

114TH CONGRESS
2^D SESSION

H. R. 3179

AN ACT

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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Empowering Students
3 Through Enhanced Financial Counseling Act”.

4 **SEC. 2. ANNUAL COUNSELING.**

5 Section 485(l) of the Higher Education Act of 1965
6 (20 U.S.C. 1092(l)) is amended to read as follows:

7 “(l) ANNUAL FINANCIAL AID COUNSELING.—

8 “(1) ANNUAL DISCLOSURE REQUIRED.—

9 “(A) IN GENERAL.—Each eligible institu-
10 tion shall ensure that each individual who re-
11 ceives a Federal Pell Grant or a loan made
12 under part D (other than a Federal Direct Con-
13 solidation Loan) receives comprehensive infor-
14 mation on the terms and conditions of such
15 Federal Pell Grant or loan and the responsibil-
16 ities the individual has with respect to such
17 Federal Pell Grant or loan. Such information
18 shall be provided, for each award year for which
19 the individual receives such Federal Pell Grant
20 or loan, in a simple and understandable man-
21 ner—

22 “(i) during a counseling session con-
23 ducted in person;

24 “(ii) online, with the individual ac-
25 knowledging receipt of the information; or

1 “(iii) through the use of the online
2 counseling tool described in subsection
3 (n)(1)(B).

4 “(B) USE OF INTERACTIVE PROGRAMS.—
5 In the case of institutions not using the online
6 counseling tool described in subsection
7 (n)(1)(B), the Secretary shall require such in-
8 stitutions to carry out the requirements of sub-
9 paragraph (A) through the use of interactive
10 programs, during an annual counseling session
11 that is in-person or online, that test the individ-
12 ual’s understanding of the terms and conditions
13 of the Federal Pell Grant or loan awarded to
14 the individual, using simple and understandable
15 language and clear formatting.

16 “(2) ALL INDIVIDUALS.—The information to be
17 provided under paragraph (1)(A) to each individual
18 receiving counseling under this subsection shall in-
19 clude the following:

20 “(A) An explanation of how the individual
21 may budget for typical educational expenses
22 and a sample budget based on the cost of at-
23 tendance for the institution.

24 “(B) An explanation that an individual has
25 a right to annually request a disclosure of infor-

1 mation collected by a consumer reporting agen-
2 cy pursuant to section 612(a) of the Fair Credit
3 Reporting Act (15 U.S.C. 1681j(a)).

4 “(C) Based on the most recent data avail-
5 able from the American Community Survey
6 available from the Department of Commerce,
7 the estimated average income and percentage of
8 employment in the State of domicile of the indi-
9 vidual for individuals with—

10 “(i) a high school diploma or equiva-
11 lent;

12 “(ii) some post-secondary education
13 without completion of a degree or certifi-
14 cate; and

15 “(iii) a bachelor’s degree.

16 “(D) An introduction to the financial man-
17 agement resources provided by the Financial
18 Literacy and Education Commission.

19 “(3) STUDENTS RECEIVING FEDERAL PELL
20 GRANTS.—The information to be provided under
21 paragraph (1)(A) to each student receiving a Fed-
22 eral Pell Grant shall include the following:

23 “(A) An explanation of the terms and con-
24 ditions of the Federal Pell Grant.

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

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

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

12 “(E) An explanation that if the student
13 transfers to another institution not all of the
14 student’s courses may be acceptable in transfer
15 toward meeting specific degree or program re-
16 quirements at such institution, but the amount
17 of time remaining for which a student may be
18 eligible to receive a Federal Pell Grant, as pro-
19 vided under subparagraph (D), will not change.

20 “(F) An explanation of how the student
21 may seek additional financial assistance from
22 the institution’s financial aid office due to a
23 change in the student’s financial circumstances,
24 and the contact information for such office.

