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112TH CONGRESS
1ST SESSION

H. R. 2535

To require financial literacy and economic education counseling for student borrowers, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 14, 2011

Ms. JACKSON LEE of Texas (for herself, Mr. YOUNG of Florida, Mr. CONYERS, Ms. KAPTUR, Mr. ANDREWS, Mr. HASTINGS of Florida, Ms. HANABUSA, Mr. MICHAUD, Mrs. MALONEY, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. QUIGLEY, Mr. HIGGINS, Mr. CICILLINE, Mr. KILDEE, Mr. GUTIERREZ, Mr. MEEKS, Mr. RANGEL, Mr. HINOJOSA, Ms. BASS of California, Mr. SIRES, and Mr. TONKO) introduced the following bill; which was referred to the Committee on Education and the Workforce

A BILL

To require financial literacy and economic education counseling for student borrowers, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ‘‘College Literacy in Finance and Economics Act of 2011’’ or the ‘‘College LIFE Act’’.

SEC. 2. FINDINGS.

Congress finds the following:

(1) Student borrowing is widespread in higher education, and more than $100,000,000,000 in Federal education loans are originated each year. In 2008, 62 percent of recipients of a baccalaureate degree graduated with student debt.

(2) Forty-eight percent of students at 4-year public institutions of higher education borrow money to pay for college, as do 57 percent of students at 4-year private institutions of higher education, and 96 percent of students at for-profit institutions of higher education.

(3) In 2008, 92 percent of Black students, 85 percent of Hispanic students, 85 percent of American Indian/Alaska Native students, 82 percent of multi-racial students, 80 percent of Native Hawaiian/Pacific Islander students, 77 percent of White students, and 68 percent of Asian students received financial aid.

(4) Students depart from institutions of higher education with significant debt. In 2008, the average student loan debt among graduates of institutions of higher education was $23,186, and 1 in 10 recipients of a baccalaureate degree graduated with at least $40,000 in debt. In 2008, 57 percent of recipients of a baccalaureate degree from a for-profit in-

stitution of higher education owed more than $30,000, and the median amount of debt was $32,700. Since 2003, the average cumulative debt among students at institutions of higher education has increased by 5.6 percent each year.

(5) Students enrolled in for-profit institutions of higher education account for 47 percent of all student loan defaults, despite representing approximately 10 percent of all students enrolled in institutions of higher education. Since 2003, the national cohort default rate has increased from 4.5 percent to 7 percent.

(6) Students rely on access to credit. Fifty-six percent of dependent students at institutions of higher education had a credit card in their own name in 2004. The average credit card balance among such students who were carrying a balance on their cards was $2,000.

(7) According to the National Foundation for Credit Counseling, the majority of adults (56 percent of adults in the United States, or 127,000,000 people) do not have a budget or keep close track of expenses or spending.

(8) According to a 2009 National Bankruptcy Research Center study, consumers who received fi-

nancial education through pre-bankruptcy counseling had 27.5 percent fewer delinquent accounts and remained current on their accounts for 29 percent longer than consumers who did not receive such counseling.

(9) According to the Financial Industry Regulatory Authority Investor Education Foundation, less than ⅓ of young adults (ages 18 to 29) set aside emergency savings to weather unexpected financial challenges.

(10) According to a Jump$tart Coalition for Personal Financial Literacy survey, 62 percent of high school students cannot pass a basic personal finance exam, and financial literacy scores among future higher education students are low.

(11) According to research by the National Endowment for Financial Education and the University of Arizona, schools are the institutions that students trust most to help increase their knowledge of personal finance.

SEC. 3. FINANCIAL LITERACY COUNSELING.

Section 485 of the Higher Education Act of 1965 (20 U.S.C. 1092) is amended by adding at the end the following:

"(n) FINANCIAL LITERACY COUNSELING.—

"(1) In general.—Each eligible institution shall provide financial literacy counseling to borrowers in accordance with the requirements of this subsection, through—

"(A) financial aid offices;

"(B) an employee or group of employees designated under subsection (c); or

"(C) a contract or partnership with a nonprofit organization that has substantial experience developing or administering financial literacy and economic education curricula, which may include an organization that has received grant funding under the Excellence in Economic Education Act of 2001 (20 U.S.C. 7267 et seq.).

"(2) Entrance and exit counseling required.—

"(A) In general.—Financial literacy counseling, as required under this subsection, shall be provided to borrowers on the following 2 occasions:

"(i) Entrance counseling.—Such counseling shall be provided not later than 45 days after the first disbursement of a borrower's first loan that is made, insured, or guaranteed under part B, made under part D, or made under part E.

