

113TH CONGRESS
2^D SESSION

H. R. 4984

IN THE SENATE OF THE UNITED STATES

JULY 28, 2014

Received; read twice and referred to the Committee on Health, Education,
Labor, and Pensions

AN ACT

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,*

1 **SECTION 1. SHORT TITLE.**

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

4 **SEC. 2. ANNUAL COUNSELING.**

5 Section 485(l) of the Higher Education Act of 1965
6 (20 U.S.C. 1092(l)) is amended to read as follows:

7 “(l) ANNUAL FINANCIAL AID COUNSELING.—

8 “(1) ANNUAL DISCLOSURE REQUIRED.—

9 “(A) IN GENERAL.—Each eligible institu-
10 tion shall ensure that each individual who re-
11 ceives a Federal Pell Grant or a loan made
12 under part D (other than a Federal Direct Con-
13 solidation Loan) receives comprehensive infor-
14 mation on the terms and conditions of such
15 Federal Pell Grant or loan and the responsibil-
16 ities the individual has with respect to such
17 Federal Pell Grant or loan. Such information
18 shall be provided, for each award year for which
19 the individual receives such Federal Pell Grant
20 or loan, in a simple and understandable man-
21 ner—

22 “(i) during a counseling session con-
23 ducted in person;

24 “(ii) online, with the individual ac-
25 knowledging receipt of the information; or

1 “(iii) through the use of the online
2 counseling tool described in subsection
3 (n)(1)(B).

4 “(B) USE OF INTERACTIVE PROGRAMS.—
5 In the case of institutions not using the online
6 counseling tool described in subsection
7 (n)(1)(B), the Secretary shall require such in-
8 stitutions to carry out the requirements of sub-
9 paragraph (A) through the use of interactive
10 programs, during an annual counseling session
11 that is in-person or online, that test the individ-
12 ual’s understanding of the terms and conditions
13 of the Federal Pell Grant or loan awarded to
14 the student, using simple and understandable
15 language and clear formatting.

16 “(2) ALL INDIVIDUALS.—The information to be
17 provided under paragraph (1)(A) to each individual
18 receiving counseling under this subsection shall in-
19 clude the following:

20 “(A) An explanation of how the student
21 may budget for typical educational expenses
22 and a sample budget based on the cost of at-
23 tendance for the institution.

24 “(B) An explanation that an individual has
25 a right to annually request a disclosure of infor-

1 mation collected by a consumer reporting agen-
2 cy pursuant to section 612(a) of the Fair Credit
3 Reporting Act (15 U.S.C. 1681j(a)).

4 “(C) Based on the most recent data avail-
5 able from the American Community Survey
6 available from the Department of Commerce,
7 the estimated average income and percentage of
8 employment in the State of domicile of the bor-
9 rower for persons with—

10 “(i) a high school diploma or equiva-
11 lent;

12 “(ii) some post-secondary education
13 without completion of a degree or certifi-
14 cate; and

15 “(iii) a bachelor’s degree.

16 “(D) An introduction to the financial man-
17 agement resources provided by the Financial
18 Literacy and Education Commission.

19 “(3) STUDENTS RECEIVING FEDERAL PELL
20 GRANTS.—The information to be provided under
21 paragraph (1)(A) to each student receiving a Fed-
22 eral Pell Grant shall include the following:

23 “(A) An explanation of the terms and con-
24 ditions of the Federal Pell Grant.

1 “(B) An explanation of approved edu-
2 cational expenses for which the student may use
3 the Federal Pell Grant.

4 “(C) An explanation of why the student
5 may have to repay the Federal Pell Grant.

6 “(D) An explanation of the maximum
7 number of semesters or equivalent for which the
8 student may be eligible to receive a Federal Pell
9 Grant, and a statement of the amount of time
10 remaining for which the student may be eligible
11 to receive a Federal Pell Grant.

12 “(E) An explanation that if the student
13 transfers to another institution not all of the
14 student’s courses may be acceptable in transfer
15 toward meeting specific degree or program re-
16 quirements at such institution, but the amount
17 of time remaining for which a student may be
18 eligible to receive a Federal Pell Grant, as pro-
19 vided under subparagraph (D), will not change.

