

113TH CONGRESS
2D SESSION

H. R. 4984

To amend the loan counseling requirements under the Higher Education Act of 1965, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 26, 2014

Mr. GUTHRIE (for himself, Mr. HUDSON, and Mr. KLINE) introduced the following bill; which was referred to the Committee on Education and the Workforce

A BILL

To amend the loan counseling requirements under the Higher Education Act of 1965, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Empowering Students
5 Through Enhanced Financial Counseling Act”.

6 **SEC. 2. ANNUAL COUNSELING.**

7 Section 485(l) of the Higher Education Act of 1965
8 (20 U.S.C. 1092(l)) is amended—

9 (1) in the subsection heading, by striking “EN-
10 TRANCE” and inserting “ANNUAL”;

1 (2) in paragraph (1)—

2 (A) in the paragraph heading, by striking
3 “DISBURSEMENT” and inserting “ACCEPT-
4 ANCE”;

5 (B) in subparagraph (A)—

6 (i) in the matter preceding clause

7 (i)—

8 (I) by striking “at or prior to”
9 and inserting “prior to or in conjunc-
10 tion with”; and

11 (II) by striking “a disbursement
12 to a first-time borrower of a loan
13 made, insured, or guaranteed under
14 part B (other than a loan made pur-
15 suant to section 428C or a loan made
16 on behalf of a student pursuant to
17 section 428B) or” and inserting “ac-
18 ceptance (in a manner described in
19 subparagraph (A), (B), or (C) of
20 paragraph (4)) by a borrower of a
21 loan”; and

22 (ii) in clause (ii)—

23 (I) in the matter preceding sub-
24 clause (I)—

1 (aa) by striking “may” and
2 inserting “shall”; and

3 (bb) by inserting “, for each
4 award year for which the bor-
5 rower receives a loan made under
6 part D” after “provided”;

7 (II) in subclause (I), by striking
8 “an entrance counseling session con-
9 duction in person” and inserting “a
10 counseling session conducted in per-
11 son”;

12 (III) by striking subclause (II);

13 (IV) by redesignating subclause
14 (III) as subclause (II);

15 (V) in subclause (II), as so reded-
16 igned, by striking the period at the
17 end and inserting “; or”; and

18 (VI) by adding at the end the fol-
19 lowing:

20 “(III) through the use of the on-
21 line counseling tool described in sub-
22 section (o)(1)(B).”; and

23 (C) in subparagraph (B)—

24 (i) by striking “The Secretary” and
25 inserting “In the case of institutions not

1 using the online counseling tool described
2 in subsection (o)(1)(B), the Secretary”;

3 (ii) by striking “encourage institu-
4 tions” and inserting “require such institu-
5 tions”;

6 (iii) by inserting “, during an annual
7 counseling session that is in-person or on-
8 line,” after “the use”; and

9 (iv) by striking “B or”;

10 (3) in paragraph (2)—

11 (A) by redesignating subparagraphs (C)
12 through (G) and subparagraphs (H) through
13 (K), as subparagraphs (H) through (L), respec-
14 tively, and subparagraphs (N) through (Q), re-
15 spectively; and

16 (B) by inserting after subparagraph (B),
17 the following:

18 “(C) An explanation that the borrower is
19 not required to accept the full amount of the
20 loan offered to the borrower.

21 “(D) An explanation that the borrower
22 should consider accepting any grant, scholar-
23 ship, or State or Federal work-study jobs for
24 which the borrower is eligible prior to accepting
25 Federal student loans.

1 “(E) A recommendation to the borrower to
2 exhaust the borrower’s Federal student loan op-
3 tions prior to taking out private loans and a
4 warning that private loans may not offer the
5 same benefits and repayment options as Fed-
6 eral student loans.

7 “(F) An explanation of the approved edu-
8 cational expenses for which the borrower may
9 use a loan made under part D.

10 “(G) Information on the annual and aggre-
11 gate loan limits for Federal Direct Stafford
12 Loans and Federal Direct Unsubsidized Staf-
13 ford Loans.”;

14 (C) in subparagraph (I), as so redesign-
15 ated—

16 (i) by striking “a loan made under
17 section 428B or 428H,”; and

18 (ii) by striking “, or a” and inserting
19 “or a”;

20 (D) in subparagraph (L), as so redesign-
21 ated—

22 (i) in the matter preceding clause (i),
23 by striking “Sample” and inserting “For a
24 first-time borrower, sample”;

1 (ii) in clause (i)(I), by striking “loans
2 under section 428 or 428H” and inserting
3 “Federal Direct Stafford Loans or Federal
4 Direct Unsubsidized Stafford Loans”; and

5 (iii) in clause (i)(II), by striking
6 “loans under section 428, 428B, or 428H”
7 and inserting “Federal Direct PLUS
8 Loans or Federal Direct Unsubsidized
9 Stafford Loans”;

10 (E) by inserting after subparagraph (L),
11 as so redesignated and amended, the following:

