To improve Federal student loan disclosures, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Ms. Shalala introduced the following bill; which was referred to the Committee on ____________________________

A BILL

To improve Federal student loan disclosures, 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 “Student Loan Disclo-
sure Transparency Act of 2019”.

SEC. 2. REQUIRED DISCLOSURES BEFORE DISBURSEMENT.

Section 433(a) of the Higher Education Act of 1965 (20 U.S.C. 1083(a)) is amended—
(1) by striking “and” at the end of paragraph (18);

(2) by striking the period and inserting “; and” at the end of paragraph (19); and

(3) by adding at the end the following new paragraph:

“(20) a separate written or electronic statement, in simple and understandable terms, showing—

“(A) for the loan or loans being disbursed—

“(i) the principal amount of the loan, the stated interest rate on the loan, the number of required monthly payments to be made on the loan (which shall be based on a standard repayment plan or, in the case of a borrower who has selected another repayment plan, on the repayment plan selected by the borrower), and the estimated number of months before the start of the repayment period for the loan (based on the expected date on which the repayment period is to begin or the deferment period under 428B(d)(1) is to end, as applicable);
“(ii) the estimated balance to be owed by the borrower on such loan (including, if applicable, the estimated amount of interest to be capitalized) as of the scheduled date on which the repayment period is to begin or the deferment period under 428B(d)(1) is to end, as applicable, and an estimate of the projected monthly payment; and

“(iii) an estimate of the aggregate amount the borrower will pay for the loan or loans, including the total amount of monthly payments made over the life of the loan plus the amount of any charges for the loan, such as an origination fee;

“(B) for each other loan owed by the borrower to the lender, the information described in clauses (i) through (iii) of subparagraph (A); and

“(C) an estimate of the total cumulative amount the borrower will pay for all loans owed by the borrower to that lender, including the loan being disbursed, as determined by calculating the sum of the estimated aggregate
amounts the borrower will pay for each loan in accordance with subparagraphs (A) and (B).”.

SEC. 3. DISCLOSURE OF PROJECTED MONTHLY PAYMENT AMOUNTS.

Section 433 of the Higher Education Act of 1965 (20 U.S.C. 1083) is further amended—

(1) in subsection (b), by amending paragraph (9) to read as follows:

“(9) information of interest charges, accrual, and payments, including—

“(A) the projected total of interest charges which the borrower will pay on the loan or loans, assuming that the borrower makes payments exactly in accordance with the repayment schedule;

“(B) projections of the borrower’s monthly repayment amount, assuming interest accrual resulting from capitalization of interest while the borrower, or the student on whose behalf the loan is made, is in school (as applicable), which shall disclose the cost to the borrower of—

“(i) capitalizing the interest; and

“(ii) paying the interest as the interest accrues; and
“(C) if the borrower has already paid inter-

est on the loan or loans, the amount of inter-
est paid;’’; and

(2) by striking subsection (d), and redesig-
nating subsections (e) and (f) as subsections (d) and
(e), respectively.

SEC. 4. REQUIRED MONTHLY DISCLOSURES.

Section 433(d) of the Higher Education Act of 1965,
as so redesignated by section 3 of this Act, is amended—

(1) in the subsection header, by striking “DUR-
ing Repayment” and inserting “FOR THE LIFE OF
the Loan”; and

(2) by amending paragraph (1) to read as fol-

ows:

“(1) Pertinent Information about Loans
provided on a Monthly Basis.—Each eligible
lender shall provide the borrower of one or more
loans made, insured, or guaranteed under this part
or part D with a written monthly bill or statement
(including through electronic means), in simple and
understandable terms, of pertinent loan information
described in this paragraph that—

“(A) with respect to a borrower who is in
repayment status, shall include a bill that cor-
responds to each payment installment time pe-
period in which a payment is due;

“(B) with respect to a borrower who is not
in repayment status, shall be a statement for
each month of the period during which the bor-
rower is not required to make a payment to the
eligible lender, including while the borrower is
in school and during periods of deferment or
forbearance;

“(C) shall be provided to the borrower of
a loan not more than 30 days after the first
disbursement of the loan, and monthly there-
after for the life of the loan; and

“(D) shall include, for all outstanding
loans made, insured, or guaranteed under this
part or part D by the eligible lender to the bor-
rower—

“(i) the original principal amount of
each of the borrower’s loans owed to that
lender, and the original principal amount
of those loans in the aggregate;

“(ii) the borrower’s current balance
on each loan and on all loans in the aggre-
gate, as of the time of the bill or state-
ment, as applicable;
“(iii) the interest rate on each loan;

“(iv) the total amount the borrower has paid in interest on each loan and on all loans in the aggregate;

“(v) the amount of interest that has accumulated on each loan and on all loans in the aggregate since the last statement, and the total interest accrued to date on each loan and on all loans in the aggregate during the life of the loans;

“(vi) the aggregate amount the borrower has paid for each loan and all loans in the aggregate, including the amount the borrower has paid in interest, the amount the borrower has paid in fees, and the amount the borrower has paid against the principal;

“(vii) an estimate of the aggregate amount the borrower will pay during the life of the loan for each loan and on all loans in the aggregate, including the total amount of monthly payments made over the life of the loans plus the amount of any charges for the loans, such as origination fees;
“(viii) a description of each fee the borrower has been charged for the most recently preceding installment time period;

“(ix) the date by which the borrower needs to make a payment in order to avoid additional fees and the amount of such payment and the amount of such fees;

“(x) with respect to a borrower who is not in repayment, the estimated balance to be owed by the borrower on each loan and on all loans in the aggregate, and an estimate of the projected monthly payment on each loan and on all loans in the aggregate, on the estimated date the borrower will enter (or re-enter) repayment status;

“(xi) a reminder that the borrower has the option to change repayment plans, a list of the names of the repayment plans available to the borrower, a link to the appropriate page of the Department’s website to obtain a more detailed description of the repayment plans, and directions for the borrower to request a change in repayment plan;

“(xii) an explanation—
“(I) that the borrower has the option to pay the interest that accrues on each loan while the borrower is a student at an institution of higher education or during a period of deferment or forbearance, if applicable; and

“(II) if the borrower does not pay such interest while attending an institution or during a period of deferment or forbearance, any accumulated interest on the loan will be capitalized when the loan goes into repayment, resulting in more interest being paid over the life of the loan;

“(xiii) an explanation that making even small payments of any amount while the borrower is a student at an institution of higher education, or during a period of deferment or forbearance, if applicable, can help to offset interest accrual over the life of the loan;

“(xiv) the lender’s or loan servicer’s address, toll-free phone number, and website for payment and billing error pur-
poses, including information about how a borrower can make voluntary payments when a loan is not in repayment status; and

“(xv) an explanation to borrowers that made under this part of part D have significant protections for borrowers that aren’t offered by the private market, including a number of income-driven repayment options, which offer flexible repayment terms and loan forgiveness for struggling borrowers.”.

SEC. 5. REPORT TO CONGRESS ON CONSUMER TESTING.

Not later than 24 months after the date of enactment of this Act, the Secretary shall—

(1) conduct consumer testing by obtaining feedback from individuals, including borrowers and prospective borrowers of loans under the Higher Education Act of 1965, on the usefulness and effectiveness of disclosing monthly terms of loans under section 433 of the Higher Education Act of 1965, as amended by this Act, to maximize borrowers’ understanding of the terms and conditions of such loans; and
(2) submit to Congress a report on the results of such consumer testing.

SEC. 6. EFFECTIVE DATE.

The amendments made by this Act to the Higher Education Act of 1965 shall take effect 180 days after the date of enactment of this Act.