

AMENDMENT NO. _____ Calendar No. _____

Purpose: To amend the special allowance payments.

IN THE SENATE OF THE UNITED STATES—110th Cong., 1st Sess.

H. R. 2669

To provide for reconciliation pursuant to section 601 of the concurrent resolution on the budget for fiscal year 2008.

Referred to the Committee on _____ and ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by _____

Viz:

- 1 Beginning on page 5, strike line 13 and all that fol-
- 2 lows through page 27, line 18, and insert the following:
- 3 “(A) \$1,670,000,000 for fiscal year 2008;
- 4 “(B) \$2,060,000,000 for fiscal year 2009;
- 5 “(C) \$2,460,000,000 for fiscal year 2010;
- 6 “(D) \$2,880,000,000 for fiscal year 2011;
- 7 “(E) \$2,970,000,000 for fiscal year 2012;
- 8 “(F) \$360,000,000 for fiscal year 2013;
- 9 “(G) \$3,080,000,000 for fiscal year 2014;
- 10 “(H) \$3,140,000,000 for fiscal year 2015;

1 “(I) \$3,190,000,000 for fiscal year 2016;

2 and

3 “(J) \$3,270,000,000 for fiscal year 2017.

4 “(2) AVAILABILITY OF FUNDS.—Funds appro-
5 priated under paragraph (1) for a fiscal year shall
6 remain available through the last day of the fiscal
7 year immediately succeeding the fiscal year for
8 which the funds are appropriated.”.

9 (b) EFFECTIVE DATE.—The amendment made by
10 subsection (a) shall take effect on July 1, 2008.

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

14 **SEC. 201. DEFERMENTS.**

15 (a) FISL.—Section 427(a)(2)(C)(iii) (20 U.S.C.
16 1077(a)(2)(C)(iii)) is amended by striking “3 years” and
17 inserting “6 years”.

18 (b) INTEREST SUBSIDIES.—Section 428(b)(1)(M)(iv)
19 (20 U.S.C. 1078(b)(1)(M)(iv)) is amended by striking “3
20 years” and inserting “6 years”.

21 (c) DIRECT LOANS.—Section 455(f)(2)(D) (20
22 U.S.C. 1087e(f)(2)(D)) is amended by striking “3 years”
23 and inserting “6 years”.

1 (d) PERKINS.—Section 464(c)(2)(A)(iv) (20 U.S.C.
2 1087dd(c)(2)(A)(iv)) is amended by striking “3 years”
3 and inserting “6 years”.

4 (e) EFFECTIVE DATE AND APPLICABILITY.—The
5 amendments made by this section shall take effect on July
6 1, 2008, and shall only apply with respect to the loans
7 made to a borrower of a loan under title IV of the Higher
8 Education Act of 1965 who obtained the borrower’s first
9 loan under such title prior to October 1, 2012.

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

12 (a) FEDERAL FAMILY EDUCATION LOANS.—Section
13 428(b)(1)(M)(iii) (20 U.S.C. 1078(b)(1)(M)(iii)) is
14 amended—

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

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

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

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

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

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

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

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

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

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

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

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

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

16 “and for the 180-day period following the de-
17 mobilization date for the service described in
18 subclause (I) or (II);”.

19 (d) APPLICABILITY.—Section 8007(f) of the Higher
20 Education Reconciliation Act of 2005 (20 U.S.C. 1078
21 note) is amended by striking “loans for which” and all
22 that follows through the period at the end and inserting
23 “all loans under title IV of the Higher Education Act of
24 1965.”.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall take effect on July 1, 2008.

