

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 3179
OFFERED BY MR. GUTHRIE OF KENTUCKY**

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE.

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

4 SEC. 2. ANNUAL COUNSELING.

5 Section 485(l) of the Higher Education Act of 1965
6 (20 U.S.C. 1092(l)) is amended to read as follows:

7 “(l) ANNUAL FINANCIAL AID COUNSELING.—

8 “(1) ANNUAL DISCLOSURE REQUIRED.—

9 “(A) IN GENERAL.—Each eligible institu-
10 tion shall ensure that each individual who re-
11 ceives a Federal Pell Grant or a loan made
12 under part D (other than a Federal Direct Con-
13 solidation Loan) receives comprehensive infor-
14 mation on the terms and conditions of such
15 Federal Pell Grant or loan and the responsibil-
16 ities the individual has with respect to such
17 Federal Pell Grant or loan. Such information
18 shall be provided, for each award year for which

1 the individual receives such Federal Pell Grant
2 or loan, in a simple and understandable man-
3 ner—

4 “(i) during a counseling session con-
5 ducted in person;

6 “(ii) online, with the individual ac-
7 knowledging receipt of the information; or

8 “(iii) through the use of the online
9 counseling tool described in subsection
10 (n)(1)(B).

11 “(B) USE OF INTERACTIVE PROGRAMS.—

12 In the case of institutions not using the online
13 counseling tool described in subsection
14 (n)(1)(B), the Secretary shall require such in-
15 stitutions to carry out the requirements of sub-
16 paragraph (A) through the use of interactive
17 programs, during an annual counseling session
18 that is in-person or online, that test the individ-
19 ual’s understanding of the terms and conditions
20 of the Federal Pell Grant or loan awarded to
21 the individual, using simple and understandable
22 language and clear formatting.

23 “(2) ALL INDIVIDUALS.—The information to be
24 provided under paragraph (1)(A) to each individual

1 receiving counseling under this subsection shall in-
2 clude the following:

3 “(A) An explanation of how the individual
4 may budget for typical educational expenses
5 and a sample budget based on the cost of at-
6 tendance for the institution.

7 “(B) An explanation that an individual has
8 a right to annually request a disclosure of infor-
9 mation collected by a consumer reporting agen-
10 cy pursuant to section 612(a) of the Fair Credit
11 Reporting Act (15 U.S.C. 1681j(a)).

12 “(C) Based on the most recent data avail-
13 able from the American Community Survey
14 available from the Department of Commerce,
15 the estimated average income and percentage of
16 employment in the State of domicile of the indi-
17 vidual for individuals with—

18 “(i) a high school diploma or equiva-
19 lent;

20 “(ii) some post-secondary education
21 without completion of a degree or certifi-
22 cate; and

23 “(iii) a bachelor’s degree.

1 “(D) An introduction to the financial man-
2 agement resources provided by the Financial
3 Literacy and Education Commission.

4 “(3) STUDENTS RECEIVING FEDERAL PELL
5 GRANTS.—The information to be provided under
6 paragraph (1)(A) to each student receiving a Fed-
7 eral Pell Grant shall include the following:

8 “(A) An explanation of the terms and con-
9 ditions of the Federal Pell Grant.

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

13 “(C) An explanation of why the student
14 may 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 that if the student
22 transfers to another institution not all of the
23 student’s courses may be acceptable in transfer
24 toward meeting specific degree or program re-
25 quirements at such institution, but the amount

1 of time remaining for which a student may be
2 eligible to receive a Federal Pell Grant, as pro-
3 vided under subparagraph (D), will not change.

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

9 “(4) BORROWERS RECEIVING LOANS MADE
10 UNDER PART D (OTHER THAN PARENT PLUS
11 LOANS).—The information to be provided under
12 paragraph (1)(A) to a borrower of a loan made
13 under part D (other than a Federal Direct PLUS
14 Loan made on behalf of a dependent student) shall
15 include the following:

16 “(A) To the extent practicable, the effect
17 of accepting the loan to be disbursed on the eli-
18 gibility of the borrower for other forms of stu-
19 dent financial assistance.

20 “(B) An explanation of the use of the mas-
21 ter promissory note.

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

1 “(D) An explanation that the borrower
2 should consider accepting any grant, scholar-
3 ship, or State or Federal work-study jobs for
4 which the borrower is eligible prior to accepting
5 Federal student loans.

