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(Original Signature of Member)

113TH CONGRESS  
2D SESSION

# H. R.

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

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## IN THE HOUSE OF REPRESENTATIVES

Mr. GUTHRIE (for himself, Mr. HUDSON, and Mr. KLINE) introduced the following bill; which was referred to the Committee on

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# A BILL

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,*

3 **SECTION 1. SHORT TITLE.**

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

6 **SEC. 2. ANNUAL COUNSELING.**

7 Section 485(l) of the Higher Education Act of 1965  
8 (20 U.S.C. 1092(l)) is amended—

1           (1) in the subsection heading, by striking “EN-  
2           TRANCE” and inserting “ANNUAL”;

3           (2) in paragraph (1)—

4                 (A) in the paragraph heading, by striking  
5                 “DISBURSEMENT” and inserting “ACCEPT-  
6                 ANCE”;

7                 (B) in subparagraph (A)—

8                     (i) in the matter preceding clause

9                     (i)—

10                             (I) by striking “at or prior to”  
11                             and inserting “prior to or in conjunc-  
12                             tion with”; and

13                             (II) by striking “a disbursement  
14                             to a first-time borrower of a loan  
15                             made, insured, or guaranteed under  
16                             part B (other than a loan made pur-  
17                             suant to section 428C or a loan made  
18                             on behalf of a student pursuant to  
19                             section 428B) or” and inserting “ac-  
20                             ceptance (in a manner described in  
21                             subparagraph (A), (B), or (C) of  
22                             paragraph (4)) by a borrower of a  
23                             loan”; and

24                             (ii) in clause (ii)—

1 (I) in the matter preceding sub-  
2 clause (I)—

3 (aa) by striking “may” and  
4 inserting “shall”; and

5 (bb) by inserting “, for each  
6 award year for which the bor-  
7 rower receives a loan made under  
8 part D” after “provided”;

9 (II) in subclause (I), by striking  
10 “an entrance counseling session con-  
11 duction in person” and inserting “a  
12 counseling session conducted in per-  
13 son”;

14 (I) by striking subclause (II);

15 (II) by redesignating subclause  
16 (III) as subclause (II);

17 (III) in subclause (II), as so re-  
18 designated, by striking the period at  
19 the end and inserting “; or”; and

20 (IV) by adding at the end the fol-  
21 lowing:

22 “(III) through the use of the on-  
23 line counseling tool described in sub-  
24 section (o)(1)(B).”.

25 (C) in subparagraph (B)—

1 (i) by striking “The Secretary” and  
2 inserting “In the case of institutions not  
3 using the online counseling tool described  
4 in subsection (o)(1)(B), the Secretary”;

5 (ii) by striking “encourage institu-  
6 tions” and inserting “require such institu-  
7 tions”;

8 (iii) by inserting “, during an annual  
9 counseling session that is in-person or on-  
10 line,” after “the use”; and

11 (iv) by striking “B or”;

12 (3) in paragraph (2)—

13 (A) by redesignating subparagraphs (C)  
14 through (G) and subparagraphs (H) through  
15 (K), as subparagraphs (H) through (L), respec-  
16 tively, and subparagraphs (N) through (Q), re-  
17 spectively; and

18 (B) by inserting after subparagraph (B),  
19 the following:

20 “(C) An explanation that the borrower is  
21 not required to accept the full amount of the  
22 loan offered to the borrower.

23 “(D) An explanation that the borrower  
24 should consider accepting any grant, scholar-  
25 ship, or State or Federal work-study jobs for

1           which the borrower is eligible prior to accepting  
2           Federal student loans.

3           “(E) A recommendation to the borrower to  
4           exhaust the borrower’s Federal student loan op-  
5           tions prior to taking out private loans and a  
6           warning that private loans may not offer the  
7           same benefits and repayment options as Fed-  
8           eral student loans.

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

12          “(G) Information on the annual and aggre-  
13          gate loan limits for Federal Direct Stafford  
14          Loans and Federal Direct Unsubsidized Staf-  
15          ford Loans.”;

16          (C) in subparagraph (I), as so redesign-  
17          nated—

18                  (i) by striking “a loan made under  
19                  section 428B or 428H,”; and

20                  (ii) by striking “, or a” and inserting  
21                  “or a”;

22          (D) in subparagraph (L), as so redesign-  
23          nated—

1 (i) in the matter preceding clause (i),  
2 by striking “Sample” and inserting “For a  
3 first-time borrower, sample”;

4 (ii) in clause (i)(I), by striking “loans  
5 under section 428 or 428H” and inserting  
6 “Federal Direct Stafford Loans or Federal  
7 Direct Unsubsidized Stafford Loans”; and

