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A BILL

To amend the Higher Education Act of 1965 in order to restore the Federal Pell Grant program to firm financial footing; to target resources on low-income students with the greatest need; to promote student achievement; to significantly restructure the student loan programs in order to increase student benefits, expand borrower repayment options and reduce costs through expanded risk-sharing; to establish innovative new programs that support emerging employment trends; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Higher Education Act Reform Amendments of 2005."

REFERENCES

SEC. 101. Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.).

DEFINITIONS OF INSTITUTION OF HIGHER EDUCATION

SEC. 102. (a) GENERAL DEFINITION.—Section 101(b)(2) (20 U.S.C. 1001(b)(2)) is amended to read as follows:

"(2) a public or nonprofit private educational institution in any State that, in lieu of the requirement in subsection (a)(1), admits as regular students persons—

"(A) who are beyond the age of compulsory school attendance in the State in which the institution is located; or

"(B) who will be dually enrolled in that institution and a secondary school."

1 (b) DEFINITION FOR TITLE IV PURPOSES.—Section 102 (20 U.S.C. 1002) is
2 amended—

3 (1) in subsection (a)(3)—

4 (A) in the heading thereof, by striking "COURSE OF STUDY OR";

5 (B) by striking subparagraphs (A) and (B); and

6 (C) by redesignating subparagraphs (C) and (D) as subparagraphs (A) and
7 (B), respectively;

8 (2) in subsection (b)—

9 (A) in paragraph (1)—

10 (i) in subparagraph (D), by adding "and" at the end thereof;

11 (ii) in subparagraph (E), by striking the semicolon and "and" at the
12 end thereof and inserting in lieu thereof a period; and

13 (iii) by striking subparagraph (F); and

14 (B) by amending paragraph (2) to read as follows:

15 "(2) ADDITIONAL INSTITUTIONS.—The term 'proprietary institution of
16 higher education' also includes a proprietary educational institution in any State that, in lieu of
17 the requirement in section 101(a)(1), admits as regular students persons—

18 "(A) who are beyond the age of compulsory school attendance in the State
19 in which the institution is located; or

20 "(B) who will be dually enrolled in that institution and a secondary
21 school."; and

22 (3) in subsection (c), by amending paragraph (2) to read as follows:

1 "(2) ADDITIONAL INSTITUTIONS.—The term 'postsecondary vocational
2 institution' also includes an educational institution in any State that, in lieu of the requirement in
3 section 101(a)(1), admits as regular students persons—

4 "(A) who are beyond the age of compulsory school attendance in the State
5 in which the institution is located; or

6 "(B) who will be dually enrolled in that institution and a secondary
7 school."

8 (c) EFFECTIVE DATE.—(1) The amendments made in this section (other than the
9 amendments made in subsection (b)(2)(A)) shall be effective with respect to persons who are
10 admitted for periods of enrollment beginning on or after July 1, 2006, by an institution as regular
11 students who will be dually enrolled in that institution and a secondary school.

12 (2) The amendments made in subsection (b)(2)(A) shall be effective on
13 enactment.

14

15 FEDERAL PELL GRANT PROGRAM AMENDMENTS

16 SEC. 103. (a) Section 401 (20 U.S.C. 1070a) is amended—

17 (1) by amending subsection (a) to read as follows:

18 "(a) PROGRAM AUTHORITY.—(1) For each fiscal year through fiscal year 2015, the
19 there are authorized to be appropriated such sums as may be necessary to pay to each eligible
20 student (defined in accordance with section 484), for each academic year during which that
21 student is in attendance at an institution of higher education as an undergraduate, a Federal Pell
22 Grant in the amount for which that student is eligible, as determined pursuant to subsection (b).

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"(2)(A) There are hereby made available, out of funds not otherwise appropriated and in accordance with this section for fiscal year 2006, \$4,300,821,000 for the purpose of eliminating the estimated shortfall of budget authority for the program authorized under this section through award year 2005-2006.

