

108TH CONGRESS
1ST SESSION

S. 1968

To amend the Higher Education Act of 1965 to enhance literacy in finance and economics, and for other purposes.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 25, 2003

Mr. ENZI (for himself, Mr. AKAKA, Mr. CORZINE, and Mr. SARBANES) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

A BILL

To amend the Higher Education Act of 1965 to enhance literacy in finance and economics, 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 “Financial Literacy in
5 Higher Education Act”.

6 **SEC. 2. AREAS OF EMPHASIS.**

7 Part B of title I of the Higher Education Act of 1965
8 (20 U.S.C. 1011 et seq.) is amended by adding at the end
9 the following:

1 **“SEC. 123. AREAS OF EMPHASIS.**

2 “In carrying out activities under this Act related to
3 improving financial and economic literacy, education, and
4 counseling, the Secretary shall emphasize, among other
5 elements, basic personal income and household money
6 management and financial planning skills, and basic eco-
7 nomic decision making skills, including how to—

8 “(1) create household budgets, initiate savings
9 plans, and make strategic investment decisions for
10 education, employment, retirement, home ownership,
11 wealth building, or other savings goals;

12 “(2) manage credit and debt effectively, includ-
13 ing student financial aid and credit card debt, and
14 understand the merits of establishing and maintain-
15 ing excellent credit history;

16 “(3) understand, evaluate, and compare fair
17 and favorable financial products, services, and op-
18 portunities, and avoid abusive, predatory, or decep-
19 tive financial products, services, and opportunities;

20 “(4) complete tax returns and understand tax
21 consequences when making certain financial deci-
22 sions, such as placing an investment or purchasing
23 a home;

24 “(5) identify economic problems, alternatives,
25 benefits, and costs;

1 “(6) analyze the incentives at work in an eco-
2 nomic situation;

3 “(7) examine the consequences of changes in
4 economic conditions and public policies;

5 “(8) collect and organize economic evidence, in-
6 cluding understanding, evaluating, and making stra-
7 tegic decisions using economic indicators;

8 “(9) compare benefits with costs; and

9 “(10) improve financial and economic literacy
10 and education through all other related skills.”.

11 **SEC. 3. COORDINATION.**

12 In carrying out the financial and economic literacy
13 activities authorized under this Act and the amendments
14 made by this Act, the Secretary of Education, to the great-
15 est extent practicable, shall coordinate such activities with
16 the financial and economic literacy efforts of a Federal
17 commission comprised of the following:

18 (1) The Secretary of the Treasury.

19 (2) The respective head of each of the following:

20 (A) Each of the Federal banking agencies

21 (as defined in section 3 of the Federal Deposit
22 Insurance Act (12 U.S.C. 1813)).

23 (B) The National Credit Union Adminis-
24 tration.

1 (C) The Securities and Exchange Commis-
2 sion.

3 (D) Each of the Departments of Edu-
4 cation, Agriculture, Defense, Health and
5 Human Services, Housing and Urban Develop-
6 ment, Labor, and Veterans Affairs.

7 (E) The Federal Trade Commission.

8 (F) The General Services Administration.

9 (G) The Small Business Administration.

10 (H) The Social Security Administration.

11 (I) The Commodity Futures Trading Com-
12 mission.

13 (J) The Office of Personnel Management.

14 (3) At the discretion of the President, not more
15 than 5 individuals appointed by the President from
16 among the administrative heads of any other Fed-
17 eral agencies, departments, or other Government en-
18 tities, whom the President determines to be engaged
19 in a serious effort to improve financial literacy and
20 education.

21 **SEC. 4. ENHANCEMENT OF FINANCIAL LITERACY AND ECO-**
22 **NOMIC LITERACY.**

23 The Higher Education Act of 1965 (20 U.S.C. 1001
24 et seq.) is amended—

1 (1) in section 201(a)(3), by inserting “personal
2 finance,” after “economics,”;

3 (2) in section 311(c)—

4 (A) by redesignating paragraphs (7)
5 through (12) as paragraphs (8) through (13),
6 respectively; and

7 (B) by inserting after paragraph (6) the
8 following:

9 “(7) Education or counseling services designed
10 to improve the financial literacy and economic lit-
11 eracy of students and their parents.”;