8 (iii) in clause (i)(II), by striking  
9 “loans under section 428, 428B, or 428H”  
10 and inserting “Federal Direct PLUS  
11 Loans or Federal Direct Unsubsidized  
12 Stafford Loans”; and

13 (E) by inserting after subparagraph (L),  
14 as so redesignated and amended, the following:

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

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

20 “(ii) based on such outstanding bal-  
21 ance, the anticipated monthly payment  
22 amount under each repayment plan that  
23 may be available to the borrower; and

24 “(iii) based on such outstanding bal-  
25 ance plus the anticipated outstanding bal-

1           ance on the loan for which the student is  
2           receiving counseling under this subsection  
3           and on any other Federal student loans  
4           that the borrower may accept during the  
5           borrower's course of study for which the  
6           borrower enrolled at the institution, an es-  
7           timate of the projected monthly payment  
8           amount under each such repayment plan.”;  
9           and

10           (F) in subparagraph (Q), as so redesign-  
11           nated—

12                   (i) by striking “name of and”; and

13                   (ii) by striking “individual” and in-  
14                   serting “ institution's financial aid office  
15                   or other appropriate office at the institu-  
16                   tion”; and

17           (4) by adding at the end the following:

18           “(3) ANNUAL LOAN ACCEPTANCE.—Prior to  
19           making the first disbursement of a loan made under  
20           part D (other than a Federal Direct Consolidation  
21           Loan or a Federal Direct PLUS loan made on be-  
22           half of a student) to a borrower for an award year,  
23           an eligible institution, shall, as part of carrying out  
24           the counseling requirements of this subsection for

1 the loan, ensure that the borrower accepts the loan  
2 for such award year by—

3 “(A) signing the master promissory note  
4 for the loan;

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

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

12 **SEC. 3. EXIT COUNSELING.**

13 Section 485(b) of the Higher Education Act of 1965  
14 (20 U.S.C. 1092(b)) is amended—

15 (1) in paragraph (1)(A)—

16 (A) in the matter preceding clause (i)—

17 (i) by striking “through financial aid  
18 offices or otherwise” and inserting  
19 “through the use of an interactive pro-  
20 gram, during an exit counseling session  
21 that is in-person or online, or through the  
22 use of the online counseling tool described  
23 in subsection (o)(1)(A)”;



1 (ii) by redesignating clauses (i)  
2 through (ix) as clauses (iv) through (xii),  
3 respectively;

4 (iii) by inserting before clause (iv), as  
5 so redesignated, the following:

6 “(i) a summary of the outstanding  
7 balance of principal and interest due on  
8 the loans made to the borrower under part  
9 B, D, or E;

10 “(ii) an explanation of the grace pe-  
11 riod preceding repayment and the expected  
12 date that the borrower will enter repay-  
13 ment;

14 “(iii) an explanation that the borrower  
15 has the option to pay any interest that has  
16 accrued while the borrower was in school  
17 or that may accrue during the grace period  
18 preceding repayment or during an author-  
19 ized period of deferment or forbearance,  
20 prior to the capitalization of the interest;”;

21 (iv) in clause (iv), as so redesignated,  
22 by striking “sample information showing  
23 the average” and inserting “information,  
24 based on the borrower’s outstanding bal-

1           ance described in clause (i), showing the  
2           borrower’s”;

3           (v) in clause (x), as so redesignated,  
4           by striking “consolidation loan under sec-  
5           tion 428C or a”; and

6           (vi) by adding at the end the fol-  
7           lowing:

8           “(xiii) for each of the borrower’s loans  
9           made under part B, D, or E for which the  
10          borrower is receiving counseling under this  
11          subsection, the contact information for the  
12          loan servicer of the loan and a link to such  
13          servicer’s Website .”;

14          (2) in paragraph (1)(B)—

15           (A) by inserting “online or” before “in  
16           writing”; and

17           (B) by adding before the period at the end  
18           the following: “, except that in the case of an  
19           institution using the online counseling tool de-  
20           scribed in subsection (o)(1)(A), the Secretary  
21           shall attempt to provide such information to the  
22           student in the manner described in subsection  
23           (o)(3)(C)”;

