

112TH CONGRESS
1ST SESSION

S. _____

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

IN THE SENATE OF THE UNITED STATES

Mr. AKAKA introduced the following bill; which was read twice and referred to the Committee on _____

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:

9 (1) Student borrowing is widespread in higher
10 education, and more than \$100,000,000,000 in Fed-

1 eral education loans are originated each year. In
2 2008, 62 percent of recipients of a baccalaureate de-
3 gree graduated with student debt.

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

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

17 (4) Students depart from institutions of higher
18 education with significant debt. In 2008, the average
19 student loan debt among graduates of institutions of
20 higher education was \$23,186, and 1 in 10 recipi-
21 ents of a baccalaureate degree graduated at least
22 \$40,000 in debt. In 2008, 57 percent of recipients
23 of a baccalaureate degree from a for-profit institu-
24 tion of higher education owed more than \$30,000,
25 and the median amount of debt was \$32,700. Since

1 2003, the average cumulative debt among students
2 at institutions of higher education has increased by
3 5.6 percent each year.

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

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

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

22 (8) According to a 2009 National Bankruptcy
23 Research Center study, consumers who received fi-
24 nancial education through pre-bankruptcy counseling
25 had 27.5 percent fewer delinquent accounts and re-

1 mained current on their accounts for 29 percent
2 longer.

3 (9) According to the Financial Industry Regu-
4 latory Authority Investor Education Foundation,
5 less than one-third of young adults (ages 18 to 29)
6 set aside emergency savings to weather unexpected
7 financial challenges.

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

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

18 **SEC. 3. FINANCIAL LITERACY COUNSELING.**

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

22 “(n) FINANCIAL LITERACY COUNSELING.—

23 “(1) IN GENERAL.—Each eligible institution
24 shall provide financial literacy counseling to student

1 borrowers in accordance with the requirements of
2 this subsection, through—

3 “(A) financial aid offices;

4 “(B) an employee or group of employees
5 designated under subsection (c); or

6 “(C) a partnership with a nonprofit orga-
7 nization that has substantial experience devel-
8 oping or administering financial literacy and
9 economic education curricula, which may in-
10 clude an organization that has received grant
11 funding under the Excellence in Economic Edu-
12 cation Act of 2001 (20 U.S.C. 7267 et seq.).

13 “(2) ENTRANCE AND EXIT COUNSELING RE-
14 QUIRED.—

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

19 “(i) ENTRANCE COUNSELING.—Such
20 counseling shall be provided not later than
21 45 days after the first disbursement of a
22 borrower’s first loan that is made, insured,
23 or guaranteed under part B, made under
24 part D, or made under part E. Financial
25 literacy counseling on this occasion may be

1 provided in conjunction with the entrance
2 counseling described in subsection (l), if
3 the financial literacy counseling component
4 is provided in accordance with the require-
5 ments of subparagraph (C).

6 “(ii) EXIT COUNSELING.—Such finan-
7 cial literacy counseling shall be provided, in
8 addition to the financial literacy counseling
9 provided under clause (i), prior to the com-
10 pletion of the course of study for which the
11 borrower enrolled at the institution or at
12 the time of departure from such institu-
13 tion, to each borrower of a loan that is
14 made, insured, or guaranteed under part
15 B, made under part D, or made under part
16 E. Financial literacy counseling on this oc-
17 casion may be provided in conjunction with
18 the exit counseling described in subsection
19 (b), if the financial literacy counseling
20 component is provided in accordance with
21 the requirements of subparagraph (C).

22 “(B) EXCEPTIONS.—The requirements of
23 subparagraph (A) shall not apply to borrowers
24 of—

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

3 “(ii) a loan made, insured, or guaran-
4 teed on behalf of a student pursuant to
5 section 428B; or

6 “(iii) a loan made under part D that
7 is a Federal Direct Consolidation Loan or
8 a Federal Direct PLUS loan made on be-
9 half of a student.

10 “(C) MINIMUM COUNSELING REQUIRE-
11 MENTS.—Such financial literacy counseling
12 shall include a total of not less than 4 hours of
13 counseling on the occasion described in sub-
14 paragraph (A)(i), and an additional period of
15 not less than 4 hours of counseling on the occa-
16 sion described in subparagraph (A)(ii). A total
17 of not more than 2 hours of counseling for each
18 of the occasions described in subparagraph (A)
19 shall be provided electronically.

20 “(D) EARLY DEPARTURE.—Notwith-
21 standing subparagraph (C), if a borrower leaves
22 an eligible institution without the prior knowl-
23 edge of such institution, the institution shall at-
24 tempt to provide the information required under
25 this subsection to the student in writing.

1 “(3) INFORMATION TO BE PROVIDED.—Finan-
2 cial literacy counseling, as required under this sub-
3 section, shall include information on the Financial
4 Education Core Competencies as determined by the
5 Financial Literacy and Education Commission es-
6 tablished under title V of the Fair and Accurate
7 Credit Transactions Act of 2003 (20 U.S.C. 9701 et
8 seq.).

9 “(4) USE OF INTERACTIVE PROGRAMS.—The
10 Secretary may encourage institutions to carry out
11 the requirements of this subsection through the use
12 of interactive programs that test the borrower’s un-
13 derstanding of the financial literacy information pro-
14 vided through counseling under this subsection,
15 using simple and understandable language and clear
16 formatting.

17 “(5) MODEL FINANCIAL LITERACY COUNSELING
18 CURRICULUM.—Not later than 1 year after the date
19 of enactment of the College Literacy in Finance and
20 Economics Act of 2011, the Secretary shall develop
21 a curriculum in accordance with the requirements of
22 paragraph (3), which eligible institutions may use to
23 fulfill the requirements of this subsection. In devel-
24 oping such curriculum, the Secretary may consult

1 with members of the Financial Literacy and Edu-
2 cation Commission.”.