

112TH CONGRESS  
2D SESSION

# S. 3244

To amend the Higher Education Opportunity Act to add disclosure requirements to the institution financial aid offer form and to amend the Higher Education Act of 1965 to make such form mandatory.

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## IN THE SENATE OF THE UNITED STATES

MAY 24, 2012

Mr. FRANKEN (for himself, Mr. HARKIN, Mr. GRASSLEY, Mr. BLUMENTHAL, Mr. SCHUMER, Ms. MIKULSKI, Mr. JOHNSON of South Dakota, Mr. WYDEN, and Mr. CARDIN) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

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## A BILL

To amend the Higher Education Opportunity Act to add disclosure requirements to the institution financial aid offer form and to amend the Higher Education Act of 1965 to make such form mandatory.

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 “Understanding the  
5       True Cost of College Act of 2012”.

1 **SEC. 2. INSTITUTION FINANCIAL AID OFFER FORM.**

2 (a) INSTITUTION FINANCIAL AID OFFER FORM.—

3 Section 484 of the Higher Education Opportunity Act (20  
4 U.S.C. 1092 note) is amended—

5 (1) by striking subsection (a) and inserting the  
6 following:

7 “(a) STANDARD FORMAT.—The Secretary of Edu-  
8 cation, in consultation with the heads of relevant Federal  
9 agencies, shall develop a standard format for financial aid  
10 offer forms based on recommendations from representa-  
11 tives of students, students’ families, institutions of higher  
12 education, secondary school and postsecondary counselors,  
13 and nonprofit consumer groups.”;

14 (2) by striking subsection (b) and inserting the  
15 following:

16 “(b) KEY REQUIRED CONTENTS FOR OFFER  
17 FORM.—The standard format developed under subsection  
18 (a) shall include, in a consumer-friendly manner that is  
19 simple and understandable, the following items clearly sep-  
20 arated from each other and listed on the first page of the  
21 financial aid offer form in either electronic or written for-  
22 mat:

23 “(1) Information on the student’s cost of at-  
24 tendance based on the most current costs for the  
25 academic period covered by the financial aid offer  
26 form, including the following:

1           “(A) Tuition and fees, as determined  
2           under section 472 of the Higher Education Act  
3           of 1965 (20 U.S.C. 1087ll).

4           “(B) Room and board costs, as determined  
5           under section 472 of the Higher Education Act  
6           of 1965 (20 U.S.C. 1087ll).

7           “(C) Books and supplies, as determined  
8           under section 472 of the Higher Education Act  
9           of 1965 (20 U.S.C. 1087ll).

10          “(D) Transportation, as determined under  
11          section 472 of the Higher Education Act of  
12          1965 (20 U.S.C. 1087ll).

13          “(E) Miscellaneous personal expenses, as  
14          determined under section 472 of the Higher  
15          Education Act of 1965 (20 U.S.C. 1087ll).

16          “(2) The amount of financial aid that the stu-  
17          dent does not have to repay, such as scholarships,  
18          grant aid offered under title IV of the Higher Edu-  
19          cation Act of 1965 (20 U.S.C. 1070 et seq.), or  
20          grant aid offered by the institution, a State, or an  
21          outside source to the student for such academic pe-  
22          riod, including a disclosure that the financial aid  
23          does not have to be repaid and whether the student  
24          can expect to receive similar amounts of such finan-

1        cial aid for each academic period the student is en-  
2        rolled at the institution.

3            “(3) The net amount that the student, or the  
4        student’s family on behalf of the student, will have  
5        to pay for the student to attend the institution for  
6        such academic period, equal to—

7            “(A) the cost of attendance as described in  
8        paragraph (1) for the student for such aca-  
9        demic period, minus

10          “(B) the amount of financial aid described  
11        in paragraph (2) that is included in the finan-  
12        cial aid offer form.