"(ii) EXIT COUNSELING.—Such counseling shall be provided, in addition to the counseling provided under clause (i), prior to the completion of the course of study for which the borrower enrolled at the institution or at the time of departure from such institution, to each borrower of a loan that is made, insured, or guaranteed under part B, made under part D, or made under part E.

"(B) EXCEPTIONS.—The requirements of subparagraph (A) shall not apply to borrowers of—

"(i) a loan made, insured, or guaranteed pursuant to section 428C;

"(ii) a loan made, insured, or guaranteed on behalf of a student pursuant to section 428B; or

"(iii) a loan made under part D that is a Federal Direct Consolidation Loan or a Federal Direct PLUS loan made on behalf of a student.

“(C) MINIMUM COUNSELING REQUIREMENTS.—Such financial literacy counseling shall include a total of not less than 4 hours of counseling on the occasion described in subparagraph (A)(i), and an additional period of not less than 4 hours of counseling on the occasion described in subparagraph (A)(ii). A total of not more than 2 hours of counseling for each of the occasions described in subparagraph (A) shall be provided electronically.

“(D) EARLY DEPARTURE.—Notwithstanding subparagraph (C), if a borrower leaves an eligible institution without the prior knowledge of such institution, the institution shall attempt to provide the information required under this subsection to the student in writing.

“(3) INFORMATION TO BE PROVIDED.—Financial literacy counseling, as required under this subsection, shall include information on the following:

“(A) Student financial aid, including—

“(i) general information about educational loans, grants, tax credits, and scholarships;

“(ii) the difference between grants, scholarships, and loans, the difference between Federal loans under this title and private educational loans, and the difference between loans under this title and other loan products; and

"(iii) information about educational loan management, including repayment, deferment, consolidation, cancellation, discharge, and defaults.

"(B) Banking basics, including—

"(i) the types of financial institutions;

"(ii) the roles, purposes, and uses of mainstream financial institutions; and

"(iii) the fundamentals of opening, using, and managing basic savings and checking accounts, including common rates, fees, and borrower pitfalls.

"(C) Budgeting and saving, including—

"(i) the main components of a budget;

"(ii) designating and prioritizing income, expenses, and personal expenditures; and

"(iii) developing and maintaining matching goals and savings plans.

“(D) Credit and debt management, including responsible use of credit and the pitfalls of credit card debt.

“(E) Credit cards and other common credit products (such as debit cards, student loan debit and refund cards, charge cards, pre-paid cards, and secured cards linked to checking accounts), including—

“(i) features, terms, and conditions of credit agreements;

“(ii) responsible use of such cards and products;

“(iii) repayment; and

“(iv) the consequences of making only required minimum payments.

“(F) Investing, including—

“(i) common investment products;

“(ii) establishing investment goals (such as education, homeownership, wealth building, and retirement);

“(iii) risks and benefits of investing; and

“(iv) assessing and establishing risk tolerance.

“(G) Credit scores, including—

“(i) functions and uses of credit scores;

“(ii) calculation of credit scores;

“(iii) factors that may improve or worsen credit scores; and

“(iv) how to build a strong credit history.

“(H) Housing, including information on—

“(i) renting;

“(ii) pre-homeownership education (such as assessing homeownership readiness and capability); and

“(iii) the basics of mortgage borrowing (such as common mortgage products and qualifying for and obtaining a mortgage).

“(I) Taxes, including—

“(i) tax filing and planning; and

“(ii) the tax consequences of financial decisions (such as placing an investment or purchasing a home).

“(J) Responsible financial decision making, including identifying and analyzing costs, benefits, economic incentives, and alternatives.

"(4) USE OF INTERACTIVE PROGRAMS.—The Secretary may encourage institutions to carry out the requirements of this subsection through the use of interactive programs that test the borrower's understanding of the financial literacy information provided through counseling under this subsection, using simple and understandable language and clear formatting.

"(5) MODEL FINANCIAL LITERACY COUNSELING CURRICULUM.—Not later than 1 year after the date of enactment of the College Literacy in Finance and Economics Act of 2011, the Secretary shall develop a curriculum in accordance with the requirements of paragraph (3), which eligible institutions may use to fulfill the requirements of this subsection. In developing such curriculum, the Secretary may consult with members of the Financial Literacy and Education Commission.".

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