1 “(4) BORROWERS RECEIVING LOANS MADE
2 UNDER PART D (OTHER THAN PARENT PLUS
3 LOANS).—The information to be provided under
4 paragraph (1)(A) to a borrower of a loan made
5 under part D (other than a Federal Direct PLUS
6 Loan made on behalf of a dependent student) shall
7 include the following:

8 “(A) To the extent practicable, the effect
9 of accepting the loan to be disbursed on the eli-
10 gibility of the borrower for other forms of stu-
11 dent financial assistance.

12 “(B) An explanation of the use of the mas-
13 ter promissory note.

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

17 “(D) An explanation that the borrower
18 should consider accepting any grant, scholar-
19 ship, or State or Federal work-study jobs for
20 which the borrower is eligible prior to accepting
21 Federal student loans.

22 “(E) A recommendation to the borrower to
23 exhaust the borrower’s Federal student loan op-
24 tions prior to taking out private education
25 loans, an explanation that Federal student

1 loans typically offer better terms and conditions
2 than private education loans, an explanation of
3 treatment of loans made under part D and pri-
4 vate education loans in bankruptcy, and an ex-
5 planation that if a borrower decides to take out
6 a private education loan—

7 “(i) the borrower has the ability to se-
8 lect a private educational lender of the bor-
9 rower’s choice;

10 “(ii) the proposed private education
11 loan may impact the borrower’s potential
12 eligibility for other financial assistance, in-
13 cluding Federal financial assistance under
14 this title; and

15 “(iii) the borrower has a right—

16 “(I) to accept the terms of the
17 private education loan within 30 cal-
18 endar days following the date on
19 which the application for such loan is
20 approved and the borrower receives
21 the required disclosure documents,
22 pursuant to section 128(e) of the
23 Truth in Lending Act (15 U.S.C.
24 1638(e)); and

1 “(II) to cancel such loan within 3
2 business days of the date on which the
3 loan is consummated, pursuant to sec-
4 tion 128(e)(7) of such Act (15 U.S.C.
5 1638(e)(7)).

6 “(F) An explanation of the approved edu-
7 cational expenses for which the borrower may
8 use a loan made under part D.

9 “(G) Information on the annual and aggre-
10 gate loan limits for Federal Direct Stafford
11 Loans and Federal Direct Unsubsidized Staf-
12 ford Loans.

13 “(H) Information on how interest accrues
14 and is capitalized during periods when the in-
15 terest is not paid by either the borrower or the
16 Secretary.

17 “(I) In the case of a Federal Direct PLUS
18 Loan or a Federal Direct Unsubsidized Staf-
19 ford Loan, the option of the borrower to pay
20 the interest while the borrower is in school.

21 “(J) The definition of half-time enrollment
22 at the institution, during regular terms and
23 summer school, if applicable, and the con-
24 sequences of not maintaining at least half-time
25 enrollment.

1 “(K) An explanation of the importance of
2 contacting the appropriate offices at the institu-
3 tion of higher education if the borrower with-
4 draws prior to completing the borrower’s pro-
5 gram of study so that the institution can pro-
6 vide exit counseling, including information re-
7 garding the borrower’s repayment options and
8 loan consolidation.

9 “(L) For a first-time borrower—

10 “(i) a statement of the anticipated
11 balance on the loan for which the borrower
12 is receiving counseling under this sub-
13 section;

14 “(ii) based on such anticipated bal-
15 ance, the anticipated monthly payment
16 amount under, at minimum—

17 “(I) the standard repayment
18 plan; and

19 “(II) an income-based repayment
20 plan under section 493C, as deter-
21 mined using regionally available data
22 from the Bureau of Labor Statistics
23 of the average starting salary for the
24 occupation in which the borrower has

1 an interest in or intends to be em-
2 ployed; and

3 “(iii) an estimate of the projected
4 monthly payment amount under each re-
5 payment plan described in clause (ii),
6 based on the average cumulative indebted-
7 ness at graduation for borrowers of loans
8 made under part D who are in the same
9 program of study as the borrower.

