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 Representatives of the United States of America in Congress assembled,
SECTION 1. SHORT TITLE.

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

SEC. 2. ANNUAL COUNSELING.

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

“(l) ANNUAL FINANCIAL AID COUNSELING.—

“(1) ANNUAL DISCLOSURE REQUIRED.—

“(A) IN GENERAL.—Each eligible institution shall ensure that each individual who receives a Federal Pell Grant or a loan made under part D (other than a Federal Direct Consolidation Loan) receives comprehensive information on the terms and conditions of such Federal Pell Grant or loan and the responsibilities the individual has with respect to such Federal Pell Grant or loan. Such information shall be provided, for each award year for which the individual receives such Federal Pell Grant or loan, in a simple and understandable manner—

“(i) during a counseling session conducted in person;

“(ii) online, with the individual acknowledging receipt of the information; or
“(iii) through the use of the online counseling tool described in subsection (n)(1)(B).

“(B) USE OF INTERACTIVE PROGRAMS.—

In the case of institutions not using the online counseling tool described in subsection (n)(1)(B), the Secretary shall require such institutions to carry out the requirements of subparagraph (A) through the use of interactive programs, during an annual counseling session that is in-person or online, that test the individual’s understanding of the terms and conditions of the Federal Pell Grant or loan awarded to the individual, using simple and understandable language and clear formatting.

“(2) ALL INDIVIDUALS.—The information to be provided under paragraph (1)(A) to each individual receiving counseling under this subsection shall include the following:

“(A) An explanation of how the individual may budget for typical educational expenses and a sample budget based on the cost of attendance for the institution.

“(B) An explanation that an individual has a right to annually request a disclosure of infor-
information collected by a consumer reporting agency pursuant to section 612(a) of the Fair Credit Reporting Act (15 U.S.C. 1681j(a)).

“(C) Based on the most recent data available from the American Community Survey available from the Department of Commerce, the estimated average income and percentage of employment in the State of domicile of the individual for individuals with—

“(i) a high school diploma or equivalent;

“(ii) some post-secondary education without completion of a degree or certificate; and

“(iii) a bachelor’s degree.

“(D) An introduction to the financial management resources provided by the Financial Literacy and Education Commission.

“(E) 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.

“(3) Students receiving federal Pell grants.—The information to be provided under
paragraph (1)(A) to each student receiving a Federal Pell Grant shall include the following:

“(A) An explanation of the terms and conditions of the Federal Pell Grant.

“(B) An explanation of approved educational expenses for which the student may use the Federal Pell Grant.

“(C) An explanation of why the 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 that, in the case of a student who transfers to another institution, the amount of time remaining for which a student may be eligible to receive a Federal Pell Grant, as provided under subparagraph (D), will not change, regardless of whether all of the courses completed by such student are accepted for purposes of meeting specific degree or program requirements by the institution to which such student transfer.
“(4) Borrowers receiving loans made under part D (other than Parent PLUS loans).—The information to be provided under paragraph (1)(A) to a borrower of a loan made under part D (other than a Federal Direct PLUS Loan made on behalf of a dependent student) shall include the following:

“(A) To the extent practicable, the effect of accepting the loan to be disbursed on the eligibility of the borrower for other forms of student financial assistance.

“(B) An explanation of the use of the master promissory note.

“(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 education loans, an explanation that Federal student
loans typically offer better terms and conditions than private education loans, an explanation of treatment of loans made under part D and private education loans in bankruptcy, and an explanation that if a borrower decides to take out a private education loan—

“(i) the borrower has the ability to select a private educational lender of the borrower’s choice;

“(ii) the proposed private education loan may impact the borrower’s potential eligibility for other financial assistance, including Federal financial assistance under this title; and

“(iii) the borrower has a right—

“(I) to accept the terms of the private education loan within 30 calendar days following the date on which the application for such loan is approved and the borrower receives the required disclosure documents, pursuant to section 128(e) of the Truth in Lending Act (15 U.S.C. 1638(e)); and
“(II) to cancel such loan within 3 business days of the date on which the loan is consummated, pursuant to section 128(e)(7) of such Act (15 U.S.C. 1638(e)(7)).

“(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.

“(H) An explanation that, in the case of a student who transfers to another institution, the loan amounts such student received before such transfer shall be used in determining the aggregate loan amount of the student, regardless of whether all of the courses completed by such student are accepted for purposes of meeting specific degree or program requirements by the institution to which such student transfers.

