

116TH CONGRESS
1ST SESSION

H. R. 3621

To amend the Fair Credit Reporting Act to remove adverse information for certain defaulted or delinquent private education loan borrowers who demonstrate a history of loan repayment, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 5, 2019

Ms. PRESSLEY introduced the following bill; which was referred to the
Committee on Financial Services

A BILL

To amend the Fair Credit Reporting Act to remove adverse information for certain defaulted or delinquent private education loan borrowers who demonstrate a history of loan repayment, 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 “Student Borrower
5 Credit Improvement Act”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

1 (1) The October 2014 report of the Consumer
2 Financial Protection Bureau titled “Annual Report
3 of the CFPB Student Loan Ombudsman” noted
4 many private education loan borrowers, who sought
5 to negotiate a modified repayment plan when they
6 were experiencing a period of financial distress, were
7 unable to get assistance from their loan holders,
8 which often resulting in them defaulting on their
9 loans. This pattern resembles the difficulty that a
10 significant number of mortgage loan borrowers expe-
11 rienced when they sought to take responsible steps
12 to work with their mortgage loan servicer to avoid
13 foreclosure during the Great Recession.

14 (2) Although private student loan holders may
15 allow a borrower to postpone payments while en-
16 rolled in school full-time, many limit this option to
17 a certain time period, usually 48 to 66 months. This
18 limited time period may not be sufficient for those
19 who need additional time to obtain their degree or
20 who want to continue their education by pursuing a
21 graduate or professional degree. The Consumer Bu-
22 reau found that borrowers who were unable to make
23 payments often defaulted or had their accounts sent
24 to collections before they were even able to graduate.

1 **SEC. 3. REMOVES ADVERSE INFORMATION FOR CERTAIN**
 2 **DEFAULTED OR DELINQUENT PRIVATE EDU-**
 3 **CATION LOAN BORROWERS WHO DEM-**
 4 **ONSTRATE A HISTORY OF LOAN REPAYMENT.**

5 (a) IN GENERAL.—The Fair Credit Reporting Act
 6 (15 U.S.C. 1681 et seq.) is amended by inserting after
 7 section 605B the following new section:

8 **“§ 605C. Credit rehabilitation for distressed private**
 9 **education loan borrowers who dem-**
 10 **onstrate a history of loan repayment**

11 “(a) IN GENERAL.—A consumer reporting agency
 12 may not furnish any consumer report containing any ad-
 13 verse item of information relating to a delinquent or de-
 14 faulted private education loan of a borrower if the bor-
 15 rower has rehabilitated the borrower’s credit with respect
 16 to such loan by making 9 on-time monthly payments (in
 17 accordance with the terms and conditions of the bor-
 18 rower’s original loan agreement or any other repayment
 19 agreement that antedates the original agreement) during
 20 a period of 10 consecutive months on such loan after the
 21 date on which the delinquency or default occurred.

22 “(b) INTERRUPTION OF 10-MONTH PERIOD FOR
 23 CERTAIN CONSUMERS FACING UNUSUAL EXTENUATING
 24 LIFE EVENTS.—

25 “(1) PERMISSIBLE INTERRUPTION OF THE 10-
 26 MONTH PERIOD.—A borrower may stop making con-

1 secutive monthly payments and be granted a grace
2 period after which the 10-month period described in
3 subsection (a) shall resume. Such grace period shall
4 be provided under the following circumstances:

5 “(A) With respect to a borrower who is a
6 member of the Armed Forces entitled to incen-
7 tive pay for the performance of hazardous duty
8 under section 301 of title 37, United States
9 Code, hazardous duty pay under section 351 of
10 such title, or other assignment or special duty
11 pay under section 352 of such title, the grace
12 period shall begin on the date on which the bor-
13 rower begins such assignment or duty and end
14 on the date that is 6 months after the comple-
15 tion of such assignment or duty.

16 “(B) With respect to a borrower who re-
17 sides in an area affected by a major disaster or
18 emergency declared under the Robert T. Staf-
19 ford Disaster Relief and Emergency Assistance
20 Act (42 U.S.C. 5121 et seq.), the grace period
21 shall begin on the date on which the major dis-
22 aster or emergency was declared and end on the
23 date that is 3 months after such date.

24 “(2) OTHER CIRCUMSTANCES.—

1 “(A) IN GENERAL.—The Bureau may
2 allow a borrower demonstrating hardship to
3 stop making consecutive monthly payments and
4 be granted a grace period after which the 10-
5 month period described in subsection (a) shall
6 resume.

7 “(B) BORROWER DEMONSTRATING HARD-
8 SHIP DEFINED.—In this paragraph, the term
9 ‘borrower demonstrating hardship’ means a
10 borrower or a class of borrowers who, as deter-
11 mined by the Bureau, is facing or has experi-
12 enced unusual extenuating life circumstances or
13 events that result in severe financial or personal
14 barriers such that the borrower or class or bor-
15 rowers does not have the capacity to comply
16 with the requirements of subsection (a).

