

# SB3032



## 102ND GENERAL ASSEMBLY

### State of Illinois

2021 and 2022

SB3032

Introduced 1/5/2022, by Sen. Laura Fine

#### SYNOPSIS AS INTRODUCED:

New Act

Creates the Student Debt Assistance Act. Prohibits an institution of higher learning or a public or private entity that provides academic transcripts from (i) withholding academic transcripts from a current or former student because the student owes a debt to the institution, (ii) conditioning the provision of an academic transcript on the payment of a debt, other than a fee charged to provide the transcript, (iii) charging a higher fee to obtain an academic transcript or providing less favorable treatment of a request for an academic transcript because a current or former student owes a debt, or (iv) using academic transcript issuance as a tool for debt collection. Beginning with the 2022-2023 academic year, requires an institution of higher learning to make a good faith effort to offer a debt repayment plan to any student who owes a debt of \$250 or more to the institution. Sets forth provisions concerning the debt repayment plan and enrollment procedures. Effective immediately.

LRB102 22166 CMG 31295 b

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

A BILL FOR

1 AN ACT concerning education.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the  
5 Student Debt Assistance Act.

6 Section 5. Findings. The General Assembly makes all of the  
7 following findings:

8 (1) Student debt is a consistent and growing problem  
9 in this State as well as nationwide. Due to unpaid tuition  
10 and fees, colleges and universities in this State place  
11 thousands of students on academic hold and often send the  
12 uncollected student debt to collection agencies. Either of  
13 these methods used by a college or university to collect  
14 student debt leads to significant issues for students.  
15 Being placed on academic hold prevents a student from  
16 enrolling in additional courses of study or receiving the  
17 student's academic transcript, which may prevent the  
18 student from receiving a job promotion that may help the  
19 student pay the student's debt to the college or  
20 university.

21 (2) Student debt that is sent to a collection agency  
22 often results in a student owing hundreds of dollars in  
23 collection fees and negatively affects the student's

1 credit score. Additionally, sending a student's debt to a  
2 collection agency is not an effective method to collect  
3 unpaid student debt. In Ohio, a state with aggressive debt  
4 collection practices, public universities were only able  
5 to recover less than 7 cents of every dollar owed.

6 (3) Unpaid student debt presents an equity problem.  
7 Unpaid student debt disproportionately impacts low-income  
8 students and significantly affects students who attend  
9 community colleges.

10 (4) This State and its institutions of higher learning  
11 must do whatever is possible to prevent student debt from  
12 being sent to collection agencies.

13 (5) This Act provides opportunities for students to  
14 pay off their unpaid debts and to ensure that our  
15 institutions of higher learning are doing their part to  
16 assist students in these efforts.

17 Section 10. Definitions. In this Act:

18 "Academic hold" means any restriction imposed by an  
19 institution of higher learning to prevent a student from  
20 enrolling in courses of study or gaining access to the  
21 institution's services.

22 "Applicable provider" means an institution of higher  
23 learning or a public or private entity that is responsible for  
24 providing academic transcripts to a current or former student  
25 of an institution of higher learning.

1 "Debt" means any money, obligation, claim, or sum due or  
2 owing or alleged to be due or owing from a student to an  
3 institution of higher learning. "Debt" does not include the  
4 fee, if any, that is charged to students by an applicable  
5 provider for the actual cost of providing an academic  
6 transcript to a student.

7 "Financial evidence" means a bank statement, pay stubs,  
8 student loan approval, or other documentation used by a  
9 student to provide proof to an institution of higher learning  
10 that the student will be able to pay the tuition and mandatory  
11 fees for the next academic term.

12 "Good faith effort" means that an institution of higher  
13 learning has taken all necessary steps to contact a student  
14 concerning the student's delinquent debt and, if a student is  
15 eligible, has offered the student a debt repayment plan. A  
16 "good faith effort" to contact a student made by an  
17 institution of higher learning before sending the student's  
18 delinquent account to debt collection must include:

19 (1) making numerous attempts to contact the student  
20 via phone or email;

21 (2) giving the student ample time to respond to the  
22 final email or phone call, especially if the student  
23 withdrew from the institution for a documented medical  
24 reason or to take care of a family member; and

25 (3) giving the student ample time to return the  
26 required paperwork if contact with the student is made

1 regarding the student's delinquent debt and a debt  
2 repayment plan is offered to the student.

