

## Union Calendar No. 397

113<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4984

[Report No. 113-531]

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

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### 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

JULY 17, 2014

Additional sponsors: Mr. KELLY of Pennsylvania, Mr. ROE of Tennessee, Mrs. BROOKS of Indiana, Mr. THOMPSON of Pennsylvania, Mr. ROKITA, Mr. HECK of Nevada, Mr. BUCSHON, Mr. MESSER, Mrs. CAPITO, Mr. ROTHFUS, Ms. BONAMICI, Mr. ROYCE, Mr. SABLAN, Mr. KING of New York, and Mr. GEORGE MILLER of California

JULY 17, 2014

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on June 26, 2014]

# **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 to read as follows:*

9        *“(l) ANNUAL FINANCIAL AID COUNSELING.—*

10            *“(1) ANNUAL DISCLOSURE REQUIRED.—*

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

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

1                   “(ii) online, with the borrower ac-  
2                   knowledging receipt of the information; or

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

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

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

22                  “(A) An explanation of how the student  
23                  may budget for typical educational expenses and  
24                  a sample budget based on the cost of attendance  
25                  for the institution.

1           “(B) *An explanation that an individual has*  
2           *a right to annually request a disclosure of infor-*  
3           *mation collected by a consumer reporting agency*  
4           *pursuant to section 612(a) of the Fair Credit Re-*  
5           *porting Act (15 U.S.C. 1681j(a)).*

6           “(3) *STUDENTS RECEIVING FEDERAL PELL*  
7           *GRANTS.—The information to be provided under*  
8           *paragraph (1)(A) to each student receiving a Federal*  
9           *Pell Grant shall include the following:*

10           “(A) *An explanation of the terms and con-*  
11           *ditions of the Federal Pell Grant.*

12           “(B) *An explanation of approved edu-*  
13           *cational expenses for which the student may use*  
14           *the Federal Pell Grant.*

15           “(C) *An explanation of why the student*  
16           *may have to repay the Federal Pell Grant.*

17           “(D) *An explanation of the maximum num-*  
18           *ber of semesters or equivalent for which the stu-*  
19           *dent may be eligible to receive a Federal Pell*  
20           *Grant, and a statement of the amount of time re-*  
21           *maining for which the student may be eligible to*  
22           *receive a Federal Pell Grant.*

23           “(E) *An explanation of how the student*  
24           *may seek additional financial assistance from*  
25           *the institution’s financial aid office due to a*

1           *change in the student's financial circumstances,*  
2           *and the contact information for such office.*

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

10                   “(A) *To the extent practicable, the effect of*  
11                   *accepting the loan to be disbursed on the eligi-*  
12                   *bility of the borrower for other forms of student*  
13                   *financial assistance.*

14                   “(B) *An explanation of the use of the mas-*  
15                   *ter promissory note.*

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

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

24                   “(E) *A recommendation to the borrower to*  
25                   *exhaust the borrower's Federal student loan op-*

1            *tions prior to taking out private loans, an expla-*  
2            *nation that Federal student loans typically offer*  
3            *better terms and conditions than private loans,*  
4            *and an explanation that if a borrower decides to*  
5            *take out a private education loan—*

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

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

14           *“(iii) the borrower has a right—*

15           *“(I) to accept the terms of the pri-*  
16           *rate education loan within 30 calendar*  
17           *days following the date on which the*  
18           *application for such loan is approved*  
19           *and the borrower receives the required*  
20           *disclosure documents, pursuant to sec-*  
21           *tion 128(e)(6) of the Truth in Lending*  
22           *Act; and*

23           *“(II) to cancel such loan within 3*  
24           *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 use*  
5                    *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 Stafford*  
9                    *Loans.*

10                    *“(H) Information on how interest accrues*  
11                    *and is capitalized during periods when the inter-*  
12                    *est is not paid by either the borrower or the Sec-*  
13                    *retary.*