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

1 “(4) BORROWERS RECEIVING LOANS MADE
2 UNDER PART D (OTHER THAN PARENT PLUS
3 LOANS).—The information to be provided under
4 paragraph (1)(A) to a borrower of a loan made
5 under part D (other than a Federal Direct PLUS
6 Loan made on behalf of a dependent student) shall
7 include the following:

8 “(A) To the extent practicable, the effect
9 of accepting the loan to be disbursed on the eli-
10 gibility of the borrower for other forms of stu-
11 dent financial assistance.

12 “(B) An explanation of the use of the mas-
13 ter promissory note.

14 “(C) An explanation that the borrower is
15 not required to accept the full amount of the
16 loan offered to the borrower.

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

22 “(E) A recommendation to the borrower to
23 exhaust the borrower’s Federal student loan op-
24 tions prior to taking out private loans, an expla-
25 nation that Federal student loans typically offer

1 better terms and conditions than private loans,
2 an explanation of treatment of loans made
3 under part D and private education loans in
4 bankruptcy, and an explanation that if a bor-
5 rower decides to take out a private education
6 loan—

7 “(i) the borrower has the ability to se-
8 lect a private educational lender of the bor-
9 rower’s choice;

10 “(ii) the proposed private education
11 loan may impact the borrower’s potential
12 eligibility for other financial assistance, in-
13 cluding Federal financial assistance under
14 this title; and

15 “(iii) the borrower has a right—

16 “(I) to accept the terms of the
17 private education loan within 30 cal-
18 endar days following the date on
19 which the application for such loan is
20 approved and the borrower receives
21 the required disclosure documents,
22 pursuant to section 128(e)(6) of the
23 Truth in Lending Act; and

24 “(II) to cancel such loan within 3
25 business days of the date on which the

1 loan is consummated, pursuant to sec-
2 tion 128(e)(7) of such Act.

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

6 “(G) Information on the annual and aggre-
7 gate loan limits for Federal Direct Stafford
8 Loans and Federal Direct Unsubsidized Staf-
9 ford Loans.

10 “(H) Information on how interest accrues
11 and is capitalized during periods when the in-
12 terest is not paid by either the borrower or the
13 Secretary.

14 “(I) In the case of a Federal Direct PLUS
15 Loan or a Federal Direct Unsubsidized Staf-
16 ford Loan, the option of the borrower to pay
17 the interest while the borrower is in school.

18 “(J) The definition of half-time enrollment
19 at the institution, during regular terms and
20 summer school, if applicable, and the con-
21 sequences of not maintaining at least half-time
22 enrollment.

23 “(K) An explanation of the importance of
24 contacting the appropriate offices at the institu-
25 tion of higher education if the borrower with-

1 draws prior to completing the borrower’s pro-
2 gram of study so that the institution can pro-
3 vide exit counseling, including information re-
4 garding the borrower’s repayment options and
5 loan consolidation.

6 “(L) For a first-time borrower—

7 “(i) a statement of the anticipated
8 balance on the loan for which the borrower
9 is receiving counseling under this sub-
10 section;

11 “(ii) based on such anticipated bal-
12 ance, the anticipated monthly payment
13 amount under, at minimum—

14 “(I) the standard repayment
15 plan; and

16 “(II) an income-based repayment
17 plan under section 493C, as deter-
18 mined using regionally available data
19 from the Bureau of Labor Statistics
20 of the average starting salary for the
21 occupation in which the borrower has
22 an interest in or intends to be em-
23 ployed; and

24 “(iii) an estimate of the projected
25 monthly payment amount under each re-

1 payment plan described in clause (ii),
2 based on the average cumulative indebted-
3 ness at graduation for borrowers of loans
4 made under part D who are in the same
5 program of study as the borrower.