3 "Institution of higher learning" or "institution" has the  
4 meaning ascribed to that term in the Higher Education Student  
5 Assistance Act.

6 Section 15. Withholding of academic transcripts  
7 prohibited. After the effective date of this Act, an  
8 applicable provider may not do any of the following:

9 (1) Refuse to provide an academic transcript to a  
10 current or former student on the grounds that the student  
11 owes a debt.

12 (2) Condition the provision of an academic transcript  
13 on the payment of a debt, other than a fee charged to  
14 provide the transcript.

15 (3) Charge a higher fee for obtaining an academic  
16 transcript or provide less favorable treatment of a  
17 request for an academic transcript because a current or  
18 former student owes a debt.

19 (4) Use academic transcript issuance as a tool for  
20 debt collection.

21 Section 20. Higher education debt repayment plan.

22 (a) To provide students with an opportunity to pay off  
23 debt they owe to an institution of higher learning, beginning  
24 with the 2022-2023 academic year, an institution of higher

1 learning must make a good faith effort to offer a debt  
2 repayment plan to any student who owes a debt of \$250 or more  
3 to the institution. A debt repayment plan offered by an  
4 institution of higher learning must satisfy the following  
5 requirements:

6 (1) If the amount of the student's debt is less than or  
7 equal to \$2,500, the student must be offered the option of  
8 at least a 3-month, 6-month, 9-month, 12-month, or  
9 18-month debt repayment plan.

10 (2) If the amount of the student's debt is more than  
11 \$2,500, the student must be offered the option of at least  
12 a 6-month, 9-month, 12-month, 24-month, or 36-month debt  
13 repayment plan.

14 (3) All late fees or past-due fees incurred by a  
15 student that remain unpaid on the date the student enters  
16 into the debt repayment plan with the institution of  
17 higher learning must be waived by the institution.

18 (4) An institution of higher learning may use a  
19 third-party entity to assist in setting up and  
20 administering debt repayment plans; however, neither the  
21 institution of higher learning nor the third-party entity  
22 may charge the student interest on the amount of debt owed  
23 under the debt repayment plan. Neither the institution nor  
24 the third-party entity may charge the student more than  
25 \$50 in fees to set up and administer the debt repayment  
26 plan.

1           (5) An institution of higher learning or a third-party  
2           entity that administers an institution's debt repayment  
3           plans may not charge a student any fee or prepayment  
4           penalty for the early repayment of the debt under the debt  
5           repayment plan.

6           (6) If a student enters into a debt repayment plan,  
7           the institution of higher learning or third-party entity  
8           must offer the student an option to renegotiate the debt  
9           repayment plan for a longer time period if the student can  
10          provide financial evidence that the student is not able to  
11          make the required payments due to unforeseen medical,  
12          travel, or cost-of-living expenses. The student may  
13          renegotiate only for time periods offered by the  
14          applicable provider.

15          (7) A student may not have more than one active debt  
16          repayment plan at a time for a past-due debt with an  
17          institution of higher learning or a third-party entity  
18          that administers an institution's debt repayment plans.

19          (8) If a student makes a payment of less than the  
20          negotiated monthly payment amount and fails to submit the  
21          remainder of the negotiated monthly payment due before the  
22          end of the applicable month, then the payment made shall  
23          be considered to be a missed payment for that month and  
24          shall be designated as such. The student may request that  
25          the institution of higher learning or third-party entity  
26          remove the designation if the student can provide

1 financial evidence that the student was unable to fully  
2 pay the negotiated monthly payment amount as a result of  
3 unforeseen medical, travel, or cost-of-living expenses.

