H. R. ______

To amend the Higher Education Act of 1965 to direct the Secretary of Education to publish requirements for financial aid offers to be provided by institutions of higher education to enrolled and prospective students, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mrs. McClain (for herself and Ms. Foxx) introduced the following bill; which was referred to the Committee on __________________________

A BILL

To amend the Higher Education Act of 1965 to direct the Secretary of Education to publish requirements for financial aid offers to be provided by institutions of higher education to enrolled and prospective students, 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 Cost Trans-
5 parency and Student Protection Act”.

SEC. 2. FINANCIAL AID OFFERS.

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 AID OFFERS.—

“(1) INSTITUTIONAL REQUIREMENTS.—Beginning with the first award year that begins not less than 1 year after the Secretary publishes requirements under subparagraph (2), each institution of higher education participating in any program under this title shall provide to each enrolled student (and prospective student accepted for enrollment) at such institution who applies for financial assistance under this title, a financial aid offer that—

“(A) shall comply with the requirements published by the Secretary under paragraph (2); and

“(B) may be supplemented by the institution with additional, non-contradictory information related to financial aid as long as such supplementary information uses the standardized terms and definitions described in paragraph (2).

“(2) SECRETARIAL REQUIREMENTS.—Not later than 18 months after the date of enactment of the College Cost Transparency and Student Protection
Act, the Secretary shall, based on the consumer testing conducted under paragraph (4), publish requirements for financial aid offers to be used by institutions of higher education under paragraph (1), which shall—

“(A) serve as the primary source for Federal, State, and institutional financial aid information provided by an institution of higher education participating in any program under this title to each enrolled student (and prospective student accepted for enrollment) at such institution;

“(B) include a requirement that no financial aid offer may be referred to as an award letter;

“(C) include the required content described in paragraph (3);

“(D) establish standardized terms and definitions, including for the required content described in paragraph (3), which shall be included in each financial aid offer; and

“(E) establish formatting requirements with respect to the organization of the contents described in paragraph (3), which—

“(i) shall include—
“(I) a requirement that prohibits any such offer from displaying loans in a manner that indicates or implies that such loans reduce the amount owed to the institution or reduce the out-of-pocket costs; and

“(II) requirements that ensure that before completing the component of an offer relating to indirect costs, a student completes the component of an offer relating to direct costs and confirms that such student is seeking financial assistance for indirect costs; and

“(ii) may not establish, or require that institutions of higher education use, a uniform format for such offers.

“(3) REQUIRED CONTENT FOR A FINANCIAL AID OFFER.—

“(A) IN GENERAL.—An institution of higher education shall provide, to each enrolled student (and prospective student accepted for enrollment) at such institution who applies for financial assistance under this title, a financial
aid offer for an academic period covered by
such offer, which shall include the following:

“(i) A component relating to the di-
rect costs for such student for such aca-
demic period, which shall include the con-
tent described in subparagraphs (B) and
(D).

“(ii) In a case in which the student
completes the component described in
clause (i) and confirms that such student
is seeking financial assistance for indirect
costs for such academic period, a compo-
nent relating to such indirect costs, which
shall include the content described in sub-
paragraphs (C) and (D).

“(B) COMPONENT FOR DIRECT COSTS.—
The component of a financial aid offer relating
to direct costs shall include the following con-
tent:

“(i) ESTIMATED SUM OF DIRECT
COSTS.—The estimated sum of the stu-
dent’s direct costs for the academic period
covered by such offer, which shall be the
sum of—
“(I) the cost of tuition and fees, as defined in section 472(a)(1), as amended by section 702 of the FAFSA Simplification Act; and

“(II) any other required expenses, as determined by the institution and presented as an itemized list.

“(ii) GRANTS AND SCHOLARSHIPS.—

“(I) IN GENERAL.—The aggregate amount of grants and scholarships by source that the student does not have to repay, such as grant aid offered under this title and grant aid offered through other Federal programs, grant aid offered by the institution, grant aid offered by the State, and, if known, grant aid from an outside source for such academic period.

“(II) FEDERAL GRANT AID.—

With respect to Federal grant aid, the conditions under which the student can expect to receive similar amounts of such Federal grant aid for each academic period the student is enrolled at the institution.
“(III) Institutional Grant Aid.—With respect to institutional grant aid—

“(aa) the conditions under which the student can expect to receive similar amounts of such institutional grant aid for each academic period the student is enrolled at the institution; and

“(bb) whether the institutional grant aid offer may change if grants or scholarships from outside sources are applied after the student receives the financial aid offer, and, if applicable, how that institutional grant aid will change.

“(IV) Indirect Costs.—An identification of any grants or scholarships described in subclause (I) that are required to be used for any indirect costs selected by the student under subparagraph (C)(i).

