

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

FILED SENATE
Mar 24, 2025
S.B. 426
PRINCIPAL CLERK

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SENATE BILL DRS45219-MUF-38

Short Title: Student Borrowers' Bill of Rights. (Public)

Sponsors: Senators Galey and Craven (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED
AN ACT TO ENACT A STUDENT BORROWERS' BILL OF RIGHTS, TO PROVIDE THAT
THE COMMISSIONER OF BANKS SHALL LICENSE AND REGULATE STUDENT
LOAN SERVICERS, AND TO ESTABLISH THE POSITION OF THE STUDENT LOAN
OMBUDSMAN.

The General Assembly of North Carolina enacts:

SECTION 1.(a) Chapter 53 of the General Statutes is amended by adding a new
Article to read:

"Article 26.

"Student Borrowers' Bill of Rights.

"§ 53-440. Short title.

This Article may be cited as the Student Borrowers' Bill of Rights.

"§ 53-441. Purpose.

This Article protects student loan borrowers and their families by providing that the
Commissioner of Banks shall license and regulate student loan servicers to ensure that student
loan borrowers and their families are treated fairly.

"§ 53-442. Definitions.

The following definitions apply in this Article:

(1) Borrower. – Any of the following:

a. An individual residing in this State who has received or agreed to pay
a student loan.

b. An individual who has received or agreed to pay a student loan or debt
to attend an institution located in this State.

c. A person that shares responsibility to repay a student loan with an
individual described in sub-subdivision a. or b. of this subdivision.

(2) Commissioner. – The Commissioner of Banks.

(3) Consumer reporting agency. – As defined in 15 U.S.C. § 1681a(f).

(4) Control. – The power, directly or indirectly, to direct the management or
policy of an entity, whether through ownership of securities, by contract, or
otherwise. The following persons are presumed to control an entity:

a. A director, general partner, or executive officer of the entity.

b. A person that directly or indirectly has ownership of or the power to
vote ten percent (10%) or more of a class of outstanding voting
securities of the entity.

c. In the case of a limited liability company, a managing member.



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- d. In the case of a partnership, a person that has the right to receive upon dissolution, or has contributed, ten percent (10%) or more of the capital of the partnership.
- (5) Nationwide Multistate Licensing System and Registry (NMLS). – The licensing system developed and maintained by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators for the licensing of persons under this Article.
- (6) Overpayment. – A payment on a student loan in excess of the amount due from a borrower for a given period.
- (7) Partial payment. – A payment on a student loan account that contains one or more individual loans in an amount less than the amount necessary to satisfy the outstanding payment due on all loans in the student loan account.
- (8) Person. – An individual, partnership, limited liability company, limited partnership, corporation, association, or other group engaged in joint business activities however organized.
- (9) Servicing. – Engaging in any of the following for compensation or gain:
- a. Receiving or soliciting any scheduled periodic payment on a student loan from a borrower or any notification that a borrower made a scheduled periodic payment on a student loan and applying a payment to the balance of the student loan.
- b. During a period when no payment is required on a student loan, maintaining account records for the student loan and communicating with the borrower regarding the student loan on behalf of the owner of the student loan.
- c. Having the right to receive payments from a borrower when the loan is delinquent or in default.
- d. Interacting with a borrower to facilitate the activities described in sub-subdivisions a. or b. of this subdivision, including helping a borrower avoid default on a student loan.
- (10) Student loan. – A loan or agreement that is extended to a borrower expressly to finance postsecondary education expenses or other school-related expenses. This term does not include the following:
- a. Open-ended credit or any loan secured by real property.
- b. Loans originated by entities exempted under G.S. 53-443(b), except that loans are not excluded during periods in which they are serviced by an entity not exempted under G.S. 53-443(b).
- c. Loans serviced by entities exempted under G.S. 53-443(b).
- (11) Student loan servicer. – Any person, regardless of location, responsible for servicing a student loan.
- (12) Written inquiry. – Any nonverbal communication in any format, whether electronic or hard copy. A written inquiry does not include a communication made to a consumer reporting agency involving a dispute under the Fair Debt Collection Practices Act, 15 U.S.C. §§ 1692-1692p.

"§ 53-443. License requirement for student loan servicers.

(a) License Requirement. – No student loan servicer except those exempt under subsection (b) of this section shall service a student loan unless the person has a student loan servicer license as provided in this Article.