6 “(M) For a borrower with an outstanding
7 balance of principal or interest due on a loan
8 made under this title—

9 “(i) a current statement of the
10 amount of such outstanding balance and
11 interest accrued;

12 “(ii) based on such outstanding bal-
13 ance, the anticipated monthly payment
14 amount under, at minimum, the standard
15 repayment plan and, using regionally avail-
16 able data from the Bureau of Labor Sta-
17 tistics of the average starting salary for
18 the occupation the borrower intends to be
19 employed, an income-based repayment plan
20 under section 493C; and

21 “(iii) an estimate of the projected
22 monthly payment amount under each re-
23 payment plan described in clause (ii),
24 based on—

1 “(I) the outstanding balance de-
2 scribed in clause (i);

3 “(II) the anticipated outstanding
4 balance on the loan for which the stu-
5 dent is receiving counseling under this
6 subsection; and

7 “(III) a projection for any other
8 loans made under part D that the
9 borrower is reasonably expected to ac-
10 cept during the borrower’s program of
11 study based on at least the expected
12 increase in the cost of attendance of
13 such program.

14 “(N) The obligation of the borrower to
15 repay the full amount of the loan, regardless of
16 whether the borrower completes or does not
17 complete the program in which the borrower is
18 enrolled within the regular time for program
19 completion.

20 “(O) The likely consequences of default on
21 the loan, including adverse credit reports, delin-
22 quent debt collection procedures under Federal
23 law, and litigation, and a notice of the institu-
24 tion’s most recent cohort default rate (defined
25 in section 435(m)), an explanation of the cohort

1 default rate, the most recent national average
2 cohort default rate, and the most recent na-
3 tional average cohort default rate for the cat-
4 egory of institution described in section
5 435(m)(4) to which the institution belongs.

6 “(P) Information on the National Student
7 Loan Data System and how the borrower can
8 access the borrower’s records.

9 “(Q) The contact information for the insti-
10 tution’s financial aid office or other appropriate
11 office at the institution the borrower may con-
12 tact if the borrower has any questions about the
13 borrower’s rights and responsibilities or the
14 terms and conditions of the loan.

15 “(5) BORROWERS RECEIVING PARENT PLUS
16 LOANS FOR DEPENDENT STUDENTS.—The informa-
17 tion to be provided under paragraph (1)(A) to a bor-
18 rower of a Federal Direct PLUS Loan made on be-
19 half of a dependent student shall include the fol-
20 lowing:

21 “(A) The information described in sub-
22 paragraphs (A) through (C) and (N) through
23 (Q) of paragraph (4).

1 “(B) The option of the borrower to pay the
2 interest on the loan while the loan is in
3 deferment.

4 “(C) For a first-time borrower of such
5 loan—

6 “(i) a statement of the anticipated
7 balance on the loan for which the borrower
8 is receiving counseling under this sub-
9 section;

10 “(ii) based on such anticipated bal-
11 ance, the anticipated monthly payment
12 amount under the standard repayment
13 plan; and

14 “(iii) an estimate of the projected
15 monthly payment amount under the stand-
16 ard repayment plan, based on the average
17 cumulative indebtedness of other borrowers
18 of Federal Direct PLUS Loans made on
19 behalf of dependent students who are in
20 the same program of study as the student
21 on whose behalf the borrower borrowed the
22 loan.

23 “(D) For a borrower with an outstanding
24 balance of principal or interest due on such
25 loan—

1 “(i) a statement of the amount of
2 such outstanding balance;

3 “(ii) based on such outstanding bal-
4 ance, the anticipated monthly payment
5 amount under the standard repayment
6 plan; and

7 “(iii) an estimate of the projected
8 monthly payment amount under the stand-
9 ard repayment plan, based on—

10 “(I) the outstanding balance de-
11 scribed in clause (i);

12 “(II) the anticipated outstanding
13 balance on the loan for which the bor-
14 rower is receiving counseling under
15 this subsection; and

16 “(III) a projection for any other
17 Federal Direct PLUS Loan made on
18 behalf of the dependent student that
19 the borrower is reasonably expected to
20 accept during the program of study of
21 such student based on at least the ex-
22 pected increase in the cost of attend-
23 ance of such program.

