261F.5 Loan disclosure — loan bundling — prohibitions.

1. A covered institution that has entered into a preferred lender arrangement with a lender regarding private educational loans shall inform the borrower or prospective borrower of all available state education financing options, and financing options under Tit. IV of the federal Higher Education Act of 1965, as amended, including information on any terms and conditions of available loans under such title that are more favorable to the borrower.

2. A covered institution shall prohibit the bundling of private educational loans in financial aid packages, unless the borrower is ineligible for financing, is not eligible for any additional funding, or has exhausted the limits of loan eligibility, under Tit. IV of the federal Higher Education Act of 1965, as amended, or has not filled out a free application for federal student aid, and the bundling of the private educational loans is clearly and conspicuously disclosed to the borrower prior to acceptance of the package by the borrower. The provisions of this subsection shall not apply if the borrower does not desire or refuses to apply for a loan under Tit. IV of the federal Higher Education Act of 1965.

3. A lending institution included on a covered institution's preferred lender list shall disclose, clearly and conspicuously, in any application for a private educational loan, all of the following:

a. The rate of interest or the potential range of rates of interest applicable to the loan and whether such rates are fixed or variable.

b. Limitations, if any, on interest rate adjustments, both in terms of frequency and amount, or lack thereof.

c. Coborrower requirements, including changes in interest rates.

d. Any fees associated with the loan.

e. The repayment terms available on the loan.

f. The opportunity for deferment or forbearance in repayment of the loan, including whether the loan payments can be deferred if the borrower is in school.

g. Any additional terms and conditions applied to the loan, including any benefits that are contingent on the repayment behavior of the borrower.

h. Information comparing federal and private educational loans.

i. An example of the total cost of the educational loan over the life of the loan which shall be calculated using the following:

(1) A principal amount and the maximum rate of interest actually offered by the lender, or, if there is no maximum rate provided under the terms of the loan agreement or applicable state or federal law, a statement to that effect.

(2) Both with and without capitalization of interest, if that is an option for postponing interest payments.

j. The consequences for the borrower of defaulting on a loan, including any limitations on the discharge of an educational loan in bankruptcy.

k. Contact information for the lender.

4. Not later than January 31, 2009, the attorney general shall develop and make available to lenders a model disclosure form that is based on the requirements of subsection 3. Use of the model disclosure form by a lending institution in a manner consistent with this chapter shall constitute compliance with subsection 3.

2008 Acts, ch 1132, §7, 15