

114TH CONGRESS
2D SESSION

H. R. 5016

To amend the Higher Education Act of 1965 to require the Secretary of Education to provide student borrowers with instruction in general principles of financial literacy through its online counseling tool, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 20, 2016

Mr. SALMON introduced the following bill; which was referred to the
Committee on Education and the Workforce

A BILL

To amend the Higher Education Act of 1965 to require the Secretary of Education to provide student borrowers with instruction in general principles of financial literacy through its online counseling tool, 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 “Financial Literacy for
5 Financial Aid Act”.

1 **SEC. 2. ONLINE COUNSELING TOOLS.**

2 (a) OPTION FOR INSTITUTIONS OF HIGHER EDU-
 3 CATION.—Section 485(l)(1)(A)(ii) of the Higher Edu-
 4 cation Act of 1965 (20 U.S.C. 1092(l)(1)(A)(ii)) is
 5 amended—

6 (1) in subclause (II), by striking “or” at the
 7 end;

8 (2) in subclause (III), by striking the period at
 9 the end and inserting “; or”; and

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

11 “(IV) through the use of the on-
 12 line counseling tool described in sub-
 13 section (n).”.

14 (b) REQUIREMENTS FOR SECRETARY OF EDU-
 15 CATION.—Section 485 of the Higher Education Act of
 16 1965 (20 U.S.C. 1092) is further amended by adding at
 17 the end the following:

18 “(n) ONLINE COUNSELING TOOLS.—

19 “(1) IN GENERAL.—Beginning not later than 1
 20 year after the date of the enactment of the Financial
 21 Literacy for Financial Aid Act, the Secretary shall
 22 maintain an online counseling tool that—

23 “(A) provides the entrance counseling re-
 24 quired under subsection (l); and

25 “(B) meets the applicable requirements of
 26 this subsection.

1 “(2) REQUIREMENTS OF TOOLS.—In maintain-
2 ing the online counseling tool described in paragraph
3 (1), the Secretary shall ensure that the 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 the information described in subsection
8 (1)(2);

9 “(B) interactive and tests the borrower’s
10 understanding of the information described in
11 subsection (1)(2);

12 “(C) understandable to borrowers of loans
13 made under part D;

14 “(D) effective in providing instruction in
15 general financial literacy in accordance with
16 paragraph (3) of this subsection; and

17 “(E) freely available to all eligible institu-
18 tions.

19 “(3) GENERAL PRINCIPLES OF FINANCIAL LIT-
20 ERACY.—The Secretary shall ensure that the online
21 counseling tool provides instruction in general prin-
22 ciples of financial literacy, including the following:

23 “(A) PERSONAL INCOME.—An explanation
24 of—

1 “(i) how to identify various types of
2 income and expenses;

3 “(ii) gross and net pay and how to
4 read a paycheck stub; and

5 “(iii) how to craft financial goals.

6 “(B) TAXES.—An explanation of—

7 “(i) the history of taxes;

8 “(ii) the purpose and uses of taxes;
9 and

10 “(iii) how to differentiate between
11 types of taxes.

12 “(C) RETIREMENT.—An explanation of—

13 “(i) the importance of planning for re-
14 tirement;

15 “(ii) retirement strategies to achieve
16 financial goals;

17 “(iii) how to differentiate among the
18 types of investment vehicles for retirement;
19 and

20 “(iv) how to assess overall financial
21 situation in determining retirement needs.

22 “(D) SPENDING PLANS AND BANKING RE-
23 SOURCES.—An explanation of—

24 “(i) the benefits of transaction and
25 savings accounts;

1 “(ii) how compound interest helps
2 saved money grow; and

3 “(iii) how to define and create a
4 spending plan.

5 “(E) CREDIT CARDS.—An explanation
6 of—

7 “(i) how to define and calculate the
8 cost of borrowing;

9 “(ii) the difference between good debt
10 and bad debt;

11 “(iii) credit cards and how to evaluate
12 credit card offers;

13 “(iv) consumer credit rights; and

14 “(v) credit scores.

15 “(F) FINANCIAL RECOVERY AND GIVING
16 BACK.—An explanation of—

17 “(i) how to assess financial health;

18 “(ii) how to budget;

19 “(iii) how to find ways to reduce ex-
20 penses or increase income;

21 “(iv) the difference between credit re-
22 pair and credit consolidation;

23 “(v) the importance of charitable giv-
24 ing; and

1 “(vi) how to define future financial
2 goals.

3 “(4) RECORD OF COUNSELING COMPLETION.—

4 The Secretary shall use the online counseling tool
5 described in paragraph (1) to keep a record of which
6 individuals have received counseling using the tool,
7 and notify the applicable institutions of the individ-
8 ual’s completion of such counseling.”.

9 **SEC. 3. REPORT.**

10 Not later than 2 years after the date of the enact-
11 ment of this Act, and not less than once every 3 years
12 thereafter, the Secretary shall submit to the Committee
13 on Education and the Workforce of the House of Rep-
14 resentatives, and the Committee on Health, Education,
15 Labor, and Pensions of the Senate, a written report that
16 includes an evaluation of the effectiveness of the instruc-
17 tion in general principles of financial literacy described in
18 section 485(n)(3) of the Higher Education Act of 1965
19 (20 U.S.C. 1092(n)(3)), as added by this Act.

○