

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 4984
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 borrower 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 student, 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 student
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 “(3) STUDENTS RECEIVING FEDERAL PELL
13 GRANTS.—The information to be provided under
14 paragraph (1)(A) to each student receiving a Fed-
15 eral Pell Grant shall include the following:

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

18 “(B) An explanation of approved edu-
19 cational expenses for which the student may use
20 the Federal Pell Grant.

21 “(C) An explanation of why the student
22 may have to repay the Federal Pell Grant.

23 “(D) An explanation of the maximum
24 number of semesters or equivalent for which the
25 student may be eligible to receive a Federal Pell

1 Grant, and a statement of the amount of time
2 remaining for which the student may be eligible
3 to receive a Federal Pell Grant.

4 “(E) 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 loans, an expla-
9 nation that Federal student loans typically offer
10 better terms and conditions than private loans,
11 and an explanation that if a borrower decides to
12 take out a private education loan—

13 “(i) the borrower has the ability to se-
14 lect a private educational lender of the bor-
15 rower’s choice;

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

21 “(iii) the borrower has a right—

22 “(I) to accept the terms of the
23 private education loan within 30 cal-
24 endar days following the date on
25 which the application for such loan is

1 approved and the borrower receives
2 the required disclosure documents,
3 pursuant to section 128(e)(6) of the
4 Truth in Lending Act; and

5 “(II) to cancel such loan within 3
6 business days of the date on which the
7 loan is consummated, pursuant to sec-
8 tion 128(e)(7) of such Act.

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 “(H) Information on how interest accrues
17 and is capitalized during periods when the in-
18 terest is not paid by either the borrower or the
19 Secretary.

20 “(I) In the case of a Federal Direct PLUS
21 Loan or a Federal Direct Unsubsidized Staf-
22 ford Loan, the option of the borrower to pay
23 the interest while the borrower is in school.

24 “(J) The definition of half-time enrollment
25 at the institution, during regular terms and

1 summer school, if applicable, and the con-
2 sequences of not maintaining at least half-time
3 enrollment.

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

12 “(L) For a first-time borrower, the antici-
13 pated monthly payment amount under, at min-
14 imum, a standard repayment plan and, using
15 the regionally available data from the Bureau of
16 Labor Statistics of the average starting salary
17 for the occupation the borrower intends to be
18 employed, an income-based repayment plan
19 under section 493C, and based on—

20 “(i) a range of levels of indebtedness
21 of—

22 “(I) borrowers of Federal Direct
23 Stafford Loans or Federal Direct Un-
24 subsidized Stafford Loans; and

1 “(II) as appropriate, graduate
2 borrowers of Federal Direct PLUS
3 Loans or Federal Direct Unsubsidized
4 Stafford Loans; or

5 “(ii) the average cumulative indebted-
6 ness at graduation for students who bor-
7 rowed loans made under part D and who
8 are in the same program of study as the
9 borrower.

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

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

16 “(ii) based on such outstanding bal-
17 ance, the anticipated monthly payment
18 amount under, at minimum, the standard
19 repayment plan and, using regionally avail-
20 able data from the Bureau of Labor Sta-
21 tistics of the average starting salary for
22 the occupation the borrower intends to be
23 employed, an income-based repayment plan
24 under section 493C; and

1 “(iii) an estimate of the projected
2 monthly payment amount under each re-
3 payment plan described in clause (ii),
4 based on—

5 “(I) the outstanding balance de-
6 scribed in clause (i);

7 “(II) the anticipated outstanding
8 balance on the loan for which the stu-
9 dent is receiving counseling under this
10 subsection; and

11 “(III) a projection for any other
12 loans made under part D that the
13 borrower is reasonably expected to ac-
14 cept during the borrower’s program of
15 study based on at least the expected
16 increase in the cost of attendance of
17 such program.

18 “(N) The obligation of the borrower to
19 repay the full amount of the loan, regardless of
20 whether the borrower completes or does not
21 complete the program in which the borrower is
22 enrolled within the regular time for program
23 completion.

24 “(O) The likely consequences of default on
25 the loan, including adverse credit reports, delin-

1 quent debt collection procedures under Federal
2 law, and litigation, and a notice of the institu-
3 tion’s most recent cohort default rate (defined
4 in section 435(m)), an explanation of the cohort
5 default rate, and the most recent national aver-
6 age cohort default rate for the category of insti-
7 tution described in section 435(m)(4) to which
8 the institution belongs.

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

12 “(Q) The contact information for the insti-
13 tution’s financial aid office or other appropriate
14 office at the institution the borrower may con-
15 tact if the borrower has any questions about the
16 borrower’s rights and responsibilities or the
17 terms and conditions of the loan.

18 “(5) BORROWERS RECEIVING PARENT PLUS
19 LOANS FOR DEPENDENT STUDENTS.—The informa-
20 tion to be provided under paragraph (1)(A) to a bor-
21 rower of a Federal Direct PLUS Loan made on be-
22 half of a dependent student shall include the fol-
23 lowing:

1 “(A) The information described in sub-
2 paragraphs (A) through (C) and (N) through
3 (Q) of paragraph (4).

4 “(B) The option of the borrower to pay the
5 interest on the loan while the loan is in
6 deferment.

7 “(C) For a first-time borrower of such
8 loan, sample monthly repayment amounts under
9 the standard repayment plan based on—

10 “(i) a range of levels of indebtedness
11 of borrowers of Federal Direct PLUS
12 Loans made on behalf of a dependent stu-
13 dent; or

14 “(ii) the average cumulative indebted-
15 ness of other borrowers of Federal Direct
16 PLUS Loans made on behalf of dependent
17 students who are in the same program of
18 study as the student on whose behalf the
19 borrower borrowed the loan.

