

July 21, 2022

ATTORNEY GENERAL RAOUL ANNOUNCES ANNUAL REPORTING INFORMATION FOR THE KNOW BEFORE YOU OWE PRIVATE EDUCATION LOAN ACT

Chicago — Attorney General Raoul today announced the release of informational guides and reporting templates that provide instructions to private education lenders to help them comply with the reporting requirements of the [Know Before You Owe Private Education Loan Act](#) (Know Before You Owe).

Signed into law on Aug. 26, 2021, Know Before You Owe provides potential student loan borrowers with critical information about their eligibility for federal financial assistance before those potential borrowers take out a private education loan at an institution of higher education. Raoul initiated Know Before You Owe to give student borrowers access to information that will help them avoid expensive private student loans that offer fewer borrower protections, less flexible repayment options and generally cost more than federal student loans.

“Federal student loans give borrowers stronger protections, more flexibility in general, and the relief that comes with federal loans – as we saw during the pandemic – is critical to assisting borrowers during periods of economic uncertainty,” Raoul said. “Know Before You Owe ensures that students and families are informed of their rights and their federal loan eligibility before taking out expensive private loans.”

In addition to providing information for potential student loan borrowers, Know Before You Owe addresses the lack of publicly-available data about private student loans. In particular, the act requires lenders who issue private student loans to report certain information about their lending activities annually to the Student Loan Ombudsman, a position housed within the Attorney General’s office.

The reporting deadline for lenders is Nov. 1, 2022. Private education lenders can access the guides and reporting templates here:

https://illinoisattorneygeneral.gov/consumers/student_lending.html

[Annual Reporting Information Guide](#)

[Annual Reporting Spreadsheet](#)

[Annual Statement Information Guide](#)

[Annual Statement Spreadsheet](#)

Know Before You Owe also 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. Schools also are required to certify annually with the Illinois Board of Higher Education that they are in compliance with the law.

The pandemic has highlighted the importance of the many borrower protections federal loans afford. Federal loan borrowers can qualify to have their loans forgiven under the Public Service Loan Forgiveness program and receive more protections against predatory actions by their institutions or lenders through programs like Borrower Defense to Repayment. Just this year, for instance, the Department of Education granted the discharge of all federal loans borrowers took out to attend Corinthian Colleges, including over \$220 million in loans discharged for over 26,000 Illinois borrowers – something Attorney General Raoul called on the federal

government to do. Attorney General Raoul encourages all potential borrowers to take out federal loans prior to taking any private loans. Repayment of federal student loans is set to restart after Aug. 31, 2022 after more than a two-year pause due to the pandemic.

The Illinois Attorney General's office has long been a national leader in investigating and enforcing consumer protection violations in the higher education and student loan field. Since entering office, Attorney General Raoul has secured over \$160 million in relief for Illinois borrowers who were deceived by their schools, private lenders or servicers. Earlier this year, Raoul's office announced a \$1.85 billion national settlement with Navient, formerly the nation's second largest student loan servicer.

Student borrowers who have questions or need assistance can call the Attorney General's Student Loan Helpline at 1-800-455-2456.



OFFICE OF THE ATTORNEY GENERAL
STATE OF ILLINOIS

**Illinois Know Before You Owe Private Education Loan Act:
Annual Reporting Information Guide for Private Educational Lenders**

Illinois law requires private educational lenders to provide an annual report to the Illinois Student Loan Ombudsman and the Illinois Department of Financial and Professional Regulation with information about private education loans disbursed annually pursuant to the Know Before You Owe Private Education Loan Act (hereafter “Know Before You Owe Act”). *See* Public Act 102 0583.¹ This document provides instructions on how private educational lenders covered by the Act, who make more than 10 private education loans per year (hereafter “Lenders”), should prepare and submit the required annual report spreadsheet, due November 1 of each year. The [Annual Reporting Spreadsheet](#) that should be used for that report, as well as an [Annual Reporting Information Guide](#) can be found on the Student Lending page of our website at www.illinoisattorneygeneral.gov.

Private educational lenders who make 10 or fewer private education loans per year shall submit an annual statement as required by Section 10(f), rather than an annual report. The [Annual Statement Spreadsheet](#) that should be used for that report, as well as an [Annual Statement Information Guide](#) can be found on the Student Lending page of our website at www.illinoisattorneygeneral.gov.

