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HOUSE OF REPRESENTATIVES
148th GENERAL ASSEMBLY

HOUSE BILL NO. 349

AN ACT TO AMEND TITLE 5 OF THE DELAWARE CODE RELATING TO STUDENT LOANS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF DELAWARE:

1 Section 1. Amend Title 5 of the Delaware Code by making deletions as shown by strike through and insertions as
2 shown by underline as follows:

3 CHAPTER 35. STUDENT LOANS

4 § 3501. Student Loan Ombudsman.

5 (a) The Commissioner shall designate a Student Loan Ombudsman within the Office of the State Bank
6 Commissioner to provide timely assistance to any student loan borrower of any student education loan.

7 (b) The Student Loan Ombudsman, in consultation with the Commissioner, shall perform the following functions:

8 (1) Receive, review, and attempt to resolve any complaints from student loan borrowers, including, but not
9 limited to, attempts to resolve such complaints in collaboration with institutions of higher education, student loan
10 servicers, and any other participants in student loan lending, including, but not limited to, the University of Delaware,
11 the Office of Higher Education or the Higher Education Commission.

12 (2) Compile and analyze data on student loan borrower complaints as described in paragraph (1) of this
13 subsection.

14 (3) Assist student loan borrowers to understand their rights and responsibilities under the terms of student
15 education loans.

16 (4) Provide information to the public, agencies, legislators and others regarding the problems and concerns of
17 student loan borrowers and make recommendations for resolving those problems and concerns.

18 (5) Analyze and monitor the development and implementation of federal, state, and local laws, regulations,
19 and policies relating to student loan borrowers and recommend any changes the Student Loan Ombudsman deems
20 necessary.

21 (6) Review the complete student education loan history for any student loan borrower who has provided
22 written consent for such review.

23 (7) Disseminate information concerning the availability of the Student Loan Ombudsman to assist student
24 loan borrowers and potential student loan borrowers, as well as public institutions of higher education, student loan
25 servicers, and any other participant in student education loan lending, with any student loan servicing concerns.

26 (8) Take any other actions necessary to fulfill the duties of the Student Loan Ombudsman as set forth in this
27 subsection.

28 (c) On or before March 31, 2017, the Student Loan Ombudsman, in consultation with the Commissioner, shall
29 establish and maintain a student loan borrower education course that shall include educational presentations and materials
30 regarding student education loans. Such program shall include, but not be limited to, key loan terms, documentation
31 requirements, monthly payment obligations, income-based repayment options, loan forgiveness, and disclosure
32 requirements.

33 (d) On or before January 1, 2018, and annually thereafter, the Commissioner shall submit a report to the standing
34 committee of each chamber of the General Assembly having cognizance of matters relating to banking. The report shall
35 cover:

36 (1) The implementation of this section.

37 (2) The overall effectiveness of the Student Loan Ombudsman position.

38 (3) Additional steps that may benefit student loan borrowers or impede predatory or unfair practices by
39 student loan servicers.

40 (e) Complaints from student loan borrowers shall not be considered public records for purposes of Chapter 100 of
41 Title 29.

42 §3502. Definitions.

43 As used in this chapter:

44 (1) "Student loan borrower" means any resident of this state who has received or agreed to pay a student education
45 loan; or any person who shares responsibility with such resident for repaying the student education loan.

46 (2) "Student loan servicer" means any person, wherever located, responsible for the servicing of any student
47 education loan to any student loan borrower.

48 (3) "Servicing" means receiving any scheduled periodic payments from a student loan borrower pursuant to the
49 terms of a student education loan; applying the payments of principal and interest and such other payments with respect to

50 the amounts received from a student loan borrower, as may be required pursuant to the terms of a student education loan;
51 and performing other administrative services with respect to a student education loan.

52 (4) "Student education loan" shall have the meaning given that term in § 221 of the Internal Revenue Code.

53 Section 2. This Act shall take effect on January 1, 2017.

SYNOPSIS

The country is experiencing exponential growth in student loan debt as well as defaults on student loans. Student loan debt and managing loan repayment is becoming a more important problem for millions of Americans. In Delaware, an estimated 129,000 residents have student loan debt. Delaware also ranks first among states with the highest average student debt total, with the average student graduating with nearly \$34,000 in student loans. This bill takes a modest step towards protecting Delawareans from predatory student loan servicing practices. Specifically, this Act creates a new chapter in the Banking title that would create a Student Loan Ombudsman within the Office of the State Bank Commissioner.

The Student Loan Ombudsman would be responsible for receiving, investigating, and attempting to assist with complaints and questions about student loan borrowers (limited by definition to resident of this state). The Ombudsman would also analyze data trends from the complaints and questions receive, analyze federal, state, and local developments and make recommendations about further steps that could be taken to address the student loan crisis. The Ombudsman would also create a student loan education course to ensure potential and current borrowers have complete information regarding key loan terms, documentation requirements, payment obligations, income-based repayment options, loan forgiveness, and disclosure requirements so that borrowers are able to make wise financial decisions.

The Commissioner will annually make a report to the Senate Banking and Business committee and the House Economic Development committee regarding the implementation of the ombudsman position and borrower education course, the overall effectiveness of the ombudsman position, and additional steps that may benefit student loan borrowers.