H. R. ____

To amend the Higher Education Act of 1965 to make improvements to the Federal Student Aid Office, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Ms. SHALALA introduced the following bill; which was referred to the Committee on ______________________

A BILL

To amend the Higher Education Act of 1965 to make improvements to the Federal Student Aid Office, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Section 1. Short title.

This Act may be cited as the “Protecting Student Aid Act of 2019” or the “PSA Act of 2019”.
SEC. 2. IMPROVEMENTS TO THE FEDERAL STUDENT AID OFFICE.

Section 141 of the Higher Education Act of 1965 (20 U.S.C. 1018) is amended—

(1) by redesignating subsection (i) as subsection (k); and

(2) by inserting after subsection (h) the following:

“(i) ENFORCEMENT UNIT.—

“(1) IN GENERAL.—Not later than 180 days after the date of enactment of the PSA Act of 2019, the Secretary shall establish within the PBO an enforcement unit (referred to in this section as the ‘Unit’) to review and investigate violations of this Act and recommend enforcement actions in accordance with paragraph (3).

“(2) CHIEF ENFORCEMENT OFFICER.—

“(A) APPOINTMENT.—The Secretary shall appoint an official to be known as the ‘Chief Enforcement Officer’ who shall serve as the head of the Unit. The Secretary shall appoint an individual to serve as the Chief Enforcement Officer solely on the basis of such individual’s integrity and expertise in law and investigations and without regard to such individual’s political affiliation.
“(B) AUTHORITY.—The Chief Enforcement Officer shall report directly to the Secretary without being required to report through any other official of the Department of Education.

“(C) TERM.—The Chief Enforcement Officer shall be appointed for a term of 6 years and may be reappointed for additional terms of 6 years at the discretion of the Secretary.

“(D) REMOVAL.—

“(i) IN GENERAL.—The Chief Enforcement Officer may not be removed during the Officer’s term except for cause.

“(ii) NOTICE TO CONGRESS.—If the Secretary removes the Chief Enforcement Officer before the expiration of the Officer’s term, the Secretary shall submit to the authorizing committees a report that explains the reasons for such removal. The report shall be submitted to the authorizing committees not later than 30 days after the date on which the removal takes effect.

“(3) DUTIES.—The Chief Enforcement Officer shall have the following duties:
“(A) Receive, process, and analyze allegations that a covered entity has violated Federal law or has engaged in unfair, deceptive, or abusive practices.

“(B) Review and investigate such allegations.

“(C) After reviewing and investigating an allegation under subparagraph (B), in consultation with the Chief Operating Officer—

“(i) if the covered entity subject to such allegation is an entity described in clause (i) or (iii) of paragraph (8)(A), make recommendations with respect to such covered entity, including—

“(I) whether such covered entity should be limited, suspended, or terminated from participation in one or more programs under title IV;

“(II) whether such covered entity should be subject to an emergency action under section 487(c)(1)(G); or

“(III) a combination of any of the actions described in clauses (II) and (III);
“(ii) if the covered entity subject to such allegation is an entity described in clause (ii) of paragraph (8)(A), make recommendations with respect to such covered entity, including whether such covered entity should be limited, suspended, or terminated from administering or providing services with respect to one or more programs under title IV; and

“(iii) provide the Secretary with such recommendations.

“(4) Secretarial review and action.—
After receiving notice of a determination of the Chief Enforcement Officer under paragraph (4)(C), the Secretary shall decide whether or not to pursue enforcement action against the entity concerned. In a case in which the Chief Enforcement Officer recommends enforcement action against an entity, but the Secretary decides not to pursue such enforcement action, the Secretary shall notify the Chief Enforcement Officer, in writing, of the rationale for such decision.

“(5) Coordination and staffing.—The Chief Enforcement Officer shall—
“(A) coordinate with relevant Federal and State agencies and oversight bodies; and

“(B) hire staff with the expertise necessary to conduct investigations, respond to allegations against covered entities, and enforce compliance with laws governing Federal student financial assistance programs under title IV.

“(6) INFORMATION SHARING.—The Chief Enforcement Officer shall develop and implement a process for sharing relevant information about allegations against covered entities with—

“(A) the Student Loan Ombudsman appointed under subsection (f);

“(B) personnel of the Department on responsible for processing borrower defense claims submitted under section 455(h);

“(C) other relevant Federal agencies;

“(D) States, including State law enforcement and regulatory agencies; and

“(E) recognized accrediting agencies or associations.

“(7) REPORT TO CONGRESS.—On an annual basis, the Chief Enforcement Officer shall submit to the authorizing committees a report that includes—
“(A) the number of allegations about covered entities received by Unit in the year covered by the report;

“(B) the number of such allegations investigated by the Unit;

“(C) the number of such allegations that were referred to the Secretary under paragraph (4)(C) and a summary of any action taken by the Secretary with respect to such allegations;

“(D) the number of such allegations that were referred to other Federal agencies and the names of the agencies to which the allegations were referred; and

“(E) the number of such allegations that remain under review or investigation as of the date of the report.

“(8) DEFINITIONS.—In this subsection:

“(A) COVERED ENTITY DEFINED.—In this subsection, the term ‘covered entity’ means—

“(i) an institution of higher education (as defined in section 102) that participates in the Federal student financial assistance programs authorized under title IV;
“(ii) a contractor that contracts with the PBO to provide services relating to such programs, or a subcontractor of such contractor; or

“(iii) a third party servicer.

“(B) THIRD PARTY SERVICER.—the term ‘third party servicer’ has the meaning given that term in section 481(c).”.

SEC. 3. DEFINITION OF THIRD PARTY SERVICER.

Section 481(c) of the Higher Education Act of 1965 (20 U.S.C. 1088(c)) is amended—

(1) in the matter preceding paragraph (1), by striking “contract” and inserting “contract or other agreement, including a revenue sharing arrangement,”; and

(2) in paragraph (1), by striking “, through either manual or automated processing, any aspect of such institution’s student assistance programs” and inserting “services on behalf of the institution receiving student assistance funds”.