13          “(4) Work study assistance, including a disclo-  
14        sure that the aid must be earned by the student and  
15        a disclosure that the assistance offered is subject to  
16        the availability of employment opportunities.

17          “(5) The types and amounts of loans under  
18        part D or E of title IV of the Higher Education Act  
19        of 1965 (20 U.S.C. 1087a et seq., 1087aa et seq.)  
20        that the institution recommends for the student for  
21        such academic period, a disclosure that such loans  
22        have to be repaid, a disclosure that the student can  
23        borrow a lesser amount than the recommended loan  
24        amount, a clear use of the word ‘loan’ to describe  
25        the recommended loan amounts, the interest rates,

1 fees, the expected monthly repayment amounts as-  
2 suming a 10-year repayment plan, and the total  
3 amounts the student will pay over the life of the  
4 loans.

5 “(6) Where a student or the student’s family  
6 can seek additional information regarding the finan-  
7 cial aid offered, including contact information for  
8 the institution’s financial aid office and the Depart-  
9 ment of Education’s website on financial aid.

10 “(7) A disclosure that Federal student loans  
11 offer generally more favorable terms and beneficial  
12 repayment options than private education loans so  
13 students should examine available Federal student  
14 loan options before applying for private education  
15 loans, and an explanation to be written by the Sec-  
16 retary of Education, in consultation with the heads  
17 of relevant Federal agencies, of the benefits unique  
18 to Federal student loans, including various repay-  
19 ment plans, loan forgiveness, and loan deferment,  
20 and the terms to examine carefully if considering a  
21 private education loan.

22 “(8) The deadline and summary of the process,  
23 if any, for accepting the financial aid offered in the  
24 financial aid offer form.

1           “(9) The academic period covered by the finan-  
 2           cial aid offer form and a clear indication whether the  
 3           aid offered is based on full-time or part-time enroll-  
 4           ment.

5           “(10) With respect to institutions where more  
 6           than 30 percent of enrolled students borrow loans to  
 7           pay for their education, the institution’s most recent  
 8           cohort default rate, as defined in section 435(m) of  
 9           the Higher Education Act of 1965 (20 U.S.C.  
 10          1085(m)), compared to the national average cohort  
 11          default rate.

12          “(11) Any other information the Secretary of  
 13          Education, in consultation with the heads of relevant  
 14          Federal agencies, determines necessary so that stu-  
 15          dents and parents can make informed loan bor-  
 16          rowing decisions, including quality metrics such as  
 17          percentage of students at the institution who take  
 18          out student loans and average debt at graduation for  
 19          students at the institution.”; and

20          (3) by adding at the end the following:

21          “(c) OTHER REQUIRED CONTENTS FOR THE OFFER  
 22          FORM.—The standard format developed under subsection  
 23          (a) shall also include the following information to be in-  
 24          cluded on the financial aid offer form in a concise format

1 determined by the Secretary of Education, in consultation  
2 with the heads of relevant Federal agencies:

3           “(1) A concise summary of the terms and con-  
4 ditions of financial aid recommended under para-  
5 graphs (2), (4), and (5) of subsection (b) and a  
6 method to provide students with additional informa-  
7 tion about such terms and conditions, such as links  
8 to the supplementary information, including that the  
9 student may be eligible for longer loan repayment  
10 terms.

11           “(2) At the institution’s discretion, additional  
12 options for paying for the net amount listed in sub-  
13 section (b)(3), such as the amount recommended to  
14 be paid by the student or student’s family, Federal  
15 Direct PLUS Loans under section 455 of the High-  
16 er Education Act of 1965 (20 U.S.C. 1087e), or pri-  
17 vate education loans. If the institution recommends  
18 private education loans, as defined in section 140 of  
19 the Truth in Lending Act (15 U.S.C. 1650), the fi-  
20 nancial aid offer form shall contain the additional  
21 following disclosures on the offer form:

22           “(A) The availability of, and the student’s  
23 potential eligibility for, Federal financial assist-  
24 ance under title IV of the Higher Education  
25 Act of 1965 (20 U.S.C. 1070 et seq.).

