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ATTORNEY GENERAL RAOUL APPLAUDS HOUSE COMMITTEE PASSAGE OF STUDENT LENDING LEGISLATION

Raoul's Know Before You Owe Ensures Borrowers Are Informed of Federal Loan Options

Chicago — Attorney General Kwame Raoul today applauded passage of his legislation to ensure that student loan borrowers select a student loan option that best meets their financial needs. Raoul's Know Before You Owe legislation was passed by the Illinois House of Representatives' Higher Education Committee and will ensure that student borrowers have information about their eligibility for federal aid before they turn to more costly private loans.

House Bill 2746, sponsored by Rep. Katie Stuart, was passed unanimously by the Higher Education Committee. Raoul's measure also is pending in the Illinois Senate as Senate Bill 2291, sponsored by Sen. Scott Bennett. Recent federal data shows that more than half of undergraduate students took out a private student loan even though they still had eligibility for federal student loans. Private student loans offer fewer borrower protections, less flexible repayment options and generally cost more than federal student loans. Raoul's legislation ensures borrowers have information to determine whether they have exhausted their federal loan options before taking out private loans.

"Private student loans are more expensive and more difficult for borrowers to repay. As we have seen during the pandemic, the relief that comes with federal student loans is particularly critical during an economic downturn," Raoul said. "This legislation ensures that students and families are aware of the benefits of federal loans and whether they are eligible – before they take out private loans."

"The federal government's student loan debt relief during the pandemic did not extend to private student loans, leaving private student loan borrowers obligated to continue payments regardless of whether they have the means to do so," Stuart said. "I appreciate Attorney General Raoul initiating Know Before You Owe so that students know if they qualify for federal loans that come with repayment options that can be critical down the road."

"The reward for higher education should not be a lifetime of debt. Students and families should be informed if they qualify for federal loans before they turn to private loans and the higher interest rates and fewer repayment options that go with them," Bennett said. "Know Before You Owe will ensure that students and their families know about their federal loan options before they turn to private loans, and I am proud to work with Attorney General Raoul on this initiative."

The COVID-19 pandemic has demonstrated the benefits of federal student loans. Although student loan borrowers across the board have faced the economic impact of the pandemic, federal loan borrowers have had access to more relief. Since the start of the pandemic in March 2020, the federal government has provided automatic relief by pausing federal student loan payments and wage garnishments, and the interest rate has been lowered to 0% for federally-owned loans. None of these options are widely available, if at all, to private student loan borrowers.

In addition to being more costly and having higher interest rates, private student loans generally do not have flexible repayment options. With options like income-driven repayment plans, federal student loan payments adjust to borrowers' income, providing a cushion during difficult economic times.

The Know Before You Owe legislation addresses the lack of publicly-available data about private student loans in several ways. The legislation requires private lenders to obtain certification from schools, confirming whether borrowers have expenses that have not been covered by other sources. Additionally, schools' financial aid offices must notify borrowers if they still have federal student loan aid eligibility and provide more information. Schools also will be required to certify annually with the Illinois Board of Higher Education that they are in compliance with the law. Additionally, private lenders will be required to provide Illinois' Student Loan Ombudsman, housed in the Attorney General's office, and state banking regulators with basic information on private student loans.

The Illinois Attorney General's office has long been a national leader in investigating and enforcing consumer protection violations in the higher education field. Raoul's office has discharged more than \$14 million in fraudulent private student loans since 2019. Attorney General Raoul's office is a leader in nationwide litigation against Navient, the country's largest student loan servicer. Raoul has also overseen the rollout of the state's first Student Loan Ombudsman, a position created by the Student Loan Servicing Rights Act, to provide resources for student borrowers who are struggling to make student loan payments.

Student borrowers who have questions or are in need of assistance can call the Attorney General's Student Loan Helpline at 1-800-455-2456. Borrowers can also file complaints on the [Attorney General's website](#).