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

Advisory on Voluntary Private Education Loan Rehabilitation Programs

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).

Section 602 of the EGRRCPA¹ (section 602) amended section 623(a)(1) of the Fair Credit Reporting Act² (FCRA). 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 The EGRRCPA was enacted on May 24, 2018.

² 15 U.S.C. 1681s-2(a)(1)(E).