12 (3) in section 316(c)(2)—

13 (A) by redesignating subparagraphs (G)
14 through (L) as subparagraphs (H) through
15 (M), respectively;

16 (B) by inserting after subparagraph (F)
17 the following:

18 “(G) education or counseling services de-
19 signed to improve the financial literacy and eco-
20 nomic literacy of students and their parents;”;
21 and

22 (C) in subparagraph (M), as redesignated
23 by subparagraph (A), by striking “subpara-
24 graphs (A) through (K)” and inserting “sub-
25 paragraphs (A) through (L)”;

1 (4) in section 317(e)(2)—

2 (A) in subparagraph (G), by striking
3 “and” after the semicolon;

4 (B) in subparagraph (H), by striking the
5 period at the end and inserting “; and”; and

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

7 “(I) education or counseling services de-
8 signed to improve the financial literacy and eco-
9 nomic literacy of students and their parents.”;

10 (5) in section 323(a)—

11 (A) by redesignating paragraphs (7)
12 through (12) as paragraphs (8) through (13),
13 respectively; and

14 (B) by inserting after paragraph (6) the
15 following:

16 “(7) Education or counseling services designed
17 to improve the financial literacy and economic lit-
18 eracy of students and their parents.”;

19 (6) in section 326(e)—

20 (A) by redesignating paragraphs (5)
21 through (7) as paragraphs (6) through (8), re-
22 spectively; and

23 (B) by inserting after paragraph (4) the
24 following:

1 “(5) education or counseling services designed
2 to improve the financial literacy and economic lit-
3 eracy of students and their parents;”;

4 (7) in section 503(b)—

5 (A) by redesignating paragraphs (5)
6 through (14) as paragraphs (6) through (15),
7 respectively; and

8 (B) by inserting after paragraph (4) the
9 following:

10 “(5) Education or counseling services designed
11 to improve the financial literacy and economic lit-
12 eracy of students and their parents.”;

13 (8) in section 402B(b)—

14 (A) by redesignating paragraphs (3)
15 through (10) as paragraphs (4) through (11),
16 respectively;

17 (B) by inserting after paragraph (2) the
18 following:

19 “(3) education or counseling services designed
20 to improve the financial literacy and economic lit-
21 eracy of students and their parents;”;

22 (C) in paragraph (11), as redesignated by
23 subparagraph (A), by striking “paragraphs (1)
24 through (9)” and inserting “paragraphs (1)
25 through (10)”;

1 (9) in section 402C—

2 (A) in subsection (b)—

3 (i) by redesignating paragraphs (2)
4 through (12) as paragraphs (3) through
5 (13), respectively;

6 (ii) by inserting after paragraph (1)
7 the following:

8 “(2) education or counseling services designed
9 to improve the financial literacy and economic lit-
10 eracy of students and their parents;” and

11 (iii) in paragraph (13), as redesi-
12 gnated by clause (i), by striking “para-
13 graphs (1) through (11)” and inserting
14 “paragraphs (1) through (12)”;

15 (B) in subsection (e), by striking “sub-
16 section (b)(10)” and inserting “subsection
17 (b)(11)”;

18 (10) in section 402D(b)—

19 (A) by redesignating paragraphs (2)
20 through (10) as paragraphs (3) through (11),
21 respectively;

22 (B) by inserting after paragraph (1) the
23 following:

1 “(2) education or counseling services designed
2 to improve the financial literacy and economic lit-
3 eracy of students and their parents;”; and

4 (C) in paragraph (11), as redesignated by
5 subparagraph (A), by striking “paragraphs (1)
6 through (9)” and inserting “paragraphs (1)
7 through (10)”;

8 (11) in section 402E(b)—

9 (A) by redesignating paragraphs (7) and
10 (8) as paragraphs (8) and (9), respectively; and

11 (B) by inserting after paragraph (6) the
12 following:

13 “(7) education or counseling services designed
14 to improve the financial literacy and economic lit-
15 eracy of students and their parents;”;

16 (12) in section 402F(b)—

17 (A) by redesignating paragraphs (4)
18 through (10) as paragraphs (5) through (11),
19 respectively;

20 (B) by inserting after paragraph (3) the
21 following:

22 “(4) education or counseling services designed
23 to improve the financial literacy and economic lit-
24 eracy of students and their parents;”; and

