



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D.C. 20551

DIVISION OF SUPERVISION
AND REGULATION

SR 19-2

February 4, 2019

**TO THE OFFICER IN CHARGE OF SUPERVISION AT EACH
FEDERAL RESERVE BANK**

SUBJECT: Voluntary Private Education Loan Rehabilitation Programs

Applicability to Community Banking Organizations: This advisory applies to all financial institutions supervised by the Federal Reserve, regardless of the institution's asset size.

Purpose

The Board of Governors of the Federal Reserve System (the Board) and the Federal Deposit Insurance Corporation are issuing the attached advisory to inform financial institutions about the provisions in section 602 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA).¹ Section 602 establishes requirements for voluntary private education loan rehabilitation programs, under which a consumer may request the removal of a reported default on a private education loan from his or her credit report. Section 602 does not require a financial institution to offer a loan rehabilitation program that meets the conditions set forth in the statute, as participation is voluntary.

Financial institutions choosing to offer a private education loan rehabilitation program under section 602 should take into account safety and soundness factors, such as safe and sound lending practices and underwriting principles, and must seek the written approval of the terms and conditions of the program from the appropriate federal banking agency. Institutions supervised by the Board should submit approval requests to the appropriate Reserve Bank, to which the Board has delegated the authority to provide approval. A financial institution supervised by the Board is encouraged to contact the appropriate Reserve Bank prior to requesting approval. In reviewing a financial institution's request for approval, the appropriate Reserve Bank will consider the basis for the financial institution's assessment of the number of consecutive on-time monthly payments that demonstrate the consumer's renewed ability and willingness to repay the loan in light of safety and soundness factors.

¹ Pub. L. No. 115-174, 132 Stat. 1296 (May 24, 2018).

Federal Reserve Banks should distribute this advisory to state member banks, bank and savings and loan holding companies (including their non-bank subsidiaries), and U.S. branches and agencies of foreign banking organizations and to appropriate supervisory staff.

Questions regarding this advisory may be directed to Peter Clifford, Manager, Risk Policy, at (202) 785-6057; and Donald N. Gabbai, Lead Financial Institution and Policy Analyst, Risk Policy, at (202) 452-3358. In addition, questions may be sent via the Board's public website.²

Michael S. Gibson
Director

Attachment:

- *Advisory on Voluntary Private Education Loan Rehabilitation Programs*

² See <http://www.federalreserve.gov/apps/contactus/feedback.aspx>.

Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation

Advisory on Voluntary Private Education Loan Rehabilitation Programs
February 4, 2019

The Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation are providing this advisory to make financial institutions aware of the provisions for voluntary loan rehabilitation programs under section 602 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA).¹

Section 602 of the EGRRCPA (section 602) amended section 623(a)(1) of the Fair Credit Reporting Act (FCRA).² Under section 602, a financial institution may, but is not required to, offer a loan rehabilitation program (hereinafter, referred to as a Section 602 Program) to private education loan consumers who have a reported default on a private education loan on their credit report.

If a borrower meets the requirements of a financial institution's Section 602 Program, the financial institution may remove a reported default from the borrower's credit report and the removal of a reported default shall not be considered inaccurate under the FCRA for a Section 602 Program that satisfies the statutory requirements.

Section 602 Requirements

In order to satisfy the requirements of section 602, a loan rehabilitation program must, without limitation, include a requirement that the consumer make consecutive on-time monthly payments in a number that demonstrates, in the assessment of the financial institution offering the Section 602 Program, a renewed ability and willingness to repay the loan. A consumer that successfully meets the program requirements may obtain the benefits available under a Section 602 Program only once per loan.

Financial institutions intending to offer a Section 602 Program should submit a written request for approval of their program to their appropriate federal banking agency. A financial institution's request for approval of a Section 602 Program must address the statutory requirements of section 602. The appropriate federal banking agency will provide a decision or feedback to a supervised financial institution within 120 days of receiving a written request for approval of a Section 602 Program.

¹ Pub. L. No. 115-174, 132 Stat. 1296 was enacted on May 24, 2018.

² 15 U.S.C. 1681s-2(a)(1)(E).