1           “(B) The impact of a proposed private  
2 education loan on the student’s potential eligi-  
3 bility for other financial assistance, including  
4 Federal financial assistance under title IV of  
5 the Higher Education Act of 1965 (20 U.S.C.  
6 1070 et seq.).

7           “(C) The student’s ability to select a pri-  
8 vate educational lender of the student’s choice.

9           “(D) The student’s right to accept or re-  
10 ject a private education loan within the 30-day  
11 period following a private educational lender’s  
12 approval of a student’s application and a stu-  
13 dent’s 3-day right-to-cancel period.

14           “(E) With respect to dependent students,  
15 any reference to private education loans shall be  
16 accompanied by information about the rec-  
17 ommended family contribution and the avail-  
18 ability of, and terms and conditions associated  
19 with, Federal Direct PLUS Loans under sec-  
20 tion 455 of the Higher Education Act of 1965  
21 (20 U.S.C. 1087e) for the student’s parents re-  
22 gardless of family income, and of the student’s  
23 increased eligibility for Federal student loans  
24 under title IV of the Higher Education Act of  
25 1965 (20 U.S.C. 1070 et seq.) if the student’s



1 parents are not able to borrow under the Fed-  
2 eral Direct PLUS Loan program.

3 “(3) The following disclosures:

4 “(A) That the financial aid offer form only  
5 contains information for 1 academic period and  
6 the financial aid offered in following academic  
7 periods may change, unless the institution is of-  
8 fering aid that covers multiple academic peri-  
9 ods.

10 “(B) How non-institutional scholarships  
11 awarded to the student affect the financial aid  
12 package offered to the student.

13 “(C) A concise summary of any Federal or  
14 institutional conditions required to receive and  
15 renew financial aid and a method to provide  
16 students with additional information about  
17 these conditions, such as links to the supple-  
18 mentary information.

19 “(d) ADDITIONAL REQUIREMENTS FOR FINANCIAL  
20 AID OFFER FORM.—In addition to the requirements listed  
21 under subsections (b) and (c), the financial aid offer form  
22 shall meet the following requirements:

23 “(1) Clearly distinguish between the aid offered  
24 in paragraphs (2), (4), and (5) of subsection (b), by  
25 including a subtotal for the aid offered in each of

1       such paragraphs and by refraining from commin-  
2       gling the different types of aid described in such  
3       paragraphs.

4               “(2) Use standard definitions and names for  
5       the terms described in subsection (b) that are devel-  
6       oped by the Secretary of Education in consultation  
7       with the heads of relevant Federal agencies, rep-  
8       resentatives of institutions of higher education, non-  
9       profit consumer groups, students, and secondary  
10      school and higher education guidance counselors, not  
11      later than 3 months after the date of enactment of  
12      the Understanding the True Cost of College Act of  
13      2012.

14              “(3) If an institution’s recommended Federal  
15      student loan aid offered in subsection (b)(5) is less  
16      than the Federal maximum available to the student,  
17      the institution shall provide additional information  
18      on Federal student loans, including the types and  
19      amounts for which the student is eligible in an at-  
20      tached document or webpage.

21              “(4) Use standard formatting and design that  
22      the Secretary of Education, in consultation with the  
23      heads of relevant Federal agencies, representatives  
24      of institutions of higher education, nonprofit con-  
25      sumer groups, students, and secondary school and

1 higher education guidance counselors determine is  
2 appropriate to produce multiple draft financial aid  
3 offer designs for consumer testing not later than 3  
4 months after the date of enactment of the Under-  
5 standing the True Cost of College Act of 2012 to en-  
6 sure—

7 “(A) that figures described in paragraphs  
8 (1) through (5) of subsection (b) are in the  
9 same font, appear in the same order, and are  
10 displayed prominently on the first page of the  
11 financial aid offer form whether produced in  
12 written or electronic format; and

13 “(B) that the other information required  
14 in (b) and (c) appears in a standard format and  
15 design on the financial aid offer form.

