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114TH CONGRESS
1ST SESSION

S. 2043

To revise counseling requirements for certain borrowers of student loans and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 16, 2015

Mr. GRASSLEY 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 revise counseling requirements for certain borrowers of student loans 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 ''Know Before You Owe Federal Student Loan Act of 2015''.

SEC. 2. REQUIRED PERIODIC DISCLOSURES DURING PERIODS WHEN LOAN PAYMENTS ARE NOT REQUIRED.

Section 433 of the Higher Education Act of 1965 (20 U.S.C. 1083) is amended by adding at the end the following:

''(f) REQUIRED PERIODIC DISCLOSURES DURING PERIODS WHEN LOAN PAYMENTS ARE NOT REQUIRED.—During any period of time when a borrower of one or more loans, made, insured, or guaranteed under this part or part D is not required to make a payment to an eligible lender on the borrower's loan from that eligible lender, such eligible lender shall provide such borrower with a statement that corresponds to each payment installment time period in which a payment would be due if payments were required to be made, and that includes, in simple and understandable terms—

''(1) the original principal amount of each of the borrower's loans, and the original principal amount of those loans in the aggregate;

''(2) the borrower's current balance, as of the time of the statement, as applicable;

''(3) the interest rate on each loan;

''(4) the total amount the borrower has paid in interest on each loan;

''(5) the aggregate amount the borrower has paid for each loan, including the amount the borrower has paid in interest, the amount the borrower has paid in fees, and the amount the borrower has paid against the balance;

''(6) the lender's or loan servicer's address and toll-free phone number for payment and billing error purposes;

''(7) an explanation—

''(A) that the borrower has the option to pay the interest that accrues on each loan while the borrower is a student at an institution of higher education or during a period of deferment or forbearance, if applicable; and

''(B) if the borrower does not pay such interest while attending an institution or during a period of deferment or forbearance, any accumulated interest on the loan will be capitalized when the loan goes into repayment, resulting in more interest being paid over the life of the loan;

''(8) the amount of interest that has accumulated since the last statement based on the typical installment time period and the aggregate interest accrued to date; and

''(9) a suggested payment amount equal to the interest charged since the last installment time period.''.

SEC. 3. PRE-LOAN COUNSELING AND CERTIFICATION OF LOAN AMOUNT.

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

(1) in the subsection heading, by striking ''ENTRANCE COUNSELING'' and inserting ''PRE-LOAN COUNSELING'';

(2) in paragraph (1)—

(A) in subparagraph (A)—

(i) in the matter preceding clause (i), by striking ''a disbursement to a first-time borrower of a loan'' and inserting ''the first disbursement of each new loan (or the first disbursement in each award year if more than one new loan is obtained in the same award year)''; and

(B) in clause (ii)(I), by striking ''an entrance counseling'' and inserting ''a counseling'';

(3) in paragraph (2)—

(A) by striking clause (i) of subparagraph (G) and inserting the following:

''(i) an estimate of the borrower's projected loan debt-to-income ratio upon graduation, calculated using—

''(I) the best available data on starting wages for the borrower's program of study; and

''(II) the estimated total student loan debt, including Federal debt and, to the best of the institution's knowledge, private loan debt already incurred, and the estimated future debt required to complete the program of study; and''; and

(B) by adding at the end the following:

''(L) A statement that the borrower should borrow the minimum amount necessary to cover expenses and that the borrower does not have to accept the full amount of loans for which the borrower is eligible.

''(M) A warning that the higher the borrower's debt-to-income ratio is, the more difficulty the borrower is likely to experience in repaying the loan.

''(N) Options for reducing borrowing through scholarships, reduced expenses, work-study, or other work opportunities.

''(O) An explanation of the importance of graduating on time to avoid additional borrowing, what course load is necessary to graduate on time, and information on how adding an additional year of study impacts total indebtedness.''; and

(4) by adding at the end the following:

''(3) In addition to the other requirements of this subsection, each eligible institution shall, prior to certifying a Federal direct loan under part D for disbursement to a student (other than a Federal Direct Consolidation Loan or a Federal Direct PLUS loan made on behalf of a student), ensure that the student manually enter, either in writing or through electronic means, the exact dollar amount of Federal direct loan funding under part D that such student desires to borrow.''.

SEC. 4. CONFORMING AMENDMENTS.

(a) PROGRAM PARTICIPATION AGREEMENTS.—Section 487(e)(2)(B)(ii)(IV) of the Higher Education Act of 1965 (20 U.S.C. 1094(e)(2)(B)(ii)(IV)) is amended—

(1) by striking ''Entrance and exit counseling'' and inserting ''Pre-loan and exit counseling''; and

(2) by striking ''entrance and exit counseling'' and inserting ''pre-loan and exit counseling''.

(b) REGULATORY RELIEF AND IMPROVEMENT.—Section 487A of the Higher Education Act of 1965 (20 U.S.C. 1094a) is amended by striking ''entrance and exit interviews'' and inserting ''pre-loan and exit interviews'' each place the term appears.

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