12 “(M) For a borrower with an outstanding
13 balance of principal or interest due on a loan
14 made under this title—

15 “(i) a statement of the amount of
16 such outstanding balance;

17 “(ii) based on such outstanding bal-
18 ance, the anticipated monthly payment
19 amount under each repayment plan that
20 may be available to the borrower; and

21 “(iii) based on such outstanding bal-
22 ance plus the anticipated outstanding bal-
23 ance on the loan for which the student is
24 receiving counseling under this subsection
25 and on any other Federal student loans

1 that the borrower may accept during the
2 borrower's course of study for which the
3 borrower enrolled at the institution, an es-
4 timate of the projected monthly payment
5 amount under each such repayment plan.”;

6 and

7 (F) in subparagraph (Q), as so redesi-
8 gated—

9 (i) by striking “name of and”; and

10 (ii) by striking “individual” and in-
11 sserting “institution's financial aid office or
12 other appropriate office at the institution”;

13 and

14 (4) by adding at the end the following:

15 “(3) ANNUAL LOAN ACCEPTANCE.—Prior to
16 making the first disbursement of a loan made under
17 part D (other than a Federal Direct Consolidation
18 Loan or a Federal Direct PLUS loan made on be-
19 half of a student) to a borrower for an award year,
20 an eligible institution, shall, as part of carrying out
21 the counseling requirements of this subsection for
22 the loan, ensure that the borrower accepts the loan
23 for such award year by—

24 “(A) signing the master promissory note
25 for the loan;

1 “(B) signing and returning to the institu-
2 tion a separate written statement that affirma-
3 tively states that the borrower accepts the loan;
4 or

5 “(C) electronically signing an electronic
6 version of the statement described in subpara-
7 graph (B).”.

8 **SEC. 3. EXIT COUNSELING.**

9 Section 485(b) of the Higher Education Act of 1965
10 (20 U.S.C. 1092(b)) is amended—

11 (1) in paragraph (1)(A)—

12 (A) in the matter preceding clause (i)—

13 (i) by striking “through financial aid
14 offices or otherwise” and inserting
15 “through the use of an interactive pro-
16 gram, during an exit counseling session
17 that is in-person or online, or through the
18 use of the online counseling tool described
19 in subsection (o)(1)(A)”;

20 (ii) by redesignating clauses (i)
21 through (ix) as clauses (iv) through (xii),
22 respectively;

23 (iii) by inserting before clause (iv), as
24 so redesignated, the following:

1 “(i) a summary of the outstanding
2 balance of principal and interest due on
3 the loans made to the borrower under part
4 B, D, or E;

5 “(ii) an explanation of the grace pe-
6 riod preceding repayment and the expected
7 date that the borrower will enter repay-
8 ment;

9 “(iii) an explanation that the borrower
10 has the option to pay any interest that has
11 accrued while the borrower was in school
12 or that may accrue during the grace period
13 preceding repayment or during an author-
14 ized period of deferment or forbearance,
15 prior to the capitalization of the interest;”;

16 (iv) in clause (iv), as so redesignated,
17 by striking “sample information showing
18 the average” and inserting “information,
19 based on the borrower’s outstanding bal-
20 ance described in clause (i), showing the
21 borrower’s”;

22 (v) in clause (x), as so redesignated,
23 by striking “consolidation loan under sec-
24 tion 428C or a”; and

1 (vi) by adding at the end the fol-
2 lowing:

3 “(xiii) for each of the borrower’s loans
4 made under part B, D, or E for which the
5 borrower is receiving counseling under this
6 subsection, the contact information for the
7 loan servicer of the loan and a link to such
8 servicer’s Website.”;

9 (2) in paragraph (1)(B)—

10 (A) by inserting “online or” before “in
11 writing”; and

12 (B) by adding before the period at the end
13 the following: “, except that in the case of an
14 institution using the online counseling tool de-
15 scribed in subsection (o)(1)(A), the Secretary
16 shall attempt to provide such information to the
17 student in the manner described in subsection
18 (o)(3)(C)”;

19 (3) in paragraph (2)(C), by inserting “, such as
20 the online counseling tool described in subsection
21 (o)(1)(A),” after “electronic means”.

1 **SEC. 4. ANNUAL COUNSELING FOR FEDERAL PELL GRANT**
2 **RECIPIENTS.**

3 Section 485 of the Higher Education Act of 1965 (20
4 U.S.C. 1092) is amended by adding at the end the fol-
5 lowing:

6 “(n) ANNUAL COUNSELING FOR FEDERAL PELL
7 GRANT RECIPIENTS.—

8 “(1) DISCLOSURE REQUIRED PRIOR TO DIS-
9 BURSEMENT OF FEDERAL PELL GRANT.—

10 “(A) IN GENERAL.—Each eligible institu-
11 tion shall, prior to the first payment of a Fed-
12 eral Pell Grant to a student for an award year,
13 ensure that the student receives comprehensive
14 information on the terms and conditions of the
15 Federal Pell Grant in accordance with para-
16 graph (2). Such information—

17 “(i) shall be provided in a simple and
18 understandable manner; and

19 “(ii) shall be provided, for each award
20 year for which the student receives a Fed-
21 eral Pell Grant—

22 “(I) during a counseling session
23 conducted in person;

24 “(II) online, with the student ac-
25 knowledging receipt of the informa-
26 tion; or

1 “(III) through the use of the on-
2 line counseling tool described in sub-
3 section (o)(1)(C).

