



FACT SHEET

EDUCATION & THE WORKFORCE COMMITTEE

Empowering Students Through Enhanced Financial Counseling Act

THE PROBLEM:

Across the country, tuition costs continue to go up and the job prospects many graduates face remain bleak. It has never been more critical for individuals to make responsible choices regarding how to pay for their postsecondary education. Unfortunately, many students are simply not equipped to make sound financial choices about their college careers. It's not surprising considering the confusing maze of loan and grant programs students must navigate at the state and federal levels, not to mention assistance available at each institution and within the private sector.

Additionally, many students never receive meaningful financial literacy assistance as they try to review their options to pay for college. A survey of current students and recent graduates with a high level of student loan debt found that more than 40 percent could not recall having received financial counseling, even though counseling is already required before students can receive their first federal loan. Furthermore, no counseling is provided to students who receive only a Pell Grant or parents who take out federal loans to help pay for their children's education. Current policies are failing to equip individuals to make wise financial decisions. As a result, many students graduate unable to manage the loans they used to finance their education, leading to significant hardship for borrowers and greater risk for taxpayers.

THE SOLUTION:

To help students make smart decisions about financing their higher education, Reps. Brett Guthrie (R-KY), Richard Hudson (R-NC) and Suzanne Bonamici (D-OR) championed the *Empowering Students Through Enhanced Financial Counseling Act*. Recently passed by the Committee on Education and the Workforce with overwhelming bipartisan support, the legislation (H.R. 4984) will promote financial literacy through enhanced counseling for all recipients of federal financial aid.

H.R. 4984 – EMPOWERING STUDENTS THROUGH ENHANCED FINANCIAL COUNSELING ACT:

- Ensures borrowers, both students and parents, who participate in the federal loan program receive interactive counseling each year that reflects their individual borrowing situation.
- Provides awareness about the financial obligations students and parents are accumulating by requiring borrowers to consent each year before receiving federal student loans.
- Informs low-income students about the terms and conditions of the Pell Grant program through annual counseling that will be provided to all grant recipients.
- Directs the secretary of education to maintain and disseminate a consumer-tested, online counseling tool institutions can use to provide annual loan counseling, exit counseling, and annual Pell Grant counseling.

The *Empowering Students Through Enhanced Financial Counseling Act* will deliver students the tools and information they need to borrow and repay their student loans in a responsible way.