

117TH CONGRESS  
1ST SESSION

# H. R. 4119

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.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 24, 2021

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

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## 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 Bureau of  
2           Consumer Financial Protection titled “Annual Re-  
3           port of the CFPB Student Loan Ombudsman”  
4           noted many private education loan borrowers, who  
5           sought to negotiate a modified repayment plan when  
6           they were experiencing a period of financial distress,  
7           were unable to get assistance from their loan hold-  
8           ers, which often resulting in them defaulting on  
9           their loans. This pattern resembles the difficulty  
10          that a significant number of mortgage loan bor-  
11          rowers experienced when they sought to take respon-  
12          sible steps to work with their mortgage loan servicer  
13          to avoid 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 Bureau of Con-  
22          sumer Financial Protection found that borrowers  
23          who were unable to make payments often defaulted  
24          or had their accounts sent to collections before they  
25          were even able to graduate.

1 **SEC. 3. REMOVAL OF ADVERSE INFORMATION FOR CER-**  
2 **TAIN PRIVATE EDUCATION LOAN BOR-**  
3 **ROWERS.**

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

7 **“§ 605C. Credit rehabilitation for distressed private**  
8 **education loan borrowers.**

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

20 “(b) INTERRUPTION OF 10-MONTH PERIOD FOR  
21 CERTAIN CONSUMERS.—

22 “(1) PERMISSIBLE INTERRUPTION OF THE 10-  
23 MONTH PERIOD.—A borrower may stop making con-  
24 secutive monthly payments and be granted a grace  
25 period after which the 10-month period described in

1 subsection (a) shall resume. Such grace period shall  
2 be provided under the following circumstances:

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

14 “(B) With respect to a borrower who re-  
15 sides in an area affected by a major disaster or  
16 emergency declared under the Robert T. Staf-  
17 ford Disaster Relief and Emergency Assistance  
18 Act, the grace period shall begin on the date on  
19 which the major disaster or emergency was de-  
20 clared and end on the date that is 3 months  
21 after such date.

22 “(2) OTHER CIRCUMSTANCES.—

23 “(A) IN GENERAL.—The Bureau may  
24 allow a borrower demonstrating hardship to  
25 stop making consecutive monthly payments and

1 be granted a grace period after which the 10-  
2 month period described in subsection (a) shall  
3 resume.

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

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

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

19 “(2) the method for validating that the bor-  
20 rower is satisfying the requirements of subsection  
21 (a);

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

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

1           “(B) the requirements described in sub-  
2           section (d); and

3           “(C) the restrictions described in sub-  
4           section (f);

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

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

9           “(B) the requirements described in sub-  
10          section (d);

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

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

18          “(d) STANDARDIZED REPORTING CODES.—A con-  
19          sumer reporting agency shall develop standardized report-  
20          ing codes for use by any private educational loan holder  
21          to identify and report a borrower’s status of making and  
22          completing 9 on-time monthly payments during a period  
23          of 10 consecutive months on a delinquent or defaulted pri-  
24          vate education loan, including codes specifying the grace  
25          period described in subsection (b) and any agreement to

1 modify monthly payments. Such codes shall not appear on  
2 any report provided to a third party, and shall be removed  
3 from the consumer's credit report upon the consumer's  
4 completion of the rehabilitation period under this section.

5       “(e) ELIMINATION OF BARRIERS TO CREDIT REHA-  
6 BILITATION.—A consumer report in which a private edu-  
7 cational loan holder furnishes the standardized reporting  
8 codes described in subsection (d) to a consumer reporting  
9 agency, or in which a consumer reporting agency includes  
10 such codes, shall be deemed to comply with the require-  
11 ments for accuracy and completeness under sections  
12 623(a)(1) and 630.

13       “(f) PROHIBITION ON CIVIL ACTIONS FOR CON-  
14 SUMERS PURSUING REHABILITATION.—A private edu-  
15 cational loan holder may not commence or proceed with  
16 any civil action against a borrower with respect to a delin-  
17 quent or defaulted loan during the period of rehabilitation  
18 if the private educational loan holder has been notified,  
19 in accordance with the procedures established by the Bu-  
20 reau pursuant to subsection (c)—

21               “(1) of such borrower's intent to participate in  
22 rehabilitation;

23               “(2) that such borrower has satisfied the re-  
24 quirements under subsection (a); or

1           “(3) that such borrower was granted a grace  
2           period.

3           “(g) IMPACT ON STATUTE OF LIMITATIONS FOR  
4 PRIOR DEBT.—Payments by a borrower on a private edu-  
5 cation loan that are made during and after a period of  
6 rehabilitation under this section shall have no effect on  
7 the statute of limitations with respect to payments that  
8 were due on such private education loan before the begin-  
9 ning of the period of rehabilitation.

10          “(h) PAYMENT PLANS.—If a private educational loan  
11 holder enters into a payment plan with a borrower on a  
12 private education loan during a period of rehabilitation,  
13 such payment plan shall be reasonable and affordable, as  
14 determined by the Bureau.

15          “(i) RULES OF CONSTRUCTION.—

16               “(1) APPLICATION TO SUBSEQUENT DEFAULT  
17 OR DELINQUENCY.—A borrower who satisfies the re-  
18 quirements under subsection (a) shall be eligible for  
19 additional credit rehabilitation described in sub-  
20 section (a) with respect to any subsequent default or  
21 delinquency of the borrower on the rehabilitated pri-  
22 vate education loan.

23               “(2) INTERRUPTION OF CONSECUTIVE PAY-  
24 MENT PERIOD REQUIREMENT.—The grace period de-  
25 scribed in subsection (b)(1)(A) shall not apply if any



1 regulation promulgated under section 987 of title  
2 10, United States Code (commonly known as the  
3 Military Lending Act), or the Servicemembers Civil  
4 Relief Act (50 U.S.C. App. 501 et seq.) allows for  
5 a grace period or other interruption of the 10-month  
6 period described in subsection (a) and such grace pe-  
7 riod or other interruption is longer than the period  
8 described in subsection (b)(1)(A) or otherwise pro-  
9 vides greater protection or benefit to the borrower  
10 who is a member of the Armed Forces.”.

11 (b) CONFORMING AMENDMENT.—Section 623(a)(1)  
12 of the Fair Credit Reporting Act (15 U.S.C. 1681s-  
13 2(a)(1)) is amended by striking subparagraph (E).

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

“605C. Credit rehabilitation for distressed private education loan borrowers.”.

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

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

22 “(bb) PRIVATE EDUCATION LOAN DEFINITIONS.—  
23 The terms ‘private education loan’ and ‘private edu-  
24 cational lender’ have the meanings given such terms, re-

1 spectively, in section 140(a) of the Truth in Lending  
2 Act.”.

3 **SEC. 5. RULEMAKING.**

4       Except as otherwise provided, the Bureau of Con-  
5 sumer Financial Protection shall, not later than the end  
6 of the 2-year period beginning on the date of the enact-  
7 ment of this Act, issue final rules to implement the amend-  
8 ments made by this Act.

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