"(B)(i) There are hereby made available, out of funds not otherwise appropriated and in accordance with this section and for the purposes specified in clause (ii)—

- "(I) \$420,000,000 for fiscal year 2006;
- "(II) \$825,000,000 for fiscal year 2007;
- "(III) \$1,231,000,000 for fiscal year 2008;
- "(IV) \$1,639,000,000 for fiscal year 2009;
- "(V) \$2,068,000,000 for fiscal year 2010;
- "(VI) \$2,066,000,000 for fiscal year 2011;
- "(VII) \$2,075,000,000 for fiscal year 2012;
- "(VIII) \$2,075,000,000 for fiscal year 2013;
- "(IX) \$2,106,000,000 for fiscal year 2014; and
- "(X) \$2,059,000,000 for fiscal year 2015.

"(ii) The amounts made available pursuant to clause (i) shall be used to increase the amount of the maximum Federal Pell Grant for which funds are appropriated under appropriations Acts by—

- "(I) \$100 for award year 2006-2007;
- "(II) \$200 for award year 2007-2008;
- "(III) \$300 for award year 2008-2009;

1 "(IV) \$400 for award year 2009-2010; and
2 "(V) \$500 for each of the award years 2010-2011 through
3 2015-2016.

4 "(3) Grants made under this section shall be known as 'Federal Pell Grants.'";

5 (2) in subsection (b)—

6 (A) by striking paragraph (1);

7 (B) by amending paragraph (2)(A) to read as follows:

8 "(2)(A) The maximum amount of the Federal Pell Grant for a student
9 eligible under this subpart shall be—

10 "(i) for award year 2006-2007, the sum of—

11 "(I) \$4,050; and

12 "(II) the amount specified under subsection (a)(2)(B)(ii)(I);

13 and

14 "(ii) for each of the award years 2007-2008 through 2015-2016,

15 the sum of—

16 "(I) the amount appropriated in the applicable

17 appropriations Act for the maximum Federal Pell Grant for that award year; and

18 "(II) the amount specified in subsection (a)(2)(B)(ii) for

19 that award year;

20 "less an amount equal to the amount determined to be the expected family contribution with
21 respect to that student for that year.";

22 (C) by striking paragraph (3);

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(D) by redesignating paragraphs (2), and (4) through (8) as paragraphs (1) through (6), respectively;

(E) by amending paragraph (3) (as redesignated by subparagraph (D)) to read as follows:

"(3)(A) For any academic year in which the maximum amount of the Federal Pell Grant for which a student is eligible is less than or equal to \$4,150 (including any amounts under subsection (a)(2)(B)(ii)), no Federal Pell Grant shall be awarded to a student if the amount of that grant for that student is less than \$200, except that a student who is eligible for a Federal Pell Grant that is equal to or greater than \$200 but less than \$400 shall be awarded a Federal Pell Grant of \$400; and

"(B) For any academic year in which the maximum amount of the Federal Pell Grant for which a student is eligible is greater than \$4,150 (including any amounts under subsection (a)(2)(B)(ii)), no Federal Pell Grant shall be awarded to a student if the amount of that grant for that student is less than \$200 plus the difference between the maximum Federal Pell Grant amount and \$4,150, except that a student who is eligible for a Federal Pell Grant that is equal to or greater than \$200 plus the difference between the maximum Federal Pell Grant amount for that year and \$4,150, but less than \$400, shall be awarded a Federal Pell Grant of \$400.";

(F) by amending paragraph (4) (as redesignated by subparagraph (D)) to read as follows:

"(4) In the case of a student who is enrolled at least half-time in an associate or baccalaureate degree-granting program of study at an institution of higher education, and

1 enrolled for more than the equivalent of a single academic year during a single year, the
2 Secretary shall award that student up to two Federal Pell Grants during that award year to permit
3 that student to accelerate his or her progress toward his or her degree objective by enrolling in
4 academic programs continuously throughout the award year.";

5 (3) in subsection (c)—

6 (A) in paragraph (1)—

7 (i) by striking "The period" and inserting in lieu thereof "Subject
8 to paragraph (5), the period"; and

9 (ii) by striking the period at the end thereof and inserting in lieu
10 thereof "(but shall be subject to the limitation described in paragraph (5))."; and

