



## Legislative Bulletin.....July 24, 2014

### Contents:

**H.R. 4984 - Empowering Students Through Enhanced Counseling Act, Rules Committee Print  
Democrat Motion to Instruct Conferees on H.R. 3230**

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## **H.R. 4984 - Empowering Students Through Enhanced Counseling Act, Rules Committee Print (Guthrie, R-KY)**

**Order of Business:** [H.R. 4984](#) is scheduled to be considered on July 24, 2014, under a structured [rule](#) which provides for one hour of general debate equally divided and makes in order seven amendments found at the end of this bulletin.

**Summary:** This bill amends the Higher Education Act of 1965 to ensure the recipients of Federal Pell Grants, Federal Direct PLUS Loans, or Federal Direct Unsubsidized Stafford Loans receive comprehensive information on the terms and conditions and the responsibilities the individual has with respect to such loans. Information will be provided for each award year and can be conveyed during a counseling session in-person, online with the borrower, or through the use of the online counseling tool. Students will receive information based on the type of loan or Pell Grant they receive and the counseling will cover topics such as the effect of accepting a loan, an explanation that the borrower is not required to accept the full amount of the loan offered, an explanation of the differences between Federal student loans and private loans (with the recommendation to exhaust the Federal student loan option), information on how interest accrues, the anticipated monthly payment, and the consequences of default on the loan. The legislation also would require counseling for borrowers of parent PLUS loans on behalf of dependent students. Similar to counseling for student borrowers, the counseling would afford parent borrowers individualized information on their outstanding loan balance and on anticipated monthly payments based on their actual balance.

In addition, this bill strengthens exit counseling for students. Included in the counseling, which can take place either in-person or online, students will be given a summary of the outstanding balance of principal and interest due on the loans, an explanation of the grace period preceding repayment, and the expected date that the borrower will enter repayment.

Finally, this legislation requires the Secretary of Education to maintain an online tool which will provide both the annual counseling and exit counseling required under this bill. The Secretary is

required to keep a record of when individuals have completed the counseling and notify applicable institutions of their completion.

**Additional Background:** In fiscal year 2014, students borrowed approximately [\\$100 billion](#) through federal student loan programs. Under current law, the Department of Education considers a student in default after failing to make on-time payments for nine consecutive months. Each year, the Department of Education releases the default rates of borrows using three different categories: cohort, budget lifetime, and cumulative lifetime. For the first quarter of fiscal year 2014, the Department of Education reported \$35.2 billion of outstanding direct loans which averages \$16,667 in default over the 2.4 million recipients. The increase in the number of borrowers who default is of concern to taxpayers since the federal government isn't always able to recover all the losses after a borrower defaults. In fiscal year 2015, the Department of Education [expects](#) a net recovery rate of 81.82% on Stafford loans and a 77.25% net recovery rate on PLUS loans for loans that are in default.

**Committee Action:** This bill was introduced on June 24, 2014, by Representative Guthrie, and referred to the House committee on Education and the Workforce. On July 10, 2014 the committee held a mark-up where the bill was reported out by voice vote.

The Education and Workforce Committee has held numerous hearings over the past two Congresses on the topic of higher education. The full list of the hearings is available in the [committee report](#).

**Administration Position:** The [Administration](#) supports passage of H.R. 4984, Empowering Students Through Enhanced Financial Counseling Act.

**Cost to Taxpayers:** H.R. 4984 would reserve \$2 million from funding for the Department of Education to change the requirements for the counseling of students who participate in the federal student aid programs, such as federal student loans and Pell grants.

[CBO](#) estimates that implementing H.R. 4984 would require \$2 million for administrative costs for the department over the 2015-2019 period, assuming the availability of appropriated funds.

Enacting the bill would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

**Amendments Made in Order:**

[Kline \(R-MN\), George Miller, \(D-CA\) #7](#) – Clarifies the information provided to first-time borrowers and clarifies that borrowers must accept their loans annually after the completion of the other counseling requirements. In addition, it requires the Secretary of Education acting through the Director of the Institute of Education Sciences to conduct a rigorous, longitudinal study of the impact and effectiveness of the student loan counseling.

