Congressional Budget Office
Cost Estimate

December 5, 2019

H.R. 3621, Student Borrower Credit Improvement Act

As ordered reported by the House Committee on Financial Services on July 16, 2019

By Fiscal Year, Millions of Dollars	2020	2020-2024	2020-2029
Direct Spending (Outlays)	2	3	3
Revenues	0	0	0
Deficit Effect	2	3	3
Spending Subject to Appropriation (Outlays)	0	0	0

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
		Contains intergovernmental mandate?	No
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	No	Contains private-sector mandate?	Yes, Cannot Determine Costs

H.R. 3621 would require the Consumer Financial Protection Agency (CFPB) to establish procedures by which borrowers could rehabilitate their credit if they are delinquent or have defaulted on a private-sector education loan. Under the bill, if a borrower makes at least 9 of 10 consecutive monthly payments on time, after the date of the delinquency or default, consumer reporting agencies (CRAs) could not include adverse information related to that delinquency or default in a consumer report. Payments during the 10-month period could be interrupted and resumed without consequences for members of the U.S. Armed Forces on assignment, people residing in areas affected by disaster, and people demonstrating hardship. Finally, H.R. 3621 would require the CFPB to issue rules that regulate payment plans between private education lenders and borrowers during credit rehabilitation periods.

Using information from the CFPB, CBO expects that issuing rules and establishing procedures under the bill would require the work of 13 agency employees for one year at an average cost of $200,000 each. On that basis, CBO estimates that enacting H.R. 3621 would increase direct spending by $3 million over the 2020-2021 period. (The CFPB has permanent authority, not subject to annual appropriation, to spend amounts transferred from the Federal Reserve.)

H.R. 3621 would impose private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO cannot determine whether the aggregate cost of those mandates would exceed the private-sector threshold established in UMRA ($164 million in 2019, adjusted annually for inflation).

The bill would require CRAs to remove delinquency or default information related to private education loans from credit reports of borrowers who have completed the specified credit rehabilitation process. H.R. 3621 also would require CRAs to develop a standard reporting code for private lenders to identify borrowers pursuing such credit rehabilitation. Using information from industry sources, CBO estimates the cost of complying with those requirements would be small.

H.R. 3621 would impose an additional mandate by removing a private right of action by limiting the right of lenders of private education loans to file civil lawsuits against certain borrowers. The cost of the mandate would be the forgone net value of awards and settlements that would have been granted for such claims in the absence of the bill. Because H.R. 3621 allows CFPB to exempt borrowers from lawsuits on an individual basis, CBO has no basis on which to estimate the number of possible lawsuits precluded by the bill. Nor can we predict the amount of potential forgone settlements. Therefore, CBO cannot estimate the cost of the mandate.

The bill contains no intergovernmental mandates as defined in UMRA.

The CBO staff contacts for this estimate are David Hughes (for federal costs) and Rachel Austin (for mandates). The estimate was reviewed by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.