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S. 888

To require a standard financial aid offer form, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 27, 2019

Mr. GRASSLEY (for himself, Ms. SMITH, and Ms. ERNST) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

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A BILL

To require a standard financial aid offer form, 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 ''Understanding the True Cost of College Act of 2019''.

SEC. 2. INSTITUTION FINANCIAL AID OFFER FORM.

Section 484 of the Higher Education Opportunity Act (20 U.S.C. 1092 note) is amended to read as follows:

"SEC. 484. INSTITUTION FINANCIAL AID OFFER FORM.

''(a) STANDARD FORMAT AND TERMINOLOGY.—The Secretary of Education, in consultation with the heads of relevant Federal agencies, shall develop standard terminology and a standard format for financial aid offer forms based on recommendations from representatives of students, veterans, servicemembers, students' families, institutions of higher education (including community colleges, for-profit institutions, four year public institutions, and four year private nonprofit institutions), financial aid experts, secondary school and postsecondary counselors, nonprofit organizations, and consumer groups.

''(b) KEY REQUIRED CONTENTS FOR OFFER FORM.—The standard format developed under subsection (a) shall include, in a consumer-friendly manner that is simple and understandable, a form titled 'Financial Aid Offer', which shall include the following items clearly separated from each other with separate headings, and, if in paper format, listed on the first page of the financial aid offer form:

''(1) COST INFORMATION.—

''(A) Information on the student's estimated cost of attendance, including the following:

''(i) Total direct costs, including the component totals each for—

''(I) tuition and fees, as determined under section 472 of the Higher Education Act of 1965 (20 U.S.C. 1087ll); and

''(II) college-sponsored housing and food costs (as determined based on the costs for room and board under such section).

''(ii) Total estimated other expenses, including—

''(I) the component totals each for housing and food costs for students who reside off-campus; and

''(II) for all students, books, supplies, transportation, and miscellaneous personal expenses (which may include costs of health insurance and dependent care), as determined under section 472 of the Higher Education Act of 1965 (20 U.S.C. 1087ll).

''(B) An indication of the academic period covered by the financial aid offer, and an explanation that the financial aid offered may change for academic periods not covered by the aid offer.

"(C) An indication of whether cost and aid estimates are based on full-time or part-time enrollment.

"(D) An indication, as applicable, about whether the tuition and fees are estimated based on the previous year, or are set, for the academic period indicated in accordance with subparagraph (B).

"(2) FINANCIAL AID.—The amount and source of financial aid that the student does not have to repay, such as scholarships, grant aid offered under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.), grant aid offered through other Federal programs, or grant aid offered by the institution, a State, or, if known, an outside source to the student for such academic period, including—

"(A) a disclosure that the financial aid does not have to be repaid; and

"(B) if institutional aid is included—

"(i) the conditions under which the student can expect to receive similar amounts of such financial aid for each academic period the student is enrolled at the institution; and

"(ii) whether the institutional aid offer may change if grants or scholarships from outside sources are applied after the student receives the offer form, and, if applicable, how that aid will change.

"(3) NET PRICE.—

"(A) The net price that the student, or the student's family on behalf of the student, is estimated to have to pay for the student to attend the institution for such academic period, equal to—

"(i) the cost of attendance as described in paragraph (1)(A) for the student for the period indicated in paragraph (1)(B); minus

"(ii) the amount of grant aid described in paragraph (2) that is included in the financial aid offer form.

"(B) A disclosure that the net price is an estimate of the total expenses for the year and not equivalent to the amount the student will owe directly to the institution.

"(4) WORK-STUDY.—Information on work-study employment opportunities, offered in accordance with part C of title IV of the Higher Education

Act of 1965 (20 U.S.C. 1087–51 et seq.) including a disclosure that the work-study aid offered is subject to the availability of qualified employment opportunities and is disbursed over time as earned by the student. Work-study employment opportunities (or a student's potential income based on those opportunities) shall not be included in the category of financial aid described under paragraph (2).

