



General Assembly

Substitute Bill No. 6690

January Session, 2023



AN ACT CONCERNING A STUDENT LOAN REGISTRY, AN OFFICE OF THE STUDENT LOAN OMBUDSMAN AND STUDENT LOAN SERVICERS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2023*) (a) For purposes of this
2 section:

3 (1) "Commissioner" means the Banking Commissioner;

4 (2) "Consumer collection agency" has the same meaning as provided
5 in section 36a-800 of the general statutes;

6 (3) "Postsecondary education expense" means any expense
7 associated with a student's enrollment in, or attendance at, a
8 postsecondary educational institution;

9 (4) "Private education lender" means any person engaged in the
10 business of making or extending private education loans. "Private
11 education lender" does not include: (A) A bank, as defined in 12 USC
12 1841(c), as amended from time to time; (B) a Connecticut credit union,
13 a federal credit union or an out-of-state credit union, as those terms are
14 defined in section 36a-2 of the general statutes; or (C) the Connecticut
15 Higher Education Supplemental Loan Authority, as described in
16 section 10a-179a of the general statutes;

17 (5) "Private education loan" means credit that: (A) Is extended to a
18 consumer expressly, in whole or in part, for postsecondary educational
19 expenses, regardless of whether the credit is provided by the
20 postsecondary educational institution that the student attends; and (B)
21 is not made, insured or guaranteed under Title IV of the Higher
22 Education Act of 1965, as amended from time to time. "Private
23 education loan" does not include a loan that is secured by real
24 property, regardless of the purpose of the loan;

25 (6) "Private education loan borrower" means any resident of the
26 state, including a student loan borrower, who has received or agreed
27 to pay a private education loan for the resident's own postsecondary
28 education expenses;

29 (7) "Private education loan creditor" means any person to whom a
30 private education loan is sold or assigned, or any person who
31 otherwise acquires a private education loan. "Private education loan
32 creditor" does not include: (A) A bank, as defined in 12 USC 1841(c), as
33 amended from time to time; (B) a Connecticut credit union, a federal
34 credit union or an out-of-state credit union, as those terms are defined
35 in section 36a-2 of the general statutes; (C) a consumer collection
36 agency licensed pursuant to section 36a-801 of the general statutes; (D)
37 a private student loan servicer licensed pursuant to section 36a-847 of
38 the general statutes; or (E) any department or agency of the United
39 States, this state, any other state or any political subdivision thereof;
40 and

41 (8) "Student loan servicer" has the same meaning as provided in
42 section 36a-846 of the general statutes, as amended by this act.

43 (b) Except for a public or private nonprofit postsecondary
44 educational institution, for which the commissioner may prescribe an
45 alternative registration process and fee structure, a private education
46 lender or a private education loan creditor shall, prior to making a
47 private education loan to, or purchasing or assuming a private
48 education loan owed by, a resident of the state:

49 (1) Register with the commissioner and pay a fee in the form and
50 manner prescribed by the commissioner, which may include
51 registration using the National Multistate Licensing System and
52 Registry and the payment of any fees thereto; and

53 (2) Renew such registration for each year that such private
54 education lender or private education loan creditor continues to act as
55 a private education lender or private education loan creditor.

56 (c) For each year in which a private education lender registers with,
57 or renews such registration with, the commissioner pursuant to
58 subsection (b) of this section, such private education lender shall, at the
59 time of such registration or renewal, and at other times upon the
60 commissioner's request, provide to the commissioner, in the form and
61 manner prescribed by the commissioner, the following documents and
62 information:

63 (1) A list of all schools attended by the private education loan
64 borrowers with outstanding private education loans made by such
65 private education lender;

66 (2) The number and dollar amount of all outstanding private
67 education loans such private education lender made to private
68 education loan borrowers;

69 (3) For each school listed pursuant to subdivision (1) of this
70 subsection, the number and dollar amount of all outstanding private
71 education loans such private education lender made to private
72 education loan borrowers who attended such school;

73 (4) The number and dollar amount of all private education loans
74 such private education lender made during the prior year to private
75 education loan borrowers;

76 (5) For each school listed pursuant to subdivision (1) of this
77 subsection, the number and dollar amount of all private education
78 loans such private education lender made during the prior year to

79 private education loan borrowers who attended such school;

80 (6) The spread of interest rates for the private education loans such
81 private education lender made during the prior year;

82 (7) The percentage of private education loan borrowers who
83 received each rate within the spread of interest rates provided
84 pursuant to subdivision (6) of this subsection;