(b) Exemptions. – The following are exempt from all provisions of this Article:

- (1) A bank, savings bank, credit union, or savings and loan association organized under the laws of any state or the United States.

- (2) A wholly owned subsidiary of an entity described in subdivision (1) of this subsection.
- (3) The State or any political subdivision of the State.
- (4) Institutions of higher education, as defined in G.S. 116-143.1.
- (5) College Foundation, Inc.
- (6) Eligible private postsecondary institutions, as defined in G.S. 116-280.
- (7) Organizations, as described in 26 U.S.C. § 509(a)(1), (2), or (3), that support the work of institutions of higher education and eligible private postsecondary institutions exempted by this subsection.

"§ 53-444. License application.

(a) Application. – Applications under this Article shall be filed through the Nationwide Multistate Licensing System and Registry (NMLS) in a form acceptable to the Commissioner. To be considered complete, the application shall be verified by attestation of the applicant or a designee of the applicant and shall include all of the following:

- (1) The applicant's legal name, along with any assumed business name, principal address, including street address and mailing address, contact information, and social security number or taxpayer identification number.
- (2) The applicant's form and place of organization, if applicable.
- (3) A certificate of good standing from the state in which the applicant was organized, if applicable.
- (4) A certificate of authority from the North Carolina Secretary of State to conduct business in this State, if required by Article 15 of Chapter 55 of the General Statutes, or other evidence of the applicant's registration or qualification to do business in this State.
- (5) The qualifications and business history of the applicant and, if applicable, the business history of any person controlling the applicant, including a description of any injunction or administrative order by any state or federal authority to which the person is or has been subject.
- (6) The applicant's financial condition, including its credit history, business history, and most recent audited annual financial statement or, if the applicant is a wholly owned subsidiary, the most recent audited annual financial statement of the applicant's parent entity. This statement shall include the balance sheet, statement of income or loss, statement of changes in shareholder equity, if applicable, and statement of changes in financial position.
- (7) A record of any criminal convictions for the applicant or, in the case of an applicant that is an entity, each individual who has control of the applicant for a 10-year period prior to the date of the application, including the applicant's consent to a federal and State criminal background check and a set of the applicant's fingerprints in a form acceptable to the Commissioner. In the case of an applicant that is an entity, each individual who has control over the applicant shall consent to a federal and State criminal background check and shall submit a set of the individual's fingerprints.
- (8) A current schedule of the ranges and categories of the fees it charges borrowers for servicing student loans.
- (9) Any additional information that the Commissioner deems relevant.

(b) Fees. – An applicant shall include a nonrefundable application fee of one thousand five hundred dollars (\$1,500) with the application. In addition, every applicant for initial licensure shall pay the actual cost of obtaining a credit report and federal and State criminal background checks and the processing fees required by the NMLS.

1 (c) Investigation. – On receipt of the application and fees, the Commissioner shall
2 investigate the applicant's financial condition and responsibility, financial and business
3 experience, and character and general fitness.

4 (d) Abandoned Application. – The Commissioner may deem an application abandoned if
5 the applicant fails to respond to a written request for information by the Commissioner within 30
6 days of the date of the request. The written request may be given to the applicant through the
7 NMLS or by other electronic means.

8 (e) Issuance of License. – The Commissioner shall issue a student loan servicer license
9 to an applicant if the Commissioner finds all of the following:

10 (1) The applicant has satisfied the requirements imposed by this Article.

11 (2) The applicant's business will be conducted honestly, fairly, and in a manner
12 commanding the confidence and trust of the community.

13 (3) The applicant has demonstrated net worth necessary to satisfy the
14 requirements of G.S. 53-445.

15 (4) The applicant has obtained a surety bond in conformance with G.S. 53-446.

16 (5) Persons controlling the applicant, as a group, have degrees of character,
17 competence, and experience that command the confidence and trust of the
18 community and justify the belief that the applicant will operate safely,
19 soundly, and in compliance with the law.

20 (6) The applicant meets other similar requirements determined by the
21 Commissioner.

