

111TH CONGRESS
1ST SESSION

H. R. 1325

To require financial literacy counseling for borrowers, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 5, 2009

Ms. JACKSON-LEE of Texas (for herself, Ms. WATSON, Ms. LEE of California, Ms. KOSMAS, Ms. FUDGE, Ms. CORRINE BROWN of Florida, Ms. KAPTUR, Mr. EDWARDS of Texas, Mr. PASCRELL, Mr. ELLISON, Mr. MEEKS of New York, and Mr. CLEAVER) introduced the following bill; which was referred to the Committee on Education and Labor

A BILL

To require financial literacy counseling for borrowers, 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. FINANCIAL LITERACY COUNSELING.**

4 Section 485 of the Higher Education Act of 1965 (20
5 U.S.C. 1092) is amended by adding at the end the fol-
6 lowing new subsection:

7 “(n) FINANCIAL LITERACY COUNSELING.—

8 “(1) IN GENERAL.—Each eligible institution
9 shall, through financial aid offices, through an em-

1 ployee or group of employees designated under sub-
2 section (c), or through a contract or partnership
3 with a nonprofit organization, provide financial lit-
4 eracy counseling to borrowers in accordance with the
5 requirements of this subsection.

6 “(2) ENTRANCE AND EXIT COUNSELING RE-
7 QUIRED.—

8 “(A) IN GENERAL.—Financial literacy
9 counseling required under this subsection
10 shall—

11 “(i) be provided to—

12 “(I) each first-time borrower of a
13 loan made, insured, or guaranteed
14 under part B (other than a loan made
15 pursuant to section 428C or a loan
16 made on behalf of a student pursuant
17 to section 428B) or made under part
18 D (other than a Federal Direct Con-
19 solidation Loan or a Federal Direct
20 PLUS loan made on behalf of a stu-
21 dent), at or prior to the time of the
22 first disbursement of such loan; and

23 “(II) each borrower of a loan
24 made, insured, or guaranteed under
25 part B (other than loans made pursu-

1 ant to section 428C or loans under
2 section 428B made on behalf of a stu-
3 dent) or made under part D (other
4 than Federal Direct Consolidation
5 Loans or Federal Direct PLUS Loans
6 made on behalf of a student) or made
7 under part E of this title, prior to the
8 completion of the course of study for
9 which the borrower enrolled at the in-
10 stitution or at the time of departure
11 from such institution; and

12 “(ii) include a total of not less than 4
13 hours of counseling for such borrowers for
14 each of the occasions described in clause
15 (i).

16 “(B) EARLY DEPARTURE.—In the case of
17 borrower who leaves an institution without the
18 prior knowledge of the institution, the institu-
19 tion shall attempt to provide the information re-
20 quired under this subsection to the student in
21 writing.

22 “(3) INFORMATION TO BE PROVIDED.—Finan-
23 cial literacy counseling required under this sub-
24 section shall include information on the following:

1 “(A) Banking basics, including the types of
2 financial institutions, why and how banks may
3 be useful to individuals, and the fundamentals
4 of using basic checking and savings bank ac-
5 counts (including how checking and savings ac-
6 counts work, fees that may be charged, and
7 how to open and maintain an account).

8 “(B) Budgeting, including matching goals
9 and savings, identification of ways borrowers
10 can save money and understand savings options
11 that can be used to reach savings goals, the
12 main components of a budget (such as income,
13 fixed income, fixed expenses, flexible expenses
14 and discretionary expenses), and how to des-
15 ignate incomes and expenses.

16 “(C) Credit cards, including how to use
17 credit appropriately, how to determine what
18 forms of credit best suit the needs of the bor-
19 rower, the common pitfalls of credit card debt,
20 the differences in types of credit cards (includ-
21 ing pre-paid cards, debit cards, secured credit
22 cards linked to checking accounts, and charge
23 cards), responsible uses of credit cards, and
24 how to build a strong credit history.

1 “(D) Loans, grants, education tax credits,
2 and scholarships, including—

3 “(i) general information about and
4 differences between installment loans, in-
5 cluding car loans and student loans;

6 “(ii) the difference between grants,
7 scholarships, and loans, including the dif-
8 ferences between need-based and merit-
9 based aid; and

10 “(iii) information about options for
11 repayment, deferment, and the ability to
12 discharge or cancel education loans.

13 “(E) Renting and housing, including infor-
14 mation on renting an apartment, the basics of
15 getting a mortgage, and assistance with deter-
16 mining a borrower’s readiness to have a space
17 of their own.

18 “(F) Credit scores and ratings, including
19 information about credit (such as that credit is
20 a sum of money lent by a bank or institution
21 for repayment in the future and includes inter-
22 est on the balance that is borrowed), what fac-
23 tors go into a credit score, and the importance
24 of having a good credit record (particularly the

1 influence of credit records on interest rates,
2 loans, insurance rates, and job offers).

3 “(G) Investing, including information
4 about the risks and benefits of investing money,
5 setting goals and time horizons for when money
6 may be needed, establishing risk tolerance, and
7 the differences between stocks, bonds, and divi-
8 dends.

9 “(4) USE OF INTERACTIVE PROGRAMS.—The
10 Secretary shall encourage institutions to carry out
11 the requirements of this subsection through the use
12 of interactive programs that test the borrower’s un-
13 derstanding of the financial literacy information pro-
14 vided through counseling under this subsection,
15 using simple and understandable language and clear
16 formatting.”.

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