3 **SEC. 203. INCOME-BASED REPAYMENT PLANS.**

4 (a) FFEL.—Section 428 (as amended by sections
5 201(b) and 202(a)) (20 U.S.C. 1078) is further amend-
6 ed—

7 (1) in subsection (b)—

8 (A) in paragraph (1)—

9 (i) in subparagraph (D), by striking
10 “income contingent” and inserting “in-
11 come-based”; and

12 (ii) in subparagraph (E)(i), by strik-
13 ing “income-sensitive” and inserting “in-
14 come-based”; and

15 (B) by striking clause (iii) of paragraph
16 (9)(A) and inserting the following:

17 “(iii) an income-based repayment
18 plan, with parallel terms, conditions, and
19 benefits as the income-based repayment
20 plan described in subsections (e) and
21 (d)(1)(D) of section 455, except that—

22 “(I) the plan described in this
23 clause shall not be available to a bor-
24 rower of an excepted PLUS loan (as
25 defined in section 455(e)(10)) or of a

1 loan made under 428C that includes
2 an excepted PLUS loan;

3 “(II) in lieu of the process of ob-
4 taining Federal income tax returns
5 and information from the Internal
6 Revenue Service, as described in sec-
7 tion 455(e)(1), the borrower shall pro-
8 vide the lender with a copy of the
9 Federal income tax return and return
10 information for the borrower (and, if
11 applicable, the borrower’s spouse) for
12 the purposes described in section
13 455(e)(1), and the lender shall deter-
14 mine the repayment obligation on the
15 loan, in accordance with the proce-
16 dures developed by the Secretary;

17 “(III) in lieu of the requirements
18 of section 455(e)(3), in the case of a
19 borrower who chooses to repay a loan
20 made, insured, or guaranteed under
21 this part pursuant to income-based re-
22 payment and for whom the adjusted
23 gross income is unavailable or does
24 not reasonably reflect the borrower’s
25 current income, the borrower shall

1 provide the lender with other docu-
2 mentation of income that the Sec-
3 retary has determined is satisfactory
4 for similar borrowers of loans made
5 under part D;

6 “(IV) the Secretary shall pay any
7 interest due and not paid for under
8 the repayment schedule described in
9 section 455(e)(4) for a loan made, in-
10 sured, or guaranteed under this part
11 in the same manner as the Secretary
12 pays any such interest under section
13 455(e)(6) for a Federal Direct Staf-
14 ford Loan;

15 “(V) the Secretary shall assume
16 the obligation to repay an outstanding
17 balance of principal and interest due
18 on all loans made, insured, or guaran-
19 teed under this part (other than an
20 excepted PLUS Loan or a loan under
21 section 428C that includes an ex-
22 cepted PLUS loan), for a borrower
23 who satisfies the requirements of sub-
24 paragraphs (A) and (B) of section
25 455(e)(7), in the same manner as the

1 Secretary cancels such outstanding
2 balance under section 455(e)(7); and

3 “(VI) in lieu of the notification
4 requirements under section 455(e)(8),
5 the lender shall notify a borrower of a
6 loan made, insured, or guaranteed
7 under this part who chooses to repay
8 such loan pursuant to income-based
9 repayment of the terms and condi-
10 tions of such plan, in accordance with
11 the procedures established by the Sec-
12 retary, including notification that—

13 “(aa) the borrower shall be
14 responsible for providing the
15 lender with the information nec-
16 essary for documentation of the
17 borrower’s income, including in-
18 come information for the bor-
19 rower’s spouse (as applicable);
20 and

21 “(bb) if the borrower con-
22 siders that special circumstances
23 warrant an adjustment, as de-
24 scribed in section 455(e)(8)(B),
25 the borrower may contact the

1 lender, and the lender shall de-
2 termine whether such adjustment
3 is appropriate, in accordance
4 with the criteria established by
5 the Secretary; and”;

6 (2) in subsection (e)—

7 (A) in the subsection heading, by striking
8 “INCOME-SENSITIVE” and inserting “INCOME-
9 BASED”;

10 (B) in paragraph (1)—

11 (i) by striking “income-sensitive re-
12 payment” and inserting “income-based re-
13 payment”; and

14 (ii) by inserting “and for the public
15 service loan forgiveness program under
16 section 455(m), in accordance with section
17 428C(b)(5)” before the semicolon; and

18 (C) in paragraphs (2) and (3), by striking
19 “income-sensitive” each place the term occurs
20 and inserting “income-based”; and

21 (3) in subsection (m)—

22 (A) in the subsection heading, by striking
23 “INCOME CONTINGENT” and inserting “IN-
24 COME-BASED”;

1 (B) in paragraph (1), by striking “income
2 contingent repayment plan” and all that follows
3 through the period at the end and inserting “in-
4 come-based repayment plan as described in sub-
5 section (b)(9)(A)(iii) and section
6 455(d)(1)(D).”; and

7 (C) in the paragraph heading of paragraph
8 (2), by striking “INCOME CONTINGENT” and in-
9 serting “INCOME-BASED”.