1 “(E) Debt management strategies that are
2 designed to facilitate the repayment of such in-
3 debtedness.

4 “(F) An explanation that the borrower has
5 the options to prepay each loan, pay each loan
6 on a shorter schedule, and change repayment
7 plans.

8 “(G) For each Federal Direct PLUS Loan
9 made on behalf of a dependent student for
10 which the borrower is receiving counseling
11 under this subsection, the contact information
12 for the loan servicer of the loan and a link to
13 such servicer’s Website.

14 “(6) ANNUAL LOAN ACCEPTANCE.—Prior to
15 making the first disbursement of a loan made under
16 part D (other than a Federal Direct Consolidation
17 Loan) to a borrower for an award year, an eligible
18 institution, shall, as part of carrying out the coun-
19 seling requirements of this subsection for the loan,
20 ensure that after receiving the applicable counseling
21 under paragraphs (2), (4), and (5) for the loan the
22 borrower accepts the loan for such award year by—

23 “(A) signing the master promissory note
24 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), by
13 striking “through financial aid offices or other-
14 wise” and inserting “through the use of an
15 interactive program, during an exit counseling
16 session that is in-person or online, or through
17 the use of the online counseling tool described
18 in subsection (n)(1)(A)”;

19 (B) by redesignating clauses (i) through
20 (ix) as clauses (iv) through (xii), respectively;

21 (C) by inserting before clause (iv), as so
22 redesignated, the following:

23 “(i) a summary of the outstanding balance of
24 principal and interest due on the loans made to the
25 borrower under part B, D, or E;

1 “(ii) an explanation of the grace period pre-
2 ceding repayment and the expected date that the
3 borrower will enter repayment;

4 “(iii) an explanation that the borrower has the
5 option to pay any interest that has accrued while the
6 borrower was in school or that may accrue during
7 the grace period preceding repayment or during an
8 authorized period of deferment or forbearance, prior
9 to the capitalization of the interest;”;

10 (D) in clause (iv), as so redesignated—

11 (i) by striking “sample information
12 showing the average” and inserting “infor-
13 mation, based on the borrower’s out-
14 standing balance described in clause (i),
15 showing the borrower’s”; and

16 (ii) by striking “of each plan” and in-
17 serting “of at least the standard repay-
18 ment plan and the income-based repay-
19 ment plan under section 493C”;

20 (E) in clause (ix), as so redesignated—

21 (i) by inserting “decreased credit
22 score,” after “credit reports,”; and

23 (ii) by inserting “reduced ability to
24 rent or purchase a home or car, potential

1 difficulty in securing employment,” after
2 “Federal law,”;

3 (F) in clause (x), as so redesignated, by
4 striking “consolidation loan under section 428C
5 or a”;

6 (G) in clauses (xi) and (xii), as so redesignated,
7 by striking “and” at the end; and

8 (H) by adding at the end the following:

9 “(xiii) for each of the borrower’s loans made
10 under part B, D, or E for which the borrower is re-
11 ceiving counseling under this subsection, the contact
12 information for the loan servicer of the loan and a
13 link to such servicer’s Website; and

14 “(xiv) an explanation that an individual has a
15 right to annually request a disclosure of information
16 collected by a consumer reporting agency pursuant
17 to section 612(a) of the Fair Credit Reporting Act
18 (15 U.S.C. 1681j(a)).”;

19 (2) in paragraph (1)(B)—

20 (A) by inserting “online or” before “in
21 writing”; and

22 (B) by adding before the period at the end
23 the following: “, except that in the case of an
24 institution using the online counseling tool de-
25 scribed in subsection (n)(1)(A), the Secretary

1 shall attempt to provide such information to the
2 student in the manner described in subsection
3 (n)(3)(C)”; and
4 (3) in paragraph (2)(C), by inserting “, such as
5 the online counseling tool described in subsection
6 (n)(1)(A),” after “electronic means”.