85 (8) The number of private education loans with a cosigner that such
86 private education lender made during the prior year;

87 (9) The default rate for private education loan borrowers obtaining
88 private education loans from the private education lender, and, for
89 each school listed pursuant to subdivision (1) of this subsection, the
90 default rate for private education loans made to private education loan
91 borrowers who attended such school;

92 (10) The number of private education loan borrowers against whom
93 such private education lender brought legal action in the prior year to
94 collect a debt owed pursuant to a private education loan, and the
95 amount sought in each such action;

96 (11) A copy of each model promissory note, agreement, contract or
97 other instrument used by the private education lender during the prior
98 year to substantiate that a new private education loan has been
99 extended to a private education loan borrower or that a private
100 education loan borrower owes a debt to such lender; and

101 (12) The name and address of: (A) Such private education lender; (B)
102 each officer, director or partner of such private education lender; and
103 (C) each owner of a controlling interest in such private education
104 lender.

105 (d) For each year in which a private education loan creditor registers
106 with, or renews such registration with, the commissioner pursuant to
107 subsection (b) of this section, such private education loan creditor

108 shall, at the time of such registration or renewal, and at other times
109 upon the commissioner's request, provide to the commissioner, in the
110 form and manner prescribed by the commissioner, the following
111 documents and information:

112 (1) A list of all schools attended by the private education loan
113 borrowers with outstanding private education loans assumed or
114 acquired by such private education loan creditor;

115 (2) The number and dollar amount of all outstanding private
116 education loans owed by private education loan borrowers to such
117 private education loan creditor;

118 (3) For each school listed pursuant to subdivision (1) of this
119 subsection, the number and dollar amount of all outstanding private
120 education loans owed to such private education loan creditor by
121 private education loan borrowers who attended such school;

122 (4) The number and dollar amount of all private education loans:
123 (A) Such private education loan creditor assumed or acquired during
124 the prior year; and (B) owed to such private education loan creditor by
125 private education loan borrowers;

126 (5) For each school listed pursuant to subdivision (1) of this
127 subsection, the number and dollar amount of all private education
128 loans: (A) Such private education loan creditor assumed or acquired
129 during the prior year; and (B) owed to such private education loan
130 creditor by private education loan borrowers who attended such
131 school;

132 (6) The number of private education loans with a cosigner that such
133 private education loan creditor assumed or acquired during the prior
134 year;

135 (7) The default rate for private education loan borrowers whose
136 private education loans were assumed or acquired by such private
137 education loan creditor, and, for each school listed pursuant to

138 subdivision (1) of this subsection, the default rate for private education
139 loans owed by private education loan borrowers who attended such
140 school;

141 (8) The number of private education loan borrowers against whom
142 such private education loan creditor brought legal action in the prior
143 year to collect a debt owed pursuant to a private education loan, and
144 the amount sought in each such action; and

145 (9) The name and address of: (A) Such private education loan
146 creditor; (B) each officer, director or partner of such private education
147 loan creditor; and (C) each owner of a controlling interest in such
148 private education loan creditor.

149 (e) The commissioner shall create, and periodically update, a
150 publicly accessible Internet web site that includes the following
151 information about private education lenders and private education
152 loan creditors registered in the state:

153 (1) The name, address, telephone number and Internet web site
154 address for all registered private education lenders and private
155 education loan creditors;

156 (2) A summary of the information and documents provided
157 pursuant to subsections (c) and (d) of this section; and

158 (3) Copies of all model promissory notes, agreements, contracts and
159 other instruments provided to the commissioner in accordance with
160 subdivision (11) of subsection (c) of this section.

161 (f) The commissioner may take action pursuant to section 36a-50 of
162 the general statutes to enforce the provisions of this section.

163 (g) The commissioner may order that any person who has been
164 found to have violated any provision of this section and has thereby
165 caused financial harm to a consumer be barred for a term not
166 exceeding ten years from acting as a private education lender or a

167 stockholder, officer, director, partner or other owner or employee of a
168 private education lender.

169 Sec. 2. Section 36a-25 of the general statutes is repealed and the
170 following is substituted in lieu thereof (*Effective October 1, 2023*):

171 (a) [The Banking Commissioner shall, within available
172 appropriations, designate a] There is established an Office of the
173 Student Loan Ombudsman, which shall be within the Department of
174 Banking for administrative purposes only, to provide timely assistance
175 to any student loan borrower, as defined in section 36a-846, as
176 amended by this act, of any student education loan, as defined in
177 section 36a-846, as amended by this act. The Banking Commissioner
178 shall appoint a Student Loan Ombudsman who shall be selected from
179 among individuals with expertise and experience in a field concerning
180 student loans to head the office.