The Illinois Student Loan Ombudsman prepared this information guide in accordance with its duties under the Act to help Lenders comply with this law. The annual reporting requirements are mandatory. Failing to submit a report, or submitting an incomplete report, is a violation of state law.

Introduction

Signed into law on August 26, 2021, the Know Before You Owe Act provides potential student loan borrowers with critical information about their eligibility for federal financial assistance, before those potential borrowers take out a private education loan at an institution of higher

¹ All Section references herein are to the Know Before You Owe Act.

education.² To do so, Lenders must request, and institutions of higher education must provide and certify, information about a potential borrower's federal financial assistance prior to the Lender issuing a student loan. Under the law, Lenders shall obtain from the relevant institution of higher education where such loan is to be used on the behalf of the borrower, three discrete pieces of information, certified by the institution:

(1) the enrollment status of the borrower; (2) the borrower's cost of attendance at the institution as determined by the institution under Title IV, Part F, of the Higher Education Act of 1965 as amended; and (3) the difference between: (A) such cost of attendance; and (B) the borrower's estimated financial assistance, including such assistance received under Title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.) and other financial assistance known to the institution, as applicable.

Public Act 102-0583. The institutions of higher education are required to provide this certification to the Lenders within 15 days of receiving such a request (Section 15(b)).

If the Lender disburses funds without obtaining the required certification from an institution of higher education, as provided for in Section 10(c)³, the Lender must report the disbursement of those funds in the information provided in its Annual Report, discussed in further detail below.

Annual Report Instructions

As described in Section 10(e) of the Act, Lenders must provide, at a minimum, as determined by the Student Loan Ombudsman, the following five categories of information in an annual report: (1) A list of all institutions of higher education at which a Lender disburses funds with respect to that private education loan; (2) The volume of private education loans made annually by a Lender; (3) the volume of private education loans made annually at each school identified in category 1, including loans made pursuant to Section 10(c); (4) the historical lifetime default rate for borrowers obtaining a private education loan from a Lender; and (5) a copy of each model or template promissory note, agreement, contract or other instrument used by a Lender during the previous year to substantiate that a private education loan has been extended to the borrower or that a borrower owes a debt to the Lender.

A. General Instructions for Annual Report:

The [spreadsheet](#) each Lender should use to collect the required information is available online on the Student Lending page of the Illinois Attorney General's website www.illinoisattorneygeneral.gov. Lenders shall provide the information specified in each tab of the spreadsheet. The first reporting deadline will be November 1, 2022.

² The terms used herein, including but not limited to "institution of higher education", have the same meaning as set forth in the Act.

³ Section 10(c): Loans disbursed without certification. If a private educational lender disburses funds without obtaining the certification as described in subsection (b), the private educational lender shall report the disbursement of the funds in a manner determined by the Student Loan Ombudsman.

B. “Lender Information” Instructions:

All Lenders shall complete the Lender Information tab of the annual report. The Lender Information tab seeks identifying information for the Lender and the contact individual preparing the report on the Lender’s behalf. Citations to specific spreadsheet cells are included (Column C, Row 7 shall be referred to as “C7”, for example).

Specifically, the Lender shall provide:

1. The year covered in the Lender Information tab and, if applicable, the report (C7);
2. The name and address of the Lender (C10-C14). For Lenders’ convenience, some Lender information has been included in a drop-down list for this section.⁴ If the Lender’s Information is included in the drop-down list, Lenders should choose the appropriate entry. If the Lender’s Information is not included in the drop-down list of Lenders, Lenders should manually enter the requested information in the appropriate boxes; and
3. The name, title, phone number and email address of the individual submitting the report (C17-C20).

Further, in the “Comprehensive Reporting” section, for the calendar year being reported, Lenders should identify:

1. The total number of private education loans originated during the reporting period⁵ (C23); and
2. The historical lifetime default rate for borrowers obtaining a private education loan⁶, which shall be calculated from the enactment date of the Act (C24).

C. Instructions for “Loan Volume” Tab:

The second tab in the annual report seeks information related to the amount of loans distributed during the reporting period identified in box C7 of the Lender Information tab. All Lenders who provide over ten (10) private education loans during that period shall complete the Loan Volume Report. *See* Sec. 10(e).

