

115TH CONGRESS
1ST SESSION

S. 2224

To establish best practices for teaching financial literacy, and to establish
an annual estimate of student borrowing costs.

IN THE SENATE OF THE UNITED STATES

DECEMBER 13, 2017

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

A BILL

To establish best practices for teaching financial literacy,
and to establish an annual estimate of student borrowing
costs.

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 Student
5 Borrowers Act”.

1 **SEC. 2. BEST PRACTICES FOR TEACHING FINANCIAL LIT-**
 2 **ERACY.**

3 Part C of title I of the Higher Education Act of 1965
 4 (20 U.S.C. 1015 et seq.) is amended by adding at the end
 5 the following:

6 **“SEC. 138. BEST PRACTICES FOR TEACHING FINANCIAL LIT-**
 7 **ERACY.**

8 “(a) BEST PRACTICES.—

9 “(1) IN GENERAL.—After soliciting public com-
 10 ments and consulting with and receiving input from
 11 relevant parties, including a diverse set of institu-
 12 tions of higher education and other parties, the Sec-
 13 retary shall, by not later than 1 year after the date
 14 of enactment of the Empowering Student Borrowers
 15 Act, establish best practices for institutions of high-
 16 er education regarding methods to—

17 “(A) teach financial literacy skills; and

18 “(B) provide useful and necessary informa-
 19 tion to assist students at institutions of higher
 20 education when making financial decisions re-
 21 lated to student borrowing.

22 “(2) BEST PRACTICES.—The best practices de-
 23 scribed in paragraph (1) shall include the following:

24 “(A) Methods to ensure that students have
 25 a clear sense of the students’ total borrowing

1 obligations, including monthly payments, and
 2 repayment options.

3 “(B) The most effective ways to engage
 4 students in financial literacy education, includ-
 5 ing frequency and timing of communication
 6 with students.

7 “(C) Information on how to target dif-
 8 ferent student populations, including part-time
 9 students, first-time students, and other non-
 10 traditional students.

11 “(D) Ways to clearly communicate the im-
 12 portance of graduating on a student’s ability to
 13 repay student loans.

14 “(b) MAINTENANCE OF BEST PRACTICES.—The Sec-
 15 retary shall maintain and periodically update the best
 16 practices information required under subsection (a) and
 17 make the best practices available to the public.”.

18 **SEC. 3. ANNUAL ESTIMATE OF STUDENT LOAN BORROWING**
 19 **COSTS.**

20 Section 485 of the Higher Education Act of 1965 (20
 21 U.S.C. 1092) is amended by adding at the end the fol-
 22 lowing:

23 “(n) ANNUAL ESTIMATE OF STUDENT LOAN BOR-
 24 ROWING COSTS.—

1 “(1) IN GENERAL.—Beginning on July 1, 2019,
 2 each eligible institution shall provide a cost estimate
 3 described in paragraph (2) to each enrolled student
 4 who receives an education loan to attend the institu-
 5 tion, not later than 30 days before the first day of
 6 each academic year beginning after the academic
 7 year for which the student first received such a loan
 8 to attend such institution.

9 “(2) CONTENTS OF ESTIMATE.—The estimate
 10 under paragraph (1) shall contain the following in-
 11 formation:

12 “(A) CUMULATIVE BALANCES AND MONTH-
 13 LY PAYMENTS.—A notice to the student of—

14 “(i) the cumulative balance of edu-
 15 cation loans owed by the student as of the
 16 date of the notice; and

17 “(ii) projected monthly payment
 18 amounts based on the cumulative balances
 19 described in clause (i), assuming a stand-
 20 ard repayment schedule.

21 “(B) INTEREST RATES.—The interest rate
 22 of each education loan, except that interest
 23 rates for a private education loan may be based
 24 on average private education loan interest rates

1 if the institution cannot reasonably determine
2 the actual interest rate of such loan.

3 “(C) DISCLAIMER.—A clear and con-
4 spicuous notice stating that any information
5 provided under paragraph (1) is an estimate,
6 accurate to the best of the institution’s knowl-
7 edge, and that an interest rate provided under
8 subparagraph (B)—

9 “(i) in the case of a loan described in
10 paragraph (6)(A)(i), is the applicable rate
11 of interest of such loan;

12 “(ii) in the case of a private education
13 loan, may be based on average private edu-
14 cation loan interest rates; and

15 “(iii) does not include private edu-
16 cation loans of which the institution is not
17 aware.