“(I) Information on how interest accrues and is capitalized during periods when the interest is not paid by either the borrower or the Secretary.
“(J) In the case of a Federal Direct PLUS Loan or a Federal Direct Unsubsidized Stafford Loan, the option of the borrower to pay the interest while the borrower is in school.

“(K) The definition of half-time enrollment at the institution, during regular terms and summer school, if applicable, and the consequences of not maintaining at least half-time enrollment.

“(L) An explanation of the importance of contacting the appropriate offices at the institution of higher education if the borrower withdraws prior to completing the borrower’s program of study so that the institution can provide exit counseling, including information regarding the borrower’s repayment options and loan consolidation.

“(M) For a first-time borrower—

“(i) a statement of the anticipated balance on the loan for which the borrower is receiving counseling under this subsection;

“(ii) based on such anticipated balance, the anticipated monthly payment amount under, at minimum—
“(I) the standard repayment plan; and

“(II) the income-driven repayment plans the borrower is eligible for, as determined using regionally available data from the Bureau of Labor Statistics of the average starting salary for the occupation in which the borrower has an interest in or intends to be employed; and

“(iii) an estimate of the projected monthly payment amount under each repayment plan described in clause (ii), based on the average cumulative indebtedness at graduation for borrowers of loans made under part D who are in the same program of study as the borrower.

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

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

“(ii) based on such outstanding balance, the anticipated monthly payment
amount under, at minimum, the standard repayment plan and, using regionally available data from the Bureau of Labor Statistics of the average starting salary for the occupation the borrower intends to be employed, the income-driven repayment plans the borrower is eligible for; and

“(iii) an estimate of the projected monthly payment amount under each repayment plan described in clause (ii), based on—

“(I) the outstanding balance described in clause (i);

“(II) the anticipated outstanding balance on the loan for which the student is receiving counseling under this subsection; and

“(III) a projection for any other loans made under part D that the borrower is reasonably expected to accept during the borrower’s program of study based on at least the expected increase in the cost of attendance of such program.
“(O) The obligation of the borrower to repay the full amount of the loan, regardless of whether the borrower completes or does not complete the program in which the borrower is enrolled within the regular time for program completion.

“(P) The likely consequences of default on the loan, including adverse credit reports, delinquent debt collection procedures under Federal law, and litigation, and a notice of the institution’s most recent cohort default rate (defined in section 435(m)), an explanation of the cohort default rate, the most recent national average cohort default rate, and the most recent national average cohort default rate for the category of institution described in section 435(m)(4) to which the institution belongs.

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

“(R) The contact information for the institution’s financial aid office or other appropriate office at the institution the borrower may contact if the borrower has any questions about the
borrower’s rights and responsibilities or the terms and conditions of the loan.

“(5) Borrowers receiving Parent PLUS loans for dependent students.—The information to be provided under paragraph (1)(A) to a borrower of a Federal Direct PLUS Loan made on behalf of a dependent student shall include the following:

“(A) The information described in subparagraphs (A) through (C) and (O) through (R) of paragraph (4).

“(B) A notification that some students may qualify for other financial aid and an explanation that the student for whom the borrower is taking out the loan should consider accepting any grant, scholarship, or State or Federal work-study jobs for which such student is eligible prior to borrowing Parent PLUS Loans.

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

“(i) a statement of the anticipated balance on the loan for which the borrower is receiving counseling under this subsection;
“(ii) based on such anticipated balance, the anticipated monthly payment amount under the standard repayment plan; and

“(iii) an estimate of the projected monthly payment amount under the standard repayment plan, based on the average cumulative indebtedness of other borrowers of Federal Direct PLUS Loans made on behalf of dependent students who are in the same program of study as the student on whose behalf the borrower borrowed the loan.

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

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

“(ii) based on such outstanding balance, the anticipated monthly payment amount under the standard repayment plan; and

“(iii) an estimate of the projected monthly payment amount under the standard repayment plan, based on—
“(I) the outstanding balance described in clause (i);

“(II) the anticipated outstanding balance on the loan for which the borrower is receiving counseling under this subsection; and

“(III) a projection for any other Federal Direct PLUS Loan made on behalf of the dependent student that the borrower is reasonably expected to accept during the program of study of such student based on at least the expected increase in the cost of attendance of such program.