22 (f) Automatic Issuance of License for Federal Student Loan Servicing Contractors. – A
23 person seeking to act within this State as a student loan servicer is exempt from the procedures
24 described in subsections (a) through (d) of this section upon a determination by the Commissioner
25 that the person is a party to a contract awarded by the United States Secretary of Education under
26 20 U.S.C. § 1087f. Any person seeking this exemption shall submit a written request for
27 verification of exemption to the Commissioner. The request shall be in a form acceptable to the
28 Commissioner and shall include a copy of any written agreement and related documentation that
29 is the basis for the exemption. The following provisions apply to the exemption:

30 (1) Actions by Commissioner. – With regard to a person deemed exempt under
31 this subsection, the Commissioner shall do both of the following:

32 a. Automatically issue a license upon payment of the fees required by
33 subsection (b) of this section.

34 b. Automatically issue a renewal license upon payment of the assessment
35 required by G.S. 53-448.

36 (2) Notice. – A person issued a license pursuant to this subsection shall provide
37 the Commissioner with written notice within seven days after notification of
38 the expiration, revocation, or termination of any contract awarded by the
39 United States Secretary of Education under 20 U.S.C. § 1087f. The person has
40 30 days after notification to satisfy all requirements established under
41 subsections (a) and (b) of this section in order to continue to act within this
42 State as a student loan servicer. At the expiration of the 30-day period, if the
43 person seeking to act within this State as a student loan servicer has not
44 satisfied the requirements of subsections (a) and (b) of this section, the
45 Commissioner shall summarily suspend any license granted to the person
46 under this section.

47 (3) Preservation of authorities. – With respect to student loan servicing not
48 conducted pursuant to a contract awarded by the United States Secretary of
49 Education under 20 U.S.C. § 1087f, nothing in this section prevents the
50 Commissioner from issuing, or filing a civil action for, an order to temporarily

or permanently enjoin a person from acting as a student loan servicer or from violating this Article.

"§ 53-445. Minimum net worth.

(a) An applicant shall possess and a licensee shall maintain at all times a net worth of not less than two hundred fifty thousand dollars (\$250,000) calculated in accordance with generally accepted accounting principles.

(b) The Commissioner may by order increase the amount of net worth required of an applicant or licensee if the Commissioner determines additional net worth is necessary to ensure safe and sound operation based on consideration of the following factors:

(1) The nature and volume of the projected or established business.

(2) The amount, nature, quality, and liquidity of assets.

(3) The amount and nature of liabilities.

(4) The history of operations and prospects for earning and retaining income.

(5) The quality of operations and management.

(6) The nature and quality of control persons.

(7) The history of compliance with State and federal law.

(8) Any other factors the Commissioner deems relevant.

"§ 53-446. Surety bond.

(a) Applicants shall be required to post a surety bond with the Commissioner at application, and licensees shall maintain a surety bond in the amount of one hundred fifty thousand dollars (\$150,000). If a student loan servicer, however, has a servicing volume in this State in a calendar year in excess of ten million dollars (\$10,000,000) but less than fifty million dollars (\$50,000,000), then the student loan servicer's minimum bond amount shall be two hundred fifty thousand dollars (\$250,000), and, if a student loan servicer has a servicing volume in this State in a calendar year of fifty million dollars (\$50,000,000) or more, then the student loan servicer's minimum bond shall be five hundred thousand dollars (\$500,000).

(b) The surety bond shall be in a form satisfactory to the Commissioner and shall run to the State for the benefit of any claimants against the licensee to secure the faithful performance of the obligations of the licensee. The Commissioner has the discretion to require the applicant to obtain additional insurance coverage to address related cybersecurity risks inherent in the applicant's business model as it relates to student loan servicing to the extent those risks are not within the scope of the surety bond.

(c) The aggregate liability of the surety in no event shall exceed the principal sum of the bond. Claimants against the licensee may themselves bring suit directly on the surety bond, or the Commissioner may bring suit on behalf of the claimants, either in one action or in successive actions. Borrower claims shall be given priority in recovering from the bond. When an action is commenced on a licensee's bond, the Commissioner may require the posting of a new bond; in this case, the licensee shall post a replacement bond in the required amount within 30 days. Immediately upon recovery upon any action on the bond, the licensee shall post a new bond.

(d) The surety bond shall remain in effect until cancellation, which may occur only after 90 days' written notice to the Commissioner. Cancellation does not affect any liability incurred during that period.

(e) The surety bond shall remain in place for no less than five years after the licensee ceases student loan servicing operations in this State. The Commissioner, however, may permit the surety bond to be reduced or eliminated if the Commissioner determines that the reduction or elimination will not harm borrowers or this State.

