

110TH CONGRESS }  
*1st Session* } HOUSE OF REPRESENTATIVES { REPORT  
110-\_\_\_\_

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COLLEGE COST REDUCTION AND ACCESS ACT

\_\_\_\_\_  
\_\_\_\_\_, 2007.—Ordered to be printed

\_\_\_\_\_  
\_\_\_\_\_, from the committee of conference,  
submitted the following

CONFERENCE REPORT

[To accompany H.R. 2669]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 2669), to provide for reconciliation pursuant to section 601 of the concurrent resolution on the budget for fiscal year 2008, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, insert the following:

HLC

2

And the Senate agree to the same.

1 **SECTION 1. SHORT TITLE; REFERENCES.**

2 (a) **SHORT TITLE.**—This Act may be cited as the  
3 “College Cost Reduction and Access Act”.

4 (b) **REFERENCES.**—Except as otherwise expressly  
5 provided, whenever in this Act an amendment or repeal  
6 is expressed in terms of an amendment to, or repeal of,  
7 a section or other provision, the reference shall be consid-  
8 ered to be made to a section or other provision of the  
9 Higher Education Act of 1965 (20 U.S.C. 1001 et seq.).

10 (c) **EFFECTIVE DATE.**—Except as otherwise ex-  
11 pressly provided, the amendments made by this Act shall  
12 be effective on October 1, 2007.

13 **TITLE I—GRANTS TO STUDENTS**  
14 **IN ATTENDANCE AT INSTITU-**  
15 **TIONS OF HIGHER EDU-**  
16 **CATION**

17 **SEC. 101. TUITION SENSITIVITY.**

18 (a) **AMENDMENT.**—Section 401(b) (20 U.S.C.  
19 1070a(b)) is amended—

20 (1) by striking paragraph (3); and

21 (2) by redesignating paragraphs (4) through  
22 (9) as paragraphs (3) through (8), respectively.

23 (b) **EFFECTIVE DATE.**—The amendments made by  
24 subsection (a) shall be effective with respect to determina-

1 tions of Federal Pell Grant amounts for award years be-  
2 ginning on or after July 1, 2007.

3 (c) AUTHORIZATION AND APPROPRIATION OF  
4 FUNDS.—There is authorized to be appropriated, and  
5 there is appropriated, out of any money in the Treasury  
6 not otherwise appropriated, for the Department of Edu-  
7 cation to carry out the amendment made by subsection  
8 (a), \$11,000,000 for fiscal year 2008.

9 **SEC. 102. MANDATORY PELL GRANT INCREASES.**

10 (a) EXTENSION OF AUTHORITY.—Section 401(a) (20  
11 U.S.C. 1070a(a)) is amended by striking “fiscal year  
12 2004” and inserting “fiscal year 2017”.

13 (b) FUNDING FOR INCREASES.—Section 401(b) (20  
14 U.S.C. 1070a(b)) is amended by adding at the end the  
15 following new paragraph:

16 “(9) ADDITIONAL FUNDS.—

17 “(A) IN GENERAL.—There are authorized  
18 to be appropriated, and there are appropriated,  
19 to carry out subparagraph (B) of this para-  
20 graph (in addition to any other amounts appro-  
21 priated to carry out this section and out of any  
22 money in the Treasury not otherwise appro-  
23 priated) the following amounts:

24 “(i) \$2,030,000,000 for fiscal year  
25 2008;

1 “(ii) \$2,090,000,000 for fiscal year  
2 2009;

3 “(iii) \$3,030,000,000 for fiscal year  
4 2010;

5 “(iv) \$3,090,000,000 for fiscal year  
6 2011;

7 “(v) \$5,050,000,000 for fiscal year  
8 2012;

9 “(vi) \$105,000,000 for fiscal year  
10 2013;

11 “(vii) \$4,305,000,000 for fiscal year  
12 2014;

13 “(viii) \$4,400,000,000 for fiscal year  
14 2015;

15 “(ix) \$4,600,000,000 for fiscal year  
16 2016; and

17 “(x) \$4,900,000,000 for fiscal year  
18 2017.

19 “(B) INCREASE IN FEDERAL PELL  
20 GRANTS.—The amounts made available pursu-  
21 ant to subparagraph (A) of this paragraph shall  
22 be used to increase the amount of the maximum  
23 Federal Pell Grant for which a student shall be  
24 eligible during an award year, as specified in

1 the last enacted appropriation Act applicable to  
2 that award year, by—

3 “(i) \$490 for each of the award years  
4 2008–2009 and 2009–2010;

5 “(ii) \$690 for each of the award years  
6 2010–2011 and 2011–2012; and

7 “(iii) \$1,090 for award year 2012–  
8 2013.

9 “(C) ELIGIBILITY.—The Secretary shall  
10 only award an increased amount of a Federal  
11 Pell Grant under this section for any award  
12 year pursuant to the provisions of this para-  
13 graph to students who qualify for a Federal  
14 Pell Grant award under the maximum grant  
15 award enacted in the annual appropriation Act  
16 for such award year without regard to the pro-  
17 visions of this paragraph.

18 “(D) FORMULA OTHERWISE UNAF-  
19 FECTED.—Except as provided in subparagraphs  
20 (B) and (C), nothing in this paragraph shall be  
21 construed to alter the requirements of this sec-  
22 tion, or authorize the imposition of additional  
23 requirements, for the determination and alloca-  
24 tion of Federal Pell Grants under this section.

1           “(E) RATABLE INCREASES AND DE-  
2           CREASES.—The amounts specified in subpara-  
3           graph (B) shall be ratably increased or de-  
4           creased to the extent that funds available under  
5           subparagraph (A) exceed or are less than (re-  
6           spectively) the amount required to provide the  
7           amounts specified in subparagraph (B).

8           “(F) USE OF FISCAL YEAR FUNDS FOR  
9           AWARD YEARS.—The amounts made available  
10          by subparagraph (A) for any fiscal year shall be  
11          available and remain available for use under  
12          subparagraph (B) for the award year that be-  
13          gins in such fiscal year.”.

14 **SEC. 103. UPWARD BOUND.**

15          Section 402C is further amended by adding at the  
16          end the following new subsection:

17          “(f) ADDITIONAL FUNDS.—

18                 “(1) AUTHORIZATION AND APPROPRIATION.—

19                 There are authorized to be appropriated, and there  
20                 are appropriated to the Secretary, from funds not  
21                 otherwise appropriated, \$57,000,000 for each of the  
22                 fiscal years 2008 through 2011 to carry out para-  
23                 graph (2), except that any amounts that remain un-  
24                 expended for such purpose for each of such fiscal  
25                 years may be available for technical assistance and

1 administration costs for the Upward Bound pro-  
2 gram. The authority to award grants under this sub-  
3 section shall expire at the end of fiscal year 2011.

4 “(2) USE OF FUNDS.—The amounts made  
5 available by paragraph (1) shall be available to pro-  
6 vide assistance to all Upward Bound projects that  
7 did not receive assistance in fiscal year 2007 and  
8 that have a grant score above 70. Such assistance  
9 shall be made available in the form of 4-year  
10 grants.”.

11 **SEC. 104. TEACH GRANTS.**

12 Part A of title IV (20 U.S.C. 1070 et seq.) is amend-  
13 ed by adding at the end the following new subpart:

14 **“Subpart 9—TEACH Grants**

15 **“SEC. 420L. DEFINITIONS.**

16 “For the purposes of this subpart:

17 “(1) ELIGIBLE INSTITUTION.—The term ‘eligi-  
18 ble institution’ means an institution of higher edu-  
19 cation, as defined in section 102, that the Secretary  
20 determines—

21 “(A) provides high quality teacher prepara-  
22 tion and professional development services, in-  
23 cluding extensive clinical experience as a part of  
24 pre-service preparation;

25 “(B) is financially sound;



1           “(C) provides pedagogical course work, or  
2           assistance in the provision of such coursework,  
3           including the monitoring of student perform-  
4           ance, and formal instruction related to the the-  
5           ory and practices of teaching; and

6           “(D) provides supervision and support  
7           services to teachers, or assistance in the provi-  
8           sion of such services, including mentoring fo-  
9           cused on developing effective teaching skills and  
10          strategies.

11          “(2) POST-BACCALAUREATE.—The term ‘post-  
12          baccalaureate’ means a program of instruction for  
13          individuals who have completed a baccalaureate de-  
14          gree, that does not lead to a graduate degree, and  
15          that consists of courses required by a State in order  
16          for a teacher candidate to receive a professional cer-  
17          tification or licensing credential that is required for  
18          employment as a teacher in an elementary school or  
19          secondary school in that State, except that such  
20          term shall not include any program of instruction of-  
21          fered by an eligible institution that offers a bacca-  
22          laureate degree in education.

23          “(3) TEACHER CANDIDATE.—The term ‘teacher  
24          candidate’ means a student or teacher described in  
25          subparagraph (A) or (B) of section 420N(a)(2).

1 **“SEC. 420M. PROGRAM ESTABLISHED.**

2 “(a) PROGRAM AUTHORITY.—

3 “(1) PAYMENTS REQUIRED.—The Secretary  
4 shall pay to each eligible institution such sums as  
5 may be necessary to pay to each teacher candidate  
6 who files an application and agreement in accord-  
7 ance with section 420N, and who qualifies under  
8 paragraph (2) of section 420N(a), a TEACH Grant  
9 in the amount of \$4,000 for each academic year dur-  
10 ing which that teacher candidate is in attendance at  
11 the institution.

12 “(2) REFERENCES.—Grants made under para-  
13 graph (1) shall be known as ‘Teacher Education As-  
14 sistance for College and Higher Education Grants’  
15 or ‘TEACH Grants’.

16 “(b) PAYMENT METHODOLOGY.—

17 “(1) PREPAYMENT.—Not less than 85 percent  
18 of any funds provided to an eligible institution under  
19 subsection (a) shall be advanced to the eligible insti-  
20 tution prior to the start of each payment period and  
21 shall be based upon an amount requested by the in-  
22 stitution as needed to pay teacher candidates until  
23 such time as the Secretary determines and publishes  
24 in the Federal Register with an opportunity for com-  
25 ment, an alternative payment system that provides  
26 payments to institutions in an accurate and timely

1 manner, except that this sentence shall not be con-  
2 strued to limit the authority of the Secretary to  
3 place an institution on a reimbursement system of  
4 payment.

5 “(2) DIRECT PAYMENT.—Nothing in this sec-  
6 tion shall be interpreted to prohibit the Secretary  
7 from paying directly to teacher candidates, in ad-  
8 vance of the beginning of the academic term, an  
9 amount for which teacher candidates are eligible, in  
10 cases where the eligible institution elects not to par-  
11 ticipate in the disbursement system required by  
12 paragraph (1).

13 “(3) DISTRIBUTION OF GRANTS TO TEACHER  
14 CANDIDATES.—Payments under this subpart shall be  
15 made, in accordance with regulations promulgated  
16 by the Secretary for such purpose, in such manner  
17 as will best accomplish the purposes of this subpart.  
18 Any disbursement allowed to be made by crediting  
19 the teacher candidate’s account shall be limited to  
20 tuition and fees and, in the case of institutionally-  
21 owned housing, room and board. The teacher can-  
22 didate may elect to have the institution provide other  
23 such goods and services by crediting the teacher can-  
24 didate’s account.

25 “(c) REDUCTIONS IN AMOUNT.—

1           “(1) PART-TIME STUDENTS.—In any case  
2           where a teacher candidate attends an eligible institu-  
3           tion on less than a full-time basis (including a teach-  
4           er candidate who attends an eligible institution on  
5           less than a half-time basis) during any academic  
6           year, the amount of a grant under this subpart for  
7           which that teacher candidate is eligible shall be re-  
8           duced in proportion to the degree to which that  
9           teacher candidate is not attending on a full-time  
10          basis, in accordance with a schedule of reductions  
11          established by the Secretary for the purposes of this  
12          subpart, computed in accordance with this subpart.  
13          Such schedule of reductions shall be established by  
14          regulation and published in the Federal Register in  
15          accordance with section 482 of this Act.

16          “(2) NO EXCEEDING COST.—The amount of a  
17          grant awarded under this subpart, in combination  
18          with Federal assistance and other student assist-  
19          ance, shall not exceed the cost of attendance (as de-  
20          fined in section 472) at the eligible institution at  
21          which that teacher candidate is in attendance. If,  
22          with respect to any teacher candidate for any aca-  
23          demic year, it is determined that the amount of a  
24          TEACH Grant exceeds the cost of attendance for  
25          that year, the amount of the TEACH Grant shall be

1 reduced until such grant does not exceed the cost of  
2 attendance at the eligible institution.

3 “(d) PERIOD OF ELIGIBILITY FOR GRANTS.—

4 “(1) UNDERGRADUATE AND POST-BACCA-  
5 LAUREATE STUDENTS.—The period during which an  
6 undergraduate or post-baccalaureate student may re-  
7 ceive grants under this subpart shall be the period  
8 required for the completion of the first under-  
9 graduate baccalaureate or post-baccalaureate course  
10 of study being pursued by the teacher candidate at  
11 the eligible institution at which the teacher can-  
12 didate is in attendance, except that—

13 “(A) any period during which the teacher  
14 candidate is enrolled in a noncredit or remedial  
15 course of study as described in paragraph (3)  
16 shall not be counted for the purpose of this  
17 paragraph; and

18 “(B) the total amount that a teacher can-  
19 didate may receive under this subpart for un-  
20 dergraduate or post-baccalaureate study shall  
21 not exceed \$16,000.

22 “(2) GRADUATE STUDENTS.—The period dur-  
23 ing which a graduate student may receive grants  
24 under this subpart shall be the period required for  
25 the completion of a master’s degree course of study

1       pursued by the teacher candidate at the eligible in-  
2       stitution at which the teacher candidate is in attend-  
3       ance, except that the total amount that a teacher  
4       candidate may receive under this subpart for grad-  
5       uate study shall not exceed \$8,000.

6           “(3) REMEDIAL COURSE; STUDY ABROAD.—  
7       Nothing in this section shall be construed to exclude  
8       from eligibility courses of study which are noncredit  
9       or remedial in nature (including courses in English  
10      language acquisition) which are determined by the  
11      eligible institution to be necessary to help the teach-  
12      er candidate be prepared for the pursuit of a first  
13      undergraduate baccalaureate or post-baccalaureate  
14      degree or certificate or, in the case of courses in  
15      English language instruction, to be necessary to en-  
16      able the teacher candidate to utilize already existing  
17      knowledge, training, or skills. Nothing in this section  
18      shall be construed to exclude from eligibility pro-  
19      grams of study abroad that are approved for credit  
20      by the home institution at which the teacher can-  
21      didate is enrolled.

22   **“SEC. 420N. APPLICATIONS; ELIGIBILITY.**

23           “(a) APPLICATIONS; DEMONSTRATION OF ELIGI-  
24   BILITY.—

1           “(1) FILING REQUIRED.—The Secretary shall  
2           periodically set dates by which teacher candidates  
3           shall file applications for grants under this subpart.  
4           Each teacher candidate desiring a grant under this  
5           subpart for any year shall file an application con-  
6           taining such information and assurances as the Sec-  
7           retary may determine necessary to enable the Sec-  
8           retary to carry out the functions and responsibilities  
9           of this subpart.

10           “(2) DEMONSTRATION OF TEACH GRANT ELIGI-  
11           BILITY.—Each application submitted under para-  
12           graph (1) shall contain such information as is nec-  
13           essary to demonstrate that—

14                   “(A) if the applicant is an enrolled stu-  
15                   dent—

16                           “(i) the student is an eligible student  
17                           for purposes of section 484;

18                           “(ii) the student—

19                                   “(I) has a grade point average  
20                                   that is determined, under standards  
21                                   prescribed by the Secretary, to be  
22                                   comparable to a 3.25 average on a  
23                                   zero to 4.0 scale, except that, if the  
24                                   student is in the first year of a pro-  
25                                   gram of undergraduate education,

1 such grade point average shall be de-  
2 termined on the basis of the student's  
3 cumulative secondary school grade  
4 point average; or

5 “(II) displayed high academic ap-  
6 titude by receiving a score above the  
7 75th percentile on at least one of the  
8 batteries in an undergraduate, post-  
9 baccalaureate, or graduate school ad-  
10 missions test; and

11 “(iii) the student is completing  
12 coursework and other requirements nec-  
13 essary to begin a career in teaching, or  
14 plans to complete such coursework and re-  
15 quirements prior to graduating; or

16 “(B) if the applicant is a current or pro-  
17 spective teacher applying for a grant to obtain  
18 a graduate degree—

19 “(i) the applicant is a teacher or a re-  
20 tiree from another occupation with exper-  
21 tise in a field in which there is a shortage  
22 of teachers, such as mathematics, science,  
23 special education, English language acqui-  
24 sition, or another high-need subject; or



1                   “(ii) the applicant is or was a teacher  
2                   who is using high-quality alternative cer-  
3                   tification routes, such as Teach for Amer-  
4                   ica, to get certified.

5           “(b) AGREEMENTS TO SERVE.—Each application  
6 under subsection (a) shall contain or be accompanied by  
7 an agreement by the applicant that—

8                   “(1) the applicant will—

9                   “(A) serve as a full-time teacher for a total  
10 of not less than 4 academic years within 8  
11 years after completing the course of study for  
12 which the applicant received a TEACH Grant  
13 under this subpart;

14                   “(B) teach in a school described in section  
15 465(a)(2)(A);

16                   “(C) teach in any of the following fields:

17                   “(i) mathematics;

18                   “(ii) science;

19                   “(iii) a foreign language;

20                   “(iv) bilingual education;

21                   “(v) special education;

22                   “(vi) as a reading specialist; or

23                   “(vii) another field documented as  
24 high-need by the Federal Government,

1 State government, or local educational  
2 agency, and approved by the Secretary;

3 “(D) submit evidence of such employment  
4 in the form of a certification by the chief ad-  
5 ministrative officer of the school upon comple-  
6 tion of each year of such service; and

7 “(E) comply with the requirements for  
8 being a highly qualified teacher as defined in  
9 section 9101 of the Elementary and Secondary  
10 Education Act of 1965; and

11 “(2) in the event that the applicant is deter-  
12 mined to have failed or refused to carry out such  
13 service obligation, the sum of the amounts of any  
14 TEACH Grants received by such applicant will be  
15 treated as a loan and collected from the applicant in  
16 accordance with subsection (c) and the regulations  
17 thereunder.