1 (C) in paragraph (11), as redesignated by
2 subparagraph (A), by striking “paragraphs (1)
3 through (9)” and inserting “paragraphs (1)
4 through (10)”;

5 (13) in section 404D(b)(2)(A)(ii), by striking
6 “and academic counseling” and inserting “academic
7 counseling, and financial literacy and economic lit-
8 eracy education or counseling”;

9 (14) by striking section 418A(c)(1)(B)(i) and
10 inserting the following:

11 “(i) personal, academic, career, and eco-
12 nomic education or personal finance counseling
13 as an ongoing part of the program;”;

14 (15) in section 428F, by adding at the end the
15 following:

16 “(c) FINANCIAL AND ECONOMIC LITERACY.—Where
17 appropriate, each program described under subsection (b)
18 shall include making available financial and economic edu-
19 cation materials for the borrower.”;

20 (16) in section 432(k)(1), by striking “and of-
21 fering” and all that follows through the period and
22 inserting “, offering loan repayment matching provi-
23 sions as part of employee benefit packages, and pro-
24 viding employees with financial and economic edu-
25 cation and counseling.”;

1 (17) in section 441(c)—

2 (A) in paragraph (1), by inserting “finan-
3 cial literacy and economic literacy,” after “so-
4 cial services,”; and

5 (B) in paragraph (4)(C), by striking the
6 period at the end and inserting “and counseling
7 for the purposes of improving financial literacy
8 and economic literacy.”;

9 (18) in section 485—

10 (A) in subsection (a)(1)(D), by striking the
11 semicolon at the end and inserting “, including
12 the merits of taking a personal finance course,
13 if the institution offers such a course, and of
14 the student reviewing the student’s personal
15 credit profile not less frequently than once a
16 year;”;

17 (B) in subsection (b)—

18 (i) in paragraph (1)(A)—

19 (I) in clause (i), by striking
20 “and” after the semicolon;

21 (II) in clause (ii), by striking the
22 period at the end and inserting “;
23 and”;

24 (III) by adding at the end the
25 following:

1 “(iii) if it is determined during the
2 counseling that the borrower is not con-
3 nected to a mainstream financial institu-
4 tion, information about low-cost financial
5 services and the benefits of using such
6 services, and where and how the borrower
7 could open a low-cost account in a feder-
8 ally insured credit union or bank.”; and

9 (ii) by adding at the end the fol-
10 lowing:

11 “(3) PILOT PROGRAM.—

12 “(A) AUTHORIZATION.—

13 “(i) IN GENERAL.—The Secretary
14 shall establish a pilot program that awards
15 a total of 5 grants to 5 different institu-
16 tions of higher education that are located
17 in geographically different parts of the
18 United States to enable the institutions to
19 provide annual personal finance counseling
20 for students enrolled at such institutions.

21 “(ii) MINORITY SERVING INSTITU-
22 TIONS.—In awarding grants under this
23 paragraph, the Secretary shall award not
24 less than 2 of the 5 grants to institutions

1 of higher education that are eligible to re-
2 ceive assistance under title III or title V.

3 “(B) APPLICATION.—An institution of
4 higher education that desires to receive a grant
5 under this paragraph shall submit an applica-
6 tion to the Secretary at such time, in such man-
7 ner, and containing such information as the
8 Secretary may require.

9 “(C) USE OF FUNDS.—

10 “(i) COUNSELING.—

11 “(I) IN GENERAL.—In addition
12 to making available exit counseling
13 under paragraph (1), an institution of
14 higher education that receives a grant
15 under this paragraph shall through fi-
16 nancial aid officers or otherwise, make
17 available counseling to borrowers of
18 loans which are made, insured, or
19 guaranteed under part B (other than
20 loans made pursuant to section 428B)
21 of this title or made under part D or
22 E of this title at the commencement
23 of the borrower’s course of study at
24 the institution, not less frequently
25 than once annually while the borrower

1 is enrolled at the institution, and not
2 later than 30 days after completion of
3 the course of study for which the bor-
4 rower enrolled at the institution or at
5 the time of departure from such insti-
6 tution.

