

117TH 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.

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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

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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       (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 the”;

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), the Secretary shall  
15 develop and implement an electronic system that  
16 may be used by institutions and contractors de-  
17 scribed in paragraph (1) to generate a Plain Lan-  
18 guage Disclosure 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 enactment  
25 of this Act, the Secretary of Education shall submit to

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