18 “(c) REPAYMENT FOR FAILURE TO COMPLETE SERV-  
19 ICE.—In the event that any recipient of a grant under this  
20 subpart fails or refuses to comply with the service obliga-  
21 tion in the agreement under subsection (b), the sum of  
22 the amounts of any TEACH Grants received by such re-  
23 cipient shall, upon a determination of such a failure or  
24 refusal in such service obligation, be treated as a Federal  
25 Direct Unsubsidized Stafford Loan under part D of title

1 IV, and shall be subject to repayment, together with inter-  
2 est thereon accruing from the date of the grant award,  
3 in accordance with terms and conditions specified by the  
4 Secretary in regulations under this subpart.

5 **“SEC. 4200. PROGRAM PERIOD AND FUNDING.**

6 “Beginning on July 1, 2008, there shall be available  
7 to the Secretary to carry out this subpart, from funds not  
8 otherwise appropriated, such sums as may be necessary  
9 to provide TEACH Grants in accordance with this subpart  
10 to each eligible applicant.”.

11 **TITLE II—STUDENT LOAN BENE-**  
12 **FITS, TERMS, AND CONDI-**  
13 **TIONS**

14 **SEC. 201. INTEREST RATE REDUCTIONS.**

15 (a) FFEL INTEREST RATES.—

16 (1) Section 427A(l) (20 U.S.C. 1077a(l)) is  
17 amended by adding at the end the following new  
18 paragraph:

19 “(4) REDUCED RATES FOR UNDERGRADUATE  
20 SUBSIDIZED LOANS.—Notwithstanding subsection  
21 (h) and paragraph (1) of this subsection, with re-  
22 spect to any loan to an undergraduate student made,  
23 insured, or guaranteed under this part (other than  
24 a loan made pursuant to section 428B, 428C, or  
25 428H) for which the first disbursement is made on

1 or after July 1, 2006, and before July 1, 2012, the  
2 applicable rate of interest shall be as follows:

3 “(A) For a loan for which the first dis-  
4 bursement is made on or after July 1, 2006,  
5 and before July 1, 2008, 6.8 percent on the un-  
6 paid principal balance of the loan.

7 “(B) For a loan for which the first dis-  
8 bursement is made on or after July 1, 2008,  
9 and before July 1, 2009, 6.0 percent on the un-  
10 paid principal balance of the loan.

11 “(C) For a loan for which the first dis-  
12 bursement is made on or after July 1, 2009,  
13 and before July 1, 2010, 5.6 percent on the un-  
14 paid principal balance of the loan.

15 “(D) For a loan for which the first dis-  
16 bursement is made on or after July 1, 2010,  
17 and before July 1, 2011, 4.5 percent on the un-  
18 paid principal balance of the loan.

19 “(E) For a loan for which the first dis-  
20 bursement is made on or after July 1, 2011,  
21 and before July 1, 2012, 3.4 percent on the un-  
22 paid principal balance of the loan.”.

23 (2) SPECIAL ALLOWANCE CROSS REFERENCE.—  
24 Section 438(b)(2)(I)(ii)(II) (20 U.S.C. 1087–  
25 1(b)(2)(I)(ii)(II)) is amended by striking “section

1       427A(l)(1)” and inserting “section 427A(l)(1) or  
2       (l)(4)”.

3       (b) DIRECT LOAN INTEREST RATES.—Section  
4 455(b)(7) (20 U.S.C. 1087e(b)(7)) is amended by adding  
5 at the end the following new subparagraph:

6               “(D) REDUCED RATES FOR UNDER-  
7 GRADUATE FDSL.—Notwithstanding the pre-  
8 ceeding paragraphs of this subsection and sub-  
9 paragraph (A) of this paragraph, for Federal  
10 Direct Stafford Loans made to undergraduate  
11 students for which the first disbursement is  
12 made on or after July 1, 2006, and before July  
13 1, 2012, the applicable rate of interest shall be  
14 as follows:

15               “(i) For a loan for which the first dis-  
16 bursement is made on or after July 1,  
17 2006, and before July 1, 2008, 6.8 percent  
18 on the unpaid principal balance of the  
19 loan.

20               “(ii) For a loan for which the first  
21 disbursement is made on or after July 1,  
22 2008, and before July 1, 2009, 6.0 percent  
23 on the unpaid principal balance of the  
24 loan.

1           “(iii) For a loan for which the first  
2           disbursement is made on or after July 1,  
3           2009, and before July 1, 2010, 5.6 percent  
4           on the unpaid principal balance of the  
5           loan.

6           “(iv) For a loan for which the first  
7           disbursement is made on or after July 1,  
8           2010, and before July 1, 2011, 4.5 percent  
9           on the unpaid principal balance of the  
10          loan.

11          “(v) For a loan for which the first  
12          disbursement is made on or after July 1,  
13          2011, and before July 1, 2012, 3.4 percent  
14          on the unpaid principal balance of the  
15          loan.”.

16 **SEC. 202. STUDENT LOAN DEFERMENT FOR CERTAIN MEM-**  
17 **BERS OF THE ARMED FORCES.**

18          (a) FEDERAL FAMILY EDUCATION LOANS.—Section  
19 428(b)(1)(M)(iii) (20 U.S.C. 1078(b)(1)(M)(iii)) is  
20 amended—

21           (1) in the matter preceding subclause (I), by  
22           striking “not in excess of 3 years”;

23           (2) in subclause (II), by striking “; or” and in-  
24           serting a comma; and

25           (3) by adding at the end the following:

1 “and for the 180-day period following the  
2 demobilization date for the service de-  
3 scribed in subclause (I) or (II); or”.

4 (b) DIRECT LOANS.—Section 455(f)(2)(C) (20  
5 U.S.C. 1087e(f)(2)(C)) is amended—

6 (1) in the matter preceding clause (i), by strik-  
7 ing “not in excess of 3 years”;

8 (2) in clause (ii), by striking “; or” and insert-  
9 ing a comma; and

10 (3) by adding at the end the following:

11 “and for the 180-day period following the de-  
12 mobilization date for the service described in  
13 clause (i) or (ii); or”.

14 (c) PERKINS LOANS.—Section 464(c)(2)(A)(iii) (20  
15 U.S.C. 1087dd(c)(2)(A)(iii)) is amended—

16 (1) in the matter preceding subclause (I), by  
17 striking “not in excess of 3 years”;

18 (2) in subclause (II), by striking the semicolon  
19 and inserting a comma; and

20 (3) by adding at the end the following:

21 “and for the 180-day period following the demobilization  
22 date for the service described in subclause (I) or (II);”.

23 (d) APPLICABILITY.—Section 8007(f) of the Higher  
24 Education Reconciliation Act of 2005 (20 U.S.C. 1078  
25 note) is amended by striking “loans for which” and all

1 that follows through the period at the end and inserting  
2 “all loans under title IV of the Higher Education Act of  
3 1965.”

4 **SEC. 203. INCOME-BASED REPAYMENT.**

5 (a) AMENDMENT.—Part G of title IV (20 U.S.C.  
6 1088 et seq.) is amended by adding at the end the fol-  
7 lowing:

8 **“SEC. 493C. INCOME-BASED REPAYMENT.**

9 “(a) DEFINITIONS.—In this section:

10 “(1) EXCEPTED PLUS LOAN.—The term ‘ex-  
11 cepted PLUS loan’ means a loan under section  
12 428B, or a Federal Direct PLUS Loan, that is  
13 made, insured, or guaranteed on behalf of a depend-  
14 ent student.

15 “(2) EXCEPTED CONSOLIDATION LOAN.—The  
16 term ‘excepted consolidation loan’ means a consoli-  
17 dation loan under section 428C, or a Federal Direct  
18 Consolidation Loan, if the proceeds of such loan  
19 were used to the discharge the liability on an ex-  
20 cepted PLUS loan.

21 “(3) PARTIAL FINANCIAL HARDSHIP.—The  
22 term ‘partial financial hardship’, when used with re-  
23 spect to a borrower, means that for such borrower—

24 “(A) the annual amount due on the total  
25 amount of loans made, insured, or guaranteed



1 under part B or D (other than an excepted  
2 PLUS loan or excepted consolidation loan) to a  
3 borrower as calculated under the standard re-  
4 payment plan under section 428(b)(9)(A)(i) or  
5 455(d)(1)(A), based on a 10-year repayment  
6 period; exceeds

7 “(B) 15 percent of the result obtained by  
8 calculating, on at least an annual basis, the  
9 amount by which—

10 “(i) the borrower’s, and the bor-  
11 rower’s spouse’s (if applicable), adjusted  
12 gross income; exceeds

13 “(ii) 150 percent of the poverty line  
14 applicable to the borrower’s family size as  
15 determined under section 673(2) of the  
16 Community Services Block Grant Act (42  
17 U.S.C. 9902(2)).

18 “(b) INCOME-BASED REPAYMENT PROGRAM AU-  
19 THORIZED.—Notwithstanding any other provision of this  
20 Act, the Secretary shall carry out a program under  
21 which—

22 “(1) a borrower of any loan made, insured, or  
23 guaranteed under part B or D (other than an ex-  
24 cepted PLUS loan or excepted consolidation loan)  
25 who has a partial financial hardship (whether or not

1 the borrower's loan has been submitted to a guar-  
2 anty agency for default aversion or is already in de-  
3 fault) may elect, during any period the borrower has  
4 the partial financial hardship, to have the borrower's  
5 aggregate monthly payment for all such loans not  
6 exceed the result described in subsection (a)(3)(B)  
7 divided by 12;

8 “(2) the holder of such a loan shall apply the  
9 borrower's monthly payment under this subsection  
10 first toward interest due on the loan, next toward  
11 any fees due on the loan, and then toward the prin-  
12 cipal of the loan;

13 “(3) any interest due and not paid under para-  
14 graph (2)—

15 “(A) shall, on subsidized loans, be paid by  
16 the Secretary for a period of not more than 3  
17 years after the date of the borrower's election  
18 under paragraph (1), except that such period  
19 shall not include any period during which the  
20 borrower is in deferment due to an economic  
21 hardship described in section 435(o); and

22 “(B) be capitalized—

23 “(i) in the case of a subsidized loan,  
24 subject to subparagraph (A), at the time  
25 the borrower—

1                   “(I) ends the election to make in-  
2                   come-based repayment under this sub-  
3                   section; or

4                   “(II) begins making payments of  
5                   not less than the amount specified in  
6                   paragraph (6)(A); or

7                   “(ii) in the case of an unsubsidized  
8                   loan, at the time the borrower—

9                   “(I) ends the election to make in-  
10                  come-based repayment under this sub-  
11                  section; or

12                  “(II) begins making payments of  
13                  not less than the amount specified in  
14                  paragraph (6)(A);

15                  “(4) any principal due and not paid under  
16                  paragraph (2) shall be deferred;

17                  “(5) the amount of time the borrower makes  
18                  monthly payments under paragraph (1) may exceed  
19                  10 years;

20                  “(6) if the borrower no longer has a partial fi-  
21                  nancial hardship or no longer wishes to continue the  
22                  election under this subsection, then—

23                  “(A) the maximum monthly payment re-  
24                  quired to be paid for all loans made to the bor-  
25                  rower under part B or D (other than an ex-

1           cepted PLUS loan or excepted consolidation  
2           loan) shall not exceed the monthly amount cal-  
3           culated under section 428(b)(9)(A)(i) or  
4           455(d)(1)(A), based on a 10-year repayment  
5           period, when the borrower first made the elec-  
6           tion described in this subsection; and

7           “(B) the amount of time the borrower is  
8           permitted to repay such loans may exceed 10  
9           years;

10          “(7) the Secretary shall repay or cancel any  
11          outstanding balance of principal and interest due on  
12          all loans made under part B or D (other than a loan  
13          under section 428B or a Federal Direct PLUS  
14          Loan) to a borrower who—

15                 “(A) at any time, elected to participate in  
16                 income-based repayment under paragraph (1);  
17                 and

18                 “(B) for a period of time prescribed by the  
19                 Secretary, not to exceed 25 years, meets 1 or  
20                 more of the following requirements:

21                         “(i) has made reduced monthly pay-  
22                         ments under paragraph (1) or paragraph  
23                         (6);

24                         “(ii) has made monthly payments of  
25                         not less than the monthly amount cal-

1                   culated under section 428(b)(9)(A)(i) or  
2                   455(d)(1)(A), based on a 10-year repay-  
3                   ment period, when the borrower first made  
4                   the election described in this subsection;

5                   “ (iii) has made payments of not less  
6                   than the payments required under a stand-  
7                   ard repayment plan under section  
8                   428(b)(9)(A)(i) or 455(d)(1)(A) with a re-  
9                   payment period of 10 years;

10                  “ (iv) has made payments under an in-  
11                  come-contingent repayment plan under sec-  
12                  tion 455(d)(1)(D);

13                  “ (v) has been in deferment due to an  
14                  economic hardship described in section  
15                  435(o);

16                  “ (8) a borrower who is repaying a loan made  
17                  under part B or D pursuant to income-based repay-  
18                  ment may elect, at any time, to terminate repayment  
19                  pursuant to income-based repayment and repay such  
20                  loan under the standard repayment plan; and

21                  “ (9) the special allowance payment to a lender  
22                  calculated under section 438(b)(2)(I), when cal-  
23                  culated for a loan in repayment under this section,  
24                  shall be calculated on the principal balance of the

1 loan and on any accrued interest unpaid by the bor-  
2 rower in accordance with this section.

3 “(c) ELIGIBILITY DETERMINATIONS.—The Secretary  
4 shall establish procedures for annually determining the  
5 borrower’s eligibility for income-based repayment, includ-  
6 ing verification of a borrower’s annual income and the an-  
7 nual amount due on the total amount of loans made, in-  
8 sured, or guaranteed under part B or D (other than an  
9 excepted PLUS loan or excepted consolidation loan), and  
10 such other procedures as are necessary to effectively im-  
11 plement income-based repayment under this section. The  
12 Secretary shall consider, but is not limited to, the proce-  
13 dures established in accordance with section 455(e)(1) or  
14 in connection with income sensitive repayment schedules  
15 under section 428(b)(9)(A)(iii) or 428C(b)(1)(E).”.

16 (b) CONFORMING AMENDMENTS.—

17 (1) Section 428C (20 U.S.C. 1078-3) is amend-  
18 ed—

19 (A) in subsection (a)(3)(B)(i), by amend-  
20 ing subclause (V) to read as follows:

21 “(V) an individual may obtain a  
22 subsequent consolidation loan under  
23 section 455(g) only—

24 “(aa) for the purposes of ob-  
25 taining an income contingent re-

1 payment plan, and only if the  
2 loan has been submitted to the  
3 guaranty agency for default aver-  
4 sion; or

5 “(bb) for the purposes of  
6 using the public service loan for-  
7 giveness program under section  
8 455(m).”;

9 (B) in the first sentence of subsection  
10 (b)(5), by inserting “or chooses to obtain a con-  
11 solidation loan for the purposes of using the  
12 public service loan forgiveness program offered  
13 under section 455(m),” after “from such a  
14 lender,”; and

15 (C) in the second sentence of such sub-  
16 section, by inserting before the period the fol-  
17 lowing: “, except that if a borrower intends to  
18 be eligible to use the public service loan forgive-  
19 ness program under section 455(m), such loan  
20 shall be repaid using one of the repayment op-  
21 tions described in section 455(m)(1)(A)”.

22 (2) Section 428C (20 U.S.C. 1078-3) (as  
23 amended by paragraph (1) of this subsection) is  
24 amended—

25 (A) in subsection (a)(3)(B)(i)(V)(aa)—

1 (i) by striking “an income contingent  
2 repayment plan,” and inserting “income  
3 contingent repayment or income-based re-  
4 payment,”; and

5 (ii) by inserting “or if the loan is al-  
6 ready in default” before the semicolon;

7 (B) in the first sentence of subsection  
8 (b)(5), by inserting “or income-based repay-  
9 ment terms” after “income-sensitive repayment  
10 terms”; and

11 (C) in the second sentence of such sub-  
12 section, by inserting “, pursuant to income-  
13 based repayment under section 493C,” after  
14 “part D of this title”.

15 (3) Section 455(d)(1)(D) (20 U.S.C.  
16 1087e(d)(1)(D)) is amended by inserting “made on  
17 behalf of a dependent student” after “PLUS loan”.

18 (c) EFFECTIVE DATE.—

19 (1) IN GENERAL.—Except as provided in para-  
20 graph (2), the amendments made by this section  
21 shall be effective on July 1, 2009.

22 (2) EXCEPTION.—The amendments made by  
23 subsection (b)(1) shall be effective on July 1, 2008.



