

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.

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 “College Literacy in
5 Finance and Economics Act of 2011” or the “College
6 LIFE Act”.

7 **SEC. 2. FINDINGS.**

8 Congress finds the following:

1 (1) Student borrowing is widespread in higher
2 education, and more than \$100,000,000,000 in Fed-
3 eral education loans are originated each year. In
4 2008, 62 percent of recipients of a baccalaureate de-
5 gree graduated with student debt.

6 (2) Forty-eight percent of students at 4-year
7 public institutions of higher education borrow money
8 to pay for college, as do 57 percent of students at
9 4-year private institutions of higher education, and
10 96 percent of students at for-profit institutions of
11 higher education.

12 (3) In 2008, 92 percent of Black students, 85
13 percent of Hispanic students, 85 percent of Amer-
14 ican Indian/Alaska Native students, 82 percent of
15 multi-racial students, 80 percent of Native Hawai-
16 ian/Pacific Islander students, 77 percent of White
17 students, and 68 percent of Asian students received
18 financial aid.

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

1 stitution of higher education owed more than
2 \$30,000, and the median amount of debt was
3 \$32,700. Since 2003, the average cumulative debt
4 among students at institutions of higher education
5 has increased by 5.6 percent each year.

6 (5) Students enrolled in for-profit institutions
7 of higher education account for 47 percent of all stu-
8 dent loan defaults, despite representing approxi-
9 mately 10 percent of all students enrolled in institu-
10 tions of higher education. Since 2003, the national
11 cohort default rate has increased from 4.5 percent to
12 7 percent.

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

19 (7) According to the National Foundation for
20 Credit Counseling, the majority of adults (56 per-
21 cent of adults in the United States, or 127,000,000
22 people) do not have a budget or keep close track of
23 expenses or spending.

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

1 nancial education through pre-bankruptcy counseling
2 had 27.5 percent fewer delinquent accounts and re-
3 mained current on their accounts for 29 percent
4 longer than consumers who did not receive such
5 counseling.

6 (9) According to the Financial Industry Regu-
7 latory Authority Investor Education Foundation,
8 less than $\frac{1}{3}$ of young adults (ages 18 to 29) set
9 aside emergency savings to weather unexpected fi-
10 nancial challenges.

11 (10) According to a Jump\$tart Coalition for
12 Personal Financial Literacy survey, 62 percent of
13 high school students cannot pass a basic personal fi-
14 nance exam, and financial literacy scores among fu-
15 ture higher education students are low.

16 (11) According to research by the National En-
17 dowment for Financial Education and the University
18 of Arizona, schools are the institutions that students
19 trust most to help increase their knowledge of per-
20 sonal finance.

21 **SEC. 3. FINANCIAL LITERACY COUNSELING.**

22 Section 485 of the Higher Education Act of 1965 (20
23 U.S.C. 1092) is amended by adding at the end the fol-
24 lowing:

25 “(n) FINANCIAL LITERACY COUNSELING.—

1 “(1) IN GENERAL.—Each eligible institution
2 shall provide financial literacy counseling to bor-
3 rowers in accordance with the requirements of this
4 subsection, through—

5 “(A) financial aid offices;

6 “(B) an employee or group of employees
7 designated under subsection (c); or

8 “(C) a contract or partnership with a non-
9 profit organization that has substantial experi-
10 ence developing or administering financial lit-
11 eracy and economic education curricula, which
12 may include an organization that has received
13 grant funding under the Excellence in Eco-
14 nomic Education Act of 2001 (20 U.S.C. 7267
15 et seq.).

16 “(2) ENTRANCE AND EXIT COUNSELING RE-
17 QUIRED.—

18 “(A) IN GENERAL.—Financial literacy
19 counseling, as required under this subsection,
20 shall be provided to borrowers on the following
21 2 occasions:

22 “(i) ENTRANCE COUNSELING.—Such
23 counseling shall be provided not later than
24 45 days after the first disbursement of a
25 borrower’s first loan that is made, insured,

1 or guaranteed under part B, made under
2 part D, or made under part E.

3 “(ii) EXIT COUNSELING.—Such coun-
4 seling shall be provided, in addition to the
5 counseling provided under clause (i), prior
6 to the completion of the course of study for
7 which the borrower enrolled at the institu-
8 tion or at the time of departure from such
9 institution, to each borrower of a loan that
10 is made, insured, or guaranteed under part
11 B, made under part D, or made under part
12 E.