181 (b) The Office of the Student Loan Ombudsman [, in consultation
182 with the commissioner,] shall:

183 (1) Receive, review and attempt to resolve any complaints from
184 student loan borrowers, including, but not limited to, attempts to
185 resolve such complaints in collaboration with institutions of higher
186 education, student loan servicers, as defined in section 36a-846, as
187 amended by this act, and any other participants in student loan
188 lending, including, but not limited to, The University of Connecticut,
189 the Board of Regents for Higher Education, the Office of Higher
190 Education or the Connecticut Higher Education Supplemental Loan
191 Authority;

192 (2) Compile and analyze data on student loan borrower complaints
193 as described in subdivision (1) of this subsection;

194 (3) Assist student loan borrowers to understand their rights and
195 responsibilities under the terms of student education loans;

196 (4) Provide information to the public, agencies, legislators and

197 others regarding the problems and concerns of student loan borrowers
198 and make recommendations for resolving those problems and
199 concerns;

200 (5) Analyze and monitor the development and implementation of
201 federal, state and local laws, regulations and policies relating to
202 student loan borrowers and recommend any changes the Student Loan
203 Ombudsman deems necessary;

204 (6) Review the complete student education loan history for any
205 student loan borrower who has provided written consent for such
206 review;

207 (7) Disseminate information concerning the availability of the Office
208 of the Student Loan Ombudsman to assist student loan borrowers and
209 potential student loan borrowers, as well as public institutions of
210 higher education, student loan servicers and any other participant in
211 student education loan lending, with any student loan servicing
212 concerns; and

213 (8) Take any other actions necessary to fulfill the duties of the Office
214 of the Student Loan Ombudsman and the Student Loan Ombudsman
215 as set forth in this subsection.

216 (c) (1) On or before October 1, 2016, the Student Loan Ombudsman,
217 in consultation with the commissioner, shall, within available
218 appropriations, establish and maintain a student loan borrower
219 education course that shall include educational presentations and
220 materials regarding student education loans. Such program shall
221 include, but not be limited to, key loan terms, documentation
222 requirements, monthly payment obligations, income-based repayment
223 options, loan forgiveness and disclosure requirements.

224 (2) Beginning on October 1, 2024, the Office of the Student Loan
225 Ombudsman shall maintain the student loan borrower education
226 course established pursuant to subdivision (1) of this subsection.

227 (d) (1) On or before January 1, 2016, and annually thereafter until
228 January 1, 2023, the Banking Commissioner shall submit a report, in
229 accordance with the provisions of section 11-4a, to the joint standing
230 committees of the General Assembly having cognizance of matters
231 relating to banking and higher education. The commissioner shall
232 report on: ~~[(1)]~~ (A) The implementation of this section; ~~[(2)]~~ (B) the
233 overall effectiveness of the Student Loan Ombudsman position; and
234 ~~[(3)]~~ (C) additional steps that need to be taken for the Department of
235 Banking to gain regulatory control over the licensing and enforcement
236 of student loan servicers.

237 (2) Beginning on January 1, 2024, and annually thereafter, the
238 Student Loan Ombudsman shall submit the report required under
239 subdivision (1) of this subsection, in accordance with the provisions of
240 section 11-4a, to the joint standing committees of the General
241 Assembly having cognizance of matters relating to banking and higher
242 education. The ombudsman shall report on: (A) The implementation of
243 this section; (B) the overall effectiveness of the Office of the Student
244 Loan Ombudsman; and (C) additional steps that need to be taken for
245 the Department of Banking to gain regulatory control over the
246 licensing and enforcement of student loan servicers.

247 (e) (1) There is established an account to be known as the "student
248 loan ombudsman account" which shall be a separate, nonlapsing
249 account within the Banking Fund. The account shall contain the
250 moneys described in subdivision (2) of this subsection and any other
251 moneys required by law to be deposited in the account. Moneys in the
252 account shall be expended by the Banking Commissioner for the
253 purpose of administering the provisions of this section.

254 (2) The account established under subdivision (1) of this subsection
255 shall contain any licensing or investigation fees collected pursuant to
256 subsection (b) of section 36a-847.