For each row, please provide the applicable amounts corresponding to the institution indicated in that row in Column A. *See generally* Sec. 10e(C).

i. Institution of Higher Education Disbursed To (Column A):

For private education loans originated by the Lender in the relevant period, please identify each institution of higher education such loans were distributed to in Column A of the Loan Volume tab. *See generally* Sec. 10e(A). For Lenders’ convenience, a list of some higher education

⁴ Please note that the list of entities in the drop-down menu is neither all-inclusive, nor does it necessarily signify a duty to report.

⁵ Section 10(e)(B) of the Know Before You Owe Act.

⁶ Section 10(e)(D) of the Know Before You Owe Act

institutions has been included in a drop-down list for Column A.⁷ If the institution that the Lender disbursed a loan to is included in this drop-down list, please choose that institution from the list. If the institution to which the Lender disbursed a loan is not included in the drop-down menu in Column A, please manually enter both the name and address of the institution to help minimize confusion among similarly-named institutions.

ii. Amount of Loans Disbursed (Columns B-D):

For private education loans disbursed by the Lender in the relevant period, please identify the number of private educational loans disbursed, the number of unique borrowers for whom private educational loans were disbursed, and the dollar value of private educational loans disbursed in Columns B-D of the Loan Volume tab. *See generally* Sec. 10(e)(B).

iii. Amount of Loans Originated without Section 10(a) Certification (Columns E-H):

The Act further requires Lenders to receive a certification from an institute of higher education of certain borrower information prior to disbursing funds to that institution on behalf of the borrower. *See* Sec. 10(a). However, in certain circumstances, the Act provides a process for Lenders to disburse these funds without receiving those institutional certifications. *See* Sec. 10(b). Finally, the Act requires Lenders to report the disbursement of funds on a borrower's behalf without the required certification from institutions of higher education. *See* Sec. 10(c).

Pursuant to Sec. 10(c), Columns E-H seek information relating to such disbursement. Column E seeks the total number of loans disbursed to an institution of higher education in the reporting period pursuant to Sec. 10(b). Column F seeks the dollar value of those loans identified in Column E.

As further set forth under the Act, Lenders can disburse funds without the required certification in only limited circumstances, namely if the institution fails to provide the certification within 15 business days of the request *and* the institution has provided one of the following:

- (1) A refusal to certify the request, Sec. 10(b)(1); or
- (2) A notification that the institution needs additional time to comply with the certification request, Sec. 10(b)(2).

Columns G and H seek the number of loans disbursed without a 10(a) certification pursuant to these two permissible bases. *See* Secs. 10(b)(1), (2); Sec. 10(c).

D. Instructions for Document Identification Requirements:

The third tab in the annual report requires Lenders to provide certain information about documentation the Lender provides to borrowers.⁸ The Know Before You Owe Act requires Lenders to provide a copy of each model or template promissory note, agreement, contract or

⁷ The list of higher education institutions in this drop-down list is also not all-inclusive. Lenders should report loans disbursed whether or not the institution is included in this drop-down list.

⁸ Section 10(e)(E) of the Know Before You Owe Act.

*Illinois Know Before You Owe Act (Public Act 102-0583) Annual Reporting:
Instructions for Lenders*

other instrument used during the previous year to substantiate that a private education loan has been extended to the borrower or that a borrower owes a debt to a Lender.

Lenders shall send a copy of each of the documents described in Section 10(e)(E) of the Know Before You Owe Act to Loan.reports@ilag.gov. The subject of the email line shall state only “Section 10(e)(E) documentation for [name of Lender]”, and include the required documents as attachments. The attachments shall be provided in PDF format. The attachments shall be labeled with the name of the Lender and the document type – for example, [Lender]_[Billing Statement].pdf.

In the Document Report, Lenders shall provide, for each document:

1. The model document name (Column A);
2. The dates the model document was used (Column B);
3. The number of unique borrowers provided with substantially similar documents (Column C); and
4. A description of the category of borrowers for whom the document was used (for example, a billing statement used for delinquent private education loan borrowers) (Column D).

E. Submission of Completed Reporting Spreadsheets

Please submit your completed annual report as an attachment via email to Loan.reports@ilag.gov by November 1, 2022. The first reporting deadline will be November 1, 2022. The Student Loan Ombudsman may contact the individual identified in the Lender Information tab for any follow-up inquiries. No other information should be included in the body of the email. The subject line of your email should read “Annual Report from [Lender]”.