''(5) LOANS.—

''(A) Information on any loan under part D or part E of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087a et seq.; 20 U.S.C. 1087aa et seq.) (except a Federal Direct PLUS Loan under part D of that Act) that the institution recommends for the student for the academic period covered by the offer, which shall be made—

''(i) with clear use of the word 'loan' to describe the recommended loan amounts; and

''(ii) with clear labeling of subsidized and unsubsidized loans.

''(B) A disclosure that such loans have to be repaid and a disclosure that the student can

borrow a lesser or, if applicable, greater amount than the recommended loan amount.

''(C) A disclosure that the interest rates and fees on such loans are set annually and affect total cost over time, and a link to a Department of Education website that includes current information on interest rates and fees.

''(D) A link to the Department of Education's repayment calculator website for students with instruction that this website contains customizable estimates of expected repayment costs under different loan repayment plans.

''(6) PROCESS FOR ACCEPTING OR DECLINING AID AND NEXT STEPS.—

''(A) The deadlines and a summary of the process (including the next steps) for—

''(i) accepting the financial aid offered in the financial aid offer form;

''(ii) requesting higher loan amounts if recommended loan amounts were included; and

''(iii) declining aid offered in the form.

''(B) Information on when and how direct costs to the institution must be paid.

''(C) A disclosure that verification of financial circumstances may require the student to submit of further documentation.

''(D) Information about where a student or the student's family can seek additional information regarding the financial aid offered, including contact information for the institution's financial aid office and the Department of Education's website on financial aid.

''(7) ADDITIONAL INFORMATION.—Any other information the Secretary of Education, in consultation with the heads of relevant Federal agencies, including the Secretary of the Treasury and the Director of the Bureau of Consumer Financial Protection, determines necessary (based on the results of the consumer testing under paragraph (g)(2)) so that students and parents can make informed loan borrowing decisions, which may include—

''(A) the most recent cohort default rate, as defined in section 435(m) of the Higher Education Act of 1965 (20 U.S.C. 1085(m)) with respect to an institution where more than 30 percent of enrolled students borrow loans to pay for their education, and a comparison to the national average cohort default rate;

"(B) the percentage of students at the institution who borrow student loans;

"(C) the median loan debt at graduation for students at the institution (clearly marked as including only Federal loans if private loan data are not available to be included); and

"(D) the estimated institutional charges that the student, or the student's family on behalf of the student, will have to pay directly to the institution for the student to attend the institution for the academic period described in paragraph (1)(B), equal to—

"(i) the total direct costs as described in paragraph (1)(A)(i) for the student for the period indicated in paragraph (1)(B); minus

"(ii) the amount of grant aid described in paragraph (2) that is included on the financial aid offer form.

"(c) OTHER REQUIRED CONTENTS FOR THE OFFER FORM.—The standard form developed under subsection (a) shall include, in addition to the information described in subsection (b), the following information to be included on the financial aid offer form in a concise format deter-

mined by the Secretary of Education, in consultation with the heads of relevant Federal agencies:

''(1) At the institution's discretion—

''(A) additional options and potential resources for paying for the amount listed in subsection (b)(3), such as tuition payment plans; and

''(B) a disclosure that Federal Direct PLUS Loans or private education loans may be available to cover remaining need, except that the institution may not include an amount for Federal Direct PLUS Loans or private education loans and must include a disclosure for Federal Direct PLUS Loans that such loans are subject to an additional application process, have to be repaid by the borrower, and may not be eligible for all the benefits available for Federal Direct Stafford Loans or Federal Direct Unsubsidized Stafford Loans.

''(2) The following information relating to private student loans:

''(A) A statement that students considering borrowing to cover the cost of attendance should consider available Federal student loans prior to applying for private education loans, in-

cluding an explanation that Federal student loans offer generally more favorable terms and beneficial repayment options than private loans.

"(B) The impact of a proposed private education loan on the student's potential eligibility for other financial assistance, including Federal financial assistance under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.).

"(C) A statement explaining the student's ability to select a private educational lender of the student's choice.