14                    *“(I) In the case of a Federal Direct PLUS*  
15                    *Loan or a Federal Direct Unsubsidized Stafford*  
16                    *Loan, the option of the borrower to pay the in-*  
17                    *terest 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 provide*  
3           *exit counseling, including information regarding*  
4           *the borrower’s repayment options and loan con-*  
5           *solidation.*

6           “(L) *For a first-time borrower, the antici-*  
7           *ipated monthly payment amount under, at min-*  
8           *imum, a standard repayment plan and, using*  
9           *the regionally available data from the Bureau of*  
10          *Labor Statistics of the average starting salary*  
11          *for the occupation the borrower intends to be em-*  
12          *ployed, an income-based repayment plan under*  
13          *section 493C, and based on—*

14                 “(i) *a range of levels of indebtedness*  
15                 *of—*

16                         “(I) *borrowers of Federal Direct*  
17                         *Stafford Loans or Federal Direct Un-*  
18                         *subsidized Stafford Loans; and*

19                         “(II) *as appropriate, graduate*  
20                         *borrowers of Federal Direct PLUS*  
21                         *Loans or Federal Direct Unsubsidized*  
22                         *Stafford Loans; or*

23                         “(ii) *the average cumulative indebted-*  
24                         *ness at graduation for students who bor-*  
25                         *rowed loans made under part D and who*

1           are in the same program of study as the  
2           borrower.

3           “(M) For a borrower with an outstanding  
4           balance of principal or interest due on a loan  
5           made under this title—

6                   “(i) a current statement of the amount  
7                   of such outstanding balance and interest ac-  
8                   crued;

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

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

22                           “(I) the outstanding balance de-  
23                           scribed in clause (i);

24                           “(II) the anticipated outstanding  
25                           balance on the loan for which the stu-

1                   *dent is receiving counseling under this*  
2                   *subsection; and*

3                   “(III) a projection for any other  
4                   loans made under part D that the bor-  
5                   rower is reasonably expected to accept  
6                   during the borrower’s program of study  
7                   based on at least the expected increase  
8                   in the cost of attendance of such pro-  
9                   gram.

10                  “(N) The obligation of the borrower to  
11                  repay the full amount of the loan, regardless of  
12                  whether the borrower completes or does not com-  
13                  plete the program in which the borrower is en-  
14                  rolled within the regular time for program com-  
15                  pletion.

16                  “(O) The likely consequences of default on  
17                  the loan, including adverse credit reports, delin-  
18                  quent debt collection procedures under Federal  
19                  law, and litigation, and a notice of the institu-  
20                  tion’s most recent cohort default rate (defined in  
21                  section 435(m)), an explanation of the cohort de-  
22                  fault rate, and the most recent national average  
23                  cohort default rate for the category of institution  
24                  described in section 435(m)(4) to which the insti-  
25                  tution belongs.

1           “(P) *Information on the National Student*  
2           *Loan Data System and how the borrower can*  
3           *access the borrower’s records.*

4           “(Q) *The contact information for the insti-*  
5           *tution’s financial aid office or other appropriate*  
6           *office at the institution the borrower may contact*  
7           *if the borrower has any questions about the bor-*  
8           *rower’s rights and responsibilities or the terms*  
9           *and conditions of the loan.*

10          “(5) *BORROWERS RECEIVING PARENT PLUS*  
11          *LOANS FOR DEPENDENT STUDENTS.—The information*  
12          *to be provided under paragraph (1)(A) to a borrower*  
13          *of a Federal Direct PLUS Loan made on behalf of a*  
14          *dependent student shall include the following:*

15                 “(A) *The information described in subpara-*  
16                 *graphs (A) through (C) and (N) through (Q) of*  
17                 *paragraph (4).*

18                 “(B) *The option of the borrower to pay the*  
19                 *interest on the loan while the loan is in*  
20                 *deferral.*

21                 “(C) *For a first-time borrower of such loan,*  
22                 *sample monthly repayment amounts under the*  
23                 *standard repayment plan based on—*

1           “(i) a range of levels of indebtedness of  
2 borrowers of Federal Direct PLUS Loans  
3 made on behalf of a dependent student; or

4           “(ii) the average cumulative indebted-  
5 ness of other borrowers of Federal Direct  
6 PLUS Loans made on behalf of dependent  
7 students who are in the same program of  
8 study as the student on whose behalf the  
9 borrower borrowed the loan.