1 **SEC. 204. DEFERRAL OF LOAN REPAYMENT FOLLOWING AC-**  
2 **TIVE DUTY.**

3 Part G of title IV is further amended by adding after  
4 section 493C (as added by section 203 of this Act) the  
5 following new section:

6 **“SEC. 493D. DEFERRAL OF LOAN REPAYMENT FOLLOWING**  
7 **ACTIVE DUTY.**

8 “(a) DEFERRAL OF LOAN REPAYMENT FOLLOWING  
9 ACTIVE DUTY.—In addition to any deferral of repayment  
10 of a loan made under this title pursuant to section  
11 428(b)(1)(M)(iii), 455(f)(2)(C), or 464(c)(2)(A)(iii), a  
12 borrower of a loan under this title who is a member of  
13 the National Guard or other reserve component of the  
14 Armed Forces of the United States, or a member of such  
15 Armed Forces in a retired status, is called or ordered to  
16 active duty, and is enrolled, or was enrolled within six  
17 months prior to the activation, in a program of instruction  
18 at an eligible institution, shall be eligible for a deferment  
19 during the 13 months following the conclusion of such  
20 service, except that a deferment under this subsection  
21 shall expire upon the borrower’s return to enrolled student  
22 status.

23 “(b) ACTIVE DUTY.—Notwithstanding section  
24 481(d), in this section, the term ‘active duty’ has the  
25 meaning given such term in section 101(d)(1) of title 10,  
26 United States Code, except that such term—

1           “(1) does not include active duty for training or  
2 attendance at a service school; but

3           “(2) includes, in the case of members of the  
4 National Guard, active State duty.”.

5 **SEC. 205. MAXIMUM REPAYMENT PERIOD.**

6           Section 455(e) (20 U.S.C. 1087e(e)) is amended by  
7 adding at the end the following:

8           “(7) MAXIMUM REPAYMENT PERIOD.—In calcu-  
9 lating the extended period of time for which an in-  
10 come contingent repayment plan under this sub-  
11 section may be in effect for a borrower, the Sec-  
12 retary shall include all time periods during which a  
13 borrower of loans under part B, part D, or part E—

14           “(A) is not in default on any loan that is  
15 included in the income contingent repayment  
16 plan; and

17           “(B)(i) is in deferment due to an economic  
18 hardship described in section 435(o);

19           “(ii) makes monthly payments under para-  
20 graph (1) or (6) of section 493C(b);

21           “(iii) makes monthly payments of not less  
22 than the monthly amount calculated under sec-  
23 tion 428(b)(9)(A)(i) or subsection (d)(1)(A),  
24 based on a 10-year repayment period, when the

1 borrower first made the election described in  
2 section 493C(b)(1);

3 “(iv) makes payments of not less than the  
4 payments required under a standard repayment  
5 plan under section 428(b)(9)(A)(i) or sub-  
6 section (d)(1)(A) with a repayment period of 10  
7 years; or

8 “(v) makes payments under an income  
9 contingent repayment plan under subsection  
10 (d)(1)(D).”.

11 **TITLE III—FEDERAL FAMILY**  
12 **EDUCATION LOAN PROGRAM**

13 **SEC. 301. GUARANTY AGENCY COLLECTION RETENTION.**

14 Clause (ii) of section 428(c)(6)(A) (20 U.S.C.  
15 1078(c)(6)(A)(ii)) is amended to read as follows:

16 “(ii) an amount equal to 24 percent of  
17 such payments for use in accordance with  
18 section 422B, except that—

19 “(I) beginning October 1, 2003  
20 and ending September 30, 2007, this  
21 clause shall be applied by substituting  
22 ‘23 percent’ for ‘24 percent’; and

23 “(II) beginning October 1, 2007,  
24 this clause shall be applied by sub-

1                   stituting ‘16 percent’ for ‘24 per-  
2                   cent’.”.

3 **SEC. 302. ELIMINATION OF EXCEPTIONAL PERFORMER**  
4 **STATUS FOR LENDERS.**

5       (a) **ELIMINATION OF STATUS.**—Part B of title IV (20  
6 U.S.C. 1071 et seq.) is amended by striking section 428I  
7 (20 U.S.C. 1078–9).

8       (b) **CONFORMING AMENDMENTS.**—Part B of title IV  
9 is further amended—

10           (1) in section 428(c)(1) (20 U.S.C.  
11 1078(e)(1))—

12                   (A) by striking subparagraph (D); and

13                   (B) by redesignating subparagraphs (E)  
14 through (H) as subparagraphs (D) through  
15 (G), respectively; and

16           (2) in section 438(b)(5) (20 U.S.C. 1087–  
17 1(b)(5)), by striking the matter following subpara-  
18 graph (B).

19       (c) **EFFECTIVE DATE.**—The amendments made by  
20 subsections (a) and (b) shall be effective on October 1,  
21 2007, except that section 428I of the Higher Education  
22 Act of 1965 (as in effect on the day before the date of  
23 enactment of this Act) shall apply to eligible lenders that  
24 received a designation under subsection (a) of such section

1 prior to October 1, 2007, for the remainder of the year  
2 for which the designation was made.

3 **SEC. 303. REDUCTION OF LENDER INSURANCE PERCENT-**  
4 **AGE.**

5 (a) AMENDMENT.—Subparagraph (G) of section  
6 428(b)(1) (20 U.S.C. 1078(b)(1)(G)) is amended to read  
7 as follows:

8 “(G) insures 95 percent of the unpaid  
9 principal of loans insured under the program,  
10 except that—

11 “(i) such program shall insure 100  
12 percent of the unpaid principal of loans  
13 made with funds advanced pursuant to sec-  
14 tion 428(j) or 439(q); and

15 “(ii) notwithstanding the preceding  
16 provisions of this subparagraph, such pro-  
17 gram shall insure 100 percent of the un-  
18 paid principal amount of exempt claims as  
19 defined in subsection (c)(1)(G);”.

20 (b) EFFECTIVE DATE.—The amendment made by  
21 subsection (a) shall be effective on October 1, 2012, and  
22 shall apply with respect to loans made on or after such  
23 date.

24 **SEC. 304. DEFINITIONS.**

25 Section 435 (20 U.S.C. 1085) is amended—

1 (1) in subsection (o)(1)—

2 (A) in subparagraph (A)(ii)—

3 (i) by striking “100 percent of the  
4 poverty line for a family of 2” and insert-  
5 ing “150 percent of the poverty line appli-  
6 cable to the borrower’s family size”; and

7 (ii) by inserting “or” after the semi-  
8 colon;

9 (B) by striking subparagraph (B); and

10 (C) by redesignating subparagraph (C) as  
11 subparagraph (B);

12 (2) in subsection (o)(2), by striking “(1)(C)”  
13 and inserting “(1)(B)”; and

14 (3) by adding at the end the following:

15 “(p) ELIGIBLE NOT-FOR-PROFIT HOLDER.—

16 “(1) DEFINITION.—Subject to the limitations  
17 in paragraph (2) and the prohibition in paragraph  
18 (3), the term ‘eligible not-for-profit holder’ means an  
19 eligible lender under subsection (d) (except for an el-  
20 ible lender described in subsection (d)(1)(E)) that  
21 requests a special allowance payment under section  
22 438(b)(2)(I)(vi)(II) or a payment under section 771  
23 and that is—

24 “(A) a State, or a political subdivision, au-  
25 thority, agency, or other instrumentality there-

1 of, including such entities that are eligible to  
2 issue bonds described in section 1.103-1 of title  
3 26, Code of Federal Regulations, or section  
4 144(b) of the Internal Revenue Code of 1986;

5 “(B) an entity described in section  
6 150(d)(2) of such Code that has not made the  
7 election described in section 150(d)(3) of such  
8 Code;

9 “(C) an entity described in section  
10 501(c)(3) of such Code; or

11 “(D) a trustee acting as an eligible lender  
12 on behalf of a State, political subdivision, au-  
13 thority, agency, instrumentality, or other entity  
14 described in subparagraph (A), (B), or (C).

15 “(2) LIMITATIONS.—

16 “(A) EXISTING ON DATE OF ENACT-  
17 MENT.—

18 “(i) IN GENERAL.—An eligible lender  
19 shall not be an eligible not-for-profit holder  
20 under this Act unless such lender—

21 “(I) was a State, political sub-  
22 division, authority, agency, instrumen-  
23 tality, or other entity described in  
24 paragraph (1)(A), (B), or (C) that  
25 was, on the date of the enactment of

1 the College Cost Reduction and Ac-  
2 cess Act, acting as an eligible lender  
3 under subsection (d) (other than an  
4 eligible lender described in subsection  
5 (d)(1)(E)); or

6 “(II) is a trustee acting as an eli-  
7 gible lender under this Act on behalf  
8 of such a State, political subdivision,  
9 authority, agency, instrumentality, or  
10 other entity described in subclause (I)  
11 of this clause.

12 “(ii) EXCEPTION.—Notwithstanding  
13 clause (i), a State may elect, in accordance  
14 with regulations of the Secretary, to waive  
15 the requirements this subparagraph for a  
16 new not-for-profit holder determined by the  
17 State to be necessary to carry out a public  
18 purpose of such State, except that a State  
19 may not make such election with respect  
20 the requirements of clause (i)(II).

21 “(B) NO FOR-PROFIT OWNERSHIP OR CON-  
22 TROL.—No political subdivision, authority,  
23 agency, instrumentality, or other entity de-  
24 scribed in paragraph (1)(A), (B), or (C) shall  
25 be an eligible not-for-profit holder under this



1 Act if such entity is owned or controlled, in  
2 whole or in part, by a for-profit entity.

3 “(C) SOLE OWNERSHIP OF LOANS AND IN-  
4 COME.—No State, political subdivision, author-  
5 ity, agency, instrumentality, or other entity de-  
6 scribed in paragraph (1)(A), (B), or (C) shall  
7 be an eligible not-for-profit holder under this  
8 Act with respect to any loan, or income from  
9 any loan, unless the State, political subdivision,  
10 authority, agency, instrumentality, or other en-  
11 tity described in paragraph (1)(A), (B), or (C)  
12 is the sole owner of the beneficial interest in  
13 such loan and the income from such loan.

14 “(D) TRUSTEE COMPENSATION LIMITA-  
15 TIONS.—A trustee described in paragraph  
16 (1)(D) shall not receive compensation as consid-  
17 eration for acting as an eligible lender on behalf  
18 of an entity described in described in paragraph  
19 (1)(A), (B), or (C) in excess of reasonable and  
20 customary fees.

21 “(E) RULE OF CONSTRUCTION.—For pur-  
22 poses of subparagraphs (B), (C), and (D) of  
23 this paragraph, a State, political subdivision,  
24 authority, agency, instrumentality, or other en-

1           tity described in paragraph (1)(A), (B), or (C)  
2           shall not—

3                   “(i) be deemed to be owned or con-  
4                   trolled, in whole or in part, by a for-profit  
5                   entity, or

6                   “(ii) lose its status as the sole owner  
7                   of a beneficial interest in a loan and the  
8                   income from a loan by that political sub-  
9                   division, authority, agency, instrumentality,  
10                  or other entity,

11                 by granting a security interest in, or otherwise  
12                 pledging as collateral, such loan, or the income  
13                 from such loan, to secure a debt obligation in  
14                 the operation of an arrangement described in  
15                 paragraph (1)(D).

16                 “(3) PROHIBITION.—In the case of a loan for  
17                 which the special allowance payment is calculated  
18                 under section 438(b)(2)(I)(vi)(II) and that is sold by  
19                 the eligible not-for-profit holder holding the loan to  
20                 an entity that is not an eligible not-for-profit holder  
21                 under this Act, the special allowance payment for  
22                 such loan shall, beginning on the date of the sale,  
23                 no longer be calculated under section  
24                 438(b)(2)(I)(vi)(II) and shall be calculated under  
25                 section 438(b)(2)(I)(vi)(I) instead.

1           “(4) REGULATIONS.—Not later than 1 year  
2 after the date of enactment of the College Cost Re-  
3 duction and Access Act, the Secretary shall promul-  
4 gate regulations in accordance with the provisions of  
5 this subsection.”.

6 **SEC. 305. SPECIAL ALLOWANCES.**

7           (a) REDUCTION OF LENDER SPECIAL ALLOWANCE  
8 PAYMENTS.—Section 438(b)(2)(I) (20 U.S.C. 1087–  
9 1(b)(2)(I)) is amended—

10           (1) in clause (i), by striking “clauses (ii), (iii),  
11 and (iv)” and inserting “the following clauses”;

12           (2) in clause (v)(III), by striking “clauses (ii),  
13 (iii), and (iv)” and inserting “clauses (ii), (iii), (iv),  
14 and (vi)”;

15           (3) by adding at the end the following:

16                   “(vi) REDUCTION FOR LOANS DIS-  
17 BURSED ON OR AFTER OCTOBER 1, 2007.—  
18 With respect to a loan on which the appli-  
19 cable interest rate is determined under sec-  
20 tion 427A(l) and for which the first dis-  
21 bursement of principal is made on or after  
22 October 1, 2007, the special allowance pay-  
23 ment computed pursuant to this subpara-  
24 graph shall be computed—

1 “(I) for loans held by an eligible  
2 lender not described in subclause  
3 (II)—

4 “(aa) by substituting ‘1.79  
5 percent’ for ‘2.34 percent’ each  
6 place the term appears in this  
7 subparagraph;

8 “(bb) by substituting ‘1.19  
9 percent’ for ‘1.74 percent’ in  
10 clause (ii);

11 “(cc) by substituting ‘1.79  
12 percent’ for ‘2.64 percent’ in  
13 clause (iii); and

14 “(dd) by substituting ‘2.09  
15 percent’ for ‘2.64 percent’ in  
16 clause (iv); and

17 “(II) for loans held by an eligible  
18 not-for-profit holder—

19 “(aa) by substituting ‘1.94  
20 percent’ for ‘2.34 percent’ each  
21 place the term appears in this  
22 subparagraph;

23 “(bb) by substituting ‘1.34  
24 percent’ for ‘1.74 percent’ in  
25 clause (ii);

1                   “(cc) by substituting ‘1.94  
2                   percent’ for ‘2.64 percent’ in  
3                   clause (iii); and

4                   “(dd) by substituting ‘2.24  
5                   percent’ for ‘2.64 percent’ in  
6                   clause (iv).”.

7           (b) INCREASED LOAN FEES FROM LENDERS.—Para-  
8 graph (2) of section 438(d) (20 U.S.C. 1087–1(d)(2)) is  
9 amended to read as follows:

10                   “(2) AMOUNT OF LOAN FEES.—The amount of  
11                   the loan fee which shall be deducted under para-  
12                   graph (1), but which may not be collected from the  
13                   borrower, shall be equal to—

14                   “(A) except as provided in subparagraph  
15                   (B), 0.50 percent of the principal amount of the  
16                   loan with respect to any loan under this part  
17                   for which the first disbursement was made on  
18                   or after October 1, 1993; and

19                   “(B) 1.0 percent of the principal amount  
20                   of the loan with respect to any loan under this  
21                   part for which the first disbursement was made  
22                   on or after October 1, 2007.”.

23 **SEC. 306. ACCOUNT MAINTENANCE FEES.**

24           Section 458(b) (20 U.S.C. 1087h(b)) is amended by  
25 striking “0.10 percent” and inserting “0.06 percent”.

1     **TITLE IV—LOAN FORGIVENESS**

2     **SEC. 401. LOAN FORGIVENESS FOR PUBLIC SERVICE EM-**  
3                   **PLOYEES.**

4           Section 455 (20 U.S.C. 1087e) is further amended  
5 by adding at the end the following:

6           “(m) REPAYMENT PLAN FOR PUBLIC SERVICE EM-  
7 PLOYEES.—

8           “(1) IN GENERAL.—The Secretary shall cancel  
9 the balance of interest and principal due, in accord-  
10 ance with paragraph (2), on any eligible Federal Di-  
11 rect Loan not in default for a borrower who—

12                   “(A) has made 120 monthly payments on  
13 the eligible Federal Direct Loan after October  
14 1, 2007, pursuant to any one or a combination  
15 of the following:

16                           “(i) payments under an income-based  
17 repayment plan under section 493C;

18                           “(ii) payments under a standard re-  
19 payment plan under subsection (d)(1)(A),  
20 based on a 10-year repayment period;

21                           “(iii) monthly payments under a re-  
22 payment plan under subsection (d)(1) or  
23 (g) of not less than the monthly amount  
24 calculated under subsection (d)(1)(A),  
25 based on a 10-year repayment period;

1                   “(iv) payments under an income con-  
2                   tingent repayment plan under subsection  
3                   (d)(1)(D); and

4                   “(B)(i) is employed in a public service job  
5                   at the time of such forgiveness; and

6                   “(ii) has been employed in a public service  
7                   job during the period in which the borrower  
8                   makes each of the 120 payments described in  
9                   subparagraph (A).

10                  “(2) LOAN CANCELLATION AMOUNT.—After the  
11                  conclusion of the employment period described in  
12                  paragraph (1), the Secretary shall cancel the obliga-  
13                  tion to repay the balance of principal and interest  
14                  due as of the time of such cancellation, on the eligi-  
15                  ble Federal Direct Loans made to the borrower  
16                  under this part.

17                  “(3) DEFINITIONS.—In this subsection:

18                         “(A) ELIGIBLE FEDERAL DIRECT LOAN.—  
19                         The term ‘eligible Federal Direct Loan’ means  
20                         a Federal Direct Stafford Loan, Federal Direct  
21                         PLUS Loan, or Federal Direct Unsubsidized  
22                         Stafford Loan, or a Federal Direct Consolida-  
23                         tion Loan.

24                         “(B) PUBLIC SERVICE JOB.—The term  
25                         ‘public service job’ means—

1           “(i) a full-time job in emergency man-  
2           agement, government, military service,  
3           public safety, law enforcement, public  
4           health, public education (including early  
5           childhood education), social work in a pub-  
6           lic child or family service agency, public in-  
7           terest law services (including prosecution  
8           or public defense or legal advocacy in low-  
9           income communities at a nonprofit organi-  
10          zation), public child care, public service for  
11          individuals with disabilities, public service  
12          for the elderly, public library sciences,  
13          school-based library sciences and other  
14          school-based services, or at an organization  
15          that is described in section 501(c)(3) of  
16          the Internal Revenue Code of 1986 and ex-  
17          empt from taxation under section 501(a)  
18          of such Code; or

19               “(ii) teaching as a full-time faculty  
20               member at a Tribal College or University  
21               as defined in section 316(b) and other fac-  
22               ulty teaching in high-needs areas, as deter-  
23               mined by the Secretary.”.