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

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

1 “(ii) based on such outstanding bal-
2 ance, the anticipated monthly payment
3 amount under the standard repayment
4 plan; and

5 “(iii) an estimate of the projected
6 monthly payment amount under the stand-
7 ard repayment plan, based on—

8 “(I) the outstanding balance de-
9 scribed in clause (i);

10 “(II) the anticipated outstanding
11 balance on the loan for which the bor-
12 rower is receiving counseling under
13 this subsection; and

14 “(III) a projection for any other
15 Federal Direct PLUS Loan made on
16 behalf of the dependent student that
17 the borrower is reasonably expected to
18 accept during the program of study of
19 such student based on at least the ex-
20 pected increase in the cost of attend-
21 ance of such program.

22 “(E) Debt management strategies that are
23 designed to facilitate the repayment of such in-
24 debtedness.

1 “(F) An explanation that the borrower has
2 the options to prepay each loan, pay each loan
3 on a shorter schedule, and change repayment
4 plans.

5 “(G) For each Federal Direct PLUS Loan
6 made on behalf of a dependent student for
7 which the borrower is receiving counseling
8 under this subsection, the contact information
9 for the loan servicer of the loan and a link to
10 such servicer’s Website.

11 “(6) ANNUAL LOAN ACCEPTANCE.—Prior to
12 making the first disbursement of a loan made under
13 part D (other than a Federal Direct Consolidation
14 Loan) to a borrower for an award year, an eligible
15 institution, shall, as part of carrying out the coun-
16 seling requirements of this subsection for the loan,
17 ensure that the borrower accepts the loan for such
18 award year by—

19 “(A) signing the master promissory note
20 for the loan;

21 “(B) signing and returning to the institu-
22 tion a separate written statement that affirma-
23 tively states that the borrower accepts the loan;
24 or

1 “(C) electronically signing an electronic
2 version of the statement described in subpara-
3 graph (B).”.

4 **SEC. 3. EXIT COUNSELING.**

5 Section 485(b) of the Higher Education Act of 1965
6 (20 U.S.C. 1092(b)) is amended—

7 (1) in paragraph (1)(A)—

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

9 (i) by striking “through financial aid
10 offices or otherwise” and inserting
11 “through the use of an interactive pro-
12 gram, during an exit counseling session
13 that is in-person or online, or through the
14 use of the online counseling tool described
15 in subsection (n)(1)(A)”;

16 (ii) by redesignating clauses (i)
17 through (ix) as clauses (iv) through (xii),
18 respectively;

19 (iii) by inserting before clause (iv), as
20 so redesignated, the following:

21 “(i) a summary of the outstanding
22 balance of principal and interest due on
23 the loans made to the borrower under part
24 B, D, or E;

1 “(ii) an explanation of the grace pe-
2 riod preceding repayment and the expected
3 date that the borrower will enter repay-
4 ment;

5 “(iii) an explanation that the borrower
6 has the option to pay any interest that has
7 accrued while the borrower was in school
8 or that may accrue during the grace period
9 preceding repayment or during an author-
10 ized period of deferment or forbearance,
11 prior to the capitalization of the interest;”;

12 (iv) in clause (iv), as so redesign-
13 nated—

14 (I) by striking “sample informa-
15 tion showing the average” and insert-
16 ing “information, based on the bor-
17 rower’s outstanding balance described
18 in clause (i), showing the borrower’s”;
19 and

20 (II) by striking “of each plan”
21 and inserting “of at least the stand-
22 ard repayment plan and the income-
23 based repayment plan under section
24 493C”;

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

4 (vi) in clauses (xi) and (xii), as so re-
5 designated, by striking “and” at the end;
6 and

7 (vii) by adding at the end the fol-
8 lowing:

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

15 “(xiv) an explanation that an indi-
16 vidual has a right to annually request a
17 disclosure of information collected by a
18 consumer reporting agency pursuant to
19 section 612(a) of the Fair Credit Report-
20 ing Act (15 U.S.C. 1681j(a)).”;

21 (2) in paragraph (1)(B)—

22 (A) by inserting “online or” before “in
23 writing”; and

24 (B) by adding before the period at the end
25 the following: “, except that in the case of an

1 institution using the online counseling tool de-
2 scribed in subsection (n)(1)(A), the Secretary
3 shall attempt to provide such information to the
4 student in the manner described in subsection
5 (n)(3)(C)”; and

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

9 **SEC. 4. ONLINE COUNSELING TOOLS.**

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

13 “(n) ONLINE COUNSELING TOOLS.—

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

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

22 “(B) an online counseling tool that pro-
23 vides the annual counseling required under sub-
24 section (l) and meets the applicable require-
25 ments of this subsection.

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

5 “(A) consumer tested, in consultation with
6 other relevant Federal agencies, to ensure that
7 the tool is effective in helping individuals under-
8 stand their rights and obligations with respect
9 to borrowing a loan made under part D or re-
10 ceiving a Federal Pell Grant;

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

14 “(C) freely available to all eligible institu-
15 tions.

16 “(3) RECORD OF COUNSELING COMPLETION.—
17 The Secretary shall—

18 “(A) use each online counseling tool de-
19 scribed in paragraph (1) to keep a record of
20 which individuals have received counseling using
21 the tool, and notify the applicable institutions
22 of the individual’s completion of such coun-
23 seling;

24 “(B) in the case of a borrower who re-
25 ceives annual counseling for a loan made under

1 part D using the tool described in paragraph
2 (1)(B), notify the borrower by when the bor-
3 rower should accept, in a manner described in
4 section 485(l)(6), the loan for which the bor-
5 rower has received such counseling; and

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

13 **SEC. 5. AVAILABILITY OF FUNDS.**

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

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