11 (B) by adding at the end thereof the following new paragraph:

12 "(5) The period during which a student may receive Federal Pell Grants shall not
13 exceed the equivalent of 16 semesters or 24 quarters in duration (as determined by the Secretary
14 in regulation), without regard to whether the student is enrolled on a full-time basis during any
15 portion of that period, and including any period of time for which the student received Federal
16 Pell Grants prior to the date of enactment of the Higher Education Act Reform Amendments of
17 2005.";

18 (4) by striking subsection (g); and

19 (5) by redesignating subsections (h), (i), and (j) as subsections (g), (h), and (i),
20 respectively.

21 (b) EFFECTIVE DATE.—The amendments made by--

22 (1) subsections (a)(1), (4), and (5) shall be effective for fiscal year 2006 and
23 succeeding fiscal years; and

1 (2) subsections (a)(2) and (3) shall be effective for award years beginning on or
2 after July 1, 2006.

3
4 ENHANCED PELL GRANTS FOR STATE SCHOLARS PROGRAM

5
6 SEC. 104. (a) AMENDMENT.—Subpart 1 of part A of title IV (20 U.S.C. 1070a et seq.)
7 is amended by inserting after section 401 (20 U.S.C. 1070a) the following new section:

8
9 "ENHANCED PELL GRANTS FOR STATE SCHOLARS

10 "SEC 401A. (a) GRANTS AUTHORIZED.—Using not more than \$33,000,000 of funds
11 appropriated to carry out section 401 for fiscal year 2006, and such sums as may be necessary to
12 carry out this section from funds that are appropriated to carry out section 401 for each of the 4
13 succeeding fiscal years, the Secretary shall establish a program to award Enhanced Pell Grants to
14 students who—
15

16 "(1) have successfully completed a rigorous high school program of study
17 established by a State or local educational agency in consultation with a State coalition assisted
18 by the Center for State Scholars;

19 "(2) are enrolled full-time in the first academic year of undergraduate education,
20 and have not been previously enrolled in a program of undergraduate education after earning a
21 high school diploma or its recognized equivalent; and

22 "(3) are eligible to receive Federal Pell Grants for the year for which the grant is
23 awarded.

24 "(b) AMOUNT OF GRANTS.—(1) IN GENERAL.—Except as provided in paragraphs
25 (2) and (3), the amount of the grant awarded under this section shall be \$1,000.

1 "(2) ASSISTANCE NOT TO EXCEED COST OF ATTENDANCE.—A grant
2 awarded under this section to any student, in combination with the Federal Pell Grant assistance
3 and estimated financial assistance not received under this title (as described in section 480(j))
4 that are available to that student, may not exceed the student's cost of attendance.

5 "(3) REDUCTION FOR INSUFFICIENT APPROPRIATIONS.—If the amount
6 of funds appropriated for any fiscal year and available under subsection (a) is insufficient to fully
7 fund all grants awarded under this section for that year, the Secretary may reduce those awards
8 by a uniform dollar amount or percentage, or in accordance with such procedure as may be
9 established by the Secretary.

10 "(c) SELECTION OF RECIPIENTS.—(1) PROCEDURES ESTABLISHED BY
11 REGULATION.—The Secretary shall establish, by regulation, procedures for identifying and
12 determining the eligibility of students for the grants awarded under this section. Those
13 procedures shall include measures to ensure that eligibility is determined in a timely and accurate
14 manner, including the submission of the financial aid form required by section 483.

15 "(2) CONTINUATION OF GRANT REQUIREMENTS.—In order for a student
16 to continue to be eligible to receive an award under this section for the second year of
17 undergraduate education, the eligible student must—

18 "(A) continue to be eligible to receive a Federal Pell Grant for that second
19 year;

20 "(B) obtain a grade point average of at least 3.0 (or the equivalent as
21 determined under regulations prescribed by the Secretary) for the first year of undergraduate
22 education; and

1 "(C) be enrolled full-time for that second year and fulfill the requirements
2 for satisfactory progress, as determined under the institution's standards developed in accordance
3 with regulations prescribed by the Secretary, for that year.

