

113TH CONGRESS
2D SESSION

H. R. 4480

To amend adverse credit history determinations for purposes of Federal Direct PLUS Loan eligibility.

IN THE HOUSE OF REPRESENTATIVES

APRIL 10, 2014

Mr. RICHMOND (for himself, Mr. AL GREEN of Texas, Mr. HASTINGS of Florida, Mr. CARSON of Indiana, Ms. LEE of California, Mr. THOMPSON of Mississippi, Mr. RUSH, Mr. FATTAH, Ms. BROWN of Florida, Mr. DANNY K. DAVIS of Illinois, Mr. DAVID SCOTT of Georgia, Mr. PAYNE, Mrs. CHRISTENSEN, Ms. EDDIE BERNICE JOHNSON of Texas, Ms. NORTON, Mr. CUMMINGS, Mr. CLEAVER, Ms. WILSON of Florida, Mr. BUTTERFIELD, Mr. MEEKS, Ms. MOORE, Mr. JEFFRIES, Mr. JOHNSON of Georgia, Ms. JACKSON LEE, Mr. CLYBURN, Mr. CONYERS, Mrs. BEATTY, Ms. BASS, Mr. ELLISON, Mr. VEASEY, Ms. FUDGE, Ms. WATERS, Mr. CLAY, Ms. KELLY of Illinois, Mr. BISHOP of Georgia, Ms. SEWELL of Alabama, and Ms. CLARKE of New York) introduced the following bill; which was referred to the Committee on Education and the Workforce

A BILL

To amend adverse credit history determinations for purposes of Federal Direct PLUS Loan eligibility.

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 “Protecting Educational
5 Loans for Underserved Students Act”.

1 **SEC. 2. ADVERSE CREDIT HISTORY DETERMINATIONS FOR**
2 **FEDERAL DIRECT PLUS LOAN ELIGIBILITY.**

3 Section 455 of the Higher Education Act of 1965 (20
4 U.S.C. 1087e) is amended by adding at the end the fol-
5 lowing:

6 “(r) **FEDERAL DIRECT PLUS LOANS.**—

7 “(1) **IN GENERAL.**—Beginning July 1, 2014, in
8 determining the eligibility of a student to borrow
9 Federal Direct PLUS Loans, the Secretary shall de-
10 termine whether the student has an adverse credit
11 history in accordance with paragraph (2).

12 “(2) **DETERMINATION OF ADVERSE CREDIT**
13 **HISTORY.**—In determining whether a student has an
14 adverse credit history for purposes of paragraph (1),
15 the Secretary—

16 “(A) shall obtain a credit report on the
17 student from at least one consumer reporting
18 agency described under section 603(p) of the
19 Fair Credit Reporting Act (15 U.S.C.
20 1681a(p)) and within a timeframe that would
21 ensure the most accurate, current representa-
22 tion of the student’s credit history before the
23 first day of the period of enrollment for which
24 the loan is intended;

25 “(B) unless the Secretary determines that
26 the student has extenuating circumstances,

1 shall consider that a student has an adverse
2 credit history based on the student's credit re-
3 port, if—

4 “(i) the student is considered 90 or
5 more days delinquent on the repayment of
6 a debt exceeding \$2,000; or

7 “(ii) during the 3 years before the
8 date of the credit report, the student has
9 been the subject of a—

10 “(I) default determination;

11 “(II) bankruptcy discharge;

12 “(III) foreclosure;

13 “(IV) repossession;

14 “(V) tax lien;

15 “(VI) wage garnishment; or

16 “(VII) write-off of a debt under
17 this title;

18 “(C) shall not consider a student with debt
19 that is unrelated to loans made under this title
20 and that, as of the date of the student's credit
21 report, are in collections or have been charged
22 off, to have an adverse credit history and shall
23 not deny a Federal Direct PLUS Loan to the
24 student for having such debt;

1 “(D) shall require that any student de-
2 scribed in subparagraph (C) or a student who
3 has been the subject of 1 or more of the actions
4 described in subclauses (I) through (VII) of
5 subparagraph (B)(ii) during a period ending
6 more than 3 years before the date of the stu-
7 dent’s credit report, to participate in loan coun-
8 seling provided by the applicable institution of
9 higher education as a condition of being eligible
10 to receive a Federal Direct PLUS Loan;

11 “(E) shall not consider a student with no
12 credit history as an individual with an adverse
13 credit history, and shall not use a student’s ab-
14 sence of credit history as a reason to deny a
15 Federal Direct PLUS Loan to such student;

16 “(F) shall retain a record of the Sec-
17 retary’s basis for determining that the student
18 has extenuating circumstances under subpara-
19 graph (B), which may include an updated credit
20 report, debt related to a medical condition, a
21 statement from a creditor that the student has
22 made satisfactory arrangements to repay the
23 debt owed to the creditor, a satisfactory state-
24 ment from the student explaining any delin-
25 quencies with outstanding balances of less than

\$2,000, or a reduction of the credit requirements under this subsection in response to a natural disaster or poor economic conditions that are unforeseen or prolonged; and

“(G) in a case in which the Secretary determines that a student does not to have an adverse credit history in accordance with this subsection, shall consider such determination to be in effect for a 2-year period beginning on the date the Secretary makes such determination.

“(3) DEFINITION.—For purposes of this subsection, the term ‘student’ means a graduate or professional student or the parents of a dependent student.”.

**SEC. 3. INAPPLICABILITY OF TITLE IV NEGOTIATED RULE-
MAKING REQUIREMENT AND MASTER CAL-
NDAR EXCEPTION.**

Sections 482(c) and 492 of the Higher Education Act of 1965 (20 U.S.C. 1089(c), 1098a) shall not apply to the amendment made by section 2, or to any regulations promulgated under such amendment.

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