(f) The surety bond proceeds and any cash or other collateral posted as security by a licensee is deemed to be held in trust for the benefit of any claimants against the licensee and for the benefit of the State in the event of the licensee's bankruptcy.

"§ 53-447. License renewal, expiration, and cancellation; no assignability; acquisition of licensee.

(a) Renewal. – A license under this Article shall be renewed annually. A licensee shall apply to renew a license by submitting an application to the Commissioner through the NMLS on or after July 1 of each year. The renewal applicant shall continue to meet the requirements for initial licensure as provided in G.S. 53-444 but is not required to pay the fees described in subsection (b) of that section.

(b) Expiration. – A license under this Article expires annually on September 30 unless it is renewed under subsection (a) of this section.

(c) Reinstatement. – If a licensee has not renewed prior to the expiration date, then the licensee shall pay two hundred fifty dollars (\$250.00) as a nonrefundable late fee to reinstate the license. In the event the licensee fails to obtain a reinstatement of the license prior to October 31, the Commissioner shall require the licensee to comply with the requirements for initial licensure as provided in G.S. 53-444, including the fees described in subsection (b) of that section.

(d) Cessation of Operations. – To cease student loan servicing operations in this State, a licensee shall first obtain the approval of the Commissioner. To obtain this approval, the licensee shall provide written notice to the Commissioner of the location of the licensee's records and the name, address, and telephone number of an individual authorized to provide access to the records. The licensee shall provide written notice at least 60 days prior to the cessation of operation.

If the Commissioner determines that the licensee's cessation of operations will not harm borrowers or this State, the Commissioner may order the cancellation of the license. The cancellation of a license under this subsection does not reduce or eliminate any civil or criminal liability of a licensee arising from acts or omissions occurring before the cancellation.

(e) Assignability. – A license issued under this Article is not assignable.

(f) Acquisition of Licensee. – Control of a licensee shall not be acquired through a stock purchase, merger, or other device without prior written consent of the Commissioner. The Commissioner shall not give consent if the Commissioner finds that any of the grounds for denial, revocation, or suspension as set forth under G.S. 53-455 apply to the acquiring person.

"§ 53-448. Assessments.

(a) Annual Assessments. – For purposes of meeting the cost of regulation under this Article, each licensee shall pay to the Commissioner an annual assessment in the amount of one dollar (\$1.00) per borrower served by the licensee. The annual assessment shall be based on the number of borrowers reported by the licensee pursuant to G.S. 53-449(b). The Commissioner may collect the assessment annually or in periodic installments. All assessments for the prior year shall be paid before a licensee may renew its license.

(b) Special Assessments. – If the Commissioner determines that the financial condition or manner of operation of a licensee warrants further examination or an increased level of supervision, the Commissioner may charge, and the licensee shall pay, a special assessment equal to the reasonable cost of further examination or increased level of supervision. The Commissioner's determination of this cost is, in the absence of manifest error, dispositive of the issue of reasonableness.

"§ 53-449. Duties of licensee to the Commissioner.

(a) Notice of Material Event. –

(1) Within 20 days of a change or acquisition of control of a licensee, the licensee shall provide notice of the event to the Commissioner through the NMLS in writing and in a form prescribed by the Commissioner. The notice shall be accompanied by any information, data, and records required by the Commissioner.

(2) Within 20 days of the occurrence of any one of the following events, a licensee shall file a written report with the Commissioner through the NMLS describing the event and its expected impact on the licensee's activities in this State:

a. The filing for bankruptcy or reorganization by the licensee.

- b. The institution of revocation or suspension proceedings against the licensee by any State or governmental agency.
- c. Any felony indictment of the licensee or any control person related to student loan servicing activities.
- d. Any felony conviction of the licensee or any control person related to student loan servicing activities.
- (3) If the information contained in any document filed with the Commissioner or the NMLS is or becomes inaccurate or incomplete in any material respect, the licensee or applicant shall within 30 days file a correcting amendment to the information contained in the document.
- (b) Annual Report on Student Loans. – No later than 90 days after the end of the calendar year, a licensee shall file an annual report in a form prescribed by the Commissioner through the NMLS. The report shall include all of the following relating to student loans serviced by the licensee on behalf of borrowers in this State:
- (1) The number of borrowers, number of student loans, and total outstanding balance.
- (2) With respect to student loans enrolled in any type of income-driven repayment plan, the number of borrowers, number of student loans, and total outstanding balance.
- (3) The types of student loans, such as federal, private, Federal Family Education Loan (FFEL), Parent Plus, Perkins, and institutional loans, and the number of student loans for each type.
- (4) The number of student loans in default, along with a breakdown of the total number of student loans 30 to 90 days delinquent, 91 to 180 days delinquent, and 181 to 270 days delinquent.
- (5) Any other information deemed relevant by the Commissioner.

