H. R. 113TH CONGRESS 2D SESSION

To amend the loan counseling requirements under the Higher Education Act of 1965, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. GUTHRIE (for himself, Mr. HUDSON, and Mr. KLINE) introduced the following bill; which was referred to the Committee on

A BILL

To amend the loan counseling requirements under the Higher Education Act of 1965, 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 “Empowering Students
5 Through Enhanced Financial Counseling Act”.

6 SEC. 2. ANNUAL COUNSELING.

7 Section 485(l) of the Higher Education Act of 1965
8 (20 U.S.C. 1092(l)) is amended—
(1) in the subsection heading, by striking "ENTRANCE" and inserting "ANNUAL";

(2) in paragraph (1)—

(A) in the paragraph heading, by striking "DISBURSEMENT" and inserting "ACCEPTANCE";

(B) in subparagraph (A)—

(i) in the matter preceding clause (i)—

(I) by striking "at or prior to" and inserting "prior to or in conjunction with"; and

(II) by striking "a disbursement to a first-time borrower of a loan made, insured, or guaranteed under part B (other than a loan made pursuant to section 428C or a loan made on behalf of a student pursuant to section 428B) or" and inserting "acceptance (in a manner described in subparagraph (A), (B), or (C) of paragraph (4)) by a borrower of a loan"; and

(ii) in clause (ii)—
(I) in the matter preceding subclause (I)—

(aa) by striking “may” and inserting “shall”; and

(bb) by inserting “, for each award year for which the borrower receives a loan made under part D” after “provided”;

(II) in subclause (I), by striking “an entrance counseling session conduction in person” and inserting “a counseling session conducted in person”;

(I) by striking subclause (II);

(II) by redesignating subclause (III) as subclause (II);

(III) in subclause (II), as so redesignated, by striking the period at the end and inserting “; or”; and

(IV) by adding at the end the following:

“(III) through the use of the on-line counseling tool described in subsection (o)(1)(B).”.

(C) in subparagraph (B)—
(i) by striking “The Secretary” and inserting “In the case of institutions not using the online counseling tool described in subsection (o)(1)(B), the Secretary”;

(ii) by striking “encourage institutions” and inserting “require such institutions”;

(iii) by inserting “, during an annual counseling session that is in-person or on-line,” after “the use”; and

(iv) by striking “B or”;

(3) in paragraph (2)—

(A) by redesignating subparagraphs (C) through (G) and subparagraphs (H) through (K), as subparagraphs (H) through (L), respectively, and subparagraphs (N) through (Q), respectively; and

(B) by inserting after subparagraph (B), the following:

“(C) An explanation that the borrower is not required to accept the full amount of the loan offered to the borrower.

“(D) An explanation that the borrower should consider accepting any grant, scholarship, or State or Federal work-study jobs for
which the borrower is eligible prior to accepting Federal student loans.

“(E) A recommendation to the borrower to exhaust the borrower’s Federal student loan options prior to taking out private loans and a warning that private loans may not offer the same benefits and repayment options as Federal student loans.

“(F) An explanation of the approved educational expenses for which the borrower may use a loan made under part D.

“(G) Information on the annual and aggregate loan limits for Federal Direct Stafford Loans and Federal Direct Unsubsidized Stafford Loans.”;

(C) in subparagraph (I), as so redesignated—

(i) by striking “a loan made under section 428B or 428H,”; and

(ii) by striking “, or a” and inserting “or a”;

(D) in subparagraph (L), as so redesignated—
(i) in the matter preceding clause (i), by striking “Sample” and inserting “For a first-time borrower, sample”;

(ii) in clause (i)(I), by striking “loans under section 428 or 428H” and inserting “Federal Direct Stafford Loans or Federal Direct Unsubsidized Stafford Loans”; and

(iii) in clause (i)(II), by striking “loans under section 428, 428B, or 428H” and inserting “Federal Direct PLUS Loans or Federal Direct Unsubsidized Stafford Loans”; and

(E) by inserting after subparagraph (L), as so redesignated and amended, the following:

“(M) For a borrower with an outstanding balance of principal or interest due on a loan made under this title—

“(i) a statement of the amount of such outstanding balance;

“(ii) based on such outstanding balance, the anticipated monthly payment amount under each repayment plan that may be available to the borrower; and

“(iii) based on such outstanding balance plus the anticipated outstanding bal-
ance on the loan for which the student is receiving counseling under this subsection and on any other Federal student loans that the borrower may accept during the borrower’s course of study for which the borrower enrolled at the institution, an estimate of the projected monthly payment amount under each such repayment plan.”;

and

(F) in subparagraph (Q), as so redesignated—

(i) by striking “name of and”; and

(ii) by striking “individual” and inserting “institution’s financial aid office or other appropriate office at the institution”; and

(4) by adding at the end the following:

“(3) ANNUAL LOAN ACCEPTANCE.—Prior to making the first disbursement of a loan made under part D (other than a Federal Direct Consolidation Loan or a Federal Direct PLUS loan made on behalf of a student) to a borrower for an award year, an eligible institution, shall, as part of carrying out the counseling requirements of this subsection for
the loan, ensure that the borrower accepts the loan for such award year by—

“(A) signing the master promissory note for the loan;

“(B) signing and returning to the institution a separate written statement that affirmatively states that the borrower accepts the loan; or

“(C) electronically signing an electronic version of the statement described in subparagraph (B).”.

SEC. 3. EXIT COUNSELING.

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

(1) in paragraph (1)(A)—

(A) in the matter preceding clause (i)—

(i) by striking “through financial aid offices or otherwise” and inserting “through the use of an interactive program, during an exit counseling session that is in-person or online, or through the use of the online counseling tool described in subsection (o)(1)(A)”;

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(ii) by redesignating clauses (i) through (ix) as clauses (iv) through (xii), respectively;

(iii) by inserting before clause (iv), as so redesignated, the following:

“(i) a summary of the outstanding balance of principal and interest due on the loans made to the borrower under part B, D, or E;

“(ii) an explanation of the grace period preceding repayment and the expected date that the borrower will enter repayment;

“(iii) an explanation that the borrower has the option to pay any interest that has accrued while the borrower was in school or that may accrue during the grace period preceding repayment or during an authorized period of deferment or forbearance, prior to the capitalization of the interest;”;

(iv) in clause (iv), as so redesignated, by striking “sample information showing the average” and inserting “information, based on the borrower’s outstanding bal-
ance described in clause (i), showing the
borrower’s’’;

(v) in clause (x), as so redesignated,
by striking “consolidation loan under sec-
tion 428C or a”; and

(vi) by adding at the end the fol-
lowing:

“(xiii) for each of the borrower’s loans
made under part B, D, or E for which the
borrower is receiving counseling under this
subsection, the contact information for the
loan servicer of the loan and a link to such
servicer’s Website .”;

(2) in paragraph (1)(B)—

(A) by inserting “online or” before “in
writing”; and

(B) by adding before the period at the end
the following: “, except that in the case of an
institution using the online counseling tool de-
scribed in subsection (o)(1)(A), the Secretary
shall attempt to provide such information to the
student in the manner described in subsection
(o)(3)(C)”; and
(3) in paragraph (2)(C), by inserting “, such as the online counseling tool described in subsection (o)(1)(A),” after “electronic means”.

SEC. 4. ANNUAL COUNSELING FOR FEDERAL PELL GRANT RECIPIENTS.

Section 485 of the Higher Education Act of 1965 (20 U.S.C. 1092) is amended by adding at the end the following:

“(n) ANNUAL COUNSELING FOR FEDERAL PELL GRANT RECIPIENTS.—

“(1) DISCLOSURE REQUIRED PRIOR TO DISBURSEMENT OF FEDERAL PELL GRANT.—

“(A) IN GENERAL.—Each eligible institution shall, prior to the first payment of a Federal Pell Grant to a student for an award year, ensure that the student receives comprehensive information on the terms and conditions of the Federal Pell Grant in accordance with paragraph (2). Such information—

“(i) shall be provided in a simple and understandable manner; and

“(ii) shall be provided, for each award year for which the student receives a Federal Pell Grant—
“(I) during a counseling session conducted in person;

“(II) online, with the student acknowledging receipt of the information; or

“(III) through the use of the online counseling tool described in subsection (o)(1)(C).