"(d) ADDITIONAL REQUIREMENTS FOR FINANCIAL AID OFFER FORM.—The financial aid offer form shall meet the following requirements:

"(1) Include, in addition to the requirements described in subsections (b) and (c), a concise summary, in plain language, of—

"(A) the terms and conditions of financial aid recommended under paragraphs (2), (4), and (5) of subsection (b), and a method to provide students with additional information about such terms and conditions, such as links to the supplementary information; and

''(B) Federal, State, or institutional conditions required to receive and renew financial aid and a method to provide students with additional information about these conditions, such as links to the supplementary information.

''(2) Clearly distinguish between the aid offered in paragraphs (2), (4), and (5) of subsection (b), by including a subtotal for the aid offered in each of such paragraphs and by refraining from commingling the different types of aid described in such paragraphs.

''(3) Use standard terminology and definitions, as described in subsection (e)(1) and use plain language where possible.

''(4) If an institution's recommended Federal student loan aid offered in subsection (b)(5) is less than the Federal maximum available to the student, the institution shall provide additional information on Federal student loans, including the types and amounts for which the student is eligible in an attached document or webpage.

''(5) Use the standard offer form described in subsection (e)(2).

''(6) Include the standardized statement regarding the possible availability of Federal education

benefits, as established by the Secretary in accordance with subsection (e)(3).

''(7) Include a delivery confirmation for electronic financial aid offer forms, except that receipt of the financial aid offer form shall not be considered an acceptance or rejection of aid by the student.

''(8) With respect to dependent students, any reference to private education loans shall be accompanied by—

''(A) information about the availability of, and terms and conditions associated with, Federal Direct PLUS Loans under section 455 of the Higher Education Act of 1965 (20 U.S.C. 1087e) for the student's parents regardless of family income; and

''(B) a notification of the student's increased eligibility for Federal student loans under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.) if the student's parents are not able to borrow under the Federal Direct PLUS Loan program.

''(e) STANDARD INFORMATION ESTABLISHED BY THE SECRETARY.—

''(1) STANDARD TERMINOLOGY.—Not later than 3 months after the date of enactment of the Understanding the True Cost of College Act of 2019, the Secretary of Education, in consultation with the heads of relevant Federal agencies, including the Secretary of the Treasury and the Director of the Consumer Financial Protection Bureau, representatives of institutions of higher education, nonprofit consumer groups, students, and secondary school and higher education guidance counselors, shall establish standard terminology and definitions for the terms described in subsection (b).

''(2) STANDARD FORM.—

''(A) IN GENERAL.—The Secretary of Education shall develop multiple draft financial aid offer forms for consumer testing, carry out consumer testing for such forms, and establish a finalized standard financial aid offer form, in accordance with the process established in subsection (g) and the requirements of this section.

''(B) SEPARATE FINANCIAL AID OFFER FORMS.—The Secretary may develop separate financial aid offer forms for—

''(i) undergraduate students and graduate students; and

''(ii) first-time students and returning students.

''(3) ADDITIONAL BENEFITS.—The Secretary of Education, in consultation with the heads of relevant Federal agencies, including the Secretary of the Treasury, the Secretary of Veterans Affairs, the Secretary of Defense, and the Director of the Consumer Financial Protection Bureau, shall establish standard language notifying students that they may be eligible for education benefits (and where students can locate more information about such benefits,) including benefits in accordance with each of the following:

''(A) Chapter 30, 31, 32, 33, 34, or 35 of title 38, United States Code.

''(B) Chapter 101, 105, 106A, 1606, 1607, or 1608 of title 10, United States Code.

''(C) Section 1784a, 2005, or 2007 of title 10, United States Code.

''(f) SUPPLEMENTAL INFORMATION; REMOVAL OF INFORMATION.—

''(1) Nothing in this section shall preclude an institution from supplementing the financial aid offer form with additional information if such additional information supplements the financial aid offer form and is not located on the financial aid

offer form, and provided such information utilizes the same standard terminology identified in subsection (e)(1).

''(2) Nothing in this section shall preclude an institution from deleting a required item if the borrower is ineligible for such aid.