"§ 53-450. Duties of student loan servicer to borrowers.

- (a) A student loan servicer shall respond to a written inquiry from a borrower or the representative of a borrower within 10 days of receipt of the request and, within 30 days after the receipt of the request, shall provide information relating to the request and, if applicable, the action the student loan servicer will take to correct the borrower's account or an explanation for why the student loan servicer believes the account is correct.
- (b) The 30-day period in subsection (a) of this section may be extended for not more than 15 days if, before the end of the 30-day period, the student loan servicer notifies the borrower or the borrower's representative of the extension and the reason for the delay.
- (c) Except when required by 15 U.S.C. § 1692e(8) to communicate that a debt is disputed, a student loan servicer shall not furnish to a consumer reporting agency information regarding a payment that is the subject of a written inquiry related to a dispute on a borrower's payment on a student loan during the 60 days following receipt of the written inquiry. A student loan servicer, however, may furnish to a consumer reporting agency information regarding the disputed payment after this period of time, even if the borrower submits an additional written inquiry.
- (d) Except as provided in federal law or required by a student loan agreement, a student loan servicer shall inquire of a borrower how to apply an overpayment to a student loan. A borrower's direction on how to apply an overpayment to a student loan stays in effect for any future overpayments during the term of the loan until the borrower provides different directions.
- (e) A student loan servicer shall apply partial payments in a manner that minimizes late fees and negative credit reporting. Where loans on a borrower's student loan account have an equal level of delinquency, a student loan servicer shall apply partial payments to satisfy as many individual loan payments as possible on the borrower's account.

(f) In the event of the sale, assignment, or other transfer of the servicing of a student loan that results in a change in the identity of the person to which a borrower is required to send payments or direct any communication concerning the loan, the following provisions apply:

- (1) The new student loan servicer shall honor all benefits originally represented as available during repayment, including those for which the borrower has not yet qualified.
- (2) The old student loan servicer shall transfer all records of the borrower to the new student loan servicer within 45 days of the sale, assignment, or transfer.
- (3) The new student loan servicer shall provide notice to the borrower of the sale, assignment, or transfer at least seven days before the first payment is due to the new student loan servicer. The notice shall include the identity of the new student loan servicer, the effective date of the sale, assignment, or transfer, the date the old student loan servicer will no longer accept payments, and the contact information for the new student loan servicer.

(g) Except as otherwise provided in federal law, federal student loan agreements, or a contract between the federal government and a student loan servicer, a student loan servicer shall properly evaluate a borrower for an income-based repayment program, public service loan forgiveness program, or other repayment program before placing the borrower in forbearance or default if one or more of these programs is available to the borrower.

"§ 53-451. Prohibited conduct.

In addition to the activities prohibited under other provisions of this Article, it is unlawful for any student loan servicer to do any of the following:

- (1) Directly or indirectly employ a scheme, device, or artifice to defraud or mislead borrowers or the Commissioner.
- (2) Engage in an unfair or deceptive trade practice toward any person or misrepresent or omit any material information in connection with the servicing of a student loan, including the amount, nature, or terms of any fee or payment due or claimed to be due on a student loan, the terms and conditions of the loan agreement, or the borrower's obligation under the student loan.
- (3) Obtain property by fraud or misrepresentation.
- (4) Misapply payments to the outstanding balance of a student loan.
- (5) Provide inaccurate information to a consumer reporting agency.
- (6) Fail to report both the favorable and unfavorable payment history of a borrower to a consumer reporting agency at least annually if the student loan servicer regularly reports information to a consumer reporting agency.
- (7) Refuse to communicate with an authorized representative of a borrower who provides any written authorization signed by the borrower. The student loan servicer, however, may adopt procedures reasonably related to verifying that the representative is in fact authorized to act on behalf of the borrower. For purposes of this subdivision, a borrower who has submitted a complaint to any State agency is deemed to have authorized the student loan servicer to communicate directly with the State agency about the borrower's student loan.
- (8) Fail to respond to a communication from any State agency within 20 days or within a shorter reasonable period of time if requested by the State agency.
- (9) Fail to respond within 20 days to a complaint submitted to the student loan servicer by the Commissioner or Student Loan Ombudsman. If necessary, the student loan servicer may request additional time to respond to the complaint, up to a maximum of 45 days, so long as the request is accompanied by an explanation for why additional time is reasonable and necessary.

