



College Student Protection and Financial Education Act



Purpose

The College Student Protection and Financial Education Act aims to safeguard minors from the financial risks associated with federal student loans by ensuring that they are equipped with the knowledge and skills necessary to make informed, responsible borrowing decisions before incurring long-term debt.

Background

Children under 18 are legally barred from entering most binding financial contracts – such as credit cards, auto loans, and mortgages – without cosigners or legal exceptions. However, federal student loans are a notable exception: minors can independently incur tens of thousands of dollars in debt without demonstrating financial literacy, income potential, or repayment capacity.

This gap leaves vulnerable youth exposed to predatory lending dynamics, high default risks, and decades-long financial consequences. Research shows that:

- Nearly 30% of student loan borrowers were past due on payments in early 2024.(1)
- Over 60% of borrowers report financial hardship after repayment resumption.(2)
- Only 1 in 4 students who start college see a clear financial benefit from their degree.(3)
- Student loan debt in the United States exceeded \$1.7 trillion in 2024, affecting over 43 million Americans.(4)
- The average borrower graduates with approximately \$28,950 in student loan debt.(5)
- Existing models, such as the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, require individuals to complete financial education before discharging debts.(6)





Comparison: Federal Student Loans and Predatory Lending Practices

According to Consumer Affairs,⁽⁷⁾ predatory lending typically involves:

- Targeting vulnerable individuals who lack financial knowledge.
- Issuing loans without evaluating ability to repay.
- Creating long-term financial hardship for borrowers.

Federal student loan practices mirror these predatory features:

Predatory Lending Practice

- Targeting financially inexperienced borrowers
- Ignoring ability-to-repay assessments
- High risk of financial hardship and default

Federal Student Loans to Minors

- Loans are issued to minors without proven financial knowledge.
- No evaluation of a student's future income or major earning potential.
- High rates of delinquency, default, and long-term repayment struggles.

Without safeguards, the current system places minors in the same vulnerable position that consumer protection laws seek to avoid in other types of lending.

Key Provisions

1. Mandatory Financial Education Requirement

Before any federal student loan funds can be disbursed to students under the age of 18, they must complete a comprehensive financial education program and pass performative assessments that includes:

Career and Entrepreneurial Research

- **Career Exploration:** Research and assess a range of career options, entrepreneurial endeavors, and job opportunities that align with your financial goals, personal interests, and strengths.
- **Market Evaluation:** Investigate potential salaries, job outlook, career growth opportunities, and skill requirements for each pathway. Add considerations to technological advancements that may have impact on your career opportunities.
- **Career Selection:** Choose one or more career paths or entrepreneurial options you are most interested in pursuing, based on financial viability and personal fit.

Education and Training Research

- **Pathway Evaluation:** Research what education pathway (college, trade school, certifications, self-study, or apprenticeships) is necessary to pursue your selected career or entrepreneurial goals.
- **Cost Analysis:** Assess the total costs associated with each educational pathway, including tuition, fees, living expenses, and opportunity costs (income lost while attending school).
- **Financial Aid Exploration:** Research scholarships, grants, work-study options, and other financial aid opportunities that could offset education or skill development costs.

Return on Investment (ROI) Evaluation

- **ROI Calculation:** Compare the total education investment (costs) against expected earnings in the chosen career field over time.
- **Decision-making:** Based on research and calculations, decide whether pursuing additional education makes financial sense for your career goals.
- **Justification:** Write a brief summary explaining your career choice, educational pathway (if any), and how you plan to maximize opportunities while minimizing financial burdens.

2. Performance-Based Assessment

Students must demonstrate mastery of financial concepts that directly affect their education options and student loan decisions through a performance-based assessment. Students must receive a passing grade in every area.

Project Components and Assessment Criteria

Career and Entrepreneurial Research

- **Career Exploration:** Assess thoroughness, relevance, and financial realism of researched career and entrepreneurial options.
- **Career Selection:** Evaluate clarity, financial alignment, and practicality of selected career paths.

Education and Training Research

- **Pathway Evaluation:** Assess depth of research into necessary education or training for chosen career(s).
- **Cost and Financial Aid Analysis:** Evaluate accuracy and completeness of cost estimates and available financial aid opportunities.

Return on Investment (ROI) Evaluation

- **ROI Calculation:** Assess accuracy and realism of the education cost vs. future earnings analysis.
- **Decision-making and Justification:** Evaluate thoughtfulness, financial responsibility, and clarity of final career and education decision.



3. Career and Education Alignment Counseling

Students would be required to complete a career and education alignment counseling sessions. These sessions would involve evaluating expected salaries for their chosen majors, projected debt levels, and anticipated ability to repay, ensuring that students make borrowing decisions based on informed expectations.

4. Independent Oversight

Financial education programs and assessments must be developed, reviewed, and updated by independent third-party organizations specializing in financial literacy education (e.g., National Financial Educators Council).

5. Public Reporting

The Department of Education must annually report:

- The percentage of borrowers completing the financial education requirement.
- Default and delinquency rates among minors who completed certified financial education versus those who did not.

Anticipated Impact

- **Reduced Default Rates:** Empower students to borrow responsibly based on realistic future earnings.
- **Improved Financial Outcomes:** Support early budgeting, saving, and debt management skills.
- **Ethical Lending Standards:** Bring federal student loan practices in line with protections afforded to other forms of consumer debt.
- **Stronger Higher Education Decisions:** Encourage more thoughtful enrollment choices, reducing dropout rates and underemployment.

Conclusion

The College Student Protection and Financial Education Act addresses a critical ethical gap in the current student loan system. It empowers young borrowers with the tools and knowledge they need to protect their financial futures – ensuring that higher education remains an opportunity for advancement, not a trap into lifelong debt.



References: College Student Protection and Financial Education Act

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