

May 7, 2019

The Honorable Chuck Grassley
U.S. Senate
135 Hart Senate Office Building
Washington, DC 20510

Dear Senator Grassley:

The National Council of Higher Education Resources (NCHER), representing state, nonprofit, and private organizations that assist students, parents, borrowers, and families pay for the costs of postsecondary education, is pleased to support S. 887, the “Know Before You Owe Federal Student Loan Act of 2019.”

For more than 50 years, NCHER members have offered face-to-face and individualized financial education and counseling services to assist students and their families in making smart education decisions and understanding, managing, and paying for the costs of a postsecondary education. As part of their public service missions, our members counsel students and families on how best to navigate the financial aid process, how to avoid overborrowing, the importance of managing student loan debt, and budgeting and personal finance management skills. Currently, institutions of higher education are required to provide entrance counseling to first-time borrowers prior to the disbursement of their Federal Direct Loans. However, numerous reports have made it clear that the current counseling sessions – centered largely on online counseling - are failing to fully engage students in understanding their responsibilities as borrowers and failing to provide them with sufficient information on the full range of options available to help finance their higher education.

The Know Before You Owe Federal Student Loan Act would require colleges and universities to provide borrowers with counseling each year in which they receive a new federal loan; and require such counseling to include estimates of the borrower’s monthly payment amount compared to their estimated monthly income, a statement that the borrower does not have to take out the maximum amount of federal student loans, options for reducing overborrowing, and a process whereby the borrower will manually enter the amount that he or she intends to borrow. This important bill would take a significant step in reversing the trend of ineffective loan counseling by moving toward an annual counseling requirement since, too often, borrowers forget what they were told at the initial session. It would also promote the more active involvement of borrowers by requiring them to manually enter the loan amount requested, which will help students and their families understand the real-world implications of borrowing to help pay for postsecondary education. The legislation’s requirement that federal student loan servicers provide borrowers with quarterly statements during periods when no payment is required would ensure that students proactively receive important information while in school so they can make informed decisions.

If there is an opportunity for further review, NCHER requests that colleges and universities be provided with flexibility to develop a monthly payment estimate for those borrowers who have not chosen a major; for those institutions located in states with existing laws requiring an annual debt disclosure, that

those colleges and universities be allowed to utilize that disclosure to meet the new requirement; and that the required quarterly disclosure not be duplicative of other information that the federal loan servicers are currently required to provide to borrowers.

NCHER commends you for your leadership in ensuring that students have access to more accurate and timely information in order to successfully plan and pay for college. Our organization and membership are pleased to endorse S. 887, the "Know Before You Owe Federal Student Loan Act of 2019," and to assist in its passage in the 116th Congress.

Sincerely,

A handwritten signature in black ink, appearing to read "J P Bergeron". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

James P. Bergeron
President