



Legislative Bulletin.....May 9, 2007

Contents:

H.R. 890 — Student Loan Sunshine Act

Summary of the Bills Under Consideration Today:

Total Number of New Government Programs: 0

Total Cost of Discretionary Authorizations: unknown

Effect on Revenue: \$0

Total Change in Mandatory Spending: \$0

Total New State & Local Government Mandates: 0

Total New Private Sector Mandates: some

Number of Bills Without Committee Reports: 1

Number of Reported Bills that Don't Cite Specific Clauses of Constitutional Authority: 0

H.R. 890 — Student Loan Sunshine Act (*Miller, D-CA*)

Order of Business: The bill is scheduled for consideration on Wednesday, May 9, 2007, under a motion to suspend the rules and pass the bill.

Note: The legislation being considered today is a compilation of H.R. 890 (Miller, D-CA), and H.R. 1994 (McKeon, R-CA). Neither bill has been considered by the Education and Labor Committee.

Summary: H.R. 890 would make a number of changes to current law regarding entities providing loans to college students through federal loan programs, as well as in the private market. The specific provisions of the bill are summarized below.

- Requires lenders to inform students and parents of all federal borrowing options under Title IV of the Higher Education Act, including the “terms and conditions of available loans that are more favorable to the borrower.”
- Prohibits lenders from using the name, emblem, mascot or logo of the institution in marketing private student loans in any way that implies that the institution endorses the private loans offered by the lender.
- Requires the Secretary of Education to report to Congress on the adequacy of information provided to students and parents about educational loans.
- Requires the Secretary to develop a disclosure form for lenders that would include information on loan interest rates, fees, repayment terms, annual percentage rate, and other listed information.
- Requires institutions of higher education (IHEs) to disclose on their website a statement that indicates that students are not limited to use lenders recommended by the institution, that the institution is required to process any loan selected by a student from eligible lenders, the maximum amount of federal grant and loan aid available to students and the institution’s cost of attendance.
- Requires IHEs to inform students and parents of their eligibility for federal assistance (pell grants and federal loans) and to inform of the terms and conditions of private educational loans that are less favorable than the terms and conditions of federal loans.
- Requires IHEs to establish a code of conduct that would prohibit a conflict of interest or the appearance of a conflict of interest with the responsibilities of employees or agents with respect to student loans or other financial aid.
- Prohibits a lender, guarantor, or a servicer of educational loans from offering gifts to employees of an IHE. Gift is defined as “any gratuity, favor, discount, entertainment, hospitality, loan or other item having a monetary value of more than a de minimus amount [including] a gift of services, transportation, lodging, or meals.” The term gift does not include informational material related to student loans or food, refreshments, and training that is an “integral part of a training session that is designed to improve the lender’s service.”
- Prohibits employees in an IHE’s financial aid office from accepting gifts, fees, or payments (including stock) from a lender.
- Prohibits IHEs from allowing lenders to staff the student financial aid office or call center.
- Institutes penalties for IHEs and lenders that violate the provisions of this Act. If a lender does not participate in a federal loan program under Title IV of the

Higher Education Act (this includes the Federal Family Education Loan program and the Direct Loan program), the entity would be subject to a \$25,000 fine. However, if the lender is a participant of the federal loan program, the Secretary could “limit, terminate, or suspend the lender’s participation in the program.”

- Requires private lenders to inform potential borrowers of the following:
 - that the borrower may qualify for federal assistance in lieu of or in addition to a private loan;
 - that in many cases, a federal student loan may provide the consumer with more beneficial terms and conditions, including a lower annual percentage rate and fewer and lower fees, than private educational loans”; and
 - that the consumer may obtain additional information concerning federal assistance from IHES or at the Department of Education’s website.
- Requires the borrower to sign a notice stating that the lender provided the above information.
- Requires lenders to notify an IHE if they are providing a student with a loan of more than \$1,000.
- Requires the Department of Education to display a link to the federal student financial aid website in a prominent place on the Department’s website.

Committee Action: H.R. 890 was introduced on February 7, 2007, and referred to the House Committee on Education and Labor, which took no official action.

Cost to Taxpayers: There is no CBO score available for this legislation.

Does the Bill Expand the Size and Scope of the Federal Government?: No.

Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?: A CBO estimate for this legislation is no available. However, the bill includes several private-sector mandates on private lenders providing loans to college students.

Constitutional Authority: A committee report citing constitutional authority is unavailable. House Rule XIII, Section 3(d)(1), requires that all committee reports contain “a statement citing the *specific* powers granted to Congress in the Constitution to enact the law proposed by the bill or joint resolution” (*emphasis added*).

RSC Staff Contact: Joelle Cannon; joelle.cannon@mail.house.gov, 202.226.0718.