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

13 “(i) a current statement of the
14 amount of such outstanding balance and
15 interest accrued;

16 “(ii) based on such outstanding bal-
17 ance, the anticipated monthly payment
18 amount under, at minimum, the standard
19 repayment plan and, using regionally avail-
20 able data from the Bureau of Labor Sta-
21 tistics of the average starting salary for
22 the occupation the borrower intends to be
23 employed, an income-based repayment plan
24 under section 493C; and

1 “(iii) an estimate of the projected
2 monthly payment amount under each re-
3 payment plan described in clause (ii),
4 based on—

5 “(I) the outstanding balance de-
6 scribed in clause (i);

7 “(II) the anticipated outstanding
8 balance on the loan for which the stu-
9 dent is receiving counseling under this
10 subsection; and

11 “(III) a projection for any other
12 loans made under part D that the
13 borrower is reasonably expected to ac-
14 cept during the borrower’s program of
15 study based on at least the expected
16 increase in the cost of attendance of
17 such program.

18 “(N) The obligation of the borrower to
19 repay the full amount of the loan, regardless of
20 whether the borrower completes or does not
21 complete the program in which the borrower is
22 enrolled within the regular time for program
23 completion.

24 “(O) The likely consequences of default on
25 the loan, including adverse credit reports, delin-

1 quent debt collection procedures under Federal
2 law, and litigation, and a notice of the institu-
3 tion’s most recent cohort default rate (defined
4 in section 435(m)), an explanation of the cohort
5 default rate, the most recent national average
6 cohort default rate, and the most recent na-
7 tional average cohort default rate for the cat-
8 egory of institution described in section
9 435(m)(4) to which the institution belongs.

10 “(P) Information on the National Student
11 Loan Data System and how the borrower can
12 access the borrower’s records.

13 “(Q) The contact information for the insti-
14 tution’s financial aid office or other appropriate
15 office at the institution the borrower may con-
16 tact if the borrower has any questions about the
17 borrower’s rights and responsibilities or the
18 terms and conditions of the loan.

19 “(5) BORROWERS RECEIVING PARENT PLUS
20 LOANS FOR DEPENDENT STUDENTS.—The informa-
21 tion to be provided under paragraph (1)(A) to a bor-
22 rower of a Federal Direct PLUS Loan made on be-
23 half of a dependent student shall include the fol-
24 lowing:

1 “(A) The information described in sub-
2 paragraphs (A) through (C) and (N) through
3 (Q) of paragraph (4).

4 “(B) The option of the borrower to pay the
5 interest on the loan while the loan is in
6 deferment.

7 “(C) For a first-time borrower of such
8 loan—

9 “(i) a statement of the anticipated
10 balance on the loan for which the borrower
11 is receiving counseling under this sub-
12 section;

13 “(ii) based on such anticipated bal-
14 ance, the anticipated monthly payment
15 amount under the standard repayment
16 plan; and

17 “(iii) an estimate of the projected
18 monthly payment amount under the stand-
19 ard repayment plan, based on the average
20 cumulative indebtedness of other borrowers
21 of Federal Direct PLUS Loans made on
22 behalf of dependent students who are in
23 the same program of study as the student
24 on whose behalf the borrower borrowed the
25 loan.

1 “(D) For a borrower with an outstanding
2 balance of principal or interest due on such
3 loan—

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

6 “(ii) based on such outstanding bal-
7 ance, the anticipated monthly payment
8 amount under the standard repayment
9 plan; and

10 “(iii) an estimate of the projected
11 monthly payment amount under the stand-
12 ard repayment plan, based on—

13 “(I) the outstanding balance de-
14 scribed in clause (i);

15 “(II) the anticipated outstanding
16 balance on the loan for which the bor-
17 rower is receiving counseling under
18 this subsection; and

19 “(III) a projection for any other
20 Federal Direct PLUS Loan made on
21 behalf of the dependent student that
22 the borrower is reasonably expected to
23 accept during the program of study of
24 such student based on at least the ex-

1 pected increase in the cost of attend-
2 ance of such program.