10           “(D) For a borrower with an outstanding  
11 balance of principal or interest due on such  
12 loan—

13           “(i) a statement of the amount of such  
14 outstanding balance;

15           “(ii) based on such outstanding bal-  
16 ance, the anticipated monthly payment  
17 amount under the standard repayment  
18 plan; and

19           “(iii) an estimate of the projected  
20 monthly payment amount under the stand-  
21 ard repayment plan, based on—

22           “(I) the outstanding balance de-  
23 scribed in clause (i);

24           “(II) the anticipated outstanding  
25 balance on the loan for which the bor-

1            *borrower is receiving counseling under*  
2            *this subsection; and*

3                    *“(III) a projection for any other*  
4                    *Federal Direct PLUS Loan made on*  
5                    *behalf of the dependent student that the*  
6                    *borrower is reasonably expected to ac-*  
7                    *cept during the program of study of*  
8                    *such student based on at least the ex-*  
9                    *pected increase in the cost of attend-*  
10                   *ance of such program.*

11                   *“(E) Debt management strategies that are*  
12                   *designed to facilitate the repayment of such in-*  
13                   *debtedness.*

14                   *“(F) An explanation that the borrower has*  
15                   *the options to prepay each loan, pay each loan*  
16                   *on a shorter schedule, and change repayment*  
17                   *plans.*

18                   *“(G) For each Federal Direct PLUS Loan*  
19                   *made on behalf of a dependent student for which*  
20                   *the borrower is receiving counseling under this*  
21                   *subsection, the contact information for the loan*  
22                   *servicer of the loan and a link to such servicer’s*  
23                   *Website.*

24                   *“(6) ANNUAL LOAN ACCEPTANCE.—Prior to mak-*  
25                   *ing the first disbursement of a loan made under part*

1 *D (other than a Federal Direct Consolidation Loan)*  
2 *to a borrower for an award year, an eligible institu-*  
3 *tion, shall, as part of carrying out the counseling re-*  
4 *quirements of this subsection for the loan, ensure that*  
5 *the borrower accepts the loan for such award year*  
6 *by—*

7 *“(A) signing the master promissory note for*  
8 *the loan;*

9 *“(B) signing and returning to the institu-*  
10 *tion a separate written statement that affirma-*  
11 *tively states that the borrower accepts the loan;*  
12 *or*

13 *“(C) electronically signing an electronic*  
14 *version of the statement described in subpara-*  
15 *graph (B).”.*

16 **SEC. 3. EXIT COUNSELING.**

17 *Section 485(b) of the Higher Education Act of 1965*  
18 *(20 U.S.C. 1092(b)) is amended—*

19 *(1) in paragraph (1)(A)—*

20 *(A) in the matter preceding clause (i), by*  
21 *striking “through financial aid offices or other-*  
22 *wise” and inserting “through the use of an inter-*  
23 *active program, during an exit counseling ses-*  
24 *sion that is in-person or online, or through the*

1           *use of the online counseling tool described in sub-*  
2           *section (n)(1)(A)”;*

3                     *(B) by redesignating clauses (i) through (ix)*  
4           *as clauses (iv) through (xii), respectively;*

5                     *(C) by inserting before clause (iv), as so re-*  
6           *designated, the following:*

7                     *“(i) a summary of the outstanding balance of*  
8           *principal and interest due on the loans made to the*  
9           *borrower under part B, D, or E;*