1       **TITLE V—FEDERAL PERKINS**  
2                                   **LOANS**

3   **SEC. 501. DISTRIBUTION OF LATE COLLECTIONS.**

4       Section 466(b) (20 U.S.C. 1087ff(b)) is amended by  
5 striking “March 31, 2012” and inserting “October 1,  
6 2012”.

7       **TITLE VI—NEED ANALYSIS**

8   **SEC. 601. SUPPORT FOR WORKING STUDENTS.**

9       (a) **DEPENDENT STUDENTS.**—Subparagraph (D) of  
10 section 475(g)(2) (20 U.S.C. 1087oo(g)(2)(D)) is amend-  
11 ed to read as follows:

12                           “(D) an income protection allowance of the  
13                           following amount (or a successor amount pre-  
14                           scribed by the Secretary under section 478):

15                           “(i) for academic year 2009–2010,  
16                           \$3,750;

17                           “(ii) for academic year 2010–2011,  
18                           \$4,500;

19                           “(iii) for academic year 2011–2012,  
20                           \$5,250; and

21                           “(iv) for academic year 2012–2013,  
22                           \$6,000;”.

23       (b) **INDEPENDENT STUDENTS WITHOUT DEPEND-**  
24 **ENTS OTHER THAN A SPOUSE.**—Clause (iv) of section

1 476(b)(1)(A) (20 U.S.C. 1087pp(b)(1)(A)) is amended to  
2 read as follows:

3 “(iv) an income protection allowance  
4 of the following amount (or a successor  
5 amount prescribed by the Secretary under  
6 section 478):

7 “(I) for single or separated stu-  
8 dents, or married students where both  
9 are enrolled pursuant to subsection  
10 (a)(2)—

11 “(aa) for academic year  
12 2009–2010, \$7,000;

13 “(bb) for academic year  
14 2010–2011, \$7,780;

15 “(cc) for academic year  
16 2011–2012, \$8,550; and

17 “(dd) for academic year  
18 2012–2013, \$9,330; and

19 “(II) for married students where  
20 1 is enrolled pursuant to subsection  
21 (a)(2)—

22 “(aa) for academic year  
23 2009–2010, \$11,220;

24 “(bb) for academic year  
25 2010–2011, \$12,460;

1                                   “(cc) for academic year  
2                                   2011–2012, \$13,710; and

3                                   “(dd) for academic year  
4                                   2012–2013, \$14,960;”.

5           (c) INDEPENDENT STUDENTS WITH DEPENDENTS  
6 OTHER THAN A SPOUSE.—Paragraph (4) of section  
7 477(b) (20 U.S.C. 1087qq(b)) is amended to read as fol-  
8 lows:

9                           “(4) INCOME PROTECTION ALLOWANCE.—The  
10 income protection allowance is determined by the ta-  
11 bles described in subparagraphs (A) through (D) (or  
12 a successor table prescribed by the Secretary under  
13 section 478).

14                           “(A) ACADEMIC YEAR 2009–2010.—For aca-  
15 demic year 2009–2010, the income protection  
16 allowance is determined by the following table:

“Income Protection Allowance

Family Size (including student)	Number in College					For each additional subtract:
	1	2	3	4	5	
2	\$17,720	\$14,690				
3	22,060	19,050	\$16,020			
4	27,250	24,220	21,210	\$18,170		
5	32,150	29,120	26,100	23,070	\$20,060	
6	37,600	34,570	31,570	28,520	25,520	\$3,020
For each additional add:	4,240	4,240	4,240	4,240	4,240	

17                           “(B) ACADEMIC YEAR 2010–2011.—For  
18 academic year 2010–2011, the income protec-

1           tion allowance is determined by the following  
 2           table:

“Income Protection Allowance

Family Size	Number in College					For each additional subtract:
(including student)	1	2	3	4	5	
2	\$19,690	\$16,330				
3	24,510	21,160	\$17,800			
4	30,280	26,910	23,560	\$20,190		
5	35,730	32,350	29,000	25,640	\$22,290	
6	41,780	38,410	35,080	31,690	28,350	\$3,350
For each additional add:	4,710	4,710	4,710	4,710	4,710	

3           “(C) ACADEMIC YEAR 2011–2012.—For aca-  
 4           demic year 2011–2012, the income protection  
 5           allowance is determined by the following table:

“Income Protection Allowance

Family Size	Number in College					For each additional subtract:
(including student)	1	2	3	4	5	
2	\$21,660	\$17,960				
3	26,960	23,280	\$19,580			
4	33,300	29,600	25,920	\$22,210		
5	39,300	35,590	31,900	28,200	\$24,520	
6	45,950	42,250	38,580	34,860	31,190	\$3,690
For each additional add:	5,180	5,180	5,180	5,180	5,180	

6           “(D) ACADEMIC YEAR 2012–2013.—For  
 7           academic year 2012–2013, the income protec-  
 8           tion allowance is determined by the following  
 9           table:

“Income Protection Allowance

Family Size	Number in College					For each additional subtract:
(including student)	1	2	3	4	5	
2	\$23,630	\$19,590				
3	29,420	25,400	\$21,360			
4	36,330	32,300	28,280	\$24,230		
5	42,870	38,820	34,800	30,770	\$26,750	
6	50,130	46,100	42,090	38,030	34,020	\$4,020
For each						

## “Income Protection Allowance—Continued

Family Size	Number in College					For each additional subtract:
(including student)	1	2	3	4	5	
additional add:	5,660	5,660	5,660	5,660	5,660	”.

1 (d) UPDATED TABLES AND AMOUNTS.—Section  
2 478(b) (20 U.S.C. 1087rr(b)) is amended—

3 (1) by striking paragraph (1) and inserting the  
4 following:

5 “(1) REVISED TABLES.—

6 “(A) IN GENERAL.—For each academic  
7 year after academic year 2008–2009, the Sec-  
8 retary shall publish in the Federal Register a  
9 revised table of income protection allowances  
10 for the purpose of sections 475(c)(4) and  
11 477(b)(4), subject to subparagraphs (B) and  
12 (C).

13 “(B) TABLE FOR INDEPENDENT STU-  
14 DENTS.—

15 “(i) ACADEMIC YEARS 2009–2010  
16 THROUGH 2012–2013.—For each of the aca-  
17 demic years 2009–2010 through 2012–  
18 2013, the Secretary shall not develop a re-  
19 vised table of income protection allowances  
20 under section 477(b)(4) and the table spec-  
21 ified for such academic year under sub-

1 paragraphs (A) through (D) of such sec-  
2 tion shall apply.

3 “(ii) OTHER ACADEMIC YEARS.—For  
4 each academic year after academic year  
5 2012–2013, the Secretary shall develop the  
6 revised table of income protection allow-  
7 ances by increasing each of the dollar  
8 amounts contained in the table of income  
9 protection allowances under section  
10 477(b)(4)(D) by a percentage equal to the  
11 estimated percentage increase in the Con-  
12 sumer Price Index (as determined by the  
13 Secretary) between December 2011 and  
14 the December next preceding the beginning  
15 of such academic year, and rounding the  
16 result to the nearest \$10.

17 “(C) TABLE FOR PARENTS.—For each  
18 academic year after academic year 2008–2009,  
19 the Secretary shall develop the revised table of  
20 income protection allowances under section  
21 475(c)(4) by increasing each of the dollar  
22 amounts contained in the table by a percentage  
23 equal to the estimated percentage increase in  
24 the Consumer Price Index (as determined by  
25 the Secretary) between December 1992 and the

1           December next preceding the beginning of such  
2           academic year, and rounding the result to the  
3           nearest \$10.”; and

4           (2) in paragraph (2), by striking “shall be de-  
5           veloped” and all that follows through the period at  
6           the end and inserting “shall be developed for each  
7           academic year after academic year 2012–2013, by  
8           increasing each of the dollar amounts contained in  
9           such section for academic year 2012–2013 by a per-  
10          centage equal to the estimated percentage increase  
11          in the Consumer Price Index (as determined by the  
12          Secretary) between December 2011 and the Decem-  
13          ber next preceding the beginning of such academic  
14          year, and rounding the result to the nearest \$10.”.

15          (e) EFFECTIVE DATE.—The amendments made by  
16 this section shall be effective on July 1, 2009.

17 **SEC. 602. SIMPLIFIED NEEDS TEST AND AUTOMATIC ZERO**  
18 **IMPROVEMENTS.**

19          (a) SIMPLIFIED NEEDS TEST.—Section 479 (20  
20 U.S.C. 1087ss) is amended—

21                  (1) in subsection (b)—

22                          (A) in paragraph (1)(A)(i)—

23                                  (i) in subclause (II), by striking “or”  
24                                  after the semicolon;

1 (ii) by redesignating subclause (III) as  
2 subclause (IV);

3 (iii) by inserting after subclause (II)  
4 the following:

5 “(III) 1 of whom is a dislocated  
6 worker; or”; and

7 (iv) in subclause (IV) (as redesignated  
8 by clause (ii)), by striking “12-month” and  
9 inserting “24-month”; and

10 (B) in paragraph (1)(B)(i)—

11 (i) in subclause (II), by striking “or”  
12 after the semicolon;

13 (ii) by redesignating subclause (III) as  
14 subclause (IV);

15 (iii) by inserting after subclause (II)  
16 the following:

17 “(III) 1 of whom is a dislocated  
18 worker; or”; and

19 (iv) in subclause (IV) (as redesignated  
20 by clause (ii)), by striking “12-month” and  
21 inserting “24-month”;

22 (2) in subsection (c)—

23 (A) in paragraph (1)—

24 (i) in subparagraph (A)—



1 (I) in clause (ii), by striking “or”  
2 after the semicolon;

3 (II) by redesignating clause (iii)  
4 as clause (iv);

5 (III) by inserting after clause (ii)  
6 the following:

7 “(iii) 1 of whom is a dislocated work-  
8 er; or”; and

9 (IV) in clause (iv) (as redesign-  
10 nated by subclause (II)), by striking  
11 “12-month” and inserting “24-  
12 month”; and

13 (ii) in subparagraph (B), by striking  
14 “\$20,000” and inserting “\$30,000”; and  
15 (B) in paragraph (2)—

16 (i) in subparagraph (A)—

17 (I) in clause (ii), by striking “or”  
18 after the semicolon;

19 (II) by redesignating clause (iii)  
20 as clause (iv);

21 (III) by inserting after clause (ii)  
22 the following:

23 “(iii) 1 of whom is a dislocated work-  
24 er; or”; and

1 (IV) in clause (iv) (as redesignig-  
2 nated by subclause (II)), by striking  
3 “12-month” and inserting “24-  
4 month”; and

5 (ii) in subparagraph (B), by striking  
6 “\$20,000” and inserting “\$30,000”; and

7 (C) in the flush matter following para-  
8 graph (2)(B), by adding at the end the fol-  
9 lowing: “The Secretary shall annually adjust  
10 the income level necessary to qualify an appli-  
11 cant for the zero expected family contribution.  
12 The income level shall be adjusted according to  
13 increases in the Consumer Price Index, as de-  
14 fined in section 478(f).”; and

15 (3) in subsection (d)—

16 (A) by redesignating paragraphs (1)  
17 through (6) as subparagraphs (A) through (F),  
18 respectively and moving the margins of such  
19 subparagraphs 2 ems to the right;

20 (B) by striking “(d) DEFINITION” and all  
21 that follows through “the term” and inserting  
22 the following:

23 “(d) DEFINITIONS.—In this section:

24 “(1) DISLOCATED WORKER.—The term ‘dis-  
25 located worker’ has the meaning given the term in

1 section 101 of the Workforce Investment Act of  
2 1998 (29 U.S.C. 2801).

3 “(2) MEANS-TESTED FEDERAL BENEFIT PRO-  
4 GRAM.—The term”.

5 (b) EFFECTIVE DATE.—The amendments made by  
6 this section shall be effective on July 1, 2009.

7 **SEC. 603. DISCRETION OF STUDENT FINANCIAL AID ADMIN-  
8 ISTRATORS.**

9 (a) AMENDMENTS.—The third sentence of section  
10 479A(a) (20 U.S.C. 1087tt(a)) is amended—

11 (1) by inserting “or an independent student”  
12 after “family member”;

13 (2) by inserting “a family member who is a dis-  
14 located worker (as defined in section 101 of the  
15 Workforce Investment Act of 1998),” before “the  
16 number of parents”; and

17 (3) by inserting “a change in housing status  
18 that results in an individual being homeless (as de-  
19 fined in section 103 of the McKinney-Vento Home-  
20 less Assistance Act),” after “under section 487,”.

21 (b) EFFECTIVE DATE.—The amendments made by  
22 this section shall take effect on July 1, 2009.

23 **SEC. 604. DEFINITIONS.**

24 (a) IN GENERAL.—Section 480 (20 U.S.C. 1087vv)  
25 is amended—

1 (1) in subsection (a)(2)—

2 (A) by striking “and no portion” and in-  
3 serting “no portion”; and

4 (B) by inserting “and no distribution from  
5 any qualified education benefit described in sub-  
6 section (f)(3) that is not subject to Federal in-  
7 come tax,” after “1986,”;

8 (2) by striking subsection (b) and inserting the  
9 following:

10 “(b) UNTAXED INCOME AND BENEFITS.—

11 “(1) The term ‘untaxed income and benefits’  
12 means—

13 “(A) child support received;

14 “(B) workman’s compensation;

15 “(C) veteran’s benefits such as death pen-  
16 sion, dependency, and indemnity compensation,  
17 but excluding veterans’ education benefits as  
18 defined in subsection (c);

19 “(D) interest on tax-free bonds;

20 “(E) housing, food, and other allowances  
21 (excluding rent subsidies for low-income hous-  
22 ing) for military, clergy, and others (including  
23 cash payments and cash value of benefits);

1           “(F) cash support or any money paid on  
2           the student’s behalf, except, for dependent stu-  
3           dents, funds provided by the student’s parents;

4           “(G) untaxed portion of pensions;

5           “(H) payments to individual retirement ac-  
6           counts and Keogh accounts excluded from in-  
7           come for Federal income tax purposes; and

8           “(I) any other untaxed income and bene-  
9           fits, such as Black Lung Benefits, Refugee As-  
10          sistance, or railroad retirement benefits, or ben-  
11          efits received through participation in employ-  
12          ment and training activities under title I of the  
13          Workforce Investment Act of 1998 (29 U.S.C.  
14          2801 et seq.).

15          “(2) The term ‘untaxed income and benefits’  
16          shall not include the amount of additional child tax  
17          credit claimed for Federal income tax purposes.”;

18          (3) in subsection (d)—

19                 (A) by redesignating paragraphs (1), (2),  
20                 (3) through (6), and (7) as subparagraphs (A),  
21                 (B), (D) through (G), and (I), respectively, and  
22                 indenting appropriately;

23                 (B) by striking “The term” and inserting  
24                 the following:

25                 “(1) DEFINITION.—The term”;

1 (C) by striking subparagraph (B) (as re-  
2 designated by subparagraph (A)) and inserting  
3 the following:

4 “(B) is an orphan, in foster care, or a  
5 ward of the court, at any time when the indi-  
6 vidual is 13 years of age or older;

7 “(C) is an emancipated minor or is in legal  
8 guardianship as determined by a court of com-  
9 petent jurisdiction in the individual’s State of  
10 legal residence;”;

11 (D) in subparagraph (G) (as redesignated  
12 by subparagraph (A)), by striking “or” after  
13 the semicolon;

14 (E) by inserting after subparagraph (G)  
15 (as redesignated by subparagraph (A)) the fol-  
16 lowing:

17 “(H) has been verified during the school  
18 year in which the application is submitted as ei-  
19 ther an unaccompanied youth who is a homeless  
20 child or youth (as such terms are defined in  
21 section 725 of the McKinney-Vento Homeless  
22 Assistance Act), or as unaccompanied, at risk  
23 of homelessness, and self-supporting, by—

24 “(i) a local educational agency home-  
25 less liaison, designated pursuant to section

1                   722(g)(1)(J)(ii) of the McKinney-Vento  
2 Homeless Assistance Act;

3                   “(ii) the director of a program funded  
4 under the Runaway and Homeless Youth  
5 Act or a designee of the director;

6                   “(iii) the director of a program fund-  
7 ed under subtitle B of title IV of the  
8 McKinney-Vento Homeless Assistance Act  
9 (relating to emergency shelter grants) or a  
10 designee of the director; or

11                   “(iv) a financial aid administrator;  
12 or”; and

13                   (F) by adding at the end the following:

14                   “(2) SIMPLIFYING THE DEPENDENCY OVER-  
15 RIDE PROCESS.—A financial aid administrator may  
16 make a determination of independence under para-  
17 graph (1)(I) based upon a documented determina-  
18 tion of independence that was previously made by  
19 another financial aid administrator under such para-  
20 graph in the same award year.”;

21                   (4) in subsection (e)—

22                   (A) in paragraph (3), by striking “and”  
23 after the semicolon;

24                   (B) in paragraph (4), by striking the pe-  
25 riod at the end and inserting “; and”; and

1 (C) by adding at the end the following:

2 “(5) special combat pay.”;

3 (5) in subsection (f), by striking paragraph (3)

4 and inserting the following:

5 “(3) A qualified education benefit shall be con-  
6 sidered an asset of—

7 “(A) the student if the student is an inde-  
8 pendent student; or

9 “(B) the parent if the student is a depend-  
10 ent student, regardless of whether the owner of  
11 the account is the student or the parent.”;

12 (6) in subsection (j)—

13 (A) in paragraph (2), by inserting “, or a  
14 distribution that is not includable in gross in-  
15 come under section 529 of such Code, under  
16 another prepaid tuition plan offered by a State,  
17 or under a Coverdell education savings account  
18 under section 530 of such Code,” after “1986”;  
19 and

20 (B) by adding at the end the following:

21 “(4) Notwithstanding paragraph (1), special  
22 combat pay shall not be treated as estimated finan-  
23 cial assistance for purposes of section 471(3).”; and

24 (7) by adding at the end the following:



1 “(n) SPECIAL COMBAT PAY.—The term ‘special com-  
2 bat pay’ means pay received by a member of the Armed  
3 Forces because of exposure to a hazardous situation.”.

