

**AMENDMENT TO THE AMENDMENT IN THE  
NATURE OF A SUBSTITUTE TO H.R. 2669  
OFFERED BY MR. PETRI OF WISCONSIN**

**Sense of Congress**

Insert at the appropriate place the following new section:

1 **SEC. \_\_\_\_ . SENSE OF THE CONGRESS; REPORT.**

2 (a) SENSE OF CONGRESS.—It is the sense of the Con-  
3 gress that—

4 (1) in order to provide the borrowers of Federal  
5 student loans with the option of converting their  
6 loans to income contingent repayment by providing  
7 direct loans for the discharge of such loans (in this  
8 section referred to as “direct IDEA loans”), the Sec-  
9 retary of Education and of the Secretary of the  
10 Treasury will work together with the Government  
11 Accountability Office to develop a process by which  
12 the borrower will make payments on such loan using  
13 the income tax withholding system and will make ap-  
14 propriate adjustments to his or her withholding or  
15 estimated tax payments for such purposes; and

16 (2) determine whether:

1 (A) such a repayment option would be ben-  
2 eficial to borrowers and taxpayers;

3 (B) determine how such program would be  
4 implemented by the Departments of Education  
5 and Treasury; and

6 (3) this process would—

7 (A) streamline the repayment process and  
8 provide greater flexibility for borrowers electing  
9 to use the direct IDEA loan;

10 (B) significantly reduce the number of loan  
11 defaults by borrowers;

12 (C) significantly reduce the redundancy in  
13 reporting information pertaining to income-con-  
14 tingent repayment to the Department of Edu-  
15 cation, institutions, and applicants.

16 (b) REPORT.—The Secretaries of Education and the  
17 Treasury shall, within one year after the date of enact-  
18 ment of this Act—

19 (1) provide the Congress with information on  
20 the progress in devising the direct IDEA loan with  
21 income-contingent repayment using the income tax  
22 withholding system(a);

23 (2) inform the Congress of any necessary statu-  
24 tory changes for the purpose establishing a direct

1       IDEA loan with income-contingent repayment using  
2       the income tax withholding system; and  
3             (3) consider international implementation of in-  
4       come-contingent repayment collected through rev-  
5       enue services, such as programs in England, Aus-  
6       tralia, and New Zealand. .

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Insert at the appropriate place the following new section:

1 **SEC. \_\_\_\_.** **MARKET-BASED DETERMINATION OF LENDER**  
2 **RETURNS.**

3 (a) **JOINT PLANNING STUDY TO SELECT AUCTION**  
4 **MECHANISMS FOR TESTING.—**

5 (1) **PLANNING STUDY.—**The Secretaries of  
6 Education and Treasury jointly shall conduct a plan-  
7 ning study, in consultation with the Office of Man-  
8 agement and Budget, the Congressional Budget Of-  
9 fice, the General Accounting Office, and other indi-  
10 viduals and entities the Secretaries determines ap-  
11 propriate, to—

12 (A) examine the matters described in para-  
13 graph (2) in order to determine which market-  
14 based mechanisms for determining lender re-  
15 turns on loans made, insured, or guaranteed  
16 under part B of title IV of the Higher Edu-  
17 cation Act of 1965 (20 U.S.C. 1071 et seq.)

1 shall be tested under the pilot programs de-  
2 scribed in subsection (c); and

3 (B) determine what related administrative  
4 and other changes will be required in order to  
5 ensure that high-quality services are provided  
6 under a successful implementation of market-  
7 based determinations of lender returns for all  
8 loans made, insured, or guaranteed under such  
9 part.

10 (2) MATTERS EXAMINED.—The planning study  
11 under this subsection shall examine—

12 (A) whether it is most appropriate to auc-  
13 tion existing loans under part B of title IV, to  
14 auction the rights to originate loans under such  
15 part, or whether the sale of securities backed by  
16 federally owned student loan assets originated  
17 by banks acting as agents of the Federal Gov-  
18 ernment would provide the most efficient mar-  
19 ket-based alternative;

20 (B) matters related to efficient financial  
21 organization of any auctions or sales, including  
22 how loans and origination rights are bundled,  
23 the capital structure of any securitization plan,  
24 and issues related to servicing; and

1           (C) how to ensure that statutory, regu-  
2           latory, and administrative requirements do not  
3           impede separate management and ownership of  
4           loans or assets backed by loans under part B  
5           of title IV.

6           (3) MECHANISMS.—In determining which mar-  
7           ket-based mechanisms are the most promising mod-  
8           els to test the pilot programs under subsection (b),  
9           the planning study shall take into account whether  
10          a particular market-based mechanism will—

11           (A) ensure loan availability under part B  
12           of title IV to all eligible students at all partici-  
13           pating institutions;

14           (B) minimize administrative complexity for  
15           borrowers, institutions, lenders, and the Federal  
16           Government; and

17           (C) reduce Federal costs if used on a pro-  
18           gram-wide basis.