18 “(3) FORM OF ESTIMATE.—The estimate under
19 paragraph (1) shall be—

20 “(A) provided to the student in hard copy
21 format on the letterhead of the institution, by
22 electronic mail or by another method the Sec-
23 retary may prescribe; and

1 “(B) delivered to the student separately
2 from any other disclosures required under this
3 Act.

4 “(4) LIMITATION OF LIABILITY.—An institution
5 that provides the estimate under paragraph (1) in
6 good faith shall not be liable to any person for inac-
7 curacies contained in such estimate.

8 “(5) STUDENT DEBT LETTER TEMPLATE.—Not
9 later than July 1, 2018, and as necessary thereafter,
10 the Secretary shall provide the following to eligible
11 institutions:

12 “(A) Examples of the information required
13 under subparagraphs (A), (B), and (C) of para-
14 graph (2).

15 “(B) Technical assistance on how to com-
16 ply with the requirements of this subsection.

17 “(C) Preliminary approvals in a timely
18 manner of estimate formats proposed for use by
19 an institution, at the request of the institution.

20 “(D) The formula (which shall take into
21 consideration a student’s past borrowing rates
22 and other criteria the Secretary may determine)
23 to be used in making the projections under
24 clauses (i) and (ii) of paragraph (2)(A) with re-
25 spect to loans described in paragraph (6)(A)(i).

1 “(E) Encryption technology software to en-
 2 able institutions to provide the estimate under
 3 paragraph (2) to students in a secure format
 4 for institutions that choose to provide the esti-
 5 mate to students in an electronic format.

6 “(6) DEFINITIONS.—In this subsection:

7 “(A) EDUCATION LOAN.—The term ‘edu-
 8 cation loan’ means—

9 “(i) a loan made under part D (other
 10 than a Federal Direct Consolidation Loan
 11 or a Federal Direct PLUS loan made on
 12 behalf of a student);

13 “(ii) a loan made under a State-spon-
 14 sored loan program for the purpose of pay-
 15 ing a student’s cost of attendance at an in-
 16 stitution of higher education; and

17 “(iii) a private education loan with re-
 18 spect to which the institution should rea-
 19 sonably be aware.

20 “(B) PRIVATE EDUCATION LOAN.—The
 21 term ‘private education loan’ has the meaning
 22 given the term in section 140 of the Truth in
 23 Lending Act.

24 “(C) STUDENT.—The term ‘student’, when
 25 used with respect to an eligible institution, does

1 not include any student who has transferred to
 2 the institution less than 60 days before the first
 3 day of the academic year for which an estimate
 4 would be provided.”.

5 **SEC. 4. ANNUAL PROVISION OF INFORMATION BY THE SEC-**
 6 **RETARY OF EDUCATION.**

7 Not later than April 1, 2019, and annually thereafter,
 8 the Secretary of Education shall provide to each institu-
 9 tion (as defined in section 102 of the Higher Education
 10 Act of 1965 (20 U.S.C. 1002)) the following information:

11 (1) The amount of any loans made under part
 12 D of title IV of the Higher Education Act of 1965
 13 (20 U.S.C. 1087a et seq.) (other than a Federal Di-
 14 rect Consolidation Loan or a Federal Direct PLUS
 15 loan made on behalf of a student) expected to be
 16 disbursed to any borrower enrolled in that institu-
 17 tion for the next academic year.

18 (2) The projected cumulative balance of such
 19 loans, as determined in accordance with section
 20 485(n)(5)(D) of such Act (20 U.S.C.
 21 1092(n)(5)(D)), as added by this Act, that will be
 22 owed by each borrower that is enrolled in the insti-
 23 tution after the completion of the borrower’s course
 24 of study at the institution of higher education.

1 (3) The projected monthly payment amounts of
2 such loans, as determined in accordance with section
3 485(n)(5) of the Higher Education Act of 1965 (20
4 U.S.C. 1092(n)(5)), assuming a standard repayment
5 schedule (as described in section 455(d)(1)(A) of
6 such Act (20 U.S.C. 1087e(d)(1)(A))).

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