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## The Empowering Students Through Enhanced Financial Counseling Act

Responsibly financing a higher education is vitally important, yet current policies surrounding financial literacy for federal student aid recipients are lacking. Only students receiving federal loans are required to complete basic financial counseling and only when they take out their first loan and upon graduation. Counseling is often provided to students after they arrive on campus, rather than before they sign up for college loans. 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.

To strengthen higher education for students and families, Reps. Brett Guthrie (R-KY), Rick Allen (R-GA), and Suzanne Bonamici (D-OR) introduced the *Empowering Students Through Enhanced Financial Counseling Act* (H.R. 3179), which will promote financial literacy through enhanced counseling for recipients of federal financial aid.

### **Enhanced Loan Counseling**

The *Empowering Students Through Enhanced Financial Counseling Act* would improve the timing and frequency of loan counseling and ensure counseling is tailored to a borrower's individual situation. The legislation ensures borrowers, both students and parents, have the most up-to-date information by requiring annual counseling before an individual signs on the dotted line.

The legislation would require annual counseling to include recommendations for students to exhaust available grant, work-study, and scholarship assistance before taking out loans, as well as a review of all federal student loan options before considering a private loan. Information must also be provided regarding the treatment of federal and private loans in bankruptcy. The counseling must also include a notice that students and parents are not required to accept the full amount of the loan they are offered and information on any outstanding federal loan balance the borrower may have. Borrowers will also receive state-specific information on the average income and employment status of individuals based on various levels of educational attainment, as well as an introduction to the Financial Literacy and Education Commission's financial management resources.

The *Empowering Students Through Enhanced Financial Counseling Act* would also require bolstered exit counseling. Exit counseling would include the borrower's outstanding loan balance, anticipated monthly payments under various repayment plans, information on the grace period preceding repayment, as well as contact information for those organizations servicing the borrower's loans. This information will empower borrowers to make smart financial decisions as they leave school and begin to repay their college loan commitments.

### **Counseling for Pell Grant Recipients**

The *Empowering Students Through Enhanced Financial Counseling Act* would require all recipients of a Pell Grant to undergo annual counseling. The counseling Pell Grant recipients receive would include: the terms and conditions of their grant; the approved educational expenses the grant can be applied to; the maximum length of time a student is eligible to receive Pell Grants; the level of assistance a student is eligible to receive; why a student

may need to repay a Pell Grant; and how a student may seek additional assistance due to a change in his or her financial circumstances.

**Reducing the Burden on Institutions**

The *Empowering Students Through Enhanced Financial Counseling Act* requires the secretary of education to maintain a consumer-tested, online counseling tool that institutions can use to provide required counseling to their students. Institutions will have the following options available to provide students financial counseling: directly during an in-person session; an online tool created for the institution; and the online tool administered by the Department of Education.