a) as the Director determines appropriate.

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