

115TH CONGRESS
2D SESSION

H. R. 6473

To increase transparency with respect to loan repayment options for Federal student loan borrowers.

IN THE HOUSE OF REPRESENTATIVES

JULY 23, 2018

Ms. DELAURO introduced the following bill; which was referred to the Committee on Education and the Workforce

A BILL

To increase transparency with respect to loan repayment options for Federal student loan borrowers.

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 “Transparency in Stu-
5 dent Loan Consultation Act of 2018”.

6 **SEC. 2. FINDINGS.**

7 Congress finds as follows:

8 (1) Loopholes in Federal law allow institutions
9 of higher education and third party consultants that
10 contract with such institutions to provide borrowers

1 with inaccurate or incomplete information, including
2 with respect to borrower repayment options.

3 (2) The Higher Education Act of 1965 (20
4 U.S.C. 1001 et seq.) does not contain borrower-cen-
5 tered provisions that would allow the Secretary of
6 Education to establish minimum standards gov-
7 erning communications that institutions of higher
8 education and third party consultants may have with
9 borrowers who are no longer enrolled at such an in-
10 stitution.

11 (3) The Higher Education Act of 1965 requires
12 that institutions of higher education provide certain
13 information to borrowers about the borrower’s stu-
14 dent loans when the borrower enters and exits the
15 student loan program, but such Act does not require
16 or permit the Department of Education to oversee
17 communications between the institutions or third
18 party consultants and the borrowers after the bor-
19 rowers are no longer enrolled at an institution.

20 (4) In a report released April, 26, 2018, the
21 Government Accountability Office (hereinafter re-
22 ferred to as “GAO”) found that some institutions of
23 higher education hired third party consultants that
24 encouraged student loan borrowers with past-due

1 payments to put loans in forbearance, an option that
2 allows borrowers to temporarily postpone payments.

3 (5) Loan forbearance can help borrowers avoid
4 default in the short-term, but ultimately increases
5 loan costs over time.

6 (6) The GAO found that 5 of the 9 third party
7 consultants hired by institutions of higher education,
8 that served about 800 out of 1,300 institutions, en-
9 couraged forbearance over potentially more beneficial
10 options.

11 (7) The GAO also found that 4 of the 5 third
12 party consultants provided inaccurate or incomplete
13 information to borrowers about their repayment op-
14 tions. Inaccurate information about the con-
15 sequences of default could cause a borrower to feel
16 undue pressure to choose forbearance, even when the
17 borrower is eligible for more favorable repayment
18 and postponement options.

19 (8) Borrowers who only receive a forbearance
20 application may inaccurately assume that forbear-
21 ance is the only or preferred option to avoid default.

22 (9) Moreover, borrowers may miss the oppor-
23 tunity to learn about other, potentially more favor-
24 able repayment and postponement options from the
25 Department of Education's loan servicers, who are

1 responsible for counseling borrowers and approving
2 forbearance requests.

3 (10) Student loan borrowers deserve accurate
4 and complete information about loan repayment op-
5 tions to make informed decisions about loan repay-
6 ment that are in their best interest, not the interest
7 of institutions of higher education or third party
8 consultants.

9 **SEC. 3. LOAN REPAYMENT TRANSPARENCY.**

10 Section 487(a) of the Higher Education Act of 1965
11 (20 U.S.C. 1094) is amended by adding at the end the
12 following:

13 “(30) The institution will ensure that any infor-
14 mation related to student loan repayment that is
15 provided to a borrower who is in repayment status
16 or who will enter repayment status within 6 months,
17 whether provided directly by the institution or by a
18 third party servicer who has a contract with the in-
19 stitution—

20 “(A) is accurate and complete;

21 “(B) if such information is related to the
22 provision, explanation, selection, or revision of
23 any loan repayment or consolidation option, in-
24 cludes a list and explanation of each of the loan
25 repayment options and Federal loan consolida-

1 tion options available to the borrower, including
2 an explanation of any special options that may
3 be available due to the particular circumstances
4 of the borrower; and

5 “(C) with respect to a borrower who has
6 failed to make an installment payment when
7 due, or who is otherwise requesting default pre-
8 vention, aversion, or debt management coun-
9 seling, includes an explanation of the borrower’s
10 repayment status and repayment schedule, and
11 a description of each option for which the bor-
12 rower is eligible to make, schedule, postpone, or
13 reduce loan payments, including loan forgive-
14 ness, cancellation, deferment, and forbearance
15 opportunities.”.

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