3 “(E) Debt management strategies that are
4 designed to facilitate the repayment of such in-
5 debtedness.

6 “(F) An explanation that the borrower has
7 the options to prepay each loan, pay each loan
8 on a shorter schedule, and change repayment
9 plans.

10 “(G) For each Federal Direct PLUS Loan
11 made on behalf of a dependent student for
12 which the borrower is receiving counseling
13 under this subsection, the contact information
14 for the loan servicer of the loan and a link to
15 such servicer’s Website.

16 “(6) ANNUAL LOAN ACCEPTANCE.—Prior to
17 making the first disbursement of a loan made under
18 part D (other than a Federal Direct Consolidation
19 Loan) to a borrower for an award year, an eligible
20 institution, shall, as part of carrying out the coun-
21 seling requirements of this subsection for the loan,
22 ensure that after receiving the applicable counseling
23 under paragraphs (2), (4), and (5) for the loan the
24 borrower accepts the loan for such award year by—

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

3 “(B) signing and returning to the institu-
4 tion a separate written statement that affirma-
5 tively states that the borrower accepts the loan;
6 or

7 “(C) electronically signing an electronic
8 version of the statement described in subpara-
9 graph (B).”.

10 **SEC. 3. EXIT COUNSELING.**

11 Section 485(b) of the Higher Education Act of 1965
12 (20 U.S.C. 1092(b)) is amended—

13 (1) in paragraph (1)(A)—

14 (A) in the matter preceding clause (i), by
15 striking “through financial aid offices or other-
16 wise” and inserting “through the use of an
17 interactive program, during an exit counseling
18 session that is in-person or online, or through
19 the use of the online counseling tool described
20 in subsection (n)(1)(A)”;

21 (B) by redesignating clauses (i) through
22 (ix) as clauses (iv) through (xii), respectively;

23 (C) by inserting before clause (iv), as so
24 redesignated, the following:

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

4 “(ii) an explanation of the grace period pre-
5 ceding repayment and the expected date that the
6 borrower will enter repayment;

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

13 (D) in clause (iv), as so redesignated—

14 (i) by striking “sample information
15 showing the average” and inserting “infor-
16 mation, based on the borrower’s out-
17 standing balance described in clause (i),
18 showing the borrower’s”; and

19 (ii) by striking “of each plan” and in-
20 serting “of at least the standard repay-
21 ment plan and the income-based repay-
22 ment plan under section 493C”;

23 (E) in clause (ix), as so redesignated—

24 (i) by inserting “decreased credit
25 score,” after “credit reports,”; and

1 (ii) by inserting “reduced ability to
2 rent or purchase a home or car, potential
3 difficulty in securing employment,” after
4 “Federal law,”;

5 (F) in clause (x), as so redesignated, by
6 striking “consolidation loan under section 428C
7 or a”;

8 (G) in clauses (xi) and (xii), as so redesign-
9 ated, by striking “and” at the end; and

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

11 “(xiii) for each of the borrower’s loans made
12 under part B, D, or E for which the borrower is re-
13 ceiving counseling under this subsection, the contact
14 information for the loan servicer of the loan and a
15 link to such servicer’s Website; and

16 “(xiv) an explanation that an individual has a
17 right to annually request a disclosure of information
18 collected by a consumer reporting agency pursuant
19 to section 612(a) of the Fair Credit Reporting Act
20 (15 U.S.C. 1681j(a)).”;

21 (2) in paragraph (1)(B)—

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

24 (B) by adding before the period at the end
25 the following: “, except that in the case of an

1 institution using the online counseling tool de-
2 scribed in subsection (n)(1)(A), the Secretary
3 shall attempt to provide such information to the
4 student in the manner described in subsection
5 (n)(3)(C)”; and

6 (3) in paragraph (2)(C), by inserting “, such as
7 the online counseling tool described in subsection
8 (n)(1)(A),” after “electronic means”.