4 (b) EFFECTIVE DATE.—The amendments made by  
5 this section shall be effective on July 1, 2009.

## 6 **TITLE VII—COMPETITIVE LOAN** 7 **AUCTION PILOT PROGRAM**

### 8 **SEC. 701. COMPETITIVE LOAN AUCTION PILOT PROGRAM.**

9 Title IV (20 U.S.C. 1070 et seq.) is further amended  
10 by adding at the end the following:

#### 11 **“PART I—COMPETITIVE LOAN AUCTION PILOT** 12 **PROGRAM**

##### 13 **“SEC. 499. COMPETITIVE LOAN AUCTION PILOT PROGRAM.**

14 “(a) DEFINITIONS.—In this section:

15 “(1) ELIGIBLE FEDERAL PLUS LOAN.—The  
16 term ‘eligible Federal PLUS Loan’ means a loan de-  
17 scribed in section 428B made to a parent of a de-  
18 pendent student who is a new borrower on or after  
19 July 1, 2009.

20 “(2) ELIGIBLE LENDER.—The term ‘eligible  
21 lender’ has the meaning given the term in section  
22 435.

23 “(b) PILOT PROGRAM.—The Secretary shall carry  
24 out a pilot program under which the Secretary establishes  
25 a mechanism for an auction of eligible Federal PLUS

1 Loans in accordance with this subsection. The pilot pro-  
2 gram shall meet the following requirements:

3           “(1) PLANNING AND IMPLEMENTATION.—Dur-  
4           ing the period beginning on the date of enactment  
5           of this section and ending on June 30, 2009, the  
6           Secretary shall plan and implement the pilot pro-  
7           gram under this subsection. During the planning  
8           and implementation, the Secretary shall consult with  
9           other Federal agencies with knowledge of, and expe-  
10          rience with, auction programs, including the Federal  
11          Communication Commission and the Department of  
12          the Treasury.

13           “(2) ORIGINATION AND DISBURSEMENT; APPLI-  
14          CABILITY OF SECTION 428B.—Beginning on July 1,  
15          2009, the Secretary shall arrange for the origination  
16          and disbursement of all eligible Federal PLUS  
17          Loans in accordance with the provisions of this sub-  
18          section and the provisions of section 428B that are  
19          not inconsistent with this subsection.

20           “(3) LOAN ORIGINATION MECHANISM.—The  
21          Secretary shall establish a loan origination auction  
22          mechanism that meets the following requirements:

23                   “(A) AUCTION FOR EACH STATE.—The  
24                   Secretary administers an auction under this  
25                   paragraph for each State, under which eligible

1 lenders compete to originate eligible Federal  
2 PLUS Loans under this paragraph at all insti-  
3 tutions of higher education within such State.

4 “(B) PREQUALIFICATION PROCESS.—The  
5 Secretary establishes a prequalification process  
6 for eligible lenders desiring to participate in an  
7 auction under this paragraph that contains, at  
8 a minimum—

9 “(i) a set of borrower benefits and  
10 servicing requirements each eligible lender  
11 shall meet in order to participate in such  
12 an auction; and

13 “(ii) an assessment of each such eligi-  
14 ble lender’s capacity, including capital ca-  
15 pacity, to participate effectively.

16 “(C) TIMING AND ORIGINATION.—Each  
17 State auction takes place every 2 years, and the  
18 eligible lenders with the winning bids for the  
19 State are the only eligible lenders permitted to  
20 originate eligible Federal PLUS Loans made  
21 under this paragraph for the cohort of students  
22 at the institutions of higher education within  
23 the State until the students graduate from or  
24 leave the institutions of higher education.

1           “(D) BIDS.—Each eligible lender’s bid  
2 consists of the amount of the special allowance  
3 payment (after the application of section  
4 438(b)(2)(I)(v)) the eligible lender proposes to  
5 accept from the Secretary with respect to the  
6 eligible Federal PLUS Loans made under this  
7 paragraph in lieu of the amount determined  
8 under section 438(b)(2)(I).

9           “(E) MAXIMUM BID.—The maximum bid  
10 allowable under this paragraph shall not exceed  
11 the amount of the special allowance payable on  
12 eligible Federal PLUS Loans made under this  
13 paragraph computed under section 438(b)(2)(I)  
14 (other than clauses (ii), (iii), (iv), and (vi) of  
15 such section), except that for purposes of the  
16 computation under this subparagraph, section  
17 438(b)(2)(I)(i)(III) shall be applied by sub-  
18 stituting ‘1.79 percent’ for ‘2.34 percent’.

19           “(F) WINNING BIDS.—The winning bids  
20 for each State auction shall be the 2 bids con-  
21 taining the lowest and the second lowest pro-  
22 posed special allowance payments, subject to  
23 subparagraph (E).

24           “(G) AGREEMENT WITH SECRETARY.—  
25 Each eligible lender having a winning bid under

1           subparagraph (F) enters into an agreement  
2           with the Secretary under which the eligible  
3           lender—

4                   “(i) agrees to originate eligible Fed-  
5                   eral PLUS Loans under this paragraph to  
6                   each borrower who—

7                           “(I) seeks an eligible Federal  
8                           PLUS Loan under this paragraph to  
9                           enable a dependent student to attend  
10                          an institution of higher education  
11                          within the State;

12                           “(II) is eligible for an eligible  
13                          Federal PLUS Loan; and

14                           “(III) elects to borrow from the  
15                          eligible lender; and

16                           “(ii) agrees to accept a special allow-  
17                          ance payment (after the application of sec-  
18                          tion 438(b)(2)(I)(v)) from the Secretary  
19                          with respect to the eligible Federal PLUS  
20                          Loans originated under clause (i) in the  
21                          amount proposed in the second lowest win-  
22                          ning bid described in subparagraph (F) for  
23                          the applicable State auction.

24                           “(H) SEALED BIDS; CONFIDENTIALITY.—

25                          All bids are sealed and the Secretary keeps the

1 bids confidential, including following the an-  
2 nouncement of the winning bids.

3 “(I) ELIGIBLE LENDER OF LAST RE-  
4 SORT.—

5 “(i) IN GENERAL.—In the event that  
6 there is no winning bid under subpara-  
7 graph (F), the students at the institutions  
8 of higher education within the State that  
9 was the subject of the auction shall be  
10 served by an eligible lender of last resort,  
11 as determined by the Secretary.

12 “(ii) DETERMINATION OF ELIGIBLE  
13 LENDER OF LAST RESORT.—Prior to the  
14 start of any auction under this paragraph,  
15 eligible lenders that desire to serve as an  
16 eligible lender of last resort shall submit  
17 an application to the Secretary at such  
18 time and in such manner as the Secretary  
19 may determine. Such application shall in-  
20 clude an assurance that the eligible lender  
21 will meet the prequalification requirements  
22 described in subparagraph (B).

23 “(iii) GEOGRAPHIC LOCATION.—The  
24 Secretary shall identify an eligible lender  
25 of last resort for each State.

1                   “(iv) NOTIFICATION TIMING.—The  
2                   Secretary shall not identify any eligible  
3                   lender of last resort until after the an-  
4                   nouncement of all the winning bids for a  
5                   State auction for any year.

6                   “(v) MAXIMUM SPECIAL ALLOW-  
7                   ANCE.—The Secretary is authorized to set  
8                   a special allowance payment that shall be  
9                   payable to a lender of last resort for a  
10                  State under this subparagraph, which spe-  
11                  cial allowance payment shall be kept con-  
12                  fidential, including following the announce-  
13                  ment of winning bids. The Secretary shall  
14                  set such special allowance payment so that  
15                  it incurs the lowest possible cost to the  
16                  Federal Government, taking into consider-  
17                  ation the lowest bid that was submitted in  
18                  an auction for such State and the lowest  
19                  bid submitted in a similar State, as deter-  
20                  mined by the Secretary.

21                  “(j) GUARANTEE AGAINST LOSSES.—The  
22                  Secretary guarantees the eligible Federal PLUS  
23                  Loans made under this paragraph against  
24                  losses resulting from the default of a parent  
25                  borrower in an amount equal to 99 percent of

1           the unpaid principal and interest due on the  
2           loan.

3           “(K) LOAN FEES.—The Secretary shall  
4           not collect a loan fee under section 438(d) with  
5           respect to an eligible Federal Plus Loan origi-  
6           nated under this paragraph.

7           “(L) CONSOLIDATION.—

8           “(i) IN GENERAL.—An eligible lender  
9           who is permitted to originate eligible Fed-  
10          eral PLUS Loans for a borrower under  
11          this paragraph shall have the option to  
12          consolidate such loans into 1 loan.

13          “(ii) NOTIFICATION.—In the event a  
14          borrower with eligible Federal PLUS  
15          Loans made under this paragraph wishes  
16          to consolidate the loans, the borrower shall  
17          notify the eligible lender who originated  
18          the loans under this paragraph.

19          “(iii) LIMITATION ON ELIGIBLE LEND-  
20          ER OPTION TO CONSOLIDATE.—The option  
21          described in clause (i) shall not apply if—

22                  “(I) the borrower includes in the  
23                  notification in clause (ii) verification  
24                  of consolidation terms and conditions  
25                  offered by an eligible lender other



1 than the eligible lender described in  
2 clause (i); and

3 “(II) not later than 10 days after  
4 receiving such notification from the  
5 borrower, the eligible lender described  
6 in clause (i) does not agree to match  
7 such terms and conditions, or provide  
8 more favorable terms and conditions  
9 to such borrower than the offered  
10 terms and conditions described in sub-  
11 clause (I).

12 “(iv) CONSOLIDATION OF ADDITIONAL  
13 LOANS.—If a borrower has a Federal Di-  
14 rect PLUS Loan or a loan made on behalf  
15 of a dependent student under section 428B  
16 and seeks to consolidate such loan with an  
17 eligible Federal PLUS Loan made under  
18 this paragraph, then the eligible lender  
19 that originated the borrower’s loan under  
20 this paragraph may include in the consoli-  
21 dation under this subparagraph a Federal  
22 Direct PLUS Loan or a loan made on be-  
23 half of a dependent student under section  
24 428B, but only if—

1                   “(I) in the case of a Federal Di-  
2                   rect PLUS Loan, the eligible lender  
3                   agrees, not later than 10 days after  
4                   the borrower requests such consolida-  
5                   tion from the lender, to match the  
6                   consolidation terms and conditions  
7                   that would otherwise be available to  
8                   the borrower if the borrower consoli-  
9                   dated such loans in the loan program  
10                  under part D; or

11                  “(II) in the case of a loan made  
12                  on behalf of a dependent student  
13                  under section 428B, the eligible lender  
14                  agrees, not later than 10 days after  
15                  the borrower requests such consolida-  
16                  tion from the lender, to match the  
17                  consolidation terms and conditions of-  
18                  fered by an eligible lender other than  
19                  the eligible lender that originated the  
20                  borrower’s loans under this para-  
21                  graph.

22                  “(v) SPECIAL ALLOWANCE ON CON-  
23                  SOLIDATION LOANS THAT INCLUDE LOANS  
24                  MADE UNDER THIS PARAGRAPH.—The ap-  
25                  plicable special allowance payment for

1 loans consolidated under this paragraph  
2 shall be equal to the lesser of—

3 “(I) the weighted average of the  
4 special allowance payment on such  
5 loans, except that in calculating such  
6 weighted average the Secretary shall  
7 exclude any Federal Direct PLUS  
8 Loan included in the consolidation; or

9 “(II) the result of—

10 “(aa) the average of the  
11 bond equivalent rates of the  
12 quotes of the 3-month commer-  
13 cial paper (financial) rates in ef-  
14 fect for each of the days in such  
15 quarter as reported by the Fed-  
16 eral Reserve in Publication H-15  
17 (or its successor) for such 3-  
18 month period; plus

19 “(bb) 1.59 percent.

20 “(vi) INTEREST PAYMENT REBATE  
21 FEE.—Any loan under section 428C con-  
22 solidated under this paragraph shall not be  
23 subject to the interest payment rebate fee  
24 under section 428C(f).”.

1           **TITLE VIII—PARTNERSHIP**  
2                           **GRANTS**

3   **SEC. 801. COLLEGE ACCESS CHALLENGE GRANT PROGRAM.**

4           Title VII (20 U.S.C. 1133 et seq.) is amended by  
5 adding at the end the following new part:

6   **“PART E—COLLEGE ACCESS CHALLENGE GRANT**  
7                           **PROGRAM**

8   **“SEC. 771. COLLEGE ACCESS CHALLENGE GRANT PRO-**  
9                           **GRAM.**

10           “(a) AUTHORIZATION AND APPROPRIATION.—There  
11 are authorized to be appropriated, and there are appro-  
12 priated, to carry out this section \$66,000,000 for each of  
13 the fiscal years 2008 and 2009. The authority to award  
14 grants under this section shall expire at the end of fiscal  
15 year 2009.

16           “(b) PROGRAM AUTHORIZED.—

17                   “(1) GRANTS AUTHORIZED.—From amounts  
18 appropriated under subsection (a), the Secretary  
19 shall award grants, from allotments under sub-  
20 section (c), to States (and to philanthropic organiza-  
21 tion, as appropriate under paragraph (3)) having ap-  
22 plications approved under subsection (d), to enable  
23 the State (or philanthropic organization) to pay the  
24 Federal share of the costs of carrying out the activi-  
25 ties and services described in subsection (f).

1           “(2) FEDERAL SHARE; NON-FEDERAL SHARE.—

2                   “(A) FEDERAL SHARE.—The amount of  
3           the Federal share under this section for a fiscal  
4           year shall be equal to  $\frac{2}{3}$  of the costs of the ac-  
5           tivities and services described in subsection (f)  
6           that are carried out under the grant.

7                   “(B) NON-FEDERAL SHARE.—The amount  
8           of the non-Federal share under this section  
9           shall be equal to  $\frac{1}{3}$  of the costs of the activities  
10          and services described in subsection (f). The  
11          non-Federal share may be in cash or in-kind,  
12          and may be provided from State resources, con-  
13          tributions from private organizations, or both.

14           “(3) REDUCTION FOR FAILURE TO PAY NON-  
15          FEDERAL SHARE.—If a State fails to provide the full  
16          non-Federal share required under this subsection,  
17          the Secretary shall reduce the amount of the grant  
18          payment under this section proportionately, and may  
19          award the proportionate reduction amount of the  
20          grant directly to a philanthropic organization, as de-  
21          fined in subsection (i), to carry out this section.

22           “(4) TEMPORARY INELIGIBILITY FOR SUBSE-  
23          QUENT PAYMENTS.—

24                   “(A) IN GENERAL.—The Secretary shall  
25          determine a grantee to be temporarily ineligible

1 to receive a grant payment under this section  
2 for a fiscal year if—

3 “(i) the grantee fails to submit an an-  
4 nual report pursuant to subsection (h) for  
5 the preceding fiscal year; or

6 “(ii) the Secretary determines, based  
7 on information in such annual report, that  
8 the grantee is not effectively meeting the  
9 conditions described under subsection (g)  
10 and the goals of the application under sub-  
11 section (d).

12 “(B) REINSTATEMENT.—If the Secretary  
13 determines that a grantee is ineligible under  
14 subparagraph (A), the Secretary may enter into  
15 an agreement with the grantee setting forth the  
16 terms and conditions under which the grantee  
17 may regain eligibility to receive payments under  
18 this section.

19 “(c) DETERMINATION OF ALLOTMENT.—

20 “(1) AMOUNT OF ALLOTMENT.—Subject to  
21 paragraph (2), in making grant payments to grant-  
22 ees under this section, the allotment to each grantee  
23 for a fiscal year shall be equal to the sum of—

24 “(A) the amount that bears the same rela-  
25 tion to 50 percent of the amount appropriated

1 under subsection (a) for such fiscal year as the  
2 number of residents in the State aged 5  
3 through 17 who are living below the poverty  
4 line applicable to the resident's family size (as  
5 determined under section 673(2) of the Com-  
6 munity Service Block Grant Act) bears to the  
7 total number of such residents in all States;  
8 and

9 “(B) the amount that bears the same rela-  
10 tion to 50 percent of the amount appropriated  
11 under subsection (a) for such fiscal year as the  
12 number of residents in the State aged 15  
13 through 44 who are living below the poverty  
14 line applicable to the individual's family size (as  
15 determined under section 673(2) of the Com-  
16 munity Service Block Grant Act) bears to the  
17 total number of such residents in all States.

18 “(2) MINIMUM AMOUNT.—The allotment for  
19 each State under this section for a fiscal year shall  
20 not be an amount that is less than 0.5 percent of  
21 the total amount appropriated under subsection (a)  
22 for such fiscal year.

23 “(d) SUBMISSION AND CONTENTS OF APPLICA-  
24 TION.—

1           “(1) IN GENERAL.—For each fiscal year for  
2           which a grantee desires a grant payment under sub-  
3           section (b), the State agency with jurisdiction over  
4           higher education, or another agency designated by  
5           the Governor or chief executive of the State to ad-  
6           minister the program under this section, or a philan-  
7           thropic organization, in accordance with subsection  
8           (b)(3), shall submit an application to the Secretary  
9           at such time, in such manner, and containing the in-  
10          formation described in paragraph (2).