19           (4) REPORT.—A report on the results of the  
20           planning study, together with a plan for implementa-  
21           tion of one or more pilot programs using promising  
22           market-based approaches for determining lender re-  
23           turns, shall be transmitted to Congress not later  
24           than 6 months following the date of enactment of  
25           this Act.

1 (b) PILOT PROGRAMS TO BE TESTED.—

2 (1) AUTHORIZATION.—

3 (A) IN GENERAL.—Notwithstanding any  
4 other provision of law, after the report de-  
5 scribed in subsection (a)(4) is transmitted to  
6 Congress, the Secretary of Education shall, in  
7 consultation with the Secretary of the Treasury,  
8 begin preparations necessary to carry out pilot  
9 programs meeting the requirements of this sub-  
10 section in accordance with the implementation  
11 plan included in the report.

12 (B) IMPLEMENTATION DATE.—The Sec-  
13 retary of Education shall commence implemen-  
14 tation of the pilot programs under this sub-  
15 section not earlier than July 1, 2008.

16 (C) DURATION AND LOAN VOLUME.—The  
17 pilot programs under this subsection shall be  
18 not more than two academic years in duration,  
19 and the Secretary of Education may use the  
20 pilot programs to determining the lender re-  
21 turns for not more than—

22 (i) 10 percent of the annual loan vol-  
23 ume under this part B of title IV during  
24 the first year of the pilot programs under  
25 this subsection; and

1 (ii) 20 percent of the annual loan vol-  
2 ume under this part B of title IV during  
3 the second year of the pilot programs  
4 under this subsection.

5 (2) VOLUNTARY PARTICIPATION.—

6 (A) Participation in any auction-based  
7 pilot program under this subsection shall be vol-  
8 untary for eligible institutions and eligible lend-  
9 ers participating under part B of title IV prior  
10 to July 1, 2006;

11 (B) All savings to the United States Treas-  
12 ury generated by such auctions shall be distrib-  
13 uted to institutions participating under this sec-  
14 tion on a basis proportionate to loan volume  
15 under such part for supplemental, need-based  
16 financial aid, except that an institution that is  
17 operating as an eligible lender under section  
18 435(d)(2) shall not be eligible for any such dis-  
19 tribution.

20 (3) INDEPENDENT EVALUATION.—The Govern-  
21 ment Accountability Office shall conduct an inde-  
22 pendent evaluation of the pilot programs, which eval-  
23 uation shall be completed, and the results of such  
24 submitted to the Secretary of Education, the Sec-  
25 retary of the Treasury, and Congress, not later than



1       120 days after the termination of the pilot programs  
2       under this subsection.

3       (c) PROGRAM-WIDE IMPLEMENTATION.—Notwith-  
4 standing any other provision of part B of title IV, for the  
5 first academic year beginning not less than 120 days after  
6 the independent evaluation described in subsection (b)(4)  
7 has been transmitted to Congress, and succeeding aca-  
8 demic years, the Secretary of Education is authorized to  
9 implement for all loans made under such part (other than  
10 loans made under the William D. Ford Direct Loan Pro-  
11 gram), a program-wide, market-based system to determine  
12 returns to all lenders as the Secretary of Education deter-  
13 mines appropriate, provided that—

14           (1) the Secretary of Education , in consultation  
15 with the Secretary of the Treasury, has certified  
16 that the auction-based system that the Secretary of  
17 Education intends to implement on a program-wide  
18 basis would—

19                   (A) ensure loan availability under such  
20 part to all eligible students at all participating  
21 institutions;

22                   (B) minimize administrative complexity for  
23 borrowers, institutions, lenders, and the Federal  
24 Government, including the enhancement of the

1           modernization of the student financial aid sys-  
2           tem; and

3                   (C) reduce Federal costs when used on a  
4           program-wide basis; and

5           (2) the Secretary of Education has notified  
6           Congress of the Secretary's intent to implement a  
7           program-wide auction based system, and provided a  
8           description of the structure of the auction-based sys-  
9           tem, at least 120 days before implementing such a  
10          system.

11          (d) CONSULTATION.—

12           (1) IN GENERAL.—As part of the planning  
13          study, pilot programs, and program-wide implemen-  
14          tation phases described in this section, the Secretary  
15          of Education shall consult with representatives of in-  
16          vestment banks, ratings agencies, lenders, institu-  
17          tions of higher education and students, as well as in-  
18          dividuals or other entities with pertinent technical  
19          expertise. The Secretary of Education shall engage  
20          in such consultations using such methods as, and to  
21          the extent that, the Secretary determines appro-  
22          priate to the time constraints associated with the  
23          study and programs.

24           (2) SERVICES OF OTHER FEDERAL AGEN-  
25          CIES.—In carrying out the planning study and pilot

1 programs described in this section, the Secretary of  
2 Education may use, on a reimbursable basis, the  
3 services (including procurement authorities and serv-  
4 ices), equipment, personnel, and facilities of other  
5 agencies and instrumentalities of the Federal Gov-  
6 ernment.