



The Informed Borrowing Act of 2023

Problem:

The current passive decision-making process for taking student loans leads many borrowers to make poor financial decisions. Before committing to a federal loan, students must have the whole picture on how much money an average graduate from the school must to pay back, and how much money they will likely earn in the future.

Students should no longer be passive actors driven to accept default choices presented to them, without considering how much to borrow. More information needs to be seen by students before committing to a financial aid offer in order to give them the opportunity to make sure their borrowing choices are the right ones for them academically and financially.

The Informed Borrowing Act would:

- Require that all borrowers receive and either acknowledge receipt of student loan entrance counseling materials or actively participate in entrance counseling each award year.
- Within student loan entrance counseling materials require disclosures of:
 - An explanation regarding the requirement that the borrower needs to affirmatively enter amount of a student loan they wish to borrow each award year.
 - Sample monthly repayment amounts based on the 10 year repayment plan and the most commonly used income driven repayment plan available;
 - median cumulative student indebtedness at the institution and by specific program in which the student plans to enroll;
 - median earnings of individuals who attended the institution and by specific program, if available, in which the student plans to enroll;
 - The median annual earnings for individuals who attended the institution and by specific program, if available, for which the student plans to enroll;
 - The percentage of borrowers who are no longer enrolled and in active repayment; and
 - Completion rate for undergraduate borrowers.
 - The APR applicable to the loan based on a 10 year standard repayment plan to enable comparison to private lending products.
- Require student borrowers and parents, if applicable, manually enter the amount they wish to borrow prior to the financial aid office on an annual basis before any master promissory note being signed or loan being disbursed.
- Student must affirmatively accept work study, with the understanding that those funds must be earned over time and will not be immediately available.

Cosponsors: Sen. Cassidy

Contact William.Parsons@daines.senate.gov to add your boss