13 “(B) EXCEPTIONS.—The requirements of
14 subparagraph (A) shall not apply to borrowers
15 of—

16 “(i) a loan made, insured, or guaran-
17 teed pursuant to section 428C;

18 “(ii) a loan made, insured, or guaran-
19 teed on behalf of a student pursuant to
20 section 428B; or

21 “(iii) a loan made under part D that
22 is a Federal Direct Consolidation Loan or
23 a Federal Direct PLUS loan made on be-
24 half of a student.

1 “(C) MINIMUM COUNSELING REQUIRE-
2 MENTS.—Such financial literacy counseling
3 shall include a total of not less than 4 hours of
4 counseling on the occasion described in sub-
5 paragraph (A)(i), and an additional period of
6 not less than 4 hours of counseling on the occa-
7 sion described in subparagraph (A)(ii). A total
8 of not more than 2 hours of counseling for each
9 of the occasions described in subparagraph (A)
10 shall be provided electronically.

11 “(D) EARLY DEPARTURE.—Notwith-
12 standing subparagraph (C), if a borrower leaves
13 an eligible institution without the prior knowl-
14 edge of such institution, the institution shall at-
15 tempt to provide the information required under
16 this subsection to the student in writing.

17 “(3) INFORMATION TO BE PROVIDED.—Finan-
18 cial literacy counseling, as required under this sub-
19 section, shall include information on the following:

20 “(A) Student financial aid, including—

21 “(i) general information about edu-
22 cational loans, grants, tax credits, and
23 scholarships;

24 “(ii) the difference between grants,
25 scholarships, and loans, the difference be-

1 tween Federal loans under this title and
2 private educational loans, and the dif-
3 ference between loans under this title and
4 other loan products; and

5 “(iii) information about educational
6 loan management, including repayment,
7 deferment, consolidation, cancellation, dis-
8 charge, and defaults.

9 “(B) Banking basics, including—

10 “(i) the types of financial institutions;

11 “(ii) the roles, purposes, and uses of
12 mainstream financial institutions; and

13 “(iii) the fundamentals of opening,
14 using, and managing basic savings and
15 checking accounts, including common
16 rates, fees, and borrower pitfalls.

17 “(C) Budgeting and saving, including—

18 “(i) the main components of a budget;

19 “(ii) designating and prioritizing in-
20 come, expenses, and personal expenditures;
21 and

22 “(iii) developing and maintaining
23 matching goals and savings plans.

1 “(D) Credit and debt management, includ-
2 ing responsible use of credit and the pitfalls of
3 credit card debt.

4 “(E) Credit cards and other common cred-
5 it products (such as debit cards, student loan
6 debit and refund cards, charge cards, pre-paid
7 cards, and secured cards linked to checking ac-
8 counts), including—

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

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

13 “(iii) repayment; and

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

16 “(F) Investing, including—

17 “(i) common investment products;

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

21 “(iii) risks and benefits of investing;
22 and

23 “(iv) assessing and establishing risk
24 tolerance.

25 “(G) Credit scores, including—

1 “(i) functions and uses of credit
2 scores;

3 “(ii) calculation of credit scores;

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

6 “(iv) how to build a strong credit his-
7 tory.

8 “(H) Housing, including information on—

9 “(i) renting;

10 “(ii) pre-homeownership education
11 (such as assessing homeownership readi-
12 ness and capability); and

13 “(iii) the basics of mortgage bor-
14 rowing (such as common mortgage prod-
15 ucts and qualifying for and obtaining a
16 mortgage).

17 “(I) Taxes, including—

18 “(i) tax filing and planning; and

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

22 “(J) Responsible financial decision making,
23 including identifying and analyzing costs, bene-
24 fits, economic incentives, and alternatives.

1 “(4) USE OF INTERACTIVE PROGRAMS.—The
2 Secretary may encourage institutions to carry out
3 the requirements of this subsection through the use
4 of interactive programs that test the borrower’s un-
5 derstanding of the financial literacy information pro-
6 vided through counseling under this subsection,
7 using simple and understandable language and clear
8 formatting.

9 “(5) MODEL FINANCIAL LITERACY COUNSELING
10 CURRICULUM.—Not later than 1 year after the date
11 of enactment of the College Literacy in Finance and
12 Economics Act of 2011, the Secretary shall develop
13 a curriculum in accordance with the requirements of
14 paragraph (3), which eligible institutions may use to
15 fulfill the requirements of this subsection. In devel-
16 oping such curriculum, the Secretary may consult
17 with members of the Financial Literacy and Edu-
18 cation Commission.”.

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