10 (b) CONSOLIDATION LOANS.—Section 428C (20
11 U.S.C. 1078–3) is amended—

12 (1) in subsection (a)(3)(B)(i)(V), by striking
13 “for the purposes of obtaining an income contingent
14 repayment plan,” and inserting “for the purpose of
15 using the public service loan forgiveness program
16 under section 455(m),”;

17 (2) in subsection (b)(5)—

18 (A) in the first sentence, by striking “, or
19 is unable to obtain a consolidation loan with in-
20 come-sensitive repayment terms acceptable to
21 the borrower from such a lender,” and inserting
22 “, or chooses to obtain a consolidation loan for
23 the purposes of using the public service loan
24 forgiveness program offered under section
25 455(m),”; and

1 (B) in the second sentence, by striking “in-
2 come contingent repayment under part D of
3 this title” and inserting “income-based repay-
4 ment”; and

5 (3) in subsection (c)—

6 (A) in paragraph (2)(A)—

7 (i) in the first sentence, by striking
8 “of graduated or income-sensitive repay-
9 ment schedules, established by the lender
10 in accordance with the regulations of the
11 Secretary.” and inserting “of graduated
12 repayment schedules, established by the
13 lender in accordance with the regulations
14 of the Secretary, and income-based repay-
15 ment schedules, established pursuant to
16 regulations by the Secretary.”; and

17 (ii) in the second sentence, by striking
18 “Except as required” and all that follows
19 through “subsection (b)(5),” and inserting
20 “Except as required by such income-based
21 repayment schedules,”; and

22 (B) in paragraph (3)(B), by striking “in-
23 come contingent repayment offered by the Sec-
24 retary under subsection (b)(5)” and inserting
25 “income-based repayment”.

1 (c) DIRECT LOANS.—Section 455 (as amended by
2 sections 201(c) and 202(b)) (20 U.S.C. 1087e) is further
3 amended—

4 (1) in subsection (d)—

5 (A) in paragraph (1)(D)—

6 (i) by striking “income contingent re-
7 payment plan” and inserting “income-
8 based repayment plan”; and

9 (ii) by striking “a Federal Direct
10 PLUS loan” and inserting “an excepted
11 PLUS loan or any Federal Direct Consoli-
12 dation Loan that includes an excepted
13 PLUS loan (as defined in subsection
14 (e)(10))”; and

15 (B) in paragraph (5)(B), by striking “in-
16 come contingent” and inserting “income-
17 based”; and

18 (2) in subsection (e)—

19 (A) in the subsection heading, by striking
20 “INCOME CONTINGENT” and inserting “IN-
21 COME-BASED”;

22 (B) in paragraphs (1), (2), and (3), by
23 striking “income contingent” each place the
24 term appears and inserting “income-based”;

25 (C) in paragraph (4)—

1 (i) by striking “Income contingent”
2 and inserting “Income-based”; and

3 (ii) by striking “Secretary.” and in-
4 sserting “Secretary, except that the month-
5 ly required payment under such schedule
6 shall not exceed 15 percent of the result
7 obtained by calculating the amount by
8 which—

9 “(A) the borrower’s adjusted gross income;
10 exceeds

11 “(B) 150 percent of the poverty line appli-
12 cable to the borrower’s family size, as deter-
13 mined under section 673(2) of the Community
14 Service Block Grant Act,
15 divided by 12.”;

16 (D) in paragraph (5), by striking “income
17 contingent” and inserting “income-based”;

18 (E) by redesignating paragraph (6) as
19 paragraph (8);

20 (F) by inserting after paragraph (5) the
21 following:

22 “(6) TREATMENT OF INTEREST.—In the case
23 of a Federal Direct Stafford Loan, any interest due
24 and not paid for under paragraph (2) shall be paid
25 by the Secretary.

