

**AMENDMENT IN THE NATURE OF A SUBSTITUTE  
TO H.R. 4984**

**OFFERED BY MR. GUTHRIE OF KENTUCKY  
*AND MS. BONAHICHI OF OREGON***

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.