“(iii) Out-of-Pocket Costs (Relating to Direct Costs).—The out-of-pocket
costs (relating to direct costs) that the student, or the student’s family on behalf of the student, is estimated to have to pay for the student to attend the institution for such academic period, equal to—

“(I) the estimated sum of the student’s direct costs described in clause (i); minus

“(II) the aggregate amount of grants and scholarships described in clause (ii) that may be used to cover such direct costs.

“(iv) FINANCING OPTIONS.—

“(I) IN GENERAL.—In plain language and based on consumer testing under paragraph (4), the offer shall include the following financing options (in the following order) to cover the total out-of-pocket costs determined under clause (iii):

“(aa) Cash or other personal resources, including the expected family contribution of the student.
“(bb) Loans made to the student under part D (excluding Federal Direct PLUS Loans), which shall—

“(AA) clearly label whether the loan is subsidized or unsubsidized; and

“(BB) require the student to (1) accept any such loan by specifying the loan amount the student is accepting (which may be an amount that is less than the maximum amount for which such student is eligible under part D) or (2) decline any such loan.

“(cc) Work-study employment opportunities, offered in accordance with part C, and other campus employment, if applicable, which shall require the student to (1) accept any such opportunity or (2) decline any such opportunity.
“(II) Disclosures related to covered financing options.—The following disclosures, in a simple, plain-language, and consumer-friendly manner (based on the consumer testing under paragraph (4)):

“(aa) Grants and scholarships.—Grants and scholarships do not have to be repaid.

“(bb) All loans.—All loans must be repaid with interest.

“(cc) Federal work-study aid.—Any work-study employment opportunity offered under part C is subject to the availability of qualified employment opportunities and is disbursed over time as earned by the student.

“(III) Disclosure related to other financing options.—A disclosure that other financing options (not listed in subclause (I)) may be available, including private education
loans, Federal Direct PLUS loans, or institutional or State loans, if applicable.

“(IV) Tuition Payment Plans.—In plain language, the offer shall include information on tuition payment plans, if applicable.

“(v) Disclosure and Confirmation Relating to Indirect Costs.—A disclosure that the financing options for indirect costs selected by the student under subparagraph (C)(i) may include loans that must be repaid with interest, and a requirement for the student to confirm whether the student is seeking financial assistance for such indirect costs.

“(C) Component for Indirect Costs.—The component of a financial aid relating to indirect costs shall include the following content:

“(i) Selection of Indirect Costs.—The student shall have the ability to select each component of the cost of attendance under section 472, as amended by section 702 of the FAFSA Simplification Act (other than the direct costs deter-
mined under subparagraph (B)(i)) for which the student needs support for the academic period covered by the offer, which may include components relating to housing and food, books and supplies, transportation, and miscellaneous personal expenses.

“(ii) ESTIMATED SUM OF INDIRECT COSTS.—The estimated sum of the student’s indirect costs for the academic period covered by such offer, as determined by the sum of each of the components of indirect costs selected under clause (i).

“(iii) GRANTS AND SCHOLARSHIPS.—Any amounts of the grants and scholarships identified under subparagraph (B)(ii), which—

“(I) remain available after financing the direct costs determined under subparagraph (B)(i); or

“(II) are required to be used for indirect costs, as described in subclause (II) of subparagraph (B)(ii).

“(iv) OUT-OF-POCKET COSTS (RELATING TO INDIRECT COSTS).—The out-of-
pocket costs (relating to indirect costs) that the student, or the student’s family on behalf of the student, is estimated to have to pay for the student to attend the institution for such academic period, equal to—

“(I) the estimated sum of indirect costs determined under clause (ii); minus

“(II) the amount of grants and scholarships determined under clause (iii).

“(v) TOTAL COST OF ATTENDANCE.— The total cost of attendance for the student, equal to the sum of—

“(I) the estimated sum of the student’s direct costs determined subparagraph (B)(i); and

“(II) the estimated sum of the student’s indirect costs determined under clause (ii).

“(vi) TOTAL OUT-OF-POCKET COSTS.—The total out-of-pocket costs that the student, or the student’s family on behalf of the student, is estimated to have to pay for the student to attend the institu-
tion for such academic period, equal to the sum of—

“(I) the out-of-pocket costs (relating to direct costs) determined under subparagraph (B)(iii); and

“(II) the out-of-pocket costs (relating to indirect costs) determined under clause (iv).

“(vii) FINANCING OPTIONS.—In plain language, the offer shall include—

“(I) each of the financing options listed under subparagraph (B)(iv)(I), which remain available after financing the direct costs determined under subparagraph (B)(i); and

“(II) the disclosures described in subclauses (II) and (III) of subparagraph (B)(iv).