11          “(2) APPLICATION.—An application submitted  
12          under paragraph (1) shall include the following:

13                 “(A) A description of the grantee’s capac-  
14                 ity to administer the grant under this section  
15                 and report annually to the Secretary on the ac-  
16                 tivities and services described in subsection (f).

17                 “(B) A description of the grantee’s plan  
18                 for using the grant funds to meet the require-  
19                 ments of subsections (f) and (g), including  
20                 plans for how the grantee will make special ef-  
21                 forts to—

22                         “(i) provide such benefits to students  
23                         in the State that are underrepresented in  
24                         postsecondary education; or



1                   “(ii) in the case of a philanthropic or-  
2                   ganization that operates in more than one  
3                   State, provide benefits to such students in  
4                   each such State for which the philan-  
5                   thropic organization is receiving grant  
6                   funds under this section.

7                   “(C) A description of how the grantee will  
8                   provide or coordinate the provision of the non-  
9                   Federal share from State resources or private  
10                  contributions.

11                  “(D) A description of—

12                   “(i) the structure that the grantee has  
13                   in place to administer the activities and  
14                   services described in subsection (f); or

15                   “(ii) the plan to develop such adminis-  
16                   trative capacity.

17                  “(e) SUBGRANTS TO NONPROFIT ORGANIZATIONS.—

18 A State receiving a payment under this section may elect  
19 to make a subgrant to one or more nonprofit organizations  
20 in the State, including an eligible not-for-profit holder (as  
21 defined in section 435(p) of the Higher Education Act of  
22 1965, as amended by section 303 of this Act), or a part-  
23 nership of such organizations, to carry out activities or  
24 services described in subsection (f), if the nonprofit orga-  
25 nization or partnership—

1           “(1) was in existence on the day before the date  
2 of the enactment of this Act; and

3           “(2) as of such day, was participating in activi-  
4 ties and services related to increasing access to high-  
5 er education, such as those activities and services de-  
6 scribed in subsection (f).

7           “(f) ALLOWABLE USES.—

8           “(1) IN GENERAL.—Subject to paragraph (3), a  
9 grantee may use a grant payment under this section  
10 only for the following activities and services, pursu-  
11 ant to the conditions under subsection (g):

12           “(A) Information for students and families  
13 regarding—

14           “(i) the benefits of a postsecondary  
15 education;

16           “(ii) postsecondary education opportu-  
17 nities;

18           “(iii) planning for postsecondary edu-  
19 cation; and

20           “(iv) career preparation.

21           “(B) Information on financing options for  
22 postsecondary education and activities that pro-  
23 mote financial literacy and debt management  
24 among students and families.

1           “(C) Outreach activities for students who  
2           may be at risk of not enrolling in or completing  
3           postsecondary education.

4           “(D) Assistance in completion of the Free  
5           Application for Federal Student Aid or other  
6           common financial reporting form under section  
7           483(a) of the Higher Education Act of 1965.

8           “(E) Need-based grant aid for students.

9           “(F) Professional development for guid-  
10          ance counselors at middle schools and sec-  
11          ondary schools, and financial aid administrators  
12          and college admissions counselors at institu-  
13          tions of higher education, to improve such indi-  
14          viduals’ capacity to assist students and parents  
15          with—

16                   “(i) understanding—

17                           “(I) entrance requirements for  
18                           admission to institutions of higher  
19                           education; and

20                           “(II) State eligibility require-  
21                           ments for Academic Competitiveness  
22                           Grants or National SMART Grants  
23                           under section 401A, and other finan-  
24                           cial assistance that is dependent upon  
25                           a student’s coursework;

1                   “(ii) applying to institutions of higher  
2                   education;

3                   “(iii) applying for Federal student fi-  
4                   nancial assistance and other State, local,  
5                   and private student financial assistance  
6                   and scholarships;

7                   “(iv) activities that increase students’  
8                   ability to successfully complete the  
9                   coursework required for a postsecondary  
10                  degree, including activities such as tutoring  
11                  or mentoring; and

12                  “(v) activities to improve secondary  
13                  school students’ preparedness for postsec-  
14                  ondary entrance examinations.

15                  “(G) Student loan cancellation or repay-  
16                  ment (as applicable), or interest rate reduc-  
17                  tions, for borrowers who are employed in a  
18                  high-need geographical area or a high-need pro-  
19                  fession in the State, as determined by the  
20                  State.

21                  “(2) PROHIBITED USES.—Funds made avail-  
22                  able under this section shall not be used to promote  
23                  any lender’s loans.

24                  “(3) USE OF FUNDS FOR ADMINISTRATIVE PUR-  
25                  POSES.—A grantee may use not more than 6 percent

1 of the total amount of the sum of the Federal share  
2 provided under this section and the non-Federal  
3 share required under this section for administrative  
4 purposes relating to the grant under this section.

5 “(g) SPECIAL CONDITIONS.—

6 “(1) AVAILABILITY TO STUDENTS AND FAMI-  
7 LIES.—A grantee receiving a grant payment under  
8 this section shall—

9 “(A) make the activities and services de-  
10 scribed in subparagraphs (A) through (F) of  
11 subsection (f)(1) that are funded under the  
12 payment available to all qualifying students and  
13 families in the State;

14 “(B) allow students and families to partici-  
15 pate in the activities and services without re-  
16 gard to—

17 “(i) the postsecondary institution in  
18 which the student enrolls;

19 “(ii) the type of student loan the stu-  
20 dent receives;

21 “(iii) the servicer of such loan; or

22 “(iv) the student’s academic perform-  
23 ance;

1           “(C) not charge any student or parent a  
2           fee or additional charge to participate in the ac-  
3           tivities or services; and

4           “(D) in the case of an activity providing  
5           grant aid, not require a student to meet any  
6           condition other than eligibility for Federal fi-  
7           nancial assistance under title IV of the Higher  
8           Education Act of 1965, except as provided for  
9           in the loan cancellation or repayment or inter-  
10          est rate reductions described in subsection  
11          (f)(1)(G).

12          “(2) PRIORITY.—A grantee receiving a grant  
13          payment under this section shall, in carrying out any  
14          activity or service described in subsection (f)(1) with  
15          the grant funds, prioritize students and families who  
16          are living below the poverty line applicable to the in-  
17          dividual’s family size (as determined under section  
18          673(2) of the Community Service Block Grant Act).

19          “(3) DISCLOSURES.—

20                 “(A) ORGANIZATIONAL DISCLOSURES.—In  
21                 the case of a State that has chosen to make a  
22                 payment to an eligible not-for-profit holder in  
23                 the State in accordance with subsection (e), the  
24                 holder shall clearly and prominently indicate the  
25                 name of the holder and the nature of the hold-

1 er's work in connection with any of the activi-  
2 ties carried out, or any information or services  
3 provided, with such funds.

4 “(B) INFORMATIONAL DISCLOSURES.—Any  
5 information about financing options for higher  
6 education provided through an activity or serv-  
7 vice funded under this section shall—

8 “(i) include information to students  
9 and the students' parents of the avail-  
10 ability of Federal, State, local, institu-  
11 tional, and other grants and loans for post-  
12 secondary education; and

13 “(ii) present information on financial  
14 assistance for postsecondary education that  
15 is not provided under title IV of the High-  
16 er Education Act of 1965 in a manner that  
17 is clearly distinct from information on stu-  
18 dent financial assistance under such title.

19 “(4) COORDINATION.—A grantee receiving a  
20 grant payment under this section shall attempt to  
21 coordinate the activities carried out with the grant  
22 payment with any existing activities that are similar  
23 to such activities, and with any other entities that  
24 support the existing activities in the State.

1       “(h) REPORT.—A grantee receiving a payment under  
2 this section shall prepare and submit an annual report to  
3 the Secretary on the activities and services carried out  
4 under this section, and on the implementation of such ac-  
5 tivities and services. The report shall include—

6           “(1) each activity or service that was provided  
7 to students and families over the course of the year;

8           “(2) the cost of providing each activity or serv-  
9 ice;

10          “(3) the number, and percentage, if feasible  
11 and applicable, of students who received each activ-  
12 ity or service; and

13          “(4) the total contributions from private organi-  
14 zations included in the grantee’s non-Federal share  
15 for the fiscal year.

16       “(i) DEFINITIONS.—In this section:

17           “(1) PHILANTHROPIC ORGANIZATION.—The  
18 term ‘philanthropic organization’ means a non-profit  
19 organization—

20           “(A) that does not receive funds under  
21 title IV of the Higher Education Act of 1965  
22 or under the Elementary and Secondary Edu-  
23 cation Act of 1965;

24           “(B) that is not a local educational agency  
25 or an institution of higher education;



1           “(C) that has a demonstrated record of  
2           dispersing grant aid to underserved populations  
3           to ensure access to, and participation in, higher  
4           education;

5           “(D) that is affiliated with an eligible con-  
6           sortia (as defined in paragraph (2)) to carry  
7           out this section; and

8           “(E) the primary purpose of which is to  
9           provide financial aid and support services to  
10          students from underrepresented populations to  
11          increase the number of such students who enter  
12          and remain in college.

13          “(2) ELIGIBLE CONSORTIA.—The term ‘eligible  
14          consortia’ means a partnership of 2 or more entities  
15          that have agreed to work together to carry out this  
16          section that—

17                 “(A) includes—

18                         “(i) a philanthropic organization,  
19                         which serves as the manager of the con-  
20                         sortia;

21                         “(ii) a State that demonstrates a com-  
22                         mitment to ensuring the creation of a  
23                         Statewide system to address the issues of  
24                         early intervention and financial support for

1 eligible students to enter and remain in  
2 college; and

3 “(iii) at the discretion of the philan-  
4 thropic organization described in clause (i),  
5 additional partners, including other non-  
6 profit organizations, government entities  
7 (including local municipalities, school dis-  
8 tricts, cities, and counties), institutions of  
9 higher education, and other public or pri-  
10 vate programs that provide mentoring or  
11 outreach programs; and

12 “(B) conducts activities to assist students  
13 with entering and remaining in college, which  
14 may include—

15 “(i) providing need-based grants to  
16 students;

17 “(ii) providing early notification to  
18 low-income students of their potential eligi-  
19 bility for Federal financial aid (which may  
20 include assisting students and families  
21 with filling out FAFSA forms), as well as  
22 other financial aid and other support avail-  
23 able from the eligible consortia;

1                   “(iii) encouraging increased student  
2 participation in higher education through  
3 mentoring or outreach programs; and

4                   “(iv) conducting marketing and out-  
5 reach efforts that are designed to—

6                   “(I) encourage full participation  
7 of students in the activities of the con-  
8 sortia that carry out this section; and

9                   “(II) provide the communities  
10 impacted by the activities of the con-  
11 sortia with a general knowledge about  
12 the efforts of the consortia.

13                   “(3) GRANTEE.—The term ‘grantee’ means—

14                   “(A) a State awarded a grant under this  
15 section; or

16                   “(B) with respect to such a State that has  
17 failed to meet the non-Federal share require-  
18 ment of subsection (b), a philanthropic organi-  
19 zation awarded the proportionate reduction  
20 amount of such a grant under subsection  
21 (b)(3).”.

1 **SEC. 802. INVESTMENT IN HISTORICALLY BLACK COL-**  
2 **LEGES AND UNIVERSITIES AND MINORITY-**  
3 **SERVING INSTITUTIONS.**

4 Title IV (20 U.S.C. 1070 et seq.) is further amended  
5 by adding after part I (as added by section 701 of this  
6 Act) the following new part:

7 **“PART J—STRENGTHENING HISTORICALLY**  
8 **BLACK COLLEGES AND UNIVERSITIES AND**  
9 **OTHER MINORITY-SERVING INSTITUTIONS**  
10 **“SEC. 499A. INVESTMENT IN HISTORICALLY BLACK COL-**  
11 **LEGES AND UNIVERSITIES AND OTHER MI-**  
12 **NORITY-SERVING INSTITUTIONS.**

13 “(a) **ELIGIBLE INSTITUTION.**—An institution of  
14 higher education is eligible to receive funds from the  
15 amounts made available under this section if such institu-  
16 tion is—

17 “(1) a part B institution (as defined in section  
18 322 (20 U.S.C. 1061));

19 “(2) a Hispanic-serving institution (as defined  
20 in section 502 (20 U.S.C. 1101a));

21 “(3) a Tribal College or University (as defined  
22 in section 316 (20 U.S.C. 1059c));

23 “(4) an Alaska Native-serving institution or a  
24 Native Hawaiian-serving institution (as defined in  
25 section 317(b) (20 U.S.C. 1059d(b)));

1           “(5) a Predominantly Black Institution (as de-  
2           fined in subsection (c));

3           “(6) an Asian American and Native American  
4           Pacific Islander-serving institution (as defined in  
5           subsection (c)); or

6           “(7) a Native American-serving nontribal insti-  
7           tution (as defined in subsection (c)).

8           “(b) NEW INVESTMENT OF FUNDS.—

9           “(1) IN GENERAL.—There shall be available to  
10          the Secretary to carry out this section, from funds  
11          not otherwise appropriated, \$255,000,000 for each  
12          of the fiscal years 2008 and 2009. The authority to  
13          award grants under this section shall expire at the  
14          end of fiscal year 2009.

15          “(2) ALLOCATION AND ALLOTMENT.—

16                 “(A) IN GENERAL.—Of the amounts made  
17                 available under paragraph (1) for each fiscal  
18                 year—

19                         “(i) \$100,000,000 shall be available  
20                         for allocation under subparagraph (B);

21                         “(ii) \$100,000,000 shall be available  
22                         for allocation under subparagraph (C); and

23                         “(iii) \$55,000,000 shall be available  
24                         for allocation under subparagraph (D).

1           “(B) HSI STEM AND ARTICULATION PRO-  
2 GRAMS.—The amount made available for alloca-  
3 tion under this subparagraph by subparagraph  
4 (A)(i) for any fiscal year shall be available for  
5 Hispanic-serving Institutions for activities de-  
6 scribed in section 503, with a priority given to  
7 applications that propose—

8           “(i) to increase the number of His-  
9 panic and other low income students at-  
10 taining degrees in the fields of science,  
11 technology, engineering, or mathematics;  
12 and

13           “(ii) to develop model transfer and ar-  
14 ticulation agreements between 2-year His-  
15 panic-serving institutions and 4-year insti-  
16 tutions in such fields.

17           “(C) ALLOCATION AND ALLOTMENT HBCUS  
18 AND PBIS.—From the amount made available  
19 for allocation under this subparagraph by sub-  
20 paragraph (A)(ii) for any fiscal year—

21           “(i) 85 percent shall be available to el-  
22 igible institutions described in subsection  
23 (a)(1) and shall be made available as  
24 grants under section 323 and allotted  
25 among such institutions under section 324,

1           treating such amount, plus the amount ap-  
2           propriated for such fiscal year in a regular  
3           or supplemental appropriation Act to carry  
4           out part B of title III, as the amount ap-  
5           propriated to carry out part B of title III  
6           for purposes of allotments under section  
7           324, for use by such institutions with a  
8           priority for—

9                   “(I) activities described in para-  
10                   graphs (1), (2), (4), (5), and (10) of  
11                   section 323(a); and

12                   “(II) other activities, consistent  
13                   with the institution’s comprehensive  
14                   plan and designed to increase the in-  
15                   stitution’s capacity to prepare stu-  
16                   dents for careers in the physical or  
17                   natural sciences, mathematics, com-  
18                   puter science or information tech-  
19                   nology or sciences, engineering, lan-  
20                   guage instruction in the less-com-  
21                   monly taught languages or inter-  
22                   national affairs, or nursing or allied  
23                   health professions; and

24                   “(ii) 15 percent shall be available to  
25                   eligible institutions described in subsection

1 (a)(5) and shall be available for a competi-  
2 tive grant program to award 25 grants of  
3 \$600,000 annually for programs in any of  
4 the following areas:

5 “(I) science, technology, engi-  
6 neering, or mathematics (STEM);

7 “(II) health education;

8 “(III) internationalization or  
9 globalization;

10 “(IV) teacher preparation; or

11 “(V) improving educational out-  
12 comes of African American males.

13 “(D) ALLOCATION AND ALLOTMENT TO  
14 OTHER MINORITY-SERVING INSTITUTIONS.—  
15 From the amount made available for allocation  
16 under this subparagraph by subparagraph  
17 (A)(iii) for any fiscal year—

18 “(i) \$30,000,000 for such fiscal year  
19 shall be available to eligible institutions de-  
20 scribed in subsection (a)(3) and shall be  
21 made available as grants under section  
22 316, treating such \$30,000,000 as part of  
23 the amount appropriated for such fiscal  
24 year in a regular or supplemental appro-  
25 priation Act to carry out such section, and



1 using such \$30,000,000 for purposes de-  
2 scribed in subsection (c) of such section;

3 “(ii) \$15,000,000 for such fiscal year  
4 shall be available to eligible institutions de-  
5 scribed in subsection (a)(4) and shall be  
6 made available as grants under section  
7 317, treating such \$15,000,000 as part of  
8 the amount appropriated for such fiscal  
9 year in a regular or supplemental appro-  
10 priation Act to carry out such section and  
11 using such \$15,000,000 for purposes de-  
12 scribed in subsection (c) of such section;

13 “(iii) \$5,000,000 for such fiscal year  
14 shall be available to eligible institutions de-  
15 scribed in subsection (a)(6) for activities  
16 described in section 311(c); and

17 “(iv) \$5,000,000 for such fiscal year  
18 shall be available to eligible institutions de-  
19 scribed in subsection (a)(7)—

20 “(I) to plan, develop, undertake,  
21 and carry out activities to improve  
22 and expand such institutions’ capacity  
23 to serve Native Americans, which may  
24 include—

1           “(aa) the purchase, rental,  
2           or lease of scientific or laboratory  
3           equipment for educational pur-  
4           poses, including instructional and  
5           research purposes;

6           “(bb) renovation and im-  
7           provement in classroom, library,  
8           laboratory, and other instruc-  
9           tional facilities;

10          “(cc) support of faculty ex-  
11          changes, faculty development,  
12          and faculty fellowships to assist  
13          faculty in attaining advanced de-  
14          grees in the faculty’s field of in-  
15          struction;

16          “(dd) curriculum develop-  
17          ment and academic instruction;

18          “(ee) the purchase of library  
19          books, periodicals, microfilm, and  
20          other educational materials;

21          “(ff) funds and administra-  
22          tive management, and acquisition  
23          of equipment for use in strength-  
24          ening funds management;

1                   “(gg) the joint use of facili-  
2                   ties such as laboratories and li-  
3                   braries; and

4                   “(hh) academic tutoring and  
5                   counseling programs and student  
6                   support services; and

7                   “(II) to which the Secretary, to  
8                   the extent possible and consistent with  
9                   a competitive process under which  
10                  such grants are awarded, allocates  
11                  funds under this clause to ensure  
12                  maximum and equitable distribution  
13                  among all such eligible institutions.