10                    *“(ii) an explanation of the grace period pre-*  
11           *ceding repayment and the expected date that the bor-*  
12           *rower will enter repayment;*

13                    *“(iii) an explanation that the borrower has the*  
14           *option to pay any interest that has accrued while the*  
15           *borrower was in school or that may accrue during the*  
16           *grace period preceding repayment or during an au-*  
17           *thorized period of deferment or forbearance, prior to*  
18           *the capitalization of the interest;”;*

19                    *(D) in clause (iv), as so redesignated—*

20                             *(i) by striking “sample information*  
21                             *showing the average” and inserting “infor-*  
22                             *mation, based on the borrower’s outstanding*  
23                             *balance described in clause (i), showing the*  
24                             *borrower’s”; and*



1                   (ii) by striking “of each plan” and in-  
2                   serting “of at least the standard repayment  
3                   plan and the income-based repayment plan  
4                   under section 493C”;

5                   (E) in clause (x), as so redesignated, by  
6                   striking “consolidation loan under section 428C  
7                   or a”;

8                   (F) in clauses (xi) and (xii), as so redesign-  
9                   ated, by striking “and” at the end; and

10                  (G) by adding at the end the following:

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

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

21                  (2) in paragraph (1)(B)—

22                         (A) by inserting “online or” before “in  
23                         writing”; and

24                         (B) by adding before the period at the end  
25                         the following: “, except that in the case of an in-

1            *stitution using the online counseling tool de-*  
2            *scribed in subsection (n)(1)(A), the Secretary*  
3            *shall attempt to provide such information to the*  
4            *student in the manner described in subsection*  
5            *(n)(3)(C)”; and*

6            *(3) in paragraph (2)(C), by inserting “, such as*  
7            *the online counseling tool described in subsection*  
8            *(n)(1)(A),” after “electronic means”.*

9    **SEC. 4. ONLINE COUNSELING TOOLS.**

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

13            *“(n) ONLINE COUNSELING TOOLS.—*

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

18            *“(A) an online counseling tool that provides*  
19            *the exit counseling required under subsection (b)*  
20            *and meets the applicable requirements of this*  
21            *subsection; and*

22            *“(B) an online counseling tool that provides*  
23            *the annual counseling required under subsection*  
24            *(l) and meets the applicable requirements of this*  
25            *subsection.*

1           “(2) *REQUIREMENTS OF TOOLS.*—*In maintain-*  
2           *ing the online counseling tools described in paragraph*  
3           *(1), the Secretary shall ensure that each such tool is—*

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

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

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

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 individuals have received counseling using*  
20                   *the tool, and notify the applicable institutions of*  
21                   *the individual’s completion of such counseling;*

22                   “(B) *in the case of a borrower who receives*  
23                   *annual counseling for a loan made under part D*  
24                   *using the tool described in paragraph (1)(B), no-*  
25                   *tify the borrower by when the borrower should*

1           *accept, in a manner described in section*  
2           *485(l)(6), the loan for which the borrower has re-*  
3           *ceived 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 paragraph*  
7           *(1)(A) of this subsection, the Secretary shall at-*  
8           *tempt to provide the information described in*  
9           *subsection (b)(1)(A) to the borrower through such*  
10          *tool.”.*

11   **SEC. 5. AVAILABILITY OF FUNDS.**

12          *(a) USE OF EXISTING FUNDS.—Of the amount author-*  
13          *ized to be appropriated for maintaining the Department*  
14          *of Education’s Financial Awareness Counseling Tool,*  
15          *\$2,000,000 shall be available to carry out this Act and the*  
16          *amendments made by this Act.*

17          *(b) NO ADDITIONAL FUNDS AUTHORIZED.—No funds*  
18          *are authorized to be appropriated by this Act to carry out*  
19          *this Act or the amendments made by this Act.*



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