

114TH CONGRESS
1ST SESSION

S. 2043

To revise counseling requirements for certain borrowers of student loans
and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 16, 2015

Mr. GRASSLEY introduced the following bill; which was read twice and referred
to the Committee on Health, Education, Labor, and Pensions

A BILL

To revise counseling requirements for certain borrowers of
student loans and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Know Before You Owe
5 Federal Student Loan Act of 2015”.

1 **SEC. 2. REQUIRED PERIODIC DISCLOSURES DURING PERI-**
 2 **ODS WHEN LOAN PAYMENTS ARE NOT RE-**
 3 **QUIRED.**

4 Section 433 of the Higher Education Act of 1965 (20
 5 U.S.C. 1083) is amended by adding at the end the fol-
 6 lowing:

7 “(f) REQUIRED PERIODIC DISCLOSURES DURING PE-
 8 RIODS WHEN LOAN PAYMENTS ARE NOT REQUIRED.—
 9 During any period of time when a borrower of one or more
 10 loans, made, insured, or guaranteed under this part or
 11 part D is not required to make a payment to an eligible
 12 lender on the borrower’s loan from that eligible lender,
 13 such eligible lender shall provide such borrower with a
 14 statement that corresponds to each payment installment
 15 time period in which a payment would be due if payments
 16 were required to be made, and that includes, in simple
 17 and understandable terms—

18 “(1) the original principal amount of each of
 19 the borrower’s loans, and the original principal
 20 amount of those loans in the aggregate;

21 “(2) the borrower’s current balance, as of the
 22 time of the statement, as applicable;

23 “(3) the interest rate on each loan;

24 “(4) the total amount the borrower has paid in
 25 interest on each loan;

1 “(5) the aggregate amount the borrower has
2 paid for each loan, including the amount the bor-
3 rower has paid in interest, the amount the borrower
4 has paid in fees, and the amount the borrower has
5 paid against the balance;

6 “(6) the lender’s or loan servicer’s address and
7 toll-free phone number for payment and billing error
8 purposes;

9 “(7) an explanation—

10 “(A) that the borrower has the option to
11 pay the interest that accrues on each loan while
12 the borrower is a student at an institution of
13 higher education or during a period of
14 deferment or forbearance, if applicable; and

15 “(B) if the borrower does not pay such in-
16 terest while attending an institution or during
17 a period of deferment or forbearance, any accu-
18 mulated interest on the loan will be capitalized
19 when the loan goes into repayment, resulting in
20 more interest being paid over the life of the
21 loan;

22 “(8) the amount of interest that has accumu-
23 lated since the last statement based on the typical
24 installment time period and the aggregate interest
25 accrued to date; and

1 “(9) a suggested payment amount equal to the
2 interest charged since the last installment time pe-
3 riod.”.

4 **SEC. 3. PRE-LOAN COUNSELING AND CERTIFICATION OF**
5 **LOAN AMOUNT.**

6 Section 485(l) of the Higher Education Act of 1965
7 (20 U.S.C. 1092(l)) is amended—

8 (1) in the subsection heading, by striking “EN-
9 TRANCE COUNSELING” and inserting “PRE-LOAN
10 COUNSELING”;

11 (2) in paragraph (1)—

12 (A) in subparagraph (A)—

13 (i) in the matter preceding clause (i),
14 by striking “a disbursement to a first-time
15 borrower of a loan” and inserting “the
16 first disbursement of each new loan (or the
17 first disbursement in each award year if
18 more than one new loan is obtained in the
19 same award year)”; and

20 (B) in clause (ii)(I), by striking “an en-
21 trance counseling” and inserting “a coun-
22 seling”;

23 (3) in paragraph (2)—

24 (A) by striking clause (i) of subparagraph

25 (G) and inserting the following:

1 “(i) an estimate of the borrower’s pro-
2 jected loan debt-to-income ratio upon grad-
3 uation, calculated using—

4 “(I) the best available data on
5 starting wages for the borrower’s pro-
6 gram of study; and

7 “(II) the estimated total student
8 loan debt, including Federal debt and,
9 to the best of the institution’s knowl-
10 edge, private loan debt already in-
11 curred, and the estimated future debt
12 required to complete the program of
13 study; and”; and

14 (B) by adding at the end the following:

15 “(L) A statement that the borrower should
16 borrow the minimum amount necessary to cover
17 expenses and that the borrower does not have
18 to accept the full amount of loans for which the
19 borrower is eligible.

20 “(M) A warning that the higher the bor-
21 rower’s debt-to-income ratio is, the more dif-
22 ficulty the borrower is likely to experience in re-
23 paying the loan.

1 “(N) Options for reducing borrowing
2 through scholarships, reduced expenses, work-
3 study, or other work opportunities.

4 “(O) An explanation of the importance of
5 graduating on time to avoid additional bor-
6 rowing, what course load is necessary to grad-
7 uate on time, and information on how adding
8 an additional year of study impacts total in-
9 debtedness.”; and

10 (4) by adding at the end the following:

11 “(3) In addition to the other requirements of
12 this subsection, each eligible institution shall, prior
13 to certifying a Federal direct loan under part D for
14 disbursement to a student (other than a Federal Di-
15 rect Consolidation Loan or a Federal Direct PLUS
16 loan made on behalf of a student), ensure that the
17 student manually enter, either in writing or through
18 electronic means, the exact dollar amount of Federal
19 direct loan funding under part D that such student
20 desires to borrow.”.

21 **SEC. 4. CONFORMING AMENDMENTS.**

22 (a) PROGRAM PARTICIPATION AGREEMENTS.—Sec-
23 tion 487(e)(2)(B)(ii)(IV) of the Higher Education Act of
24 1965 (20 U.S.C. 1094(e)(2)(B)(ii)(IV)) is amended—

1 (1) by striking “Entrance and exit counseling”
2 and inserting “Pre-loan and exit counseling”; and
3 (2) by striking “entrance and exit counseling”
4 and inserting “pre-loan and exit counseling”.
5 (b) REGULATORY RELIEF AND IMPROVEMENT.—Sec-
6 tion 487A of the Higher Education Act of 1965 (20
7 U.S.C. 1094a) is amended by striking “entrance and exit
8 interviews” and inserting “pre-loan and exit interviews”
9 each place the term appears.

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