14                  “(c) DEFINITIONS.—

15                  “(1) ASIAN AMERICAN.—The term ‘Asian  
16                  American’ has the meaning given the term ‘Asian’ in  
17                  the Office of Management and Budget’s Standards  
18                  for Maintaining, Collecting, and Presenting Federal  
19                  Data on Race and Ethnicity as published on October  
20                  30, 1997 (62 Fed. Reg. 58789).

21                  “(2) ASIAN AMERICAN AND NATIVE AMERICAN  
22                  PACIFIC ISLANDER-SERVING INSTITUTION.—The  
23                  term ‘Asian American and Native American Pacific  
24                  Islander-serving institution’ means an institution of  
25                  higher education that—

1           “(A) is an eligible institution under section  
2           312(b); and

3           “(B) at the time of application, has an en-  
4           rollment of undergraduate students that is at  
5           least 10 percent Asian American and Native  
6           American Pacific Islander students.

7           “(3) ENROLLMENT OF NEEDY STUDENTS.—  
8           The term ‘enrollment of needy students’ means the  
9           enrollment at an institution of higher education with  
10          respect to which not less than 50 percent of the un-  
11          dergraduate students enrolled in an academic pro-  
12          gram leading to a degree—

13           “(A) in the second fiscal year preceding  
14           the fiscal year for which the determination is  
15           made, were Federal Pell Grant recipients for  
16           such year;

17           “(B) come from families that receive bene-  
18           fits under a means-tested Federal benefit pro-  
19           gram (as defined in paragraph (5));

20           “(C) attended a public or nonprofit private  
21           secondary school—

22           “(i) that is in the school district of a  
23           local educational agency that was eligible  
24           for assistance under part A of title I of the  
25           Elementary and Secondary Education Act

1 of 1965 for any year during which the stu-  
2 dent attended such secondary school; and

3 “(ii) which for the purpose of this  
4 paragraph and for that year was deter-  
5 mined by the Secretary (pursuant to regu-  
6 lations and after consultation with the  
7 State educational agency of the State in  
8 which the school is located) to be a school  
9 in which the enrollment of children counted  
10 under a measure of poverty described in  
11 section 1113(a)(5) of such Act exceeds 30  
12 percent of the total enrollment of such  
13 school; or

14 “(D) are first-generation college students  
15 (as that term is defined in section 402A(g)),  
16 and a majority of such first-generation college  
17 students are low-income individuals.

18 “(4) LOW-INCOME INDIVIDUAL.—The term  
19 ‘low-income individual’ has the meaning given such  
20 term in section 402A(g).

21 “(5) MEANS-TESTED FEDERAL BENEFIT PRO-  
22 GRAM.—The term ‘means-tested Federal benefit pro-  
23 gram’ means a program of the Federal Government,  
24 other than a program under title IV, in which eligi-  
25 bility for the programs’ benefits or the amount of

1 such benefits are determined on the basis of income  
2 or resources of the individual or family seeking the  
3 benefit.

4 “(6) NATIVE AMERICAN.—The term ‘Native  
5 American’ means an individual who is of a tribe,  
6 people, or culture that is indigenous to the United  
7 States.

8 “(7) NATIVE AMERICAN PACIFIC ISLANDER.—  
9 The term ‘Native American Pacific Islander’ means  
10 any descendant of the aboriginal people of any is-  
11 land in the Pacific Ocean that is a territory or pos-  
12 session of the United States

13 “(8) NATIVE AMERICAN-SERVING NONTRIBAL  
14 INSTITUTION.—The term ‘Native American-serving  
15 nontribal institution’ means an institution of higher  
16 education that—

17 “(A) at the time of application—

18 “(i) has an enrollment of under-  
19 graduate students that is not less than 10  
20 percent Native American students; and

21 “(ii) is not a Tribal College or Univer-  
22 sity (as defined in section 316); and

23 “(B) submits to the Secretary such enroll-  
24 ment data as may be necessary to demonstrate  
25 that the institution is described in subpara-

1 graph (A), along with such other information  
2 and data as the Secretary may by regulation re-  
3 quire.

4 “(9) PREDOMINANTLY BLACK INSTITUTION.—  
5 The term ‘Predominantly Black institution’ means  
6 an institution of higher education that—

7 “(A) has an enrollment of needy students  
8 as defined by paragraph (3);

9 “(B) has an average educational and gen-  
10 eral expenditure which is low, per full-time  
11 equivalent undergraduate student in comparison  
12 with the average educational and general ex-  
13 penditure per full-time equivalent under-  
14 graduate student of institutions of higher edu-  
15 cation that offer similar instruction, except that  
16 the Secretary may apply the waiver require-  
17 ments described in section 392(b) to this sub-  
18 paragraph in the same manner as the Secretary  
19 applies the waiver requirements to section  
20 312(b)(1)(B);

21 “(C) has an enrollment of undergraduate  
22 students—

23 “(i) that is at least 40 percent Black  
24 American students;

1           “(ii) that is at least 1,000 under-  
2 graduate students;

3           “(iii) of which not less than 50 per-  
4 cent of the undergraduate students en-  
5 rolled at the institution are low-income in-  
6 dividuals or first-generation college stu-  
7 dents (as that term is defined in section  
8 402A(g)); and

9           “(iv) of which not less than 50 per-  
10 cent of the undergraduate students are en-  
11 rolled in an educational program leading to  
12 a bachelor’s or associate’s degree that the  
13 institution is licensed to award by the  
14 State in which the institution is located;

15          “(D) is legally authorized to provide, and  
16 provides within the State, an educational pro-  
17 gram for which the institution of higher edu-  
18 cation awards a bachelor’s degree, or in the  
19 case of a junior or community college, an asso-  
20 ciate’s degree;

21          “(E) is accredited by a nationally recog-  
22 nized accrediting agency or association deter-  
23 mined by the Secretary to be a reliable author-  
24 ity as to the quality of training offered, or is,  
25 according to such an agency or association,



1 making reasonable progress toward accredita-  
2 tion; and  
3 “(F) is not receiving assistance under part  
4 B of title III.”.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF  
CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 2669), to provide for reconciliation pursuant to section 601 of the concurrent resolution on the budget for fiscal year 2008, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The Senate amendment struck all of the House bill after the enacting clause and inserted a substitute text.

The House recedes from its disagreement to the amendment of the Senate with an amendment that is a substitute for the House bill and the Senate amendment. The differences between the House bill, the Senate amendment, and the substitute agreed to in conference are noted below, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees, and minor drafting and clarifying changes.

*Section 1. Short Title.*

The House bill's short title is the "College Cost Reduction Act."

The Senate amendment provides that the Act may be cited as the "Higher Education Access Act of 2007" and that, unless otherwise indicated, references in the bill are made to the Higher Education Act of 1965.

The House recedes with an amendment to provide a new short title of the "College Cost Reduction and Access Act." The Conferees adopt the Senate amendment as amended by the House.

**TITLE I- GRANTS TO STUDENTS IN ATTENDANCE AT INSTITUTIONS OF HIGHER EDUCATION**

*Section 101. Tuition Sensitivity.*

The House bill (Sec. 101) eliminates the Pell grant "tuition sensitivity" provision that prevents low-income students attending low-cost institutions, such as community colleges, to benefit fully from the Pell Grant. Authorizes and appropriates \$5,000,000 for fiscal year 2008.

The Senate amendment (Sec. 101) also eliminates the Pell grant "tuition sensitivity" provision and authorizes and appropriates \$5,000,000 for fiscal year 2008.

The House and the Senate recede with an amendment to authorize and appropriate \$11,000,000 for fiscal year 2008 to ensure that all eligible students in award year 2007-2008 receive funding. The Conferees concur and adopt the amendment.

*Section 102. Mandatory Pell Grant Increases.*

The House bill (Sec. 101) authorizes and appropriates new mandatory funding to increase the maximum Pell grant award, above the appropriated level, by: \$200 in 2008-09; \$200 in 2009-10; \$300 in 2010-11; \$500 in 2011-12; and \$500 in 2012 and each subsequent award year.

The Senate amendment (Sec. 102) creates “Promise grants” – a new grant program for low-income, Pell-eligible students to be established in addition to the Pell grant program. Promise grants shall be awarded in the same way Pell grants are awarded, except that they shall be awarded only to students who are already eligible for Pell grants. Grants shall be awarded to those students with the greatest need, as determined under Section 471. Grants awarded under this subsection shall be used to supplement and not supplant other Federal, State and institutional grant funds. The Senate amendment authorizes and appropriates new mandatory funding to increase the maximum Pell grant award, above the appropriated level, by: \$790 in 2008-09; \$890 in 2009-10; \$990 in 2010-11; \$1,090 in 2011-12; and \$1,090 in 2012.

The House and Senate recede with an amendment that provides new mandatory funding for Pell grants and makes the following increases in the Pell maximum under current law:

- \$490 in 2008-2009 and 2009-2010;
- \$690 in 2010-2011 and 2011-2012; and
- \$1,090 in 2012-2013.

The Conferees concur and adopt the amendment as proposed by both the House and the Senate. Combined with an appropriated level of \$4,310, as it is in current law, the maximum Pell Grant award will reach \$4,800 in the 2008-2009 academic year, \$4,800 in the 2009-2010 academic year, \$5,000 in the 2010-2011 academic, \$5,000 in the 2011-2012 academic year, and \$5,400 in the 2012-2013 academic year.

The Conferees intend that in awarding the funds under this section, the Secretary shall determine the universe of students who are eligible to receive a Pell grant, without regard to this section, and award grants under this section only to such students. The Conferees further intend that the allocated funds for all academic years be distributed in the same manner as funds are awarded under the Pell grant program, in accordance with the eligibility determination, needs analysis formula and regulations used for the distribution of Pell grant awards from discretionary funds. The Conferees intend that students who receive a maximum Pell grant under the discretionary maximum award level will be eligible to receive the maximum award allowed under this section, and students who receive Pell grants that are less than the maximum under the discretionary funding would be eligible to receive grants under this section proportionate to the size of the Pell grant the student received under the discretionary funding level, in accordance with the Pell grant formula.

The Conferees intend that the funding provided in this section be used to supplement, and in no way supplant, current or future discretionary funding for the Pell grant program or increases in such funding.

*Section 103. Upward Bound.*

The House bill (Sec. 412) restricts the Secretary's use of funds for the purposes of evaluating and selecting participants of the Upward Bound program. The bill also provides an additional \$228 million to restore Upward Bound funding to unfunded programs from the FY07 competition.

The Senate amendment contains no similar provision.

The Senate recedes with an amendment to strike the provision that restricts the Secretary's use of funds for the purposes of evaluating and selecting participants of the Upward Bound Program. The Conferees adopt the provision in the House bill as amended by the Senate.

*Section 104. TEACH Grants.*

The House bill (Sec. 301) creates new TEACH Grants that provide up-front pre-paid tuition assistance of \$4,000/year (with a maximum of \$16,000) for high-achieving graduate and undergraduate students who commit to teaching a high-need subject in a high-need school for four years. Bonus grants are provided to students who are enrolled in a qualified teacher education program and teach in a science or mathematics field.

The Senate amendment contains no similar provision.

The Senate recedes with an amendment striking the bonus grants in the House proposal. The Conferees adopt the provision in the House bill as amended by the Senate.

The Conferees intend that the Department of Education may operate this program through a pre-existing office, and does not require the creation of a new office.

## **TITLE II- STUDENT LOAN BENEFITS, TERMS, AND CONDITIONS**

*Section 201. Interest Rate Reductions.*

The House bill (Sec. 111) reduces interest rates on subsidized Stafford loans for undergraduates to 6.12 percent on July 1, 2008; 5.44 percent on July 1, 2009; 4.76 percent on July 1, 2010; 4.08 percent on July 1, 2011 and 3.4 percent on July 1, 2012.

The Senate amendment contains no similar provision.

The Senate recedes with an amendment, to reduce interest rates on subsidized Stafford loans for undergraduates to 6.0 percent on July 1, 2008; 5.6 percent on July 1, 2009; 4.5 percent on July 1, 2010; and 3.4 percent on July 1, 2011. The Conferees adopt the provision in the House bill as amended by the Senate.

*Section 202. Student Loan Deferment for Certain Members of the Armed Forces.*

The Senate amendment (Sec. 202) eliminates a three-year limitation on the period for which certain members of the armed forces may receive deferments on their student loan payments. It allows deferments until 180 days after such member is demobilized. It also provides that such

benefits are available regardless of when the student loan was originated. As in current law, members of the armed forces who qualify for this deferment are limited to those who are serving on active duty or performing qualifying National Guard duty during a war or other military operation in a national emergency.

The House bill contains no similar provision.

The House recesses.

*Section 203. Income-Based Repayment.*

The House bill (Sec. 133) builds on the tenets of the Income Contingent Repayment program by guaranteeing that all borrowers' loan payments will be limited to 15 percent of their discretionary income, or 15 percent of the amount by which a borrower's adjusted gross income exceeds 150 percent of the poverty line, divided by 12. Under this section, unpaid interest and principal are capitalized and any outstanding loan balance is forgiven after 20 years of repayment.

In the Senate amendment, unpaid interest on subsidized loans is paid or forgiven by the Secretary and outstanding loan balance is forgiven after 25 years of repayment. The amendment provides that borrowers repaying loans according to income-contingent repayment or income-sensitive repayment plans prior to enactment of this Act shall have the option of continuing to repay under the terms and conditions of those programs as they existed prior to enactment of this Act or may elect to use the income-based repayment plan created by this section.

The House and Senate recede with an amendment adopting the structure of the House proposal, and requiring the Secretary to pay any unpaid interest on subsidized loans for up to three years. The amendment also provides for loan forgiveness of unpaid principal balances after 25 years of repayment in the income-based repayment program. The Conferees adopt the provision as proposed by both the House and the Senate.

*Section 204. Deferral of Loan Repayment Following Active Duty.*

The House bill (Sec. 137) allows active duty members of the armed services, including members of the National Guard or other reserve component of the armed forces who were enrolled in college or left college within six months of deployment to receive extended repayment on loan terms of up to 13 months upon return from active duty.

The Senate amendment contains no similar provision.

The Senate recesses.

*Section 205. Maximum Repayment Period.*

The House bill (Sec. 136) amends provisions concerning the maximum repayment period in the income-contingent repayment program.

The Senate amendment contains no similar provision.

The Senate recesses.

### **TITLE III- FEDERAL FAMILY EDUCATION LOAN PROGRAM**

#### *Section 301. Guaranty Agency Collection Retention.*

The House bill (Sec. 116) reduces the percentage which guaranty agencies shall be allowed to retain from payments made through collections on defaulted loans from 23 percent to 16 percent.

The Senate amendment (Sec. 302) contains the same provision.

The Conferees adopt the language of the identical provisions in both the House and Senate.

#### *Section 302. Elimination of Exceptional Performer Status for Lenders.*

The House bill (Sec. 114) eliminates the provision that allows lenders designated as “exceptional performers” to receive 99 percent insurance on defaulted loans if they are in full compliance with due diligence requirements.

The Senate amendment (Sec. 303) also eliminates the provision that allows lenders designated as “exceptional performers.” The Senate amendment makes the change effective October 1, 2007, except that lenders designated as exceptional performers as of that date shall be allowed to continue such designation for the remainder of the year for which the designation was made.

The House recesses.

In a July 26, 2007 report concerning the exceptional performer designation, the Government Accountability Office (GAO) found that the designation has not materially affected loan servicing, and that default claims have not declined as a result. In addition, GAO found that providing an extra 2 percent reimbursement rate for default claims serviced by exceptional performers is not in the fiscal interest of the federal government, because lenders are being paid a premium to perform due diligence activities that are already required of all lenders. Accordingly, GAO recommended that the exceptional performer designation be eliminated. The Conferees concur with the GAO recommendation and adopt the Senate amendment.

#### *Sec. 303. Reduction of Lender Insurance Percentage.*

The House bill (Sec. 115) reduces the insurance rate from 97 percent to 95 percent of the unpaid principal of such loans.

The Senate amendment (Sec. 301) maintains the level of insurance paid by the Federal government on defaulted loans guaranteed under title IV, currently set at 97 percent.

The House recedes with an amendment to reduce the lender insurance rate in 2013 to 95 percent. The Conferees adopt the Senate amendment as amended by the House.

#### *Section 304. Definitions.*

##### Economic Hardship

The House bill (Sec. 134) changes the definition of economic hardship to create a uniform definition that applies to all borrowers, based on income less than 150 percent of the poverty level for the borrower's family size.

The Senate amendment (Sec. 304) changes part of the definition of economic hardship to income less than 150 percent of the poverty level for the borrower's family size.