“(D) REQUIRED CONTENTS FOR BOTH COMPONENTS.—Each component of the offer described in clauses (i) and (ii) of subparagraph (A) shall include the following content:

“(i) ACADEMIC PERIOD.—An indication of the academic period covered by the financial aid offer, an explanation that the
financial aid offered may change for academic periods not covered by the aid offer or by program, and an indication, as applicable, about whether the costs identified under such offer are estimated based on the previous year, or are set, for the academic period covered by such offer.

“(ii) Enrollment Intensity.—An indication of whether cost and aid estimates are based on full-time or part-time enrollment.

“(iii) Institutional Grant Aid.—In the case of an institution of higher education that adjusts awards of institutional grant aid based on student receipt of financial assistance not received under this title—

“(I) a statement that eligibility for institutional grant aid may be impacted by the receipt of financial assistance not received under this title (including all scholarships, grants, loans, or other assistance known to the institution at the time the deter-
mination of the student’s need is made); and

“(II) the institutional policies relating to how receipt of such assistance may impact eligibility for, and the amount of, institutional grant aid.

“(iv) NEXT STEP INSTRUCTIONS.—

Next step instructions, including—

“(I) the process and deadlines for accepting (and declining) the financial aid offered in the offer; and

“(II) information about where to find additional information on the financial aid offered, including contact information for the institution’s financial aid office and the Department of Education’s website on financial aid.

“(v) STATISTICS ON POST COMPLETION EARNINGS AND LOAN REPAYMENT.—

“(I) IN GENERAL.—Statistics (which may be presented as monthly amounts) on the median earnings and median payments on loans made under part D (excluding Federal Direct PLUS Loans), for graduates of,
or individuals who complete, the pro-
gram for which the student receiving
the financial aid offer is enrolled (or,
in a case in which the student has not
selected a program of study, for the
institution).

“(II) DISCLOSURE.—Any statis-
tics provided under this clause shall
include a disclosure that such statis-
tics may not apply to the student re-
ceiving the offer.

“(vi) INFORMATION FOR PROSPECTIVE
students.—In the case of a prospective
student, the process and deadlines for en-
rolling at the institution, if such informa-
tion is determined necessary by the Sec-
etary based on the consumer testing con-
ducted under paragraph (4).

“(vii) DELIVERY CONFIRMATION.—
Include a delivery confirmation for elec-
tronic financial aid offer forms, except that
receipt of the forms shall not be considered
an acceptance or rejection of aid.

“(4) CONSUMER TESTING.—The Secretary
shall—
“(A) conduct consumer testing that shall—

“(i) serve as the basis in determining
the requirements for financial aid offers
published under paragraph (2); and

“(ii) include students (including low-income students, English learners, first
generation college students, veteran stu-
dents, graduate students, and under-
graduate students (including prospective
students and returning students)), stu-
dents’ families (including low-income fami-
lies, families of English learners, and fami-
lies with first generation college students),
institutions of higher education (including
representatives from two- and four-year in-
stitutions, public and private institutions,
and minority-serving institutions), sec-
ondary school and postsecondary coun-
selors, financial aid administrators, non-
profit college access organizations, and
nonprofit consumer groups; and

“(B) not later than 60 days after the pub-
llication of the requirements under paragraph
(2)—
“(i) issue a report on the findings of
the consumer testing under this paragraph;
and
“(ii) specify ways in which the find-
ings are reflected in such requirements.
“(5) DATA REPORTING.—Not later than 18
months after the date of enactment of the College
Cost Transparency and Student Protection Act, the
Secretary shall ensure that information published on
the College Scorecard website of the Department (or
any successor website), or the website of each insti-
tution of higher education participating in any pro-
gram under this title—
“(A) with respect to the net price or the
cost of attendance of an institution of higher
education, provides separate cost estimates for
direct costs and indirect costs, in a manner con-
sist with the standard terms and definitions
published under paragraph (2); and
“(B) with respect the median earnings or
median payments on loans made under this title
for students who complete a program of study
at an institution of higher education, provides
such information in a manner consistent with
paragraph (3)(D)(v).
“(6) DEFINITIONS.—In this subsection—

“(A) the term ‘cost of attendance’ has the meaning given the term in section 472;

“(B) the term ‘direct costs’, used with respect to a student, means the costs determined under paragraph (3)(B)(i) for such student;

“(C) the term ‘English learner’ has the meaning given the term in section 8101(20) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7801(20)), except that such term does not include individuals described in subparagraph (B) of such section;

“(D) the term ‘first generation college student’ has the meaning given the term in section 402A(h);

“(E) the term ‘indirect costs’, used with respect to a student, means the costs determined under paragraph (3)(C)(ii) for such student;

“(F) the term ‘low-income student’ has the meaning given the term in section 419N(b)(7);

“(G) the term ‘minority-serving institution’ means an institution of higher education described in section 371(a); and
“(H) the term ‘private education loan’ has the meaning given the term in section 140 of the Truth in Lending Act.”.