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UNITED STATES SENATOR FOR IOWA

THE KNOW BEFORE YOU OWE FEDERAL STUDENT LOAN ACT

The federal government currently holds more than \$1 trillion in student loan debt, making it one of the country's largest lenders. As the lender making these loans, the federal government has a responsibility to ensure that students know what they are getting themselves into before they accept federal loans.

The bipartisan, bicameral *Know Before You Owe Federal Student Loan Act* would strengthen loan counseling requirements to ensure colleges are fully preparing their students to take out loans in a responsible manner.

Specifically, the *Know Before You Owe Federal Student Loan Act* would:

- Require students to manually enter the exact dollar amount of federal direct loan funding they wish to borrow, ensuring students make a conscious decision about how much they borrow rather than accepting the maximum amount of loans for which they are eligible.
- Make loan counseling an annual requirement before new loans can be disbursed, rather than a one-time requirement for first-time borrowers.
- Require colleges to provide an estimate of the student's projected monthly loan payment compared to discretionary post-graduate income, as well as a warning that a higher debt-to-income ratio can make it more difficult to repay a loan.
- Require loan counseling to include a statement that students should borrow the minimum amount necessary to cover expenses and that students do not have to accept the full amount of loans offered.
- Require loan counseling to offer options for reducing borrowing through scholarships, reduced expenses, work-study, or other work opportunities. Counseling must also include an explanation of the importance of graduating on time to avoid additional borrowing and list what course load is necessary to graduate on time.
- Provide students with regular loan statements while they are in school, not just after they graduate and begin repaying.