The Senate recedes.

##### Eligible Not-for-profit Holder

The House bill (Sec. 118) defines a not-for-profit holder for the purposes of determining which lenders qualify for the elimination of the origination fee. As such not-for-profit holders are defined as any holder that is a unit of a state or local government or a nonprofit private entity; and is not owned in whole or in part by, or controlled, by a for-profit entity.

The Senate amendment (Sec. 304) establishes a definition of eligible not-for-profit holder for the purposes of determining the special allowance payment for which a lender is eligible. Eligible not-for-profit holder means an eligible lender that is a State, or a political subdivision, authority, agency or other instrumentality thereof, or an entity with not-for-profit status under the tax code, or a trustee acting as an eligible lender on behalf of one of these entities. The amendment establishes that no eligible not-for-profit holder shall be owned or controlled, in whole or in part, by a for-profit entity, and that if an eligible not-for-profit holder sells loans on which the Secretary is paying the higher special allowance payment designated for eligible not-for-profit holders described in Section 305 of the Senate amendment, to a for-profit entity or an entity that is not an eligible not-for-profit holder, such loans shall from the date of sale instead receive the special allowance payment designated for other such lenders, as described in Section 305. The Senate amendment requires that the Secretary promulgate regulations implementing this provision no later than one year after the date of enactment.

The House recedes with an amendment (1) clarifying that an eligible not-for-profit holder will not be considered to be owned or controlled by a for-profit entity if an eligible lender trustee merely holds the loan in trust for the eligible not-for profit holder and does not receive any benefit from the loan beyond reasonable and customary fees; and (2) specifying that a not-for-profit entity on whose behalf a trustee is acting as an eligible lender will not be deemed owned or controlled by a for profit entity, as a result of granting a security interest in, or otherwise pledging as collateral, loans or the income from a loan to secure a debt obligation in the operation of the trustee relationship. The amendment also specifies that an eligible not-for-profit holder must have been in operation and serving as an eligible lender on the date of

enactment of the College Cost Reduction and Access Act, and that a trustee, in order to be an eligible not-for-profit lender, must be a trustee acting on behalf of such an eligible lender. The amendment specifies that a state may elect to waive this requirement for a new eligible not-for-profit holder determined by the State to be necessary to fill a public purpose, except that a state may not waive any of the requirements related to trustees.

The Conferees adopt the Senate amendment as amended by the House.

#### *Section 305. Special Allowances.*

##### Reduction of Lender Special Allowance Payments

The House bill (Sec. 113) reduces the special allowance payment rate for lenders, which is currently set for student loans at the Commercial Paper (CP) lending rate plus 1.74 percent while borrowers are in school or in a grace period, and CP plus 2.34 percent while borrowers are in repayment, and is currently set for PLUS loans at CP plus 2.64 percent, and for consolidation loans at CP plus 2.64 percent (less the 1.05 percent annual rebate fee). The House bill reduces these payment rates by 0.55 percentage points (or 55 basis points) for loans held by all lenders and equalizes the special allowance payment rate for Stafford and PLUS loans.

The Senate amendment (Sec. 305) reduces these payments for loans held by for-profit lenders by 0.50 percentage points (or 50 basis points), and by 0.35 percentage points (35 basis points) for loans held by not-for-profit lenders and equalizes the SAP rate for Stafford and PLUS loans.

The House recedes with an amendment that reduces the SAP payments by 40 basis points for non-profit lenders and by 55 basis points for all other lenders. The amendment also equalizes the SAP rate for Stafford and PLUS loans. The Conferees adopt the Senate amendment as amended by the House.

##### Increased Loan Fees from Lenders

The House bill (Sec. 118) increases the fee the Secretary shall collect under Section 438(d) of title IV on each loan disbursed from 0.50 percent to 1 percent for certain for-profit lenders. The fee is eliminated for non-profit lenders and small lenders, defined as those that collectively hold the lowest 15 percent of total loan volume.

The Senate amendment (Sec. 305) increases the fee the Secretary shall collect from all lenders under Section 438(d) of title IV on each loan disbursed from 0.50 percent to 1 percent.

The House recedes.

#### *Section 306. Account Maintenance Fees.*

The House bill (Sec. 117) reduces account maintenance fees from 0.1 percent to 0.06 percent.



The Senate amendment (Sec. 402) changes the method by which account maintenance fees are calculated from a calculation based on the total amount of loan principal to a per-loan basis.

The Senate recesses.

## **TITLE IV- LOAN FORGIVENESS**

### *Section 401. Loan Forgiveness for Public Service Employees.*

The House bill (Sec. 132) amends the current Income-Contingent Repayment program in the Direct Loan program to provide loan forgiveness for public sector employees. The change provides that the Secretary shall forgive the remaining loan balance on a loan under part D of title IV for a borrower who has been employed in a public sector job and has made payments on such loan for a period of ten years.

The Senate amendment (Sec. 401) creates a new loan forgiveness plan for public service employees. The plan provides that the Secretary shall forgive the remaining loan balance for a borrower who has been employed in a public sector job and has made payments on such loan for a period of ten years (which need not be consecutive). Such borrowers shall be eligible to have 1/10 of the remaining loan balance forgiven for each of the ten years in which the borrower earned \$65,000 or less.

The House recesses with an amendment to modify the definition of public service employees and eliminate the \$65,000 income cap.

The Conferees adopt the Senate amendment as amended by the House.

## **TITLE V- FEDERAL PERKINS LOANS**

### *Section 501. Distribution of Late Collections.*

The House bill (Sec. 141) provides \$100 million per year for the Perkins Loan Federal Contribution program for fiscal years 2008 – 2012.

The Senate amendment (Sec. 501) postpones the date on which institutions must return late collections on Perkins loans to the Secretary to September 30, 2012.

The House recesses.

## **TITLE VI – NEED ANALYSIS**

### *Section 601. Support for Working Students.*

The House bill (Sec. 102) includes provisions to increase students' eligibility for student aid, including the Pell grant, through phased-in increases in the Income Protection Allowance for all students. The protected income for unmarried independent students without dependents will be

\$6,690 by 2009. For dependent students the protected income will be \$3,750 by 2009. These amounts will increase by 10 percent each year until 2012.

The Senate amendment (Sec. 601) also increases the Income Protection Allowance in the following ways: (1) for dependent students, it increases the amount of the income protection allowance to \$3,750 for the 2009-2010 academic year; \$4,500 for the 2010-2011 academic year; \$5,250 for the 2011-2012 academic year; and \$6,000 for the 2012-2013 academic year; (2) for independent students without dependents other than a spouse, who are single, separated, or married with both spouses enrolled, it increases the amount of the income protection allowance to \$7,000 for the 2009-2010 academic year; \$7,780 for the 2010-2011 academic year; \$8,550 for the 2011-2012 academic year; and \$9,330 for the 2012-2013 academic year. For independent students without dependents other than a spouse, who are married and whose spouse is not enrolled, it increases the amount of the income protection allowance to \$11,220 for the 2009-2010 academic year; \$12,460 for the 2010-2011 academic year; \$13,710 for the 2011-2012 academic year; and \$14,690 for the 2012-2013 academic year. For independent students with dependents other than a spouse, it increases the amount of the income protection allowance as specified by the tables contained in this section, for a total increase of 50 percent over four years. Under this section, for all students, the income protection allowance reverts to current law after the 2012-2013 academic year.

The House recesses with an amendment to continue the changes beyond the 2012-2013 academic year. The Conferees adopt the Senate amendment as amended by the House.

#### *Section 602. Simplified Needs Test and Automatic Zero Improvements.*

##### Simplified Needs Test

The House bill (Sec. 103) extends the time that an individual who has participated in a federal means-tested benefit program can qualify for a simplified needs test to 24 months from 12 months, and allows dislocated workers to be eligible for the simplified application form.

The Senate amendment contains no similar provision.

The Senate recesses.

##### Automatic Zero

The House bill (Sec. 103) increases the family income level under which a student is automatically eligible for the maximum Pell grant, or the “auto-zero,” from the current level of \$20,000 to \$30,000 and indexes this level to the Consumer Price Index (CPI).

The Senate amendment (Sec. 602) also increases the family income level under which a student is automatically eligible for the maximum Pell grant to \$30,000.

The Senate recesses.

*Section 603. Discretion of Student Financial Aid Administrators.*

The House bill (Sec. 104) allows financial aid administrators to use discretion in calculating the expected student or family contribution in cases where a family member is a dislocated worker (as defined in section 101 of the Workforce Investment Act of 1998).

The Senate amendment (Sec. 603) clarifies and expands the conditions under which financial aid administrators may use discretion in calculating the expected student or family contribution to include an independent student's loss of employment or a change in a student's housing status that results in homelessness. The Senate amendment (Sec. 605) authorizes and appropriates \$10,000,000 for fiscal year 2008 to pay for the estimated increased cost in the Pell program for award year 2007-2008 resulting from the amendments made by sections 603 and 604.

Both the House and Senate recede with an amendment to change the effective date to July 1, 2009. The Conferees concur and adopt the amendment as proposed by the House and Senate.

*Section 604. Definitions.*

The House bill (Sec. 104) clarifies definitions for dislocated workers and means-tested federal benefits. The House bill amends the provisions concerning untaxed income and benefits in current law. Specifically, the bill excludes TANF (welfare benefits), Earned Income Tax Credits, and Social Security from the income calculation in the needs analysis. The House bill clarifies the asset calculation in this section of the bill to ensure that 529 plans are counted as the asset of the parent for independent students.

The Senate amendment (Sec. 604) makes changes to the definition of independent student. It expands the definition of independent students to include: individuals in foster care anytime after age 13; emancipated minors or individuals in legal guardianships as determined by an appropriate court in such an individual's State of legal residence; and any individual who has been adequately verified as an unaccompanied youth who is a homeless child or youth, as defined in the McKinney-Vento Homeless Assistance Act. It clarifies that financial aid administrators may make determinations regarding a student's independent status based on a documented determination of independence by another financial aid administrator in the same year.

Both the House and Senate recede with an amendment clarifying that foster students do not lose their independent student status during non-school terms with regard to housing and other benefits. The Conferees concur and adopt the amendment as proposed by the House and Senate.

## **TITLE VII – COMPETITIVE LOAN AUCTION PILOT PROGRAM**

*Sec. 701. Competitive Loan Auction Pilot Program.*

The House bill (Sec. 119) requires a study by the Secretaries of Education and Treasury with the Congressional Budget Office, the Office of Management and Budget, and the Government Accountability Office to identify and select among the best mechanisms for a loan auction.

Based on the information from the study, a pilot program shall be implemented by the Secretary of Education using 10 percent of loan volume under Part B in the first year of the pilot study and 20 percent the second year of the pilot study.

The Senate amendment (Sec. 801) establishes a new competitive loan auction pilot program. The Secretary is directed to carry out a pilot program to establish a mechanism for the auction of all eligible PLUS loans. Such loans are loans made to parents of dependent students. The Secretary shall administer one auction for each state, in which eligible lenders shall compete to originate all eligible PLUS loans at institutions of higher education within the state.

The House recesses.

The Conferees believe this loan auction pilot should be closely evaluated by the Secretary of Education in consultation with the Secretary of Treasury, the Office of Management and Budget, the Congressional Budget Office, and the Comptroller General. Additionally, the Conferees believe the evaluation should consider the extent of the savings generated through the pilot program; the number of lenders participating in the pilot program and the extent to which the pilot program generated competition among lenders; and the effect of transition to and operation of the pilot program on the feasibility of using other market mechanisms to operate the loan programs.

The Conferees intend to include an evaluation of the loan auction and other market mechanisms during reauthorization of the Higher Education Act which we are committed to moving forward in this session.

## **TITLE VIII – PARTNERSHIP GRANTS**

### *Section 801. College Access Challenge Grants.*

The House bill (Sec. 411) establishes “College Access Challenge Grants,” which leverage federal funds to increase the number of students from underserved populations who enter and complete college through matching grants to philanthropic organizations. The federal government will provide a 2 to 1 match for private and other public funds for these purposes. The philanthropic organizations will work with states, institutions of higher education, and local education agencies and other organizations to raise funds and provide outreach and student support programs.

The Senate amendment (Sec. 801) establishes a College Access Partnership Grant program, to make payments to States to assist them in carrying out specified activities to increase college access for low-income students in the state. The federal share of the matching grant is 2/3 and the state share is 1/3. Activities may be carried out under this grant by state agencies or not-for-profit organizations that the state designates, including not-for-profit lenders, and must be made available to all qualifying students in the state, with priority given to students and families living below the poverty line. The amendment provides that authority to carry out this section shall expire on September 30, 2009.

The House recedes with an amendment changing the name of the program to “College Access Challenge Grants” and incorporating a House provision allowing philanthropic organizations to apply to the Secretary for a grant in the case where a state does not meet the matching requirements or chooses not to apply for a grant. The Conferees adopt the Senate amendment as amended by the House.

The Conferees intend that states, entities, or organizations providing activities under the College Access Challenge Grants program created by this Act coordinate such activities with existing state partnership programs designed to increase college access, particularly the state’s Leveraging Educational Assistance Partnership program (LEAP) under title IV, Part A, Subpart 4, if a state has such a program.

*Section 802. Investment in Historically Black Colleges and Universities and Minority Serving Institutions.*

The House bill (Sec. 401) provides a total \$500 million over the next five years to the following designated institutions with the following amounts:

- \$200 million to Hispanic-Serving Institutions to be distributed to the institutions in the same competitive manner as is done under title V of the Higher Education Act, and for uses under title V with priority to those applications that will increase the number of low-income students attaining degrees in the fields of science, technology, engineering, or math and to applications that develop model transfer articulation agreements.
- \$170 million to Historically Black Colleges and Universities to be distributed for use through some of the activities described in section 323(a) of the Higher Education Act including the purchase of laboratory equipment, the funding of instruction, the purchase of materials, and the establishment or enhancement of a teacher education program. Additionally, funds may be used in a manner consistent with the institution’s comprehensive plan and designed to increase the institution’s capacity to prepare students for careers in the physical and natural sciences, math, computer science, information technology, engineering, language instruction and other specified areas.
- \$30 million to Predominately Black Institutions to award 50 grants of \$600,000 for programs in the fields of science, technology, engineering, health education, teacher education, or programs that improve the educational outcomes of African American males.
- \$60 million to Tribal Colleges and Universities to be distributed in the manner that the funds are used under current law in section 316 of the Higher Education Act including the purchase of laboratory equipment, the funding of instruction, the purchase of materials, or the establishment or enhancement of teacher education and outreach programs.
- \$30 million to Alaska/Hawaiian Native Institutions to be distributed in the manner that the funds are used under current law in section 317 of the Higher Education Act including the purchase of laboratory equipment, the funding of instruction, the purchase of materials, and the creation of academic tutoring programs.
- \$10 million to Asian American and Pacific Islander Institutions to be distributed to institutions as defined in this section, and used in a manner that may include the purchase

of laboratory equipment, the funding of instruction, the purchase of materials, and the creation of tutoring programs.

The House bill defines the following for the purposes of distributing funds:

*Predominately Black Institutions* as institutions that have an enrollment of financially needy undergraduate students; an enrollment of undergraduate students at least 40% of whom are Black; and, that has at least 1,000 undergraduate students of whom not less than 50% enrolled at the institution are low-income or first generation and registered in a BA or AA program leading to a degree.

*Asian and Pacific Islander-serving institution* as institutions that have an enrollment of undergraduate students that is at least 10% Asian American and Pacific Islander and has a significant enrollment of financially needy students.

The Senate amendment contains no similar provision.

The Senate recedes with an amendment that \$255 million shall be authorized in each of 2008 and 2009, for a total investment of \$510 million. The amendment adds \$10 million for Native American Serving, Nontribal Institutions to be distributed to institutions as defined in this section, and used in a manner that may include the purchase of laboratory equipment, the funding of instruction, the purchase of materials, and the creation of tutoring programs. The Conferees agree to the House bill as amended by the Senate.

The amendment defines *Native American Serving, Nontribal Institutions* for the purposes of distributing funds at institutions that have an enrollment of undergraduate students that is at least 10% Native American and is not a Tribal College or University.

These institutions, which serve groups who were historically denied access to postsecondary education because of discrimination, have an important role in higher education. They help to preserve cultural traditions and to ensure that a diverse pool of qualified professionals in the nation's economy. At the same time, they offer affordable, high quality college education to thousands of students as well as provide much needed job training. These institutions also provide crucial support services and add hope to communities that have high rates of poverty and unemployment. Today, a high quality education greatly depends on the technology and resources available to students. The Conferees recognize that HBCUs, HSIs, and other Minority Serving Institutions (MSIs) do not have sufficient financial ability to provide these opportunities and satisfy the unique needs of these schools without Federal assistance.

MSIs have an important role in providing equal educational opportunities to qualified minority students. According to the Institute for Higher Education Policy, approximately 2.3 million students, or about one-third of all African Americans, American Indians/Alaska Natives, and Hispanics in all higher education institutions in the United States and Puerto Rico, were enrolled at HBCUs, HSIs, TCUs, Alaska and Hawaiian Native institutions. These numbers have grown rapidly in recent years—in fact, enrollment at these institutions-accelerated by 66 percent from 1995 to 2003, compared to only 20 percent at all postsecondary institutions.

The importance of these unique institutions is underscored by the fact that they provide postsecondary educational opportunities specifically tailored to students who traditionally have been denied access to adequately funded elementary and secondary schools, especially low-income, educationally disadvantaged students. The Conferees believe that this section offers an opportunity to help these institutions fulfill their missions to assist students to meet their educational goals.

### **COMPLIANCE WITH HOUSE RULE XXI**

Pursuant to clause 9 of rule XXI of the Rules of the House of Representatives, this conference report contains no congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(d), 9(e), or 9(f) of rule XXI.