“(E) Debt management strategies that are designed to facilitate the repayment of such indebtedness.

“(F) An explanation that the borrower has the options to prepay each loan, pay each loan on a shorter schedule, pay each loan while the dependent child is still in school, pay the interest on the loan while the loan is in deferment, and change repayment plans.

“(G) For each Federal Direct PLUS Loan made on behalf of a dependent student 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.

“(6) ANNUAL LOAN ACCEPTANCE.—Prior to making the first disbursement of a loan made under part D (other than a Federal Direct Consolidation Loan) 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 after receiving the applicable counseling under paragraphs (2), (4), and (5) for the loan the borrower accepts the loan for such award year and for such amount as is specified by the borrower 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).

“(7) CONSTRUCTION.—Nothing in this section shall be construed to prohibit an eligible institution
from providing additional information and counseling services to recipients of Federal student aid under this title, provided that any additional information and counseling services for recipients of Federal student aid shall not preclude or be considered a condition for disbursement of such aid.

“(8) COUNSELING SESSIONS CONDUCTED IN PERSON.—Institutions of higher education may encourage individuals to attend in-person loan counseling sessions under paragraph (1)(A).”

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), 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 (n)(1)(A)”;

(B) by redesignating clauses (i) through (ix) as clauses (v) through (xiii), respectively;

(C) by inserting before clause (v), 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) an explanation that the borrower may be approached during the repayment process by third-party student debt relief companies, that they should use caution in any such dealings, and that the typical services provided by these companies are already offered to borrowers free of charge through servicers;”;

(D) in clause (v), as so redesignated—

(i) by striking “sample information showing the average” and inserting “information, based on the borrower’s outstanding balance described in clause (i), showing the borrower’s”;}
(ii) by striking “of each plan” and inserting “of at least the standard repayment plan and the income-driven repayment plans the borrower is eligible for”;

(E) in clause (x), as so redesignated—

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

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

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

(G) in clauses (xii) and (xiii), as so redesignated, by striking “and” at the end; and 

(H) by adding at the end the following:

“(xiv) 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; and

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

(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-
dcribed in subsection (n)(1)(A), the Secretary
shall attempt to provide such information to the
student in the manner described in subsection
(n)(3)(C)”;

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

SEC. 4. 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:

“(n) 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; and

“(B) an online counseling tool that provides the annual counseling required under subsection (l) 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 that each such tool is—

“(A) consumer tested, in consultation with other relevant Federal agencies, to ensure that the tool is effective in helping individuals understand their rights and obligations with respect to borrowing a loan made under part D or receiving a Federal Pell Grant;

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

“(C) 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 individuals have received counseling using the tool, and notify the applicable institutions of the individual’s completion of such counseling;

“(B) in the case of a borrower who receives annual counseling for a loan made under part D using the tool described in paragraph (1)(B), notify the borrower by when the borrower should accept, in a manner described in subsection (l)(6), the loan for which the borrower has received such counseling; and

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

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

(a) In General.—Not later than 1 year after the date of enactment of this Act, the Secretary of Education, acting through the Director of the Institute of Education
Sciences, shall begin conducting a rigorous, longitudinal study of the impact and effectiveness of the student loan counseling—

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

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

(b) CONTENTS.—

(1) BORROWER INFORMATION.—The longitudinal study carried out under subsection (a) shall include borrower information, in the aggregate and disaggregated by race, ethnicity, gender, income, and status as an individual with a disability, on—

(A) student persistence;

(B) degree attainment;

(C) program completion;

(D) successful entry into student loan repayment;

(E) cumulative borrowing levels; and

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

(2) EXCEPTION.—The disaggregation under paragraph (1) shall not be required in a case in which the number of borrowers in a category is in-
sufficient to yield statistically reliable information or
the results would reveal personally identifiable infor-

tion about an individual borrower.

(c) INTERIM REPORTS.—Not later than 18 months
after the commencement of the study under subsection
(a), and annually thereafter, the Secretary of Education
shall evaluate the progress of the study and report any
short-term findings to the appropriate committees of Con-
gress.

SEC. 6. AVAILABILITY OF FUNDS.

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

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

Passed the House of Representatives September 5,
2018.

Attest: KAREN L. HAAS,

Clerk.