

119TH CONGRESS
1ST SESSION

S. _____

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

IN THE SENATE OF THE UNITED STATES

Mr. GRASSLEY (for himself and Ms. SMITH) introduced the following bill;
which was read twice and referred to the Committee on

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 2025”.

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-
8bursement of each new loan (or the first dis-
9bursement 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-
14seling”;

15 (3) in paragraph (2)—

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

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

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) CONFIRMATION BY STUDENT OF LOAN
9 AMOUNT PROVIDED.—

10 “(A) IN GENERAL.—In addition to the
11 other requirements of this subsection and in ac-
12 cordance with subparagraph (B), each eligible
13 institution shall ensure that the student manu-
14 ally enter, either in writing or through elec-
15 tronic means, the exact dollar amount of Fed-
16 eral Direct Loan funding under part D that
17 such student desires to borrow.

18 “(B) TIMING.—The eligible institution
19 shall ensure that the student carries out the ac-
20 tivity described in subparagraph (A)—

21 “(i) in the course of the process used
22 by the institution for students to accept a
23 student loan award;

24 “(ii) prior to the institution certifying
25 a Federal Direct Loan under part D for

1 disbursement to a student (other than a
2 Federal Direct Consolidation Loan or a
3 Federal Direct PLUS loan made on behalf
4 of a student); and

5 “(iii) after ensuring that the student
6 has completed all of the pre-loan coun-
7 seling requirements under this sub-
8 section.”.

9 **SEC. 3. REQUIRED PERIODIC DISCLOSURES DURING PERI-**
10 **ODS WHEN LOAN PAYMENTS ARE NOT RE-**
11 **QUIRED.**

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

14 (1) by redesignating subsection (f) as sub-
15 section (g); and

16 (2) by inserting after subsection (e) the fol-
17 lowing:

18 “(f) **REQUIRED PERIODIC DISCLOSURES DURING PE-**
19 **RIODS WHEN LOAN PAYMENTS ARE NOT REQUIRED.—**
20 During any period of time when a borrower of one or more
21 loans, made, insured, or guaranteed under this part or
22 part D is not required to make a payment to an eligible
23 lender on the borrower’s loan from that eligible lender,
24 such eligible lender shall provide such borrower with a

1 quarterly statement that includes, in simple and under-
2 standable terms—

3 “(1) the original principal amount of each of
4 the borrower’s loans, and the original principal
5 amount of those loans in the aggregate;

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

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

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

11 “(5) the aggregate amount the borrower has
12 paid for each loan, including the amount the bor-
13 rower has paid in interest, the amount the borrower
14 has paid in fees, and the amount the borrower has
15 paid against the balance;

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

21 “(7) an explanation—

22 “(A) that the borrower has the option to
23 pay the interest that accrues on each loan while
24 the borrower is a student at an institution of

1 higher education or during a period of
2 deferment or forbearance, if applicable; and

3 “(B) if the borrower does not pay such in-
4 terest while attending an institution or during
5 a period of deferment or forbearance, any accu-
6 mulated interest on the loan will be capitalized
7 when the loan goes into repayment, resulting in
8 more interest being paid over the life of the
9 loan;

10 “(8) the amount of interest that has accumu-
11 lated since the last statement based on the typical
12 installment time period and the aggregate interest
13 accrued to date; and

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

20 **SEC. 4. CONFORMING AMENDMENTS.**

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

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

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