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

4   **SEC. 4. ANNUAL COUNSELING FOR FEDERAL PELL GRANT**  
5                           **RECIPIENTS.**

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

9           “(n) ANNUAL COUNSELING FOR FEDERAL PELL  
10   GRANT RECIPIENTS.—

11           “(1) DISCLOSURE REQUIRED PRIOR TO DIS-  
12   BURSEMENT OF FEDERAL PELL GRANT.—

13           “(A) IN GENERAL.—Each eligible institu-  
14   tion shall, prior to the first payment of a Fed-  
15   eral Pell Grant to a student for an award year,  
16   ensure that the student receives comprehensive  
17   information on the terms and conditions of the  
18   Federal Pell Grant in accordance with para-  
19   graph (2). Such information—

20           “(i) shall be provided in a simple and  
21   understandable manner; and

22           “(ii) shall be provided, for each award  
23   year for which the student receives a Fed-  
24   eral Pell Grant—

1                   “(I) during a counseling session  
2                   conducted in person;

3                   “(II) online, with the student ac-  
4                   knowledging receipt of the informa-  
5                   tion; or

6                   “(III) through the use of the on-  
7                   line counseling tool described in sub-  
8                   section (o)(1)(C).

9                   “(B) USE OF INTERACTIVE PROGRAMS;  
10                   JOINT COUNSELING PERMITTED.—In the case  
11                   of institutions not using the online counseling  
12                   tool described in subsection (o)(1)(C)—

13                   “(i) the Secretary shall require such  
14                   institutions to carry out the requirements  
15                   of subparagraph (A) through the use, dur-  
16                   ing an annual counseling session that is in-  
17                   person or online, of interactive programs  
18                   that test the student’s understanding of  
19                   the terms and conditions of the Federal  
20                   Pell Grant paid to the student, using sim-  
21                   ple and understandable language and clear  
22                   formatting; and

23                   “(ii) an annual counseling session de-  
24                   scribed in subclause (I) or (II) of subpara-  
25                   graph (A)(ii) for a student may be con-

1           ducted in conjunction with an annual coun-  
2           seling session described in subclause (I) or  
3           (II) of subsection (l)(1)(A)(ii) for such stu-  
4           dent.

5           “(2) INFORMATION TO BE PROVIDED.—The in-  
6           formation to be provided to the student under para-  
7           graph (1)(A) shall include the following:

8           “(A) An explanation of a Federal Pell  
9           Grant.

10          “(B) An explanation of approved edu-  
11          cational expenses for which the student may use  
12          a Federal Pell Grant.

13          “(C) An explanation of why a student may  
14          have to repay the Federal Pell Grant.

15          “(D) An explanation of the maximum  
16          number of semesters or equivalent for which the  
17          student may be eligible to receive a Federal Pell  
18          Grant, and a statement of the amount of time  
19          remaining for which the student may be eligible  
20          to receive a Federal Pell Grant.

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

1           “(F) An explanation of how the student  
2           may seek additional financial assistance from  
3           the institution’s financial aid office due to a  
4           change in the student’s financial circumstances,  
5           and the contact information for such office.”.

6 **SEC. 5. ONLINE COUNSELING TOOLS.**

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

10          “(o) ONLINE COUNSELING TOOLS.—

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

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

19           “(B) an online counseling tool that pro-  
20           vides the annual counseling required under sub-  
21           section (l) and meets the applicable require-  
22           ments of this subsection; and

23           “(C) an online counseling tool that pro-  
24           vides the Federal Pell Grant counseling re-

1           required under subsection (n) and meets the ap-  
2           plicable requirements of this subsection.

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

6                   “(A) in the case of the online counseling  
7                   tools described in subparagraphs (A) and (B) of  
8                   paragraph (1), each such tool is consumer test-  
9                   ed to ensure that the tool is effective in helping  
10                  students understand their rights and obligations  
11                  with respect to borrowing a loan made under  
12                  part D;

13                  “(B) in the case of the online tool de-  
14                  scribed in paragraph (1)(C), the tool is con-  
15                  sumer tested to ensure that such tool is effec-  
16                  tive in helping students understand their rights  
17                  and obligations with respect to receiving a Fed-  
18                  eral Pell Grant; and

19                  “(C) each such tool is understandable to  
20                  students and freely available to all eligible insti-  
21                  tutions.

22           “(3) RECORD OF COUNSELING COMPLETION.—  
23           The Secretary shall—

24                   “(A) use each online counseling tool de-  
25                   scribed in paragraph (1) to keep a record of

1           which students have received counseling using  
2           the tool, and notify the applicable institutions  
3           of the students' completion of such counseling;

4           “(B) in the case of a student who receives  
5           annual counseling using the tool described in  
6           paragraph (1)(B), notify the student by when  
7           the student should accept, in a manner de-  
8           scribed in section 485(l)(3), the loan for which  
9           the student has received such counseling; and

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