1 “(iii) Has made a payment that
2 counted toward the maximum repayment
3 period under income-sensitive repayment
4 under section 428(b)(9)(A)(iii) or income
5 contingent repayment under section
6 455(d)(1)(D), as each such section was in
7 effect on June 30, 2008.

8 “(iv) Has made a reduced payment of
9 not less than the amount required under
10 subsection (e), pursuant to a forbearance
11 agreement under section 428(c)(3)(A)(i)
12 for a borrower described in
13 428(c)(3)(A)(i)(II).”;

14 (G) in the matter preceding subparagraph
15 (A) of paragraph (8) (as redesignated by sub-
16 paragraph (E)), by striking “income contin-
17 gent” and inserting “income-based”; and

18 (H) by adding at the end the following:

19 “(9) RETURN TO STANDARD REPAYMENT.—A
20 borrower who is repaying a loan made under this
21 part pursuant to income-based repayment may
22 choose, at any time, to terminate repayment pursu-
23 ant to income-based repayment and repay such loan
24 under the standard repayment plan.

1 “(10) DEFINITION OF EXCEPTED PLUS
2 LOAN.—In this subsection, the term ‘excepted PLUS
3 loan’ means a Federal Direct PLUS loan or a loan
4 under section 428B that is made, insured, or guar-
5 anteed on behalf of a dependent student.”.

6 (d) CONFORMING AMENDMENTS AND TECHNICAL
7 CORRECTIONS.—The Act (20 U.S.C. 1001 et seq.) is fur-
8 ther amended—

9 (1) in section 427(a)(2)(H) (20 U.S.C.
10 1077(a)(2)(H))—

11 (A) by striking “or income-sensitive”; and

12 (B) by inserting “or income-based repay-
13 ment schedule established pursuant to regula-
14 tions by the Secretary” before the semicolon at
15 the end; and

16 (2) in section 455(d)(1)(C) (20 U.S.C.
17 1087e(d)(1)(C)), by striking “428(b)(9)(A)(v)” and
18 inserting “428(b)(9)(A)(iv)”.

19 (e) TRANSITION PROVISION.—A student who, as of
20 June 30, 2008, elects to repay a loan under part B or
21 part D of the Higher Education Act of 1965 (20 U.S.C.
22 1071 et seq., 1087a et seq.) through an income-sensitive
23 repayment plan under section 428(b)(9)(A)(iii) of such
24 Act (20 U.S.C. 1078(b)(9)(A)(iii)) or an income contin-
25 gent repayment plan under section 455(d)(1)(D) of such

1 Act (20 U.S.C. 1087e(d)(1)(D)) (as each such section was
2 in effect on the day before the date of enactment of this
3 Act) shall have the option to continue repayment under
4 such section (as such section was in effect on such day),
5 or may elect, beginning on July 1, 2008, to use the in-
6 come-based repayment plan under section
7 428(b)(9)(A)(iii) or 455(d)(1)(D) (as applicable) of the
8 Higher Education Act of 1965, as amended by this sec-
9 tion.

10 (f) EFFECTIVE DATE AND APPLICABILITY.—The
11 amendments made by this section shall take effect on July
12 1, 2008, and shall only apply with respect to a borrower
13 of a loan under title IV of the Higher Education Act of
14 1965 who obtained the borrower’s first loan under such
15 title prior to October 1, 2012.

16 **TITLE III—FEDERAL FAMILY**
17 **EDUCATION LOAN PROGRAM**

18 **SEC. 301. REDUCTION OF LENDER INSURANCE PERCENT-**

19 **AGE.**

20 (a) AMENDMENT.—Section 428(b)(1)(G) (20 U.S.C.
21 1078(b)(1)(G)) is amended—

22 (1) in the matter preceding clause (i), by strik-
23 ing “insures 98 percent” and inserting “insures 97
24 percent”;

1 (2) in clause (i), by inserting “and” after the
2 semicolon;

3 (3) by striking clause (ii); and

4 (4) by redesignating clause (iii) as clause (ii).