6 “(E) A recommendation to the borrower to
7 exhaust the borrower’s Federal student loan op-
8 tions prior to taking out private education
9 loans, an explanation that Federal student
10 loans typically offer better terms and conditions
11 than private education loans, an explanation of
12 treatment of loans made under part D and pri-
13 vate education loans in bankruptcy, and an ex-
14 planation that if a borrower decides to take out
15 a private education loan—

16 “(i) the borrower has the ability to se-
17 lect a private educational lender of the bor-
18 rower’s choice;

19 “(ii) the proposed private education
20 loan may impact the borrower’s potential
21 eligibility for other financial assistance, in-
22 cluding Federal financial assistance under
23 this title; and

24 “(iii) the borrower has a right—

1 “(I) to accept the terms of the
2 private education loan within 30 cal-
3 endar days following the date on
4 which the application for such loan is
5 approved and the borrower receives
6 the required disclosure documents,
7 pursuant to section 128(e) of the
8 Truth in Lending Act (15 U.S.C.
9 1638(e)); and

10 “(II) to cancel such loan within 3
11 business days of the date on which the
12 loan is consummated, pursuant to sec-
13 tion 128(e)(7) of such Act (15 U.S.C.
14 1638(e)(7)).

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

18 “(G) Information on the annual and aggre-
19 gate loan limits for Federal Direct Stafford
20 Loans and Federal Direct Unsubsidized Staf-
21 ford Loans.

22 “(H) Information on how interest accrues
23 and is capitalized during periods when the in-
24 terest is not paid by either the borrower or the
25 Secretary.

1 “(I) In the case of a Federal Direct PLUS
2 Loan or a Federal Direct Unsubsidized Staf-
3 ford Loan, the option of the borrower to pay
4 the interest while the borrower is in school.

5 “(J) The definition of half-time enrollment
6 at the institution, during regular terms and
7 summer school, if applicable, and the con-
8 sequences of not maintaining at least half-time
9 enrollment.

10 “(K) An explanation of the importance of
11 contacting the appropriate offices at the institu-
12 tion of higher education if the borrower with-
13 draws prior to completing the borrower’s pro-
14 gram of study so that the institution can pro-
15 vide exit counseling, including information re-
16 garding the borrower’s repayment options and
17 loan consolidation.

18 “(L) For a first-time borrower—

19 “(i) a statement of the anticipated
20 balance on the loan for which the borrower
21 is receiving counseling under this sub-
22 section;

23 “(ii) based on such anticipated bal-
24 ance, the anticipated monthly payment
25 amount under, at minimum—

1 “(I) the standard repayment
2 plan; and

3 “(II) an income-based repayment
4 plan under section 493C, as deter-
5 mined using regionally available data
6 from the Bureau of Labor Statistics
7 of the average starting salary for the
8 occupation in which the borrower has
9 an interest in or intends to be em-
10 ployed; and

11 “(iii) an estimate of the projected
12 monthly payment amount under each re-
13 payment plan described in clause (ii),
14 based on the average cumulative indebted-
15 ness at graduation for borrowers of loans
16 made under part D who are in the same
17 program of study as the borrower.

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

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

24 “(ii) based on such outstanding bal-
25 ance, the anticipated monthly payment

1 amount under, at minimum, the standard
2 repayment plan and, using regionally avail-
3 able data from the Bureau of Labor Sta-
4 tistics of the average starting salary for
5 the occupation the borrower intends to be
6 employed, an income-based repayment plan
7 under section 493C; and

8 “(iii) an estimate of the projected
9 monthly payment amount under each re-
10 payment plan described in clause (ii),
11 based on—

12 “(I) the outstanding balance de-
13 scribed in clause (i);

14 “(II) the anticipated outstanding
15 balance on the loan for which the stu-
16 dent is receiving counseling under this
17 subsection; and

18 “(III) a projection for any other
19 loans made under part D that the
20 borrower is reasonably expected to ac-
21 cept during the borrower’s program of
22 study based on at least the expected
23 increase in the cost of attendance of
24 such program.

1 “(N) The obligation of the borrower to
2 repay the full amount of the loan, regardless of
3 whether the borrower completes or does not
4 complete the program in which the borrower is
5 enrolled within the regular time for program
6 completion.

7 “(O) The likely consequences of default on
8 the loan, including adverse credit reports, delin-
9 quent debt collection procedures under Federal
10 law, and litigation, and a notice of the institu-
11 tion’s most recent cohort default rate (defined
12 in section 435(m)), an explanation of the cohort
13 default rate, the most recent national average
14 cohort default rate, and the most recent na-
15 tional average cohort default rate for the cat-
16 egory of institution described in section
17 435(m)(4) to which the institution belongs.

