

116TH CONGRESS  
1ST SESSION

**S.** \_\_\_\_\_

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

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IN THE SENATE OF THE UNITED STATES

Mr. GRASSLEY (for himself, Ms. SMITH, and Ms. ERNST) introduced the fol-  
lowing bill; which was read twice and referred to the Committee on

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**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 2019”.

6 **SEC. 2. PRE-LOAN COUNSELING AND CERTIFICATION OF**  
7 **LOAN AMOUNT.**

8 Section 485(l) of the Higher Education Act of 1965  
9 (20 U.S.C. 1092(l)) is amended—

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

4 (2) in paragraph (1)(A)—

5 (A) in the matter preceding clause (i), by  
6 striking “a disbursement to a first-time bor-  
7 rower of a loan” and inserting “the first dis-  
8 bursement of each new loan (or the first dis-  
9 bursement in each award year if more than one  
10 new loan is obtained in the same award year)”;

11 and

12 (B) in clause (ii)(I), by striking “an en-  
13 trance counseling” and inserting “a coun-  
14 seling”;

15 (3) in paragraph (2)—

16 (A) by striking subparagraph (G) and in-  
17 serting the following:

18 “(G) An estimate of the borrower’s month-  
19 ly payment amount compared to the borrower’s  
20 estimated monthly income after taxes, after liv-  
21 ing expenses (using Consumer Expenditure  
22 Survey data from the Bureau of Labor Statis-  
23 tics), after estimated health insurance costs,  
24 and after any other relevant expenses, based  
25 on—

1                   “(i) the best available data on starting  
2                   wages for the borrower’s program of study,  
3                   if available; and

4                   “(ii) the estimated total student loan  
5                   debt of the borrower, including—

6                                 “(I) Federal debt;

7                                 “(II) to the best of the institu-  
8                                 tion’s knowledge, private loan debt al-  
9                                 ready incurred; and

10                                “(III) the estimated future debt  
11                                required to complete the program of  
12                                study.”; and

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

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

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

23                                “(N) Options for reducing borrowing  
24                   through scholarships, reduced expenses, work-  
25                   study, or other work opportunities.

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

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

8           “(3)(A) In addition to the other requirements  
9           of this subsection and in accordance with subpara-  
10          graph (B), each eligible institution shall ensure that  
11          the student manually enter, either in writing or  
12          through electronic means, the exact dollar amount of  
13          Federal Direct Loan funding under part D that  
14          such student desires to borrow.

15          “(B) The eligible institution shall ensure that  
16          the student carries out the activity described in sub-  
17          paragraph (A)—

18                 “(i) in the course of the process used by  
19                 the institution for students to accept a student  
20                 loan award;

21                 “(ii) prior to the institution certifying a  
22                 Federal Direct Loan under part D for disburse-  
23                 ment to a student (other than a Federal Direct  
24                 Consolidation Loan or a Federal Direct PLUS  
25                 loan made on behalf of a student); and

1           “(iii) after ensuring that the student has  
2           completed all of the pre-loan counseling require-  
3           ments under this subsection.”.

4 **SEC. 3. REQUIRED PERIODIC DISCLOSURES DURING PERI-**  
5           **ODS WHEN LOAN PAYMENTS ARE NOT RE-**  
6           **QUIRED.**

7           Section 433 of the Higher Education Act of 1965 (20  
8 U.S.C. 1083) is amended—

9           (1) by redesignating subsection (f) as sub-  
10          section (g); and

11          (2) by inserting after subsection (e) the fol-  
12          lowing:

13          “(f) **REQUIRED PERIODIC DISCLOSURES DURING PE-**  
14          **RIODS WHEN LOAN PAYMENTS ARE NOT REQUIRED.—**  
15          During any period of time when a borrower of one or more  
16          loans, made, insured, or guaranteed under this part or  
17          part D is not required to make a payment to an eligible  
18          lender on the borrower’s loan from that eligible lender,  
19          such eligible lender shall provide such borrower with a  
20          quarterly statement that includes, in simple and under-  
21          standable terms—

22                 “(1) the original principal amount of each of  
23                 the borrower’s loans, and the original principal  
24                 amount of those loans in the aggregate;

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

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

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

6           “(5) the aggregate amount the borrower has  
7           paid for each loan, including the amount the bor-  
8           rower has paid in interest, the amount the borrower  
9           has paid in fees, and the amount the borrower has  
10          paid against the balance;

11          “(6) the lender’s or loan servicer’s address, toll-  
12          free phone number, and webpage for payment and  
13          billing error purposes, including information about  
14          how a borrower can make voluntary payments when  
15          a loan is not in repayment status;

16          “(7) an explanation—

17                 “(A) that the borrower has the option to  
18                 pay the interest that accrues on each loan while  
19                 the borrower is a student at an institution of  
20                 higher education or during a period of  
21                 deferment or forbearance, if applicable; and

22                 “(B) if the borrower does not pay such in-  
23                 terest while attending an institution or during  
24                 a period of deferment or forbearance, any accu-  
25                 mulated interest on the loan will be capitalized

1           when the loan goes into repayment, resulting in  
2           more interest being paid over the life of the  
3           loan;

4           “(8) the amount of interest that has accumu-  
5           lated since the last statement based on the typical  
6           installment time period and the aggregate interest  
7           accrued to date; and

8           “(9) an explanation that making even small  
9           payments of any unspecified amount while the bor-  
10          rower is a student at an institution of higher edu-  
11          cation, or during a period of deferment or forbear-  
12          ance, if applicable, can help to offset interest accrual  
13          over the life of the loan.”.

14 **SEC. 4. CONFORMING AMENDMENTS.**

15          (a) PROGRAM PARTICIPATION AGREEMENTS.—Sec-  
16          tion 487(e)(2)(B)(ii)(IV) of the Higher Education Act of  
17          1965 (20 U.S.C. 1094(e)(2)(B)(ii)(IV)) is amended—

18                 (1) by striking “Entrance and exit counseling”  
19                 and inserting “Pre-loan and exit counseling”; and

20                 (2) by striking “entrance and exit counseling”  
21                 and inserting “pre-loan and exit counseling”.

22          (b) REGULATORY RELIEF AND IMPROVEMENT.—Sec-  
23          tion 487A of the Higher Education Act of 1965 (20  
24          U.S.C. 1094a) is amended by striking “entrance and exit

- 1 interviews” and inserting “pre-loan and exit interviews”
- 2 each place the term appears.