257 Sec. 3. Section 36a-846 of the general statutes is repealed and the
258 following is substituted in lieu thereof (*Effective October 1, 2023*):

259 As used in this section and sections 36a-847 to 36a-855, inclusive:

260 (1) "Advertise" or "advertising" has the same meaning as provided
261 in section 36a-485;

262 (2) "Branch office" means a location other than the main office at
263 which a licensee or any person on behalf of a licensee acts as a student
264 loan servicer;

265 (3) "Consumer report" has the same meaning as provided in Section
266 603(d) of the Fair Credit Reporting Act, 15 USC, 1681a, as amended
267 from time to time;

268 (4) "Control person" has the same meaning as provided in section
269 36a-485;

270 (5) "Cosigner" has the same meaning as provided in 15 USC 1650(a),
271 as amended from time to time;

272 (6) "Federal student education loan" means any student education
273 loan (A) (i) made pursuant to the William D. Ford Federal Direct Loan
274 Program, 20 USC 1087a, et seq., as amended from time to time, or (ii)
275 purchased by the United States Department of Education pursuant to
276 20 USC 1087i-1(a), as amended from time to time, and (B) owned by
277 the United States Department of Education;

278 (7) "Federal student loan servicer" means any student loan servicer
279 responsible for the servicing of a federal student education loan to a
280 student loan borrower pursuant to a contract awarded [to such person]
281 by the United States Department of Education under 20 USC 1087f, as
282 amended from time to time;

283 (8) "Main office" has the same meaning as provided in section 36a-
284 485;

285 (9) "Private student education loan" means any student education
286 loan that is not a federal student education loan;

287 (10) "Private student education loan servicer" means any student
288 loan servicer responsible for the servicing of a private student
289 education loan to a student loan borrower;

290 (11) "Student loan borrower" means any individual who resides
291 within this state who has agreed to repay a student education loan;

292 (12) "Student loan servicer" means any person, wherever located,
293 responsible for the servicing of any student education loan to any
294 student loan borrower;

295 (13) "Servicing" means (A) receiving any scheduled periodic
296 payments from a student loan borrower pursuant to the terms of a
297 student education loan; (B) applying the payments of principal and
298 interest and such other payments with respect to the amounts received
299 from a student loan borrower, as may be required pursuant to the
300 terms of a student education loan; (C) maintaining account records for
301 and communicating with the student loan borrower concerning the
302 student education loan during the period when no scheduled periodic
303 payments are required; (D) interacting with a student loan borrower
304 for purposes of facilitating the servicing of a student education loan,
305 including, but not limited to, assisting a student loan borrower to
306 prevent such borrower from defaulting on obligations arising from the
307 student education loan; or (E) performing other administrative services
308 with respect to a student education loan;

309 (14) "Student education loan" means any loan primarily for personal
310 use to finance education or other school-related expenses; and

311 (15) "Unique identifier" has the same meaning as provided in
312 section 36a-485.

313 Sec. 4. Subsection (d) of section 36a-847a of the general statutes is
314 repealed and the following is substituted in lieu thereof (*Effective*
315 *October 1, 2023*):

316 (d) Each registrant shall notify the commissioner in writing of the

317 expiration, revocation or termination of any contract awarded [to the
 318 registrant] by the United States Department of Education pursuant to
 319 20 USC 1087f, as amended from time to time, pursuant to which such
 320 registrant performs student loan servicing activities, not later than
 321 seven days after such expiration, revocation or termination. Any
 322 registration based solely upon such contract shall be deemed expired
 323 upon the effective date of such expiration, revocation or termination by
 324 the United States Department of Education.

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|---|-----------------|-------------|
| This act shall take effect as follows and shall amend the following sections: | | |
| Section 1 | October 1, 2023 | New section |
| Sec. 2 | October 1, 2023 | 36a-25 |
| Sec. 3 | October 1, 2023 | 36a-846 |
| Sec. 4 | October 1, 2023 | 36a-847a(d) |

Statement of Legislative Commissioners:

In Section 1(a)(7)(B), "an" was inserted before "out-of-state credit union" for internal consistency; Section 1(c)(7) was redrafted for clarity; in Section 1(c)(9), "including" was changed to "and" for clarity; in Section 1(c)(11) "previous" was changed to "prior" for internal consistency; in Section 1(d)(7), "including" was changed to "and" for clarity; and in Section 3(14), "and" was added after the semicolon for internal consistency.

BA *Joint Favorable Subst.*