[Kilmer \(D-WA\), Hinojosa \(D-TX\), Bachus \(R-AL\), Tsongas \(D-FL\) #6](#) – Includes the requirement that during counseling all borrowers are informed of, and introduced, to the resources provided by the Financial Literacy and Education Commission.

[Patrick Murphy \(D-FL\) #12](#) – Requires the inclusion of the estimated average income and percentage of employment in the State of domicile for the borrower broken down by those with a high school diploma (or equivalent), some post-secondary education without completion, and those with a bachelor’s degree.

[Sanchez \(D-CA\) #3](#)- Includes an explanation that if a student transfers to another institution not all of the credits may be accepted but the amount of time remaining for which a student may be eligible for a Federal Pell Grant will not change.

[Cohen \(D-TN\) #2](#) – Adds a statement on the treatment of how private education loans and Federal loans are treated in bankruptcy.

[Hahn \(D-CA\) #1](#) – Provides borrowers with the national average cohort default rate in addition to the institution’s cohort default rate and the categorical national cohort default rate.

[Peters \(D-MI\) #4](#) – Requires that student borrowers receive an explanation of how delinquency or default on a loan can impact their credit score as well reduce their ability to rent or purchase a home or car and cause potential difficulty in securing employment.

**Does the Bill Expand the Size and Scope of the Federal Government?:** No.

**Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?:** H.R. 4984 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

**Does the Bill Contain Any Federal Encroachment into State or Local Authority in Potential Violation of the 10<sup>th</sup> Amendment?:** No.

**Does the Bill Delegate Any Legislative Authority to the Executive Branch?:** No.

**Does the Bill Contain Any Earmarks/Limited Tax Benefits/Limited Tariff Benefits?:** H.R. 4984 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9 of House rule XXI.

**Constitutional Authority:** According to the sponsor, “Congress has the power to enact this legislation pursuant to the following: Article I, section 8 of the Constitution of the United States.” Read the statement [here](#).

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## Democrat Motion to Instruct Conferees on H.R. 3230 — (Peters, D-CA)

**Order of Business:** Representative Peters [announced](#) his intention to offer a motion to instruct conferees on H.R. 3230 on July 22, 2014.

**Summary:** Representative Peters' motion would move the House managers on the conference committee to end their disagreement on section 702 of the [Senate amendment](#) to H.R. 3230 as well as support the Senate amendment in totality. A vote in favor of this motion would indicate support of section 702 of the Senate Amendment to the House bill which makes changes to the All-Volunteer Force and the Post 9/11 Educational Assistance Programs. This section requires public institutions of higher learning, as a condition of approval of any GI Bill education benefits, to charge veterans no more than the in-state-tuition rate for that school.

In addition, Representative Peters' motion instructs the conferees to recede from the [House amendment](#) and agree with the Senate amendment in all other instances. The House has [previously](#) voted on two motions to instruct conferees to concur in the Senate Amendment. The motion offered by Representative Sinema (D-AZ) failed on a vote of [198-220](#), and the motion offered by Representative Barber (D-AZ) which contained this provision also failed by a vote of [\(191-207\)](#). [CBO](#) estimates the Senate amendment to H.R. 3230 would result in additional direct spending totaling \$35 billion over fiscal years 2014-2024.

The House has previously voted on a bill, [H.R. 357](#), which included similar changes to the All-Volunteer Force and the Post 9/11 Educational Assistance Programs. H.R. 357 passed the House with a vote of [390-0](#).

**Additional Background:** The House may vote to instruct its conferees under [three](#) different circumstances. First, before the conferees are appointed; second, 20 calendar days and 10 legislative days after the conferees were appointed (if they had not yet filed a conference report); finally, when a conference report is recommitted to conference. The motion to instruct only instructs House conferees and not those that have been appointed by the Senate. It is important to note the instructions to conferees are not binding; therefore, a point of order cannot be sustained against the conference report in the event it is inconsistent with the instructions voted out of the House.

**Committee Action:** Motions to instruct are not referred to committee.

**Cost to Taxpayers:** The motion itself would yield no new costs to taxpayers. For costs associated with the underlying policy of the motion, please refer to the CBO score linked in the summary above.

**Constitutional Authority:** According to House rules, a constitutional authority statement is not needed for motions to instruct.

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