

116TH CONGRESS  
1ST SESSION

# H. R. 1161

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.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 13, 2019

Mr. CLEAVER (for himself and Mr. BANKS) introduced the following bill;  
which was referred to the Committee on Education and Labor

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## 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 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, with emphasis on the loan terms  
18 determined by the Secretary to be critical  
19 to understanding the total costs of the loan  
20 and the estimated monthly repayment;

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

23 “(iii) is as succinct as practicable.

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

4                   “(i) the Federal Reserve Board;

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

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

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

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

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

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

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

1           “(4) LIMIT ON LIABILITY.—Nothing in this  
2 paragraph 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).

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