4 (b) If a student who is eligible under subsection (a)  
5 enters into a debt repayment plan with an institution of  
6 higher learning but fails to make 3 consecutive monthly  
7 payments, the institution of higher learning may initiate the  
8 process to send the remaining debt owed by the student to a  
9 collection agency. Prior to sending the student's debt to a  
10 collection agency, the institution must make a good faith  
11 effort to inform the student that the institution will be  
12 sending the student's debt to a collection agency unless the  
13 student begins to make payments again. The institution shall  
14 allow the student to appeal the institution's decision to send  
15 the debt to a collection agency. The student may also provide  
16 financial evidence to the institution to explain why the  
17 student has stopped making the debt payments.

18 (c) Any applicable provider to which a student owes a debt  
19 of less than \$250 must make a good faith effort to contact and  
20 inform the student of the debt.

21 Section 25. Enrollment procedures for a student who owes  
22 debt.

23 (a) Beginning with the 2022-2023 academic year, an  
24 institution of higher learning may not place a student on  
25 academic hold and must allow the student to continue to enroll



1 in courses of study if:

2 (1) the student has entered into a debt repayment plan  
3 with the institution of higher learning;

4 (2) the debt owed by the student is less than \$2,500;  
5 and

6 (3) the student provides financial evidence that the  
7 student will not be accruing additional debt.

8 Any financial evidence requested by an institution under  
9 this subsection (a) must be of a nature that is easily  
10 accessible to the student and must not be overly burdensome to  
11 acquire. A student under this subsection (a) must provide  
12 financial evidence to the institution's office of financial  
13 aid or bursar's office. A student's financial evidence may be  
14 re-evaluated by the institution every academic term for as  
15 long as the student continues to owe debt to the institution.

16 (b) An institution of higher learning may not consider  
17 applying for or receiving student loan assistance as adding  
18 additional debt under subsection (a).

19 (c) If an institution of higher learning deems a student's  
20 financial evidence under subsection (a) insufficient, the  
21 student may appeal the institution's decision. The appeal  
22 process shall include a meeting with the institution's office  
23 of financial aid or bursar's office or another relevant  
24 department to discuss potential solutions that will allow the  
25 student to be eligible to enroll in additional courses of  
26 study. If, after the appeal process, the student's financial

1 evidence is still deemed insufficient, the student may request  
2 a new appeal or provide new financial evidence once each  
3 academic term.

4 (d) Once a student pays a debt owed to an institution of  
5 higher learning, the institution may no longer request  
6 financial evidence from the student unless the student  
7 continues to meet the requirements under subsection (a).

8 (e) A student under subsection (a) who is allowed to  
9 enroll in additional courses of study but fails to make 2  
10 consecutive monthly payments under a debt repayment plan with  
11 the institution may be placed on academic hold by the  
12 institution until the student makes payments again. The  
13 institution shall allow the student to appeal the academic  
14 hold. In its discretion, the institution may remove the  
15 academic hold.

16 (f) If a student meets the eligibility requirements in  
17 subsection (a), enrolls in additional courses, and accrues  
18 additional debt in a subsequent semester or term, the  
19 institution of higher learning or third-party entity that  
20 administers an institution's debt repayment plan must give the  
21 student the ability to renegotiate the student's debt  
22 repayment plan to include the additional debt. If the  
23 additional debt added to the debt repayment plan causes the  
24 student to owe \$2,500 or more in debt, the institution of  
25 higher learning may place the student on academic hold until  
26 the student meets the eligibility requirements in subsection

1 (a) again.

2 (g) A student may not have more than one active debt  
3 repayment plan at a time for a past-due debt with an  
4 institution of higher learning or a third-party entity that  
5 administers an institution's debt repayment plans.

6 Section 30. Applicability. Nothing in this Act preempts an  
7 institution of higher learning's ability to offer or prevents  
8 an institution from offering any kind of financial aid to a  
9 student for the purpose of keeping the student out of debt.  
10 Nothing in this Act prevents an institution of higher learning  
11 from forgiving a student's debt.

12 Section 99. Effective date. This Act takes effect upon  
13 becoming law.