5 (b) EFFECTIVE DATE.—The amendment made by
6 subsection (a) shall take effect with respect to loans made
7 on or after October 1, 2007.

8 **SEC. 302. GUARANTY AGENCY COLLECTION RETENTION.**

9 Clause (ii) of section 428(c)(6)(A) (20 U.S.C.
10 1078(c)(6)(A)(ii)) is amended to read as follows:

11 “(ii) an amount equal to 24 percent of
12 such payments for use in accordance with sec-
13 tion 422B, except that—

14 “(I) beginning October 1, 2003 and
15 ending September 30, 2007, this subpara-
16 graph shall be applied by substituting ‘23
17 percent’ for ‘24 percent’; and

18 “(II) beginning October 1, 2007, this
19 subparagraph shall be applied by sub-
20 stituting ‘16 percent’ for ‘24 percent’.”.

21 **SEC. 303. ELIMINATION OF EXCEPTIONAL PERFORMER**
22 **STATUS FOR LENDERS.**

23 (a) ELIMINATION OF STATUS.—Part B of title IV (20
24 U.S.C. 1071 et seq.) is amended by striking section 428I
25 (20 U.S.C. 1078–9).

1 (b) CONFORMING AMENDMENTS.—Part B of title IV
2 is further amended—

3 (1) in section 428(c)(1) (20 U.S.C.
4 1078(c)(1))—

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

6 (B) by redesignating subparagraphs (E)
7 through (H) as subparagraphs (D) through
8 (G), respectively; and

9 (2) in section 438(b)(5) (20 U.S.C. 1087–
10 1(b)(5)), by striking the matter following subpara-
11 graph (B).

12 (c) EFFECTIVE DATE.—The amendments made by
13 subsections (a) and (b) shall take effect on October 1,
14 2007, except that section 428I of the Higher Education
15 Act of 1965 (as in effect on the day before the date of
16 enactment of this Act) shall apply to eligible lenders that
17 received a designation under subsection (a) of such section
18 prior to October 1, 2007, for the remainder of the year
19 for which the designation was made.

20 **SEC. 304. DEFINITIONS.**

21 (a) AMENDMENTS.—Section 435(o)(1) (20 U.S.C.
22 1085(o)(1)) is amended—

23 (1) in subparagraph (A)(ii), by striking “100
24 percent of the poverty line for a family of 2” and

1 inserting “150 percent of the poverty line applicable
2 to the borrower’s family size”; and

3 (2) in subparagraph (B)(ii), by striking “to a
4 family of two” and inserting “to the borrower’s fam-
5 ily size”.

6 (b) APPLICABILITY.—The amendment made by sub-
7 section (a) shall only apply with respect to any borrower
8 of a loan under title IV of the Higher Education Act of
9 1965 who obtained the borrower’s first loan under such
10 title prior to October 1, 2012.

11 **SEC. 305. SPECIAL ALLOWANCES.**

12 (a) REDUCTION OF LENDER SPECIAL ALLOWANCE
13 PAYMENTS.—Section 438(b)(2)(I) (20 U.S.C. 1087–
14 1(b)(2)(I)) is amended—

15 (1) in clause (i), by striking “(iii), and (iv)”
16 and inserting “(iii), (iv), and (vi)”; and

17 (2) by adding at the end the following:

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

1 ment computed pursuant to this subpara-
2 graph shall be computed—

3 “(I) by substituting ‘1.39 per-
4 cent’ for ‘1.74 percent’ in clause (ii);

5 “(II) by substituting ‘1.99 per-
6 cent’ for ‘2.34 percent’ each place it
7 appears in this subparagraph;

8 “(III) by substituting ‘1.99 per-
9 cent’ for ‘2.64 percent’ in clause (iii);
10 and

11 “(IV) by substituting ‘2.29 per-
12 cent’ for ‘2.64 percent’ in clause
13 (iv).”.