7 “(II) CONTENT.—The counseling
8 required under subclause (I) shall in-
9 clude the average anticipated monthly
10 repayments, a review of the repay-
11 ment options available, the total
12 amount of interest that would be paid
13 over a range of possible interest rates
14 and the amount of interest in the
15 monthly payments, information on the
16 availability and content of a personal
17 finance course if such course is of-
18 fered by the institution and if not al-
19 ready completed by the individual, and
20 such debt and management strategies
21 as the institution determines are de-
22 signed to facilitate the repayment of
23 such indebtedness, which may be im-
24 plemented in partnership with State
25 or local public, private, and nonprofit

1 entities approved by the local edu-
2 cational agency that serves schools in
3 the area where the institution is lo-
4 cated, or a campus committee formed
5 for the purpose of evaluating the
6 qualifications of such entities. If it is
7 determined during the counseling that
8 the borrower is not connected to a
9 mainstream financial institution, the
10 counseling shall include information
11 about low-cost financial services and
12 the benefits of using such services,
13 and where and how the borrower
14 could open a low-cost account in a
15 federally insured credit union or bank.

16 “(ii) PERMISSIVE USE.—Grant funds
17 received under this paragraph may be used
18 to pay for additional financial aid per-
19 sonnel or for training for existing financial
20 aid personnel.

21 “(iii) STUDY.—

22 “(I) IN GENERAL.—An institu-
23 tion of higher education that receives
24 a grant under this paragraph shall
25 conduct a study to evaluate the im-

1 pacts, if any, of the financial and eco-
2 nomic literacy and counseling activi-
3 ties on students' levels of savings and
4 indebtedness, and creditworthiness,
5 and such activities' effectiveness in re-
6 ducing the incidence of problems with
7 handling credit, including bankruptcy
8 filing and student financial loan de-
9 fault.

10 “(II) ASSISTANCE.—An institu-
11 tion of higher education may conduct
12 the study under subclause (I) with the
13 assistance of appropriate Federal
14 agencies or other entities approved by
15 the Secretary.

16 “(III) REPORT.—Not later than
17 6 months after completion of the
18 study under subclause (I), the institu-
19 tion of higher education shall report
20 the results of such study to the Sec-
21 retary, the Secretary of the Treasury,
22 the Committee on Health, Education,
23 Labor, and Pensions of the Senate,
24 the Committee on Banking, Housing,
25 and Urban Affairs of the Senate, the

1 Committee on Education and the
2 Workforce of the House of Represent-
3 atives, and the Committee on Finan-
4 cial Services of the House of Rep-
5 resentatives.

6 “(D) DURATION.—Grants awarded under
7 this paragraph shall be for a period of 3 years.

8 “(E) AMOUNT.—The Secretary shall award
9 grants of not more than \$1,000,000 annually to
10 each institution of higher education awarded a
11 grant under this paragraph. The Secretary may
12 determine the grant award amount based on
13 the number of students to be counseled at the
14 institution of higher education.

15 “(F) REPORT.—Not later than 90 days
16 after the date of completion of the pilot pro-
17 gram under this paragraph, the Secretary shall
18 submit a report to Congress on the effectiveness
19 of the program.

20 “(G) AUTHORIZATION OF APPROPRIA-
21 TIONS.—There is authorized to be appropriated
22 to carry out this paragraph such sums as may
23 be necessary for each of fiscal years 2005
24 through 2009.”; and

1 (C) in subsection (c), by adding at the end
2 the following: “Appropriate Federal agencies
3 shall provide material developed by such agen-
4 cies for the purpose of financial education, to fi-
5 nancial assistance information personnel at in-
6 stitutions of higher education for the use of
7 such personnel in financial aid counseling.”;
8 and

9 (19) in section 491(d)(8), by inserting “, in-
10 cluding those related to financial literacy activities,”
11 after “resources and services”.

12 **SEC. 5. EVALUATION.**

13 Not later than 6 years after the date of enactment
14 of this Act, the Comptroller General of the United States
15 shall submit to the Committee on Health, Education,
16 Labor, and Pensions of the Senate, the Committee on
17 Banking, Housing, and Urban Affairs of the Senate, the
18 Committee on Education and the Workforce of the House
19 of Representatives, and the Committee on Financial Serv-
20 ices of the House of Representatives, an evaluation of the
21 range and effectiveness of financial and economic edu-
22 cation and financial aid counseling activities of institutions
23 of higher education, lenders, servicers, and guaranty agen-

1 cies as emphasized by the Secretary of Education pursu-
2 ant to section 123 of the Higher Education Act of 1965.

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