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

21 “(Q) The contact information for the insti-
22 tution’s financial aid office or other appropriate
23 office at the institution the borrower may con-
24 tact if the borrower has any questions about the

1 borrower's rights and responsibilities or the
2 terms and conditions of the loan.

3 “(5) BORROWERS RECEIVING PARENT PLUS
4 LOANS FOR DEPENDENT STUDENTS.—The informa-
5 tion to be provided under paragraph (1)(A) to a bor-
6 rower of a Federal Direct PLUS Loan made on be-
7 half of a dependent student shall include the fol-
8 lowing:

9 “(A) The information described in sub-
10 paragraphs (A) through (C) and (N) through
11 (Q) of paragraph (4).

12 “(B) The option of the borrower to pay the
13 interest on the loan while the loan is in
14 deferment.

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

17 “(i) a statement of the anticipated
18 balance on the loan for which the borrower
19 is receiving counseling under this sub-
20 section;

21 “(ii) based on such anticipated bal-
22 ance, the anticipated monthly payment
23 amount under the standard repayment
24 plan; and

1 “(iii) an estimate of the projected
2 monthly payment amount under the stand-
3 ard repayment plan, based on the average
4 cumulative indebtedness of other borrowers
5 of Federal Direct PLUS Loans made on
6 behalf of dependent students who are in
7 the same program of study as the student
8 on whose behalf the borrower borrowed the
9 loan.

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

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

15 “(ii) based on such outstanding bal-
16 ance, the anticipated monthly payment
17 amount under the standard repayment
18 plan; and

19 “(iii) an estimate of the projected
20 monthly payment amount under the stand-
21 ard repayment plan, based on—

22 “(I) the outstanding balance de-
23 scribed in clause (i);

24 “(II) the anticipated outstanding
25 balance on the loan for which the bor-

1 rower is receiving counseling under
2 this subsection; and

3 “(III) a projection for any other
4 Federal Direct PLUS Loan made on
5 behalf of the dependent student that
6 the borrower is reasonably expected to
7 accept during the program of study of
8 such student based on at least the ex-
9 pected increase in the cost of attend-
10 ance of such program.

11 “(E) Debt management strategies that are
12 designed to facilitate the repayment of such in-
13 debtedness.

14 “(F) An explanation that the borrower has
15 the options to prepay each loan, pay each loan
16 on a shorter schedule, and change repayment
17 plans.

18 “(G) For each Federal Direct PLUS Loan
19 made on behalf of a dependent student for
20 which the borrower is receiving counseling
21 under this subsection, the contact information
22 for the loan servicer of the loan and a link to
23 such servicer’s Website.

24 “(6) ANNUAL LOAN ACCEPTANCE.—Prior to
25 making the first disbursement of a loan made under

1 part D (other than a Federal Direct Consolidation
2 Loan) to a borrower for an award year, an eligible
3 institution, shall, as part of carrying out the coun-
4 seling requirements of this subsection for the loan,
5 ensure that after receiving the applicable counseling
6 under paragraphs (2), (4), and (5) for the loan the
7 borrower accepts the loan for such award year by—

8 “(A) signing the master promissory note
9 for the loan;

10 “(B) signing and returning to the institu-
11 tion a separate written statement that affirma-
12 tively states that the borrower accepts the loan;
13 or

14 “(C) electronically signing an electronic
15 version of the statement described in subpara-
16 graph (B).”.

17 **SEC. 3. EXIT COUNSELING.**

18 Section 485(b) of the Higher Education Act of 1965
19 (20 U.S.C. 1092(b)) is amended—

20 (1) in paragraph (1)(A)—

21 (A) in the matter preceding clause (i), by
22 striking “through financial aid offices or other-
23 wise” and inserting “through the use of an
24 interactive program, during an exit counseling
25 session that is in-person or online, or through

1 the use of the online counseling tool described
2 in subsection (n)(1)(A)”;

3 (B) by redesignating clauses (i) through
4 (ix) as clauses (iv) through (xii), respectively;

5 (C) by inserting before clause (iv), as so
6 redesignated, the following:

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

10 “(ii) an explanation of the grace period pre-
11 ceding repayment and the expected date that the
12 borrower will enter repayment;