9 **SEC. 4. ONLINE COUNSELING TOOLS.**

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

13 “(n) ONLINE COUNSELING TOOLS.—

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

18 “(A) an online counseling tool that pro-
19 vides the exit counseling required under sub-
20 section (b) and meets the applicable require-
21 ments of this subsection; and

22 “(B) an online counseling tool that pro-
23 vides the annual counseling required under sub-
24 section (l) and meets the applicable require-
25 ments of this subsection.

1 “(2) REQUIREMENTS OF TOOLS.—In maintain-
2 ing the online counseling tools described in para-
3 graph (1), the Secretary shall ensure that each such
4 tool is—

5 “(A) consumer tested, in consultation with
6 other relevant Federal agencies, to ensure that
7 the tool is effective in helping individuals under-
8 stand their rights and obligations with respect
9 to borrowing a loan made under part D or re-
10 ceiving a Federal Pell Grant;

11 “(B) understandable to students receiving
12 Federal Pell Grants and borrowers of loans
13 made under part D; and

14 “(C) freely available to all eligible institu-
15 tions.

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

18 “(A) use each online counseling tool de-
19 scribed in paragraph (1) to keep a record of
20 which individuals have received counseling using
21 the tool, and notify the applicable institutions
22 of the individual’s completion of such coun-
23 seling;

24 “(B) in the case of a borrower who re-
25 ceives annual counseling for a loan made under

1 part D using the tool described in paragraph
2 (1)(B), notify the borrower by when the bor-
3 rower should accept, in a manner described in
4 subsection (l)(6), the loan for which the bor-
5 rower has received such counseling; and

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

13 **SEC. 5. LONGITUDINAL STUDY ON THE EFFECTIVENESS OF**
14 **STUDENT LOAN COUNSELING.**

15 (a) IN GENERAL.—Not later than 1 year after the
16 date of enactment of this Act, the Secretary of Education,
17 acting through the Director of the Institute of Education
18 Sciences, shall begin conducting a rigorous, longitudinal
19 study of the impact and effectiveness of the student loan
20 counseling—

21 (1) provided under subsections (b), (l), and (n)
22 of section 485 of the Higher Education Act of 1965
23 (20 U.S.C. 1092), as amended by this Act; and

24 (2) provided through such other means as the
25 Secretary of Education may determine.

1 (b) CONTENTS.—

2 (1) BORROWER INFORMATION.—The longitu-
3 dinal study carried out under subsection (a) shall in-
4 clude borrower information, in the aggregate and
5 disaggregated by race, ethnicity, gender, income, and
6 status as an individual with a disability, on—

7 (A) student persistence;

8 (B) degree attainment;

9 (C) program completion;

10 (D) successful entry into student loan re-
11 payment;

12 (E) cumulative borrowing levels; and

13 (F) such other factors as the Secretary of
14 Education may determine.

15 (2) EXCEPTION.—The disaggregation under
16 paragraph (1) shall not be required in a case in
17 which the number of borrowers in a category is in-
18 sufficient to yield statistically reliable information or
19 the results would reveal personally identifiable infor-
20 mation about an individual borrower.

21 (c) INTERIM REPORTS.—Not later than 18 months
22 after the commencement of the study under subsection
23 (a), and annually thereafter, the Secretary of Education
24 shall evaluate the progress of the study and report any

1 short-term findings to the appropriate committees of Con-
2 gress.

3 **SEC. 6. AVAILABILITY OF FUNDS.**

4 (a) USE OF EXISTING FUNDS.—Of the amount au-
5 thorized to be appropriated for maintaining the Depart-
6 ment of Education’s Financial Awareness Counseling
7 Tool, \$2,000,000 shall be available to carry out this Act
8 and the amendments made by this Act.

9 (b) NO ADDITIONAL FUNDS AUTHORIZED.—No
10 funds are authorized to be appropriated by this Act to
11 carry out this Act or the amendments made by this Act.

Passed the House of Representatives July 11, 2016.

Attest:

Clerk.

114TH CONGRESS
2^D SESSION

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AN ACT

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