4 “(B) USE OF INTERACTIVE PROGRAMS;
5 JOINT COUNSELING PERMITTED.—In the case
6 of institutions not using the online counseling
7 tool described in subsection (o)(1)(C)—

8 “(i) the Secretary shall require such
9 institutions to carry out the requirements
10 of subparagraph (A) through the use, dur-
11 ing an annual counseling session that is in-
12 person or online, of interactive programs
13 that test the student’s understanding of
14 the terms and conditions of the Federal
15 Pell Grant paid to the student, using sim-
16 ple and understandable language and clear
17 formatting; and

18 “(ii) an annual counseling session de-
19 scribed in subclause (I) or (II) of subpara-
20 graph (A)(ii) for a student may be con-
21 ducted in conjunction with an annual coun-
22 seling session described in subclause (I) or
23 (II) of subsection (l)(1)(A)(ii) for such stu-
24 dent.

1 “(2) INFORMATION TO BE PROVIDED.—The in-
2 formation to be provided to the student under para-
3 graph (1)(A) shall include the following:

4 “(A) An explanation of a Federal Pell
5 Grant.

6 “(B) An explanation of approved edu-
7 cational expenses for which the student may use
8 a Federal Pell Grant.

9 “(C) An explanation of why a student may
10 have to repay the Federal Pell Grant.

11 “(D) An explanation of the maximum
12 number of semesters or equivalent for which the
13 student may be eligible to receive a Federal Pell
14 Grant, and a statement of the amount of time
15 remaining for which the student may be eligible
16 to receive a Federal Pell Grant.

17 “(E) An explanation of how the student
18 may budget for typical educational expenses
19 and a sample budget based on the cost of at-
20 tendance for the institution.

21 “(F) An explanation of how the student
22 may seek additional financial assistance from
23 the institution’s financial aid office due to a
24 change in the student’s financial circumstances,
25 and the contact information for such office.”.

1 **SEC. 5. ONLINE COUNSELING TOOLS.**

2 Section 485 of the Higher Education Act of 1965 (20
3 U.S.C. 1092) is further amended by adding at the end
4 the following:

5 “(o) ONLINE COUNSELING TOOLS.—

6 “(1) IN GENERAL.—Beginning not later than 1
7 year after the date of enactment of the Empowering
8 Students Through Enhanced Financial Counseling
9 Act, the Secretary shall maintain—

10 “(A) an online counseling tool that pro-
11 vides the exit counseling required under sub-
12 section (b) and meets the applicable require-
13 ments of this subsection;

14 “(B) an online counseling tool that pro-
15 vides the annual counseling required under sub-
16 section (l) and meets the applicable require-
17 ments of this subsection; and

18 “(C) an online counseling tool that pro-
19 vides the Federal Pell Grant counseling re-
20 quired under subsection (n) and meets the ap-
21 plicable requirements of this subsection.

22 “(2) REQUIREMENTS OF TOOLS.—In maintain-
23 ing the online counseling tools described in para-
24 graph (1), the Secretary shall ensure—

25 “(A) in the case of the online counseling
26 tools described in subparagraphs (A) and (B) of

1 paragraph (1), each such tool is consumer test-
2 ed to ensure that the tool is effective in helping
3 students understand their rights and obligations
4 with respect to borrowing a loan made under
5 part D;

6 “(B) in the case of the online tool de-
7 scribed in paragraph (1)(C), the tool is con-
8 sumer tested to ensure that such tool is effec-
9 tive in helping students understand their rights
10 and obligations with respect to receiving a Fed-
11 eral Pell Grant; and

12 “(C) each such tool is understandable to
13 students and freely available to all eligible insti-
14 tutions.

15 “(3) RECORD OF COUNSELING COMPLETION.—

16 The Secretary shall—

17 “(A) use each online counseling tool de-
18 scribed in paragraph (1) to keep a record of
19 which students have received counseling using
20 the tool, and notify the applicable institutions
21 of the students’ completion of such counseling;

22 “(B) in the case of a student who receives
23 annual counseling using the tool described in
24 paragraph (1)(B), notify the student by when
25 the student should accept, in a manner de-

1 scribed in section 485(l)(3), the loan for which
2 the student has received such counseling; and

3 “(C) in the case of a student described in
4 subsection (b)(1)(B) at an institution that uses
5 the online counseling tool described in para-
6 graph (1)(A) of this subsection, the Secretary
7 shall attempt to provide the information de-
8 scribed in subsection (b)(1)(A) to the student
9 through such tool.”.

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