17 “(c) PROCEDURES.—The Bureau shall establish pro-
18 cedures to implement the credit rehabilitation described
19 in this section, including—

20 “(1) the manner, content, and form for request-
21 ing credit rehabilitation;

22 “(2) the method for validating that the bor-
23 rower is satisfying the requirements of subsection
24 (a);

1 “(3) the manner, content, and form for noti-
2 fying the private educational loan holder of—

3 “(A) the borrower’s participation in credit
4 rehabilitation under subsection (a);

5 “(B) the requirements of subsection (d);
6 and

7 “(C) the restrictions of subsection (f);

8 “(4) the manner, content, and form for noti-
9 fying a consumer reporting agency of—

10 “(A) the borrower’s participation in credit
11 rehabilitation under subsection (a); and

12 “(B) the requirements of subsection (d);

13 “(5) the method for verifying whether a bor-
14 rower qualifies for the grace period described in sub-
15 section (b);

16 “(6) the manner, content, and form of notifying
17 a consumer reporting agency and private educational
18 loan holder that a borrower was granted a grace pe-
19 riod; and

20 “(7) the method for a borrower to demonstrate
21 that the borrower has successfully satisfied the re-
22 quirements under subsection (a) and for notifying a
23 consumer reporting agency and private educational
24 loan holder.

1 “(d) STANDARDIZED REPORTING CODES.—A con-
2 sumer reporting agency shall develop standardized report-
3 ing codes for use by any private educational loan holder
4 to identify and report a borrower’s status of making and
5 completing 9 on-time monthly payments during a period
6 of 10 consecutive months on a delinquent or defaulted pri-
7 vate education loan, including codes specifying the grace
8 period described in subsection (b) and any agreement to
9 modify monthly payments. Such codes shall not appear on
10 any report provided to a third party, and shall be removed
11 from the consumer’s credit report upon the consumer’s
12 completion of the rehabilitation period under this section.

13 “(e) ELIMINATING BARRIERS TO CREDIT REHABILI-
14 TATION.—A consumer report in which a private edu-
15 cational loan holder furnishes the standardized reporting
16 codes described in subsection (d) to a consumer reporting
17 agency, or in which a consumer reporting agency includes
18 such codes, shall be deemed to comply with the require-
19 ments for accuracy and completeness required under sec-
20 tions 623(a)(1) and 630.

21 “(f) PROHIBITION ON CIVIL ACTIONS FOR CON-
22 SUMERS PURSUING REHABILITATION.—A private edu-
23 cational loan holder may not commence or proceed with
24 any civil action against a borrower with respect to a delin-

1 quent or defaulted loan during the period of rehabilitation
2 if the loan holder has been notified—

3 “(1) under subsection (c)(3) of a borrower’s in-
4 tent to participate in rehabilitation;

5 “(2) under subsection (c)(6) that a borrower
6 was granted the grace period; or

7 “(3) under subsection (c)(7) that the borrower
8 has successfully satisfied the requirements under
9 subsection (a).

10 “(g) REHABILITATION DOES NOT AFFECT STATUTE
11 OF LIMITATIONS FOR PRIOR DEBT.—Payments by a bor-
12 rower on a private education loan that are made during
13 and after a period of rehabilitation under this section shall
14 have no effect on the statute of limitations with respect
15 to payments that were due on such private education loan
16 before the beginning of the period of rehabilitation.

17 “(h) REQUIREMENT FOR PAYMENT PLANS.—If a pri-
18 vate educational loan holder enters into a payment plan
19 with a borrower on a private education loan during a pe-
20 riod of rehabilitation, such payment plan shall be reason-
21 able and affordable, as determined by the Bureau.

22 “(i) RULES OF CONSTRUCTION.—

23 “(1) APPLICATION TO SUBSEQUENT DEFAULT
24 OR DELINQUENCY.—A borrower who satisfies the re-
25 quirements under subsection (a) shall be eligible for

1 additional credit rehabilitation described in sub-
 2 section (a) with respect to any subsequent default or
 3 delinquency of the borrower on the rehabilitated pri-
 4 vate education loan.

5 “(2) INTERRUPTION OF THE CONSECUTIVE
 6 PAYMENT PERIOD REQUIREMENT.—The grace period
 7 described in subsection (b)(1)(A) shall not apply if
 8 any regulation promulgated under section 987 of
 9 title 10, United States Code (commonly known as
 10 the Military Lending Act), or the Servicemembers
 11 Civil Relief Act (50 U.S.C. App. 501 et seq.) allows
 12 for a grace period or other interruption of the 10-
 13 month period described in subsection (a) and such
 14 grace period or other interruption is longer than the
 15 period described in subsection (b)(1)(A) or otherwise
 16 provides greater protection or benefit to the bor-
 17 rower who is a member of the Armed Forces.”.

18 (b) CONFORMING AMENDMENT.—Section 623(a)(1)
 19 of the Fair Credit Reporting Act (15 U.S.C. 1681s–
 20 2(a)(1)) is amended by striking subparagraph (E).

21 (c) TABLE OF CONTENTS AMENDMENT.—The table
 22 of contents of the Fair Credit Reporting Act is amended
 23 by inserting after the item relating to section 605B the
 24 following new item:

“605C. Credit rehabilitation for distressed private education loan borrowers who
 demonstrate a history of loan repayment.”.

1 **SEC. 4. PRIVATE EDUCATION LOAN DEFINITIONS.**

2 Section 603 of the Fair Credit Reporting Act (15
3 U.S.C. 1681a) is amended by adding at the end the fol-
4 lowing new subsection:

5 “(bb) PRIVATE EDUCATION LOAN DEFINITIONS.—
6 The terms ‘private education loan’ and ‘private edu-
7 cational lender’ have the meanings given such terms, re-
8 spectively, in section 140(a) of the Truth in Lending
9 Act.”.

10 **SEC. 5. GENERAL BUREAU RULEMAKING.**

11 Except as otherwise provided, not later than the end
12 of the 2-year period beginning on the date of the enact-
13 ment of this Act, the Bureau of Consumer Financial Pro-
14 tection shall issue final rules to implement the amend-
15 ments made by this Act.

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