''(g) DEVELOPMENT OF FINANCIAL AID OFFER FORM.—

''(1) DRAFT FORM.—Not later than 9 months after the date of enactment of the Understanding the True Cost of College Act of 2019, the Secretary of Education, in consultation with the heads of relevant Federal agencies, including the Secretary of the Treasury and the Director of the Consumer Financial Protection Bureau, representatives of institutions of higher education, nonprofit consumer groups, students, and secondary school and higher education guidance counselors, shall design and produce multiple draft financial aid offer forms for consumer testing with postsecondary students or prospective students. In developing that form, the Secretary shall ensure—

''(A) that the information described in paragraphs (1) through (5) of subsection (b) is in the same font, appears in the same order,

and is displayed prominently on the first page of the financial aid offer form, if in paper format, or in a similarly prominent place if in electronic format, such that none of that information is inappropriately omitted or de-emphasized;

''(B) that the other information required in subsection (b) appears in a standard format and design on the financial aid offer form; and

''(C) that the institution may include a logo or brand alongside the title of the financial aid offer form.

''(2) CONSUMER TESTING.—

''(A) IN GENERAL.—Not later than 9 months after the date of enactment of the Understanding the True Cost of College Act of 2019, the Secretary of Education, in consultation with the heads of relevant Federal agencies, shall establish a process to submit the financial aid offer form drafts developed under paragraph (1) for consumer testing among representatives of students (including low-income students, first generation college students, adult students, veterans, servicemembers, and prospective students), students' families (including

low-income families, families with first generation college students, and families with prospective students), institutions of higher education, secondary school and postsecondary counselors, and nonprofit consumer groups.

''(B) PILOT.—During such consumer testing, the Secretary shall ensure that not less than 16 and not more than 24 eligible institutions use the draft forms developed under paragraph (1), including institutions—

''(i) that reflect a proportionate representation (based on the total number of students enrolled in postsecondary education) of community colleges, for-profit institutions, four year public institutions, and four year private nonprofit institutions; and

''(ii) that reflect geographic diversity.

''(C) LENGTH OF CONSUMER TESTING.—The Secretary of Education shall ensure that the consumer testing under this paragraph lasts no longer than 8 months after the process for consumer testing is developed under subparagraph (A).

''(3) FINAL FORM.—

"(A) IN GENERAL.—The results of consumer testing under paragraph (2) shall be used in the final development of the financial aid offer form.

"(B) REPORTING REQUIREMENT.—Not later than 3 months after the date the consumer testing under paragraph (2) concludes, the Secretary of Education shall submit to Congress and publish on its website the final standard financial aid offer form and a report detailing the results of such testing, including whether the Secretary of Education added any additional items to the standard financial aid offer form pursuant to subsection (b)(8).

"(4) AUTHORITY TO MODIFY.—The Secretary of Education may modify the definitions, terms, formatting, and design of the financial aid offer form based on the results of consumer testing required under this subsection and before finalizing the form, or in subsequent consumer testing. The Secretary may also recommend additional changes to Congress.".

SEC. 3. MANDATORY FORM.

Part B of title I of the Higher Education Act of 1965 (20 U.S.C. 1011 et seq.) is amended by adding at the end the following:

"SEC. 124. USE OF MANDATORY FINANCIAL AID OFFER FORM AND TERMS.

''(a) IN GENERAL.—Notwithstanding any other provision of law, each institution of higher education that receives Federal financial assistance under this Act shall—

''(1) use the financial aid offer form developed under section 484 of the Higher Education Opportunity Act (20 U.S.C. 1092 note) in providing paper, mobile-optimized offers, or other electronic offers to all students who apply for aid and are accepted at the institution; and

''(2) use the standard terminology and definitions developed by the Secretary of Education under subsection (e)(1) of that Act for all communications from the institution related to financial aid offers.

''(b) EFFECTIVE DATES.—The requirements under this section shall take effect at the start of the first award year after the Secretary of Education finalizes the standard terminology and form developed in accordance with section 484 of the Higher Education Opportunity Act (20 U.S.C. 1092 note).''.

''(c) ADMINISTRATIVE PROCEDURES.—Section 492 of the Higher Education Act (20 U.S.C. 1098a) shall not apply with respect to regulations promulgated in accordance with this section.''.

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