7 **SEC. 4. ONLINE COUNSELING TOOLS.**

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

11 “(n) ONLINE COUNSELING TOOLS.—

12 “(1) IN GENERAL.—Beginning not later than 1
13 year after the date of enactment of the Empowering
14 Students Through Enhanced Financial Counseling
15 Act, the Secretary shall maintain—

16 “(A) an online counseling tool that pro-
17 vides the exit counseling required under sub-
18 section (b) and meets the applicable require-
19 ments of this subsection; and

20 “(B) an online counseling tool that pro-
21 vides the annual counseling required under sub-
22 section (l) and meets the applicable require-
23 ments of this subsection.

24 “(2) REQUIREMENTS OF TOOLS.—In maintain-
25 ing the online counseling tools described in para-

1 graph (1), the Secretary shall ensure that each such
2 tool is—

3 “(A) consumer tested, in consultation with
4 other relevant Federal agencies, to ensure that
5 the tool is effective in helping individuals under-
6 stand their rights and obligations with respect
7 to borrowing a loan made under part D or re-
8 ceiving a Federal Pell Grant;

9 “(B) understandable to students receiving
10 Federal Pell Grants and borrowers of loans
11 made under part D; and

12 “(C) freely available to all eligible institu-
13 tions.

14 “(3) RECORD OF COUNSELING COMPLETION.—

15 The Secretary shall—

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

22 “(B) in the case of a borrower who re-
23 ceives annual counseling for a loan made under
24 part D using the tool described in paragraph
25 (1)(B), notify the borrower by when the bor-

1 rower should accept, in a manner described in
2 section 485(l)(6), the loan for which the bor-
3 rower has received such counseling; and

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

11 **SEC. 5. LONGITUDINAL STUDY ON THE EFFECTIVENESS OF**
12 **STUDENT LOAN COUNSELING.**

13 (a) IN GENERAL.—Not later than 1 year after the
14 date of enactment of this Act, the Secretary of Education,
15 acting through the Director of the Institute of Education
16 Sciences, shall begin conducting a rigorous, longitudinal
17 study of the impact and effectiveness of the student loan
18 counseling—

19 (1) provided under subsections (b), (l), and (n)
20 of section 485 of the Higher Education Act of 1965
21 (20 U.S.C. 1092), as amended by this Act; and

22 (2) provided through such other means as the
23 Secretary of Education may determine.

24 (b) CONTENTS.—

1 (1) BORROWER INFORMATION.—The longitu-
2 dinal study carried out under subsection (a) shall in-
3 clude borrower information, in the aggregate and
4 disaggregated by race, ethnicity, gender, income, and
5 status as an individual with a disability, on—

6 (A) student persistence;

7 (B) degree attainment;

8 (C) program completion;

9 (D) successful entry into student loan re-
10 payment;

11 (E) cumulative borrowing levels; and

12 (F) such other factors as the Secretary of
13 Education may determine.

14 (2) EXCEPTION.—The disaggregation under
15 paragraph (1) shall not be required in a case in
16 which the number of borrowers in a category is in-
17 sufficient to yield statistically reliable information or
18 the results would reveal personally identifiable infor-
19 mation about an individual borrower.

20 (c) INTERIM REPORTS.—Not later than 18 months
21 after the commencement of the study under subsection
22 (a), and annually thereafter, the Secretary of Education
23 shall evaluate the progress of the study and report any
24 short-term findings to the appropriate committees of Con-
25 gress.

1 **SEC. 6. AVAILABILITY OF FUNDS.**

2 (a) USE OF EXISTING FUNDS.—Of the amount au-
3 thorized to be appropriated for maintaining the Depart-
4 ment of Education’s Financial Awareness Counseling
5 Tool, \$2,000,000 shall be available to carry out this Act
6 and the amendments made by this Act.

7 (b) NO ADDITIONAL FUNDS AUTHORIZED.—No
8 funds are authorized to be appropriated by this Act to
9 carry out this Act or the amendments made by this Act.

Passed the House of Representatives July 24, 2014.

Attest:

KAREN L. HAAS,

Clerk.