

HOUSE BILL 750

D3, F2, I3

0lr2388

By: **Delegates Lopez, Attar, Bartlett, Charkoudian, Crutchfield, Hettleman, Korman, J. Lewis, R. Lewis, Malone, Moon, Palakovich Carr, Queen, Shetty, Smith, Solomon, Stewart, R. Watson, and Wells**

Introduced and read first time: January 31, 2020

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Action to Collect a Private Education Loan – Prohibition**

3 FOR the purpose of prohibiting a private education lender from initiating a certain action
4 to collect a private education loan under certain circumstances; defining certain
5 terms; and generally relating to actions to collect a private education loan.

6 BY adding to

7 Article – Courts and Judicial Proceedings

8 Section 5–1301 and 5–1302 to be under the new subtitle “Subtitle 13. Action to
9 Collect a Private Education Loan”

10 Annotated Code of Maryland

11 (2013 Replacement Volume and 2019 Supplement)

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
13 That the Laws of Maryland read as follows:

14 **Article – Courts and Judicial Proceedings**

15 **SUBTITLE 13. ACTION TO COLLECT A PRIVATE EDUCATION LOAN.**

16 **5–1301.**

17 **(A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS**
18 **INDICATED.**

19 **(B) (1) “COSIGNER” MEANS AN INDIVIDUAL WHO IS LIABLE FOR THE**
20 **OBLIGATION OF ANOTHER WITHOUT COMPENSATION, REGARDLESS OF HOW THE**
21 **INDIVIDUAL IS DESIGNATED IN THE AGREEMENT WITH RESPECT TO THAT**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 OBLIGATION.

2 (2) "COSIGNER" INCLUDES:

3 (I) AN INDIVIDUAL WHO IS LIABLE FOR AN OBLIGATION UNDER
4 A PRIVATE EDUCATION LOAN EXTENDED TO CONSOLIDATE A BORROWER'S
5 PRE-EXISTING PRIVATE EDUCATION LOANS; AND

6 (II) AN INDIVIDUAL WHOSE SIGNATURE IS REQUESTED AS A
7 CONDITION TO GRANT CREDIT OR TO FORBEAR ON COLLECTION.

8 (3) "COSIGNER" DOES NOT INCLUDE THE SPOUSE OF AN INDIVIDUAL
9 UNDER PARAGRAPH (1) OF THIS SUBSECTION.

10 (C) "PRIVATE EDUCATION LENDER" MEANS:

11 (1) A PERSON ENGAGED IN THE BUSINESS OF SECURING, MAKING, OR
12 EXTENDING PRIVATE EDUCATION LOANS; OR

13 (2) A HOLDER OF A PRIVATE EDUCATION LOAN.

14 (D) "PRIVATE EDUCATION LOAN" MEANS AN EXTENSION OF CREDIT THAT:

15 (1) IS NOT MADE, INSURED, OR GUARANTEED UNDER TITLE IV OF
16 THE HIGHER EDUCATION ACT OF 1965;

17 (2) IS EXTENDED TO A CONSUMER EXPRESSLY, WHOLLY OR PARTLY,
18 FOR POSTSECONDARY EDUCATIONAL EXPENSES, REGARDLESS OF WHETHER THE
19 LOAN IS PROVIDED BY THE INSTITUTION THAT THE STUDENT ATTENDS;

20 (3) DOES NOT INCLUDE OPEN-END CREDIT OR ANY LOAN THAT IS
21 SECURED BY REAL PROPERTY OR A DWELLING; AND

22 (4) DOES NOT INCLUDE AN EXTENSION OF CREDIT IN WHICH THE
23 COVERED INSTITUTION IS THE CREDITOR IF:

24 (I) THE TERM OF THE EXTENSION OF CREDIT IS NOT MORE
25 THAN 90 DAYS; OR

26 (II) AN INTEREST RATE WILL NOT BE APPLIED TO THE CREDIT
27 BALANCE AND THE TERM OF THE EXTENSION OF CREDIT IS NOT MORE THAN 1 YEAR,
28 EVEN IF THE CREDIT IS PAYABLE IN MORE THAN FOUR INSTALLMENTS.

1 **(E) “STUDENT LOAN BORROWER” MEANS AN INDIVIDUAL WHO RECEIVES OR**
2 **AGREES TO PAY A PRIVATE EDUCATION LOAN.**

3 **(F) “UNDUE HARDSHIP” HAS THE MEANING STATED IN 11 U.S.C. § 523.**

4 **5-1302.**

5 **A PRIVATE EDUCATION LENDER MAY NOT INITIATE AN ACTION TO COLLECT A**
6 **PRIVATE EDUCATION LOAN IF THE STUDENT LOAN BORROWER OR COSIGNER WOULD**
7 **BE REQUIRED TO DEMONSTRATE UNDUE HARDSHIP TO DISCHARGE THE PRIVATE**
8 **EDUCATION LOAN IN BANKRUPTCY.**

9 **SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect**
10 **October 1, 2020.**