

116TH CONGRESS
1ST SESSION

S. _____

To amend the Higher Education Act of 1965 to direct the Secretary of Education to develop a plain language disclosure form for borrowers of Federal student loans, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. SCOTT of South Carolina (for himself and Mr. MANCHIN) introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To amend the Higher Education Act of 1965 to direct the Secretary of Education to develop a plain language disclosure form for borrowers of Federal student loans, 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 Loan Dislo-
5 sure Modernization Act”.

6 **SEC. 2. ADDITIONAL DISCLOSURES.**

7 Section 433(a) of the Higher Education Act of 1965
8 (20 U.S.C. 1083(a)) is amended—

1 (1) in paragraph (4), by striking “the origina-
2 tion fee and” and inserting “finance charges, the
3 origination fee, and”;

4 (2) by redesignating paragraphs (6) through
5 (19) as paragraphs (7) through (20), respectively;
6 and

7 (3) by inserting after paragraph (5), the fol-
8 lowing:

9 “(6) the annual percentage rate applicable to
10 the loan, taking into account—

11 “(A) the amount of the loan;

12 “(B) the stated interest rate of the loan;

13 “(C) the standard term for a loan of the
14 same type;

15 “(D) any fees or additional costs associ-
16 ated with the loan; and

17 “(E) any capitalization of interest on the
18 loan;”.

19 **SEC. 3. PLAIN LANGUAGE DISCLOSURE FORM.**

20 Section 455(p) of the Higher Education Act of 1965
21 (20 U.S.C. 1087e(p)) is amended—

22 (1) by striking “Each institution” and inserting
23 the following:

24 “(1) IN GENERAL.—Each institution”; and

25 (2) by adding at the end the following:

1 “(2) PLAIN LANGUAGE DISCLOSURE FORM.—

2 “(A) DEVELOPMENT AND ISSUANCE OF
3 FORM.—Not later than 18 months after the
4 date of the enactment of this paragraph, the
5 Secretary shall, based on consumer testing, de-
6 velop and issue a model form to be known as
7 the ‘Plain Language Disclosure Form’ that
8 shall be used by institutions and contractors de-
9 scribed in paragraph (1) to comply with the dis-
10 closure requirements of such paragraph.

11 “(B) FORMAT.—The Secretary shall en-
12 sure that the Plain Language Disclosure
13 Form—

14 “(i) enables borrowers to easily iden-
15 tify the information required to be dis-
16 closed under section 433(a) with respect to
17 a loan and loan repayment options (includ-
18 ing income-based and income contingent
19 repayment), with emphasis on the loan
20 terms determined by the Secretary to be
21 critical to understanding the total costs of
22 the loan and the estimated monthly repay-
23 ment;

24 “(ii) has a clear format and design,
25 including easily readable font; and

1 “(iii) is as succinct as practicable.

2 “(C) CONSULTATION.—In developing the
3 Plain Language Disclosure Form, the Secretary
4 shall, as appropriate, consult with—

5 “(i) the Federal Reserve Board;

6 “(ii) institutions and contractors de-
7 scribed in paragraph (1);

8 “(iii) borrowers of loans under this
9 part; and

10 “(iv) other organizations involved in
11 the provision of financial assistance to stu-
12 dents, as identified by the Secretary.

13 “(3) ELECTRONIC SYSTEM FOR COMPLIANCE.—
14 In carrying out paragraph (2), Secretary shall de-
15 velop and implement an electronic system that may
16 be used by institutions and contractors described in
17 paragraph (1) to generate a Plain Language Disclo-
18 sure Form for each borrower by—

19 “(A) enabling institutions and contractors
20 to enter personalized loan request information
21 electronically;

22 “(B) integrating appropriate data found in
23 the National Student Loan Data System; and

24 “(C) generating and integrating personal-
25 ized borrower information.

1 “(4) LIMIT ON LIABILITY.—Nothing in this
2 subsection shall be construed to create a private
3 right of action against an institution or contractor
4 described in paragraph (1) with respect to the form
5 or electronic system developed under this paragraph.

6 “(5) BORROWER SIGNATURE REQUIRED.—Be-
7 ginning after the issuance of the Plain Language
8 Disclosure Form by the Secretary under paragraph
9 (2), a loan may not be issued to a borrower under
10 this part unless the borrower acknowledges, in writ-
11 ing (which may include an electronic signature), that
12 the borrower has read the Plain Language Disclo-
13 sure Form for the loan concerned.

14 “(6) CONSUMER TESTING DEFINED.—In this
15 subsection, the term ‘consumer testing’ means the
16 solicitation of feedback from individuals, including
17 borrowers and prospective borrowers of loans under
18 this part (as determined by the Secretary), about
19 the usefulness of different methods of disclosing ma-
20 terial terms of loans on the Plain Language Disclo-
21 sure Form to maximize borrowers’ understanding of
22 the terms and conditions of such loans.”.

23 **SEC. 4. REPORT TO CONGRESS.**

24 Not later than 2 years after the date of the enact-
25 ment of this Act, the Secretary of Education shall submit

1 to Congress a report that includes a description of the
2 methods and procedures used to develop the Plain Lan-
3 guage Disclosure Form required under section 455(p)(2)
4 of the Higher Education Act of 1965 (as added by section
5 3 of this Act).