

## State Corporation Commission 2016 Fiscal Impact Statement

1. **Bill Number:** HB401

**House of Origin**     Introduced     Substitute     Engrossed  
**Second House**     In Committee     Substitute     Enrolled

2. **Patron:** Simon

3. **Committee:** Commerce and Labor

4. **Title:** Student loan servicers; student loan ombudsman.

5. **Summary:** Student loan servicers; student loan ombudsman. Prohibits any person from acting as a student loan servicer without first obtaining a license from the State Corporation Commission (SCC) and establishes procedures pertaining to such licenses. Banks and credit unions are exempt from the licensing provisions. The servicing of a student loan encompasses (i) receiving any scheduled periodic payments from a student loan borrower pursuant to the terms of a student education loan; (ii) applying the payments of principal and interest and such other payments with respect to the amounts received from a student loan borrower, as may be required pursuant to the terms of a student education loan; and (iii) performing other administrative services with respect to a student education loan. Student loan servicers are prohibited from, among other things, (a) misrepresenting the amount, nature, or terms of any fee or payment due or claimed to be due on a student loan, the terms and conditions of the loan agreement, or the borrower's obligations under the loan; (b) knowingly misapplying or recklessly applying student loan payments to the outstanding balance of a student loan; and (c) failing to report both the favorable and unfavorable payment history of the borrower to a nationally recognized consumer credit bureau at least annually if the loan servicer regularly reports information to such a credit bureau. The measure also establishes the Office of the Student Loan Ombudsman within the SCC's Bureau of Financial Institutions. The Office of the Student Loan Ombudsman is required to provide timely assistance to any student loan borrower of any student education loan in the Commonwealth. The Office of the Student Loan Ombudsman is further required to establish and maintain a student loan borrower education course, which shall cover key loan terms, documentation requirements, monthly payment obligations, income-based repayment options, loan forgiveness, and disclosure requirements. The bill has a delayed effective date of October 1, 2016.

6. **Budget Amendment Necessary:** Fiscal impact estimates are not available.

7. **Fiscal Impact Estimates:** See Item 8.

8. **Fiscal Implications:** An exact figure cannot be obtained without further, lengthy analysis. The proposal will have a significant impact in terms of additional staff needed to handle the

required functions of (1) ombudsman, (2) investigations of license applications, and (3) examinations of licensees.

**9. Specific Agency or Political Subdivisions Affected:** State Corporation Commission and the Commission's Bureau of Financial Institutions

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** None.

01-12-16 E. J. Face, Jr.