(10) Make any false statement or omit any material fact in connection with information or reports filed with a governmental agency or in connection with an investigation or examination conducted by the Commissioner.

(11) Communicate with a borrower in any manner designed to harass or intimidate the borrower.

(12) Violate State or federal privacy laws.

"§ 53-452. Commissioner's authority to investigate and examine.

(a) For purposes of carrying out this Article, the Commissioner may access any documents or information, including all of the following:

(1) Criminal, civil, and administrative history information, including data unrelated to a conviction.

(2) Personal history and experience information, including independent credit reports obtained from a consumer reporting agency.

(3) Any other documents, information, or evidence the Commissioner deems relevant to the inquiry, investigation, or examination regardless of the location, possession, control, or custody of the documents or information.

(b) The Commissioner may investigate or examine any student loan servicer as often as necessary to carry out the purposes of this Article. The Commissioner may interview borrowers, as well as the student loan servicer's controlling persons, employees, independent contractors, and agents. The Commissioner may order the attendance of and examine under oath all persons whose testimony about the student loan servicing activity the Commissioner deems relevant. The Commissioner may also order the student loan servicer to produce documents or information the Commissioner deems relevant. Any investigation or examination that, in the opinion of the Commissioner, requires extraordinary review, investigation, or examination is subject to the actual costs of additional expenses and the hourly rate for the Office of the Commissioner of Banks' staff's time, to be determined annually by the State Banking Commission.

(c) Upon request, each student loan servicer shall make available in a location that is acceptable to the Commissioner the records relating to the operations of the student loan servicer. No person shall knowingly withhold, remove, secrete, mutilate, or destroy any records or information. The Commissioner may control access to the records by moving them to another location or placing a person in exclusive charge of them where they are usually kept. During this period of control, no person shall remove any records or information except pursuant to a court order or with the consent of the Commissioner. Unless the Commissioner has a reason to believe the records are at risk of being withheld, removed, secreted, mutilated, or destroyed, the student loan servicer shall have access to them.

(d) Each student loan servicer shall make or compile reports as directed by the Commissioner to carry out the purposes of this section, including any of the following:

(1) Accounting compilations.

(2) Information lists and data concerning student loan servicing activities in a format prescribed by the Commissioner.

(3) Periodic reports, including any of the following:

a. Annual report questionnaires.

b. Any report required by the NMLS.

(e) To carry out the purposes of this section, the Commissioner may do any of the following:

(1) Retain attorneys, accountants, or other professionals and specialists as examiners, auditors, or investigators to assist with the investigation or examination.

(2) Enter into agreements or relationships with other governmental agencies or regulatory associations to improve efficiencies and reduce the regulatory

burden by sharing resources, standardized or uniform methods or procedures, or documents or information obtained under this section.

(3) Use, hire, contract, or employ publicly or privately available analytical systems, methods, or software.

(4) Accept and rely on investigation and examination reports made by other governmental agencies.

(5) Accept an audit report made by an independent certified public accountant and incorporate the audit report in the report of the investigation or examination or other writing of the Commissioner.

(f) The Commissioner may take any action described in G.S. 53-455 or G.S. 53-456, including summary suspension of the license, if a student loan servicer fails within 20 days, or a lesser time if requested for good cause, to do any of the following:

(1) Respond to inquiries from the Commissioner regarding any complaint filed against the student loan servicer that appears to involve a violation of this Article or any rule adopted or order issued under this Article.

(2) Respond to and cooperate fully with notices from the Commissioner relating to the scheduling and conducting of an investigation or examination.

(3) Consent to a criminal history record check. The refusal constitutes grounds for the Commissioner to deny licensure to the applicant as well as any person controlled by the applicant.

"§ 53-453. Confidentiality.

