

# H.R. 4643, the Bereaved Borrowers' Bill of Rights Act of 2014

*Introduced by Rep. Rick Larsen (WA-02)*

## **The Issue:**

In their April 2014 "[mid-year update on student loan complaints](#)," the Consumer Financial Protection Bureau identified significant issues facing private student loan borrowers.

As of 2011, about 90 percent of private student loans had cosigners. Many contracts have clauses that allow the loan to be accelerated into default upon death or bankruptcy of a cosigner, often a parent or grandparent. Borrowers who have been making payments on time and are facing the death or bankruptcy of a loved one may be faced with an automatic default on their loans in a time of grief or family difficulty.

Many loans also advertise cosigner release, where the borrower can apply to release their cosigner after a period of timely payments. However, companies do not make this process accessible on their website, clear to the borrower, or available to all borrowers.

Responding to this report, the New York Times Editorial Board states "[in no case should a borrower in good standing be shoved into default](#)" (April 28, 2014). The Washington Post recently [highlighted the concerns for borrowers and the resulting legislation](#).

## **The Bill:**

The Bereaved Borrowers' Bill of Rights Act of 2014 establishes protections for private student loan borrowers. Based on the recommendations of the Consumer Financial Protection Bureau, the bill would require loan companies to:

- offer borrowers a reasonable time period (defined as a minimum of 90 days) following the death or bankruptcy of a cosigner to apply for cosigner release, identify a new cosigner, or refinance the loan before the company takes action to accelerate the loan or move it into default (while timely payment continues);
- proactively advise students about their right to cosigner release when they are nearing eligibility;
- provide an explanation and opportunity to correct when a borrower's request for cosigner release is denied;
- make the criteria for cosigner release clear, transparent, and easily accessible through company online service portals and websites; and
- refrain from narrowing requirements for cosigner release advertised at the time the individual took out the loan, and offer cosigner release to borrowers with cosigners.

To protect borrowers who have already established private student loan contracts, the bill would:

- prohibit lenders from reporting an automatic default as a result of death or bankruptcy to credit reporting companies; and
- prohibit credit reporting companies for including this information on their reports.

For more information, contact Kate Craddock of Rep. Rick Larsen's office at (202) 225-2605.

*Rev. May 12, 2014*