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

19 (D) in clause (iv), as so redesignated—

20 (i) by striking “sample information
21 showing the average” and inserting “infor-
22 mation, based on the borrower’s out-
23 standing balance described in clause (i),
24 showing the borrower’s”; and

1 (ii) by striking “of each plan” and in-
2 serting “of at least the standard repay-
3 ment plan and the income-based repay-
4 ment plan under section 493C”;

5 (E) in clause (ix), as so redesignated—

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

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

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

15 (G) in clauses (xi) and (xii), as so redesign-
16 ated, by striking “and” at the end; and

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

18 “(xiii) for each of the borrower’s loans made
19 under part B, D, or E for which the borrower is re-
20 ceiving counseling under this subsection, the contact
21 information for the loan servicer of the loan and a
22 link to such servicer’s Website; and

23 “(xiv) an explanation that an individual has a
24 right to annually request a disclosure of information
25 collected by a consumer reporting agency pursuant

1 to section 612(a) of the Fair Credit Reporting Act
2 (15 U.S.C. 1681j(a)).”;

3 (2) in paragraph (1)(B)—

4 (A) by inserting “online or” before “in
5 writing”; and

6 (B) by adding before the period at the end
7 the following: “, except that in the case of an
8 institution using the online counseling tool de-
9 scribed in subsection (n)(1)(A), the Secretary
10 shall attempt to provide such information to the
11 student in the manner described in subsection
12 (n)(3)(C)”;

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

16 **SEC. 4. ONLINE COUNSELING TOOLS.**

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

20 “(n) ONLINE COUNSELING TOOLS.—

21 “(1) IN GENERAL.—Beginning not later than 1
22 year after the date of enactment of the Empowering
23 Students Through Enhanced Financial Counseling
24 Act, the Secretary shall maintain—

1 “(A) an online counseling tool that pro-
2 vides the exit counseling required under sub-
3 section (b) and meets the applicable require-
4 ments of this subsection; and

5 “(B) an online counseling tool that pro-
6 vides the annual counseling required under sub-
7 section (1) and meets the applicable require-
8 ments of this subsection.

9 “(2) REQUIREMENTS OF TOOLS.—In maintain-
10 ing the online counseling tools described in para-
11 graph (1), the Secretary shall ensure that each such
12 tool is—

13 “(A) consumer tested, in consultation with
14 other relevant Federal agencies, to ensure that
15 the tool is effective in helping individuals under-
16 stand their rights and obligations with respect
17 to borrowing a loan made under part D or re-
18 ceiving a Federal Pell Grant;

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

22 “(C) freely available to all eligible institu-
23 tions.

24 “(3) RECORD OF COUNSELING COMPLETION.—
25 The Secretary shall—

1 “(A) use each online counseling tool de-
2 scribed in paragraph (1) to keep a record of
3 which individuals have received counseling using
4 the tool, and notify the applicable institutions
5 of the individual’s completion of such coun-
6 seling;

7 “(B) in the case of a borrower who re-
8 ceives annual counseling for a loan made under
9 part D using the tool described in paragraph
10 (1)(B), notify the borrower by when the bor-
11 rower should accept, in a manner described in
12 subsection (l)(6), the loan for which the bor-
13 rower has received such counseling; and

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

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

23 (a) **IN GENERAL.**—Not later than 1 year after the
24 date of enactment of this Act, the Secretary of Education,
25 acting through the Director of the Institute of Education

1 Sciences, shall begin conducting a rigorous, longitudinal
2 study of the impact and effectiveness of the student loan
3 counseling—

4 (1) provided under subsections (b), (l), and (n)
5 of section 485 of the Higher Education Act of 1965
6 (20 U.S.C. 1092), as amended by this Act; and

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

9 (b) CONTENTS.—

10 (1) BORROWER INFORMATION.—The longitu-
11 dinal study carried out under subsection (a) shall in-
12 clude borrower information, in the aggregate and
13 disaggregated by race, ethnicity, gender, income, and
14 status as an individual with a disability, on—

15 (A) student persistence;

16 (B) degree attainment;

17 (C) program completion;

18 (D) successful entry into student loan re-
19 payment;

20 (E) cumulative borrowing levels; and

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

23 (2) EXCEPTION.—The disaggregation under
24 paragraph (1) shall not be required in a case in
25 which the number of borrowers in a category is in-

1 sufficient to yield statistically reliable information or
2 the results would reveal personally identifiable infor-
3 mation about an individual borrower.

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

10 **SEC. 6. AVAILABILITY OF FUNDS.**

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

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