(a) All information obtained by the Commissioner under this Article is subject to confidential treatment as provided in G.S. 53C-2-7.

(b) Notwithstanding any State law to the contrary, the Commissioner shall report enforcement actions under this Article and any other relevant information to the NMLS.

(c) The Commissioner may enter into written agreements with other governmental agencies, the Conference of State Bank Supervisors, or other associations representing governmental agencies and may share otherwise confidential information pursuant to these agreements.

(d) The requirements of G.S. 53C-2-7 regarding the privacy or confidentiality of any information provided under subsections (b) and (c) of this section, and any privilege arising under any other federal or State law with respect to the information, continues to apply to the information after it has been disclosed to an entity described in subsection (b) or (c) of this section. Information held by the entity is not subject to disclosure under any State law governing the disclosure to the public of information held by an officer or agency of the State. The entities described in subsection (b) or (c) of this section may share information with all State and federal regulatory officials with student loan industry oversight authority without the loss of privilege or the loss of confidentiality protections provided by State and federal law.

(e) Nothing in this section prohibits the Commissioner from releasing to the public a list of persons licensed under this Article or aggregated financial data on these licensees.

"§ 53-454. Regulatory authority.

(a) Unless otherwise provided, all actions, hearings, and procedures under this Article are governed by Article 3A of Chapter 150B of the General Statutes.

(b) Upon the issuance of any summary order permitted under this Article, including summary suspensions and cease and desist orders, the Commissioner shall promptly notify the licensee that the order has been entered and the reasons for the order. Within 20 days of receiving notice of the order, the licensee may request in writing a hearing before the Commissioner. The Commissioner shall schedule a hearing within 15 days of receiving the request. If the licensee does not request a hearing, the order remains in effect unless it is modified or vacated by the Commissioner.

"§ 53-455. Disciplinary action.

(a) The Commissioner may, by order, deny, suspend, revoke, or refuse to renew a license under this Article or may restrict the manner in which a licensee or a controlling person of a licensee engages in student loan servicing, if the Commissioner finds both of the following:

(1) The order is in the public interest.

(2) The licensee or a controlling person of the licensee has done or is subject to any of the following:

a. Submitted an application for licensure, report, or other document to the Commissioner that, as of its effective date or later, contained a statement that, in light of the circumstances under which it was made, is false or misleading with respect to a material fact.

b. Violated any provision of this Article or rule adopted or order issued under this Article.

c. Is permanently or temporarily enjoined by a court from engaging in student loan servicing.

d. Is the subject of an order entered within the past five years by any governmental agency with jurisdiction over the student loan servicing industry.

(b) If the Commissioner has reason to believe that a licensee has violated any provision of this Article or rule adopted or order issued under this Article, the Commissioner may take any of the following actions:

(1) Summarily order the licensee to cease and desist from any harmful activities or violations of this Article.

(2) Summarily suspend the license of the licensee.

This subsection supplements the Commissioner's authority under G.S. 150B-3(c).

(c) If a licensee is accused of any act or omission that would subject the licensee to disciplinary action under this section, the licensee, with the approval of the Commissioner, may surrender the license and all of the rights and privileges pertaining to it. A person that surrenders a license is not eligible for licensure under this Article during any period specified by the Commissioner.

"§ 53-456. Civil penalty; restitution; disgorgement; authority to prohibit certain conduct.

(a) Civil Penalty. – The Commissioner may assess a civil penalty against a student loan servicer not to exceed twenty-five thousand dollars (\$25,000) for each violation of this Article, rules adopted under this Article, or order of the Commissioner issued under this Article. The clear proceeds of civil penalties imposed pursuant to this section shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

(b) Restitution. – If a student loan servicer violates this Article or rule adopted or order issued under this Article, the Commissioner may order the student loan servicer to pay restitution to a borrower injured by the violation.

(c) Disgorgement. – The Commissioner may require a student loan servicer to disgorge and pay to the borrower or other person any amount received by the student loan servicer collected in violation of Chapter 24 of the General Statutes.

(d) Authority to Prohibit. – The Commissioner may prohibit a student loan servicer from engaging in acts or practices in connection with student loan servicing that the Commissioner finds to be unfair, deceptive, designed to evade the laws of this State, or not in the best interest of the borrowing public.

"§ 53-457. Civil remedy.

