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

Mr. ______ 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.

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

SECTION 1. SHORT TITLE.

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

SEC. 2. INSTITUTIONAL CERTIFICATION.

(a) In General.—Section 128(e) of the Truth in Lending Act (15 U.S.C. 1638(e)) is amended—
(1) by striking paragraph (3) and inserting the following:

“(3) PRIVATE LOAN CERTIFICATION REQUIRED.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), a private educational lender shall, before consummating any loan with respect to a student attending an institution of higher education, obtain, from the institution of higher education the student intends to attend, a private loan certification as described in subparagraph (E).

“(B) EXCEPTION.—A private educational lender may consummate a private education loan with respect to a student attending an institution of higher education without obtaining a private loan certification as required in subparagraph (A) if, in , before the end of the 15-day period following the date on which the private educational lender requests a certification from such institution, such institution does not—

“(i) notify the private educational lender of the refusal of the institution to provide such certification; or
“(ii) notify the private educational lender that more time will be needed to comply with the request for the private loan certification.

“(C) Private loan certification contents.—Any private loan certification provided by an institution of higher education pursuant to subparagraph (A) shall include—

“(i) the enrollment status of the student;

“(ii) the cost of attendance at the institution for the student as determined by the institution under part F of title IV of the Higher Education Act of 1965; and

“(iii) the difference between—

“(I) such cost of attendance; and

“(II) the total estimated amount of financial assistance for such student, including assistance received under title IV of the Higher Education Act of 1965.

“(D) consummation of loan without certification.—If a private educational lender consummates a loan in violation of this subsection, such private education lender shall re-
port the consummation of such loan in a manner determined by the Bureau.

“(E) INSTITUTION PROVISION OF CERTIFICATION.—If a private educational lender submits a request to an institution of higher education for a private loan certificate, such institution of higher education shall, not later than the end of the 15 day period beginning on the date such institution receives such request—

“(i) provide such certification;

“(ii) notify the private educational lender that the institution refuses to provide such certification; or

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

“(F) INSTITUTION DISCLOSURES TO BORROWER.—Before providing a private loan certification to a private educational lender, an institution of higher education shall provide to the borrower notice of—

“(i) the amount of any Federal student assistance under title IV of the High-
er Education Act of 1965 for which the borrower is eligible;

“(ii) the advantages of Federal student assistance under title IV of the Higher Education Act of 1965, including disclosure of the fixed interest rates, deferments, flexible repayment options, loan forgiveness programs, and other protections;

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

“(iv) the impact the private education loan for which the institution of higher education is submitting a private loan certification would have on the eligibility of the borrower for other financial assistance including Federal assistance under title IV of the Higher Education Act of 1965;

“(v) the right of the borrower to accept or reject a private education loan within the 30-day period following a private educational lender’s approval of the borrower’s application for a private education loan; and
(vi) the right of the borrower to cancel any private educational loan within 3 days of the consummation of such loan.”

(2) by redesignating paragraphs (9), (10), and (11) as paragraphs (10), (11), and (12), respectively; and—

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

“(9) LOAN STATEMENTS FOR BORROWERS.—

“(A) IN GENERAL.—A private educational lender that consummates a private education loan with respect to a student attending an institution of higher education shall provide a loan statement to the borrower not less than once every 3 months during the period during which the student attends the institution of higher education.

“(B) CONTENTS OF LOAN STATEMENT.—Any loan statement provided to a borrower pursuant to subparagraph (A) shall—

“(i) report the amount of the borrower’s total remaining debt with the private educational lender, including any accrued but unpaid interest and capitalized interest; and
“(ii) report the amount of any increase in the borrower’s total debt with the private educational lender in the period following the most recent loan statement was provided to the borrower.

“(10) Notification of Private Educational Loan.—Not later than 3 days after a private educational lender consummates a private education loan with respect to a student attending an institution of higher education, such private educational lender shall notify the institution of higher education the student is to attend of the amount of the private education loan the private educational lender has extended to such student.

“(11) Annual Report.—Each private educational lender shall, each year, submit to the Bureau information about the private education loans such private educational lender has entered.”.

(b) Definition of Private Education Loan.—Section 140(a)(8)(A) of the Truth in Lending Act (15 U.S.C. 1650(a)(8)(A)) is amended—

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

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

(3) by inserting after clause (i) the following:
“(ii) is not made, insured, or guaranteed under title VII or title VIII of the Public Health Service Act (42 U.S.C. 292 et seq. and 296 et seq.); and”.

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

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

SEC. 3. REPORT.

(a) IN GENERAL.—Not later than 24 months after issuing rules under section 2(c), the Director of the Bureau of Consumer Financial Protection shall submit to the Congress a report about the compliance of private educational lenders and institutions of higher education with section 128(e) of the Truth in Lending Act, as amended by section 2.

(b) CONTENTS.—Any report submitted to Congress pursuant to subsection (a) shall include information about the degree to which institutions of higher education, in
making disclosures to borrowers pursuant to section 128(e)(3)(F) of the Truth in Lending Act, effectively encourage borrowers to exhaust Federal assistance under title IV of the Higher Education Act of 1965 before entering a private educational loan.