16 “(5) Include an attestation that the student has  
17 accessed and read the financial aid offer form, if  
18 provided to the student in electronic format.

19 “(6) Include language developed by the Sec-  
20 retary of Education, in consultation with the heads  
21 of relevant Federal agencies, notifying eligible stu-  
22 dents that they may be eligible for education bene-  
23 fits, and where they can locate more information  
24 about such benefits, described in the following provi-  
25 sions:

1                   “(A) Chapter 30, 31, 32, 33, 34, or 35 of  
2                   title 38, United States Code.

3                   “(B) Chapter 101, 105, 106A, 1606, 1607,  
4                   or 1608 of title 10, United States Code.

5                   “(C) Section 1784a, 2005, or 2007 of title  
6                   10, United States Code.

7           “(e) ADDITIONAL INFORMATION.—Nothing in this  
8 section shall preclude an institution from supplementing  
9 the financial aid offer form with additional information so  
10 long as such additional information supplements the fi-  
11 nancial aid offer form and is not located on the financial  
12 aid offer form.

13           “(f) CONSUMER TESTING.—

14                   “(1) IN GENERAL.—Not later than 3 months  
15 after the date of enactment of the Understanding  
16 the True Cost of College Act of 2012, the Secretary  
17 of Education, in consultation with the heads of rel-  
18 evant Federal agencies, shall establish a process to  
19 submit the financial aid offer form developed under  
20 this section for consumer testing among representa-  
21 tives of students (including low-income students,  
22 first generation college students, adult students, and  
23 prospective students), students’ families (including  
24 low-income families, families with first generation  
25 college students, and families with prospective stu-

dents), institutions of higher education, secondary school and postsecondary counselors, and nonprofit consumer groups.

“(2) LENGTH OF CONSUMER TESTING.—The Secretary of Education shall ensure that the consumer testing lasts no longer than 6 months after the process for consumer testing is developed under paragraph (1).

“(3) USE OF RESULTS.—The results of consumer testing under paragraph (1) shall be used in the final development of the financial aid offer form.

“(4) REPORTING REQUIREMENT.—Not later than 3 months after the date the consumer testing under paragraph (1) concludes, the Secretary of Education shall submit to Congress the final standard financial aid offer form and a report detailing the results of such testing, including whether the Secretary added any additional items to the standard financial aid offer form pursuant to subsection (b)(10).

“(5) AUTHORITY TO MODIFY.—The Secretary of Education may modify the definitions, terms, formatting, and design of the financial aid offer form based on the results of consumer testing required

1 under this subsection and before finalizing the  
2 form.”.

3 (b) MANDATORY FORM.—Part B of title I of the  
4 Higher Education Act of 1965 (20 U.S.C. 1011 et seq.)  
5 is amended by adding at the end the following:

6 **“SEC. 124. USE OF MANDATORY FINANCIAL AID OFFER**  
7 **FORM.**

8 “(a) IN GENERAL.—Notwithstanding any other pro-  
9 vision of law, each institution of higher education that re-  
10 ceives Federal financial assistance under this Act shall use  
11 the financial aid offer form developed under section 484  
12 of the Higher Education Opportunity Act (20 U.S.C. 1092  
13 note) in providing written or electronic financial aid offers  
14 to students enrolled in, or accepted for enrollment in, the  
15 institution.

16 “(b) EFFECTIVE DATE.—The requirement under  
17 subsection (a) shall take effect 8 months after the Sec-  
18 retary of Education finalizes the offer form developed  
19 under section 484(a) of the Higher Education Oppor-  
20 tunity Act (20 U.S.C. 1092 note).”.

○