(a) A borrower may bring a civil action for damages against a student loan servicer for an injury caused by the student loan servicer's violation of this Article or rule adopted or order issued under this Article. If the violation occurs in connection with the sale, assignment, or other transfer of the servicing between two student loan servicers, the student loan servicers remain jointly and severally liable for the injury.

(b) A violation of this Article or rule adopted or order issued under this Article is an unfair or deceptive trade practice for purposes of Chapter 75 of the General Statutes. Nothing in this Article limits any claim otherwise arising under G.S. 75-1.1.

"§ 53-458. Service of process.

(a) A licensee under this Article is deemed to have done both of the following:

(1) Consented to the jurisdiction of the courts of this State for an action arising under this Article.

(2) Appointed the Secretary of State as the licensee's agent for the purpose of accepting service of process in an action arising under this Article.

(b) The Commissioner is deemed to have complied with the requirement of law concerning service of process upon mailing by certified mail notice to a licensee, postage prepaid and addressed to the last known address on file with the Commissioner.

"§ 53-459. Rules; appeal by aggrieved person.

(a) The Commissioner may adopt any rule that the Commissioner deems necessary to carry out the provisions of this Article.

(b) Pursuant to G.S. 53C-2-6(b), any person aggrieved by any rule adopted or order issued by the Commissioner may appeal to the State Banking Commission for review upon providing a written notice of appeal within 20 days after the rule was adopted or order was issued. The notice of appeal shall specifically state the grounds for appeal and, in the case of an appeal from a contested case proceeding before the Commissioner, shall set forth in numbered order the assignments of error for review by the State Banking Commission. Failure to specify the assignments of error or failure to comply with the briefing schedule provided by the State Banking Commission constitutes grounds to dismiss the appeal. Any party aggrieved by a decision of the State Banking Commission may petition for judicial review pursuant to G.S. 53C-2-6(b).

"§ 53-460. Commissioner's participation in nationwide registry.

A student loan servicer shall be licensed through the NMLS. In order to carry out this requirement, the Commissioner may participate in the NMLS. G.S. 53-244.119 applies to this section."

SECTION 1.(b) This section becomes effective June 1, 2026.

SECTION 2.(a) Article 26 of Chapter 53 of the General Statutes, as enacted by this act, is amended by adding the following new sections to read:

"§ 53-461. Student Loan Ombudsman.

The Commissioner of Banks shall designate a Student Loan Ombudsman to carry out the duties and activities set forth in this Article. The Ombudsman shall provide timely assistance to any borrower of a student loan in this State.

"§ 53-462. Duties of the Ombudsman; education course; reports.

(a) The Commissioner of Banks shall ensure that the Ombudsman does all of the following:

(1) Receives, reviews, and responds to any complaint from a student loan borrower.

(2) Provides copies of complaints to the Attorney General, subject to G.S. 53C-2-7.

(3) Compiles and analyzes data on student loan borrower complaints.

(4) Monitors and analyzes the development and implementation of federal, State, and local laws and policies relating to student loan borrowers and recommends any necessary changes to these laws and policies.

(5) Disseminates information concerning the Ombudsman's duties and the regulatory duties of the Commissioner of Banks to institutions of higher education, student loan servicers, and any other appropriate persons.

(6) Takes any other action necessary to fulfill the duties set forth in this section.

(b) No later than July 1, 2027, the Office of the Commissioner of Banks, in coordination with the State Education Assistance Authority, shall ensure that the Ombudsman establishes and maintains a student loan borrower education course that includes educational presentations and materials regarding student loans. The program shall include key loan terms, documentation requirements, monthly payment obligations, income-based repayment options, the availability of State and federal loan forgiveness programs, and disclosure requirements.

(c) No later than 12 months following the date of appointment of the Ombudsman and annually thereafter, the Ombudsman shall submit a report to the General Assembly regarding all of the following:

(1) The implementation of this section, including data collected and analyzed.

(2) The overall effectiveness of the Ombudsman position.

(3) The efficacy of the student loan borrower education course in making student borrowers aware of their rights and responsibilities and the resources available to them."

SECTION 2.(b) This section becomes effective January 1, 2027.

SECTION 3. If any provision of this act or its application to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of this act that can be given effect without the invalid provision or application and, to this end, the provisions of this act are severable.

SECTION 4. Except as otherwise provided, this act is effective when it becomes law.