

115TH CONGRESS
1ST SESSION

S. 1628

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

IN THE SENATE OF THE UNITED STATES

JULY 25, 2017

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

A BILL

To revise counseling requirements for certain borrowers of
student loans, 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 “Know Before You Owe
5 Federal Student Loan Act of 2017”.

6 **SEC. 2. PRE-LOAN COUNSELING AND CERTIFICATION OF**
7 **LOAN AMOUNT.**

8 Section 485(l) of the Higher Education Act of 1965
9 (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)—

(A) 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, if available; and

“(II) the estimated total student loan debt, including Federal debt and,

1 to the best of the institution’s knowl-
 2 edge, private loan debt already in-
 3 curred, and the estimated future debt
 4 required to complete the program of
 5 study; and”;

6 (B) by adding at the end the following:

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

12 “(M) A warning that the higher the bor-
 13 rower’s debt-to-income ratio is, the more dif-
 14 ficulty the borrower is likely to experience in re-
 15 paying the loan.

16 “(N) Options for reducing borrowing
 17 through scholarships, reduced expenses, work-
 18 study, or other work opportunities.

19 “(O) An explanation of the importance of
 20 graduating on time to avoid additional bor-
 21 rowing, what course load is necessary to grad-
 22 uate on time, and information on how adding
 23 an additional year of study impacts total in-
 24 debtedness.”;

25 (4) by adding at the end the following:

1 “(3)(A) In addition to the other requirements
2 of this subsection and in accordance with subpara-
3 graph (B), each eligible institution shall ensure that
4 the student manually enter, either in writing or
5 through electronic means, the exact dollar amount of
6 Federal Direct Loan funding under part D that
7 such student desires to borrow.

8 “(B) The eligible institution shall ensure that
9 the student carries out the activity described in sub-
10 paragraph (A)—

11 “(i) in the course of the process used by
12 the institution for students to accept a student
13 loan award;

14 “(ii) prior to the institution certifying a
15 Federal Direct Loan under part D for disburse-
16 ment to a student (other than a Federal Direct
17 Consolidation Loan or a Federal Direct PLUS
18 loan made on behalf of a student); and

19 “(iii) after ensuring that the student has
20 completed all of the pre-loan counseling require-
21 ments under this subsection.”.

1 **SEC. 3. REQUIRED PERIODIC DISCLOSURES DURING PERI-**
 2 **ODS WHEN LOAN PAYMENTS ARE NOT RE-**
 3 **QUIRED.**

4 Section 433 of the Higher Education Act of 1965 (20
 5 U.S.C. 1083) is amended—

6 (1) by redesignating subsection (f) as sub-
 7 section (g); and

8 (2) by inserting after subsection (e) the fol-
 9 lowing:

10 “(f) REQUIRED PERIODIC DISCLOSURES DURING PE-
 11 RIODS WHEN LOAN PAYMENTS ARE NOT REQUIRED.—

12 During any period of time when a borrower of one or more
 13 loans, made, insured, or guaranteed under this part or
 14 part D is not required to make a payment to an eligible
 15 lender on the borrower’s loan from that eligible lender,
 16 such eligible lender shall provide such borrower with a
 17 quarterly statement that includes, in simple and under-
 18 standable terms—

19 “(1) the original principal amount of each of
 20 the borrower’s loans, and the original principal
 21 amount of those loans in the aggregate;

22 “(2) the borrower’s current balance, as of the
 23 time of the statement, as applicable;

24 “(3) the interest rate on each loan;

25 “(4) the total amount the borrower has paid in
 26 interest on each loan;

1 “(5) the aggregate amount the borrower has
2 paid for each loan, including the amount the bor-
3 rower has paid in interest, the amount the borrower
4 has paid in fees, and the amount the borrower has
5 paid against the balance;

6 “(6) the lender’s or loan servicer’s address, toll-
7 free phone number, and webpage for payment and
8 billing error purposes, including information about
9 how a borrower can make voluntary payments when
10 a loan is not in repayment status;

11 “(7) an explanation—

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

17 “(B) if the borrower does not pay such in-
18 terest while attending an institution or during
19 a period of deferment or forbearance, any accu-
20 mulated interest on the loan will be capitalized
21 when the loan goes into repayment, resulting in
22 more interest being paid over the life of the
23 loan;

24 “(8) the amount of interest that has accumu-
25 lated since the last statement based on the typical

1 installment time period and the aggregate interest
 2 accrued to date; and

3 “(9) an explanation that making even small
 4 payments of any unspecified amount while the bor-
 5 rower is a student at an institution of higher edu-
 6 cation, or during a period of deferment or forbear-
 7 ance, if applicable, can help to offset interest accrual
 8 over the life of the loan.”.

9 **SEC. 4. CONFORMING AMENDMENTS.**

10 (a) PROGRAM PARTICIPATION AGREEMENTS.—Sec-
 11 tion 487(e)(2)(B)(ii)(IV) of the Higher Education Act of
 12 1965 (20 U.S.C. 1094(e)(2)(B)(ii)(IV)) is amended—

13 (1) by striking “Entrance and exit counseling”
 14 and inserting “Pre-loan and exit counseling”; and

15 (2) by striking “entrance and exit counseling”
 16 and inserting “pre-loan and exit counseling”.

17 (b) REGULATORY RELIEF AND IMPROVEMENT.—Sec-
 18 tion 487A of the Higher Education Act of 1965 (20
 19 U.S.C. 1094a) is amended by striking “entrance and exit
 20 interviews” and inserting “pre-loan and exit interviews”
 21 each place the term appears.

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