

Truth in Lending 15 U.S.C. 1638(e)

Terms and disclosure with respect to private education loans

(1) Disclosures required in private education loan applications and solicitations

In any application for a private education loan, or a solicitation for a private education loan without requiring an application, the private educational lender shall disclose to the borrower, clearly and conspicuously-

- (A) the potential range of rates of interest applicable to the private education loan;
- (B) whether the rate of interest applicable to the private education loan is fixed or variable;
- (C) limitations on interest rate adjustments, both in terms of frequency and amount, or the lack thereof, if applicable;
- (D) requirements for a co-borrower, including any changes in the applicable interest rates without a co-borrower;
- (E) potential finance charges, late fees, penalties, and adjustments to principal, based on defaults or late payments of the borrower;
- (F) fees or range of fees applicable to the private education loan;
- (G) the term of the private education loan;
- (H) whether interest will accrue while the student to whom the private education loan relates is enrolled at a covered educational institution;
- (I) payment deferral options;
- (J) general eligibility criteria for the private education loan;
- (K) an example of the total cost of the private education loan over the life of the loan-
 - (i) which shall be calculated using the principal amount and the maximum rate of interest actually offered by the private educational lender; and
 - (ii) calculated both with and without capitalization of interest, if an option exists for postponing interest payments;
- (L) that a covered educational institution may have school-specific education loan benefits and terms not detailed on the disclosure form;
- (M) that the borrower may qualify for Federal student financial assistance through a program

(5) Format of disclosures

(A) Model form

Not later than 2 years after August 14, 2008, the Bureau shall, based on consumer testing, and in consultation with the Secretary of Education, develop and issue model forms that may be used, at the option of the private educational lender, for the provision of disclosures required under this subsection.

(B) Format

Model forms developed under this paragraph shall-

- (i) be comprehensible to borrowers, with a clear format and design;
- (ii) provide for clear and conspicuous disclosures;
- (iii) enable borrowers easily to identify material terms of the loan and to compare such terms among private education loans; and
- (iv) be succinct, and use an easily readable type font.

(C) Safe harbor

Any private educational lender that elects to provide a model form developed under this subsection that accurately reflects the practices of the private educational lender shall be deemed to be in compliance with the disclosures required under this subsection.

(6) Effective period of approved rate of interest and loan terms

(A) In general

With respect to a private education loan, the borrower shall have the right to accept the terms of the loan and consummate the transaction at any time within 30 calendar days (or such longer period as the private educational lender may provide) following the date on which the application for the private education loan is approved and the borrower receives the disclosure documents required under this subsection for the loan, and the rates and terms of the loan may not be changed by the private educational lender during that period.

(B) Prohibition on changes

Except for changes based on adjustments to the index used for a loan, the rates and terms of the loan may not be changed by the private educational lender prior to the earlier of-

- (i) the date of acceptance of the terms of the loan and consummation of the transaction by the borrower, as described in subparagraph (A); or
- (ii) the expiration of the period described in subparagraph (A).

(7) Right to cancel

With respect to a private education loan, the borrower may cancel the loan, without penalty to the borrower, at any time within 3 business days of the date on which the loan is consummated, and the private educational lender shall disclose such right to the borrower in accordance with paragraph (4).

(8) Prohibition on disbursement

No funds may be disbursed with respect to a private education loan until the expiration of the 3-day period described in paragraph (7).

(9) Bureau regulations

In issuing regulations under this subsection, the Bureau shall prevent, to the extent possible, duplicative disclosure requirements for private educational lenders that are otherwise required to make disclosures under this subchapter, except that in any case in which the disclosure requirements of this subsection differ or conflict with the disclosure requirements of any other provision of this subchapter, the requirements of this subsection shall be controlling.

(10) Definitions

For purposes of this subsection, the terms "covered educational institution", "private educational lender", and "private education loan" have the same meanings as in [section 1650 of this title](#).

(11) Duties of lenders participating in preferred lender arrangements

Each private educational lender that has a preferred lender arrangement with a covered educational institution shall annually, by a date determined by the Bureau, in consultation with the Secretary of Education, provide to the covered educational institution such information as the Bureau determines to include in the model for