“(B) USE OF INTERACTIVE PROGRAMS; JOINT COUNSELING PERMITTED.—In the case of institutions not using the online counseling tool described in subsection (o)(1)(C)—

“(i) the Secretary shall require such institutions to carry out the requirements of subparagraph (A) through the use, during an annual counseling session that is in-person or online, of interactive programs that test the student’s understanding of the terms and conditions of the Federal Pell Grant paid to the student, using simple and understandable language and clear formatting; and

“(ii) an annual counseling session described in subclause (I) or (II) of subparagraph (A)(ii) for a student may be con-
ducted in conjunction with an annual counsel-
ing session described in subclause (I) or (II) of subsection (l)(1)(A)(ii) for such stu-
dent.

“(2) INFORMATION TO BE PROVIDED.—The in-
formation to be provided to the student under para-
graph (1)(A) shall include the following:

“(A) An explanation of a Federal Pell Grant.

“(B) An explanation of approved edu-
cational expenses for which the student may use a Federal Pell Grant.

“(C) An explanation of why a student may have to repay the Federal Pell Grant.

“(D) An explanation of the maximum number of semesters or equivalent for which the student may be eligible to receive a Federal Pell Grant, and a statement of the amount of time remaining for which the student may be eligible to receive a Federal Pell Grant.

“(E) An explanation of how the student may budget for typical educational expenses and a sample budget based on the cost of at-
tendance for the institution.
“(F) An explanation of how the student may seek additional financial assistance from the institution’s financial aid office due to a change in the student’s financial circumstances, and the contact information for such office.”.

SEC. 5. ONLINE COUNSELING TOOLS.

Section 485 of the Higher Education Act of 1965 (20 U.S.C. 1092) is further amended by adding at the end the following:

“(o) ONLINE COUNSELING TOOLS.—

“(1) IN GENERAL.—Beginning not later than 1 year after the date of enactment of the Empowering Students Through Enhanced Financial Counseling Act, the Secretary shall maintain—

“(A) an online counseling tool that provides the exit counseling required under subsection (b) and meets the applicable requirements of this subsection;

“(B) an online counseling tool that provides the annual counseling required under subsection (l) and meets the applicable requirements of this subsection; and

“(C) an online counseling tool that provides the Federal Pell Grant counseling re-
quired under subsection (n) and meets the applicable requirements of this subsection.

“(2) REQUIREMENTS OF TOOLS.—In maintaining the online counseling tools described in paragraph (1), the Secretary shall ensure—

“(A) in the case of the online counseling tools described in subparagraphs (A) and (B) of paragraph (1), each such tool is consumer tested to ensure that the tool is effective in helping students understand their rights and obligations with respect to borrowing a loan made under part D;

“(B) in the case of the online tool described in paragraph (1)(C), the tool is consumer tested to ensure that such tool is effective in helping students understand their rights and obligations with respect to receiving a Federal Pell Grant; and

“(C) each such tool is understandable to students and freely available to all eligible institutions.

“(3) RECORD OF COUNSELING COMPLETION.— The Secretary shall—

“(A) use each online counseling tool described in paragraph (1) to keep a record of
which students have received counseling using
the tool, and notify the applicable institutions
of the students’ completion of such counseling;

“(B) in the case of a student who receives
annual counseling using the tool described in
paragraph (1)(B), notify the student by when
the student should accept, in a manner de-
scribed in section 485(l)(3), the loan for which
the student has received such counseling; and

“(C) in the case of a student described in
subsection (b)(1)(B) at an institution that uses
the online counseling tool described in para-
graph (1)(A) of this subsection, the Secretary
shall attempt to provide the information de-
scribed in subsection (b)(1)(A) to the student
through such tool.”.