4 "(d) SUNSET, EVALUATION, AND REPORTS.—(1) SUNSET.—No funds
5 appropriated pursuant to section 401 for fiscal years beginning on or after October 1, 2010 may
6 be used to carry out this section.

7 "(2) EVALUATION AND REPORTS.—The Secretary shall monitor the
8 progress, retention, and completion rates of the students to whom awards are provided under this
9 section. In doing so, the Secretary shall evaluate the impact of the Enhanced Pell Grants for
10 State Scholars Program and report, not less than biennially, to the authorizing committees of the
11 House of Representatives and the Senate."

12 (b) CONFORMING AMENDMENTS.—Section 401 (20 U.S.C. 1070a) is further
13 amended by striking out "this subpart" each place it appears and inserting in lieu thereof "this
14 section" in each such place.

15

16 COMMUNITY COLLEGE ACCESS PROGRAM

17 SEC. 105. (a) REPEAL.—Chapter 3 of subpart 2 of part A of title IV (20 U.S.C. 1070a–
18 31 through 1070a–35) is repealed.

19 (b) Subpart 2 of part A of title IV is further amended by inserting immediately after
20 chapter 2 the following new chapter:

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"CHAPTER 3—COMMUNITY COLLEGE ACCESS PROGRAM

"FINDINGS AND PURPOSE

"SEC. 406A. (a) FINDINGS.—The Congress finds as follows:

"(1) Community colleges serve as a primary access point to postsecondary education for many students.

"(2) Dual-enrollment and early college programs play an important role in encouraging high-school students to continue on to college, especially for low-income and minority students.

"(3) Credit transfer is recognized as a crucial element within a seamless educational system. More and more students are starting their postsecondary education at one institution and completing their education at a second or third institution. Restrictive transfer-of-credit policies penalize these students in the form of time and money whenever credits are denied in the transfer process. States and institutions need to develop and implement transfer policies that are in the best interests of students. These policies are needed within States and across State lines.

"(b) PURPOSE.—The purpose of this chapter is to enhance higher education opportunities by promoting dual-enrollment programs through which students can earn college credits while still in high school and by facilitating the transfer of academic credits among institutions of higher education, particularly across State lines.

1 "DUAL-ENROLLMENT PROGRAM

2 "SEC. 406B. (a) GRANTS.—(1) The Secretary shall award grants to partnerships
3 described in paragraph (3) to establish or expand existing dual-enrollment programs at junior and
4 community colleges or community college systems that allow high school students to earn high
5 school and transferable college credit.

6 "(2) Grants awarded under this section shall be for a period of not more
7 than 5 years.

8 "(3) To be eligible for a grant under this section, a partnership shall
9 include one or more local educational agencies and one or more junior or community colleges or
10 a community college system.

11 "(b) DEFINITIONS.—As used in this section the term—

12 "(1) 'junior or community college' has the same meaning as that term
13 is given in section 313(f); and

14 "(2) 'dual-enrollment program' means a program for 11th and 12th grade
15 high school students that—

16 "(A) allows them to enroll in both academic and vocational
17 courses at a junior or community college, while also attending high school (although such
18 programs shall not include advanced placement or international baccalaureate high school
19 courses), for both high school and postsecondary education academic credit that is transferable to
20 2- and 4-year institutions of higher education and eligible postsecondary vocational institutions
21 and proprietary institutions of higher education; and

22 "(B) does not require participating students to pay the costs
23 of course tuition and fees at the postsecondary institution.

1 "(c) APPLICATION.—(1) Any partnership that desires to receive an award under this
2 section shall submit an application to the Secretary, in such form and containing such
3 information, as the Secretary may require.

4 "(2) Each application shall—

5 "(A) list each member of the partnership and their responsibilities
6 (including who will act as the fiscal agent for the partnership);

7 "(B) describe the need for the program, including a description of
8 how the project will build on any existing efforts;

9 "(C) list the human, financial (other than funds under this section),
10 and other resources that each member of the partnership will contribute to the program, and
11 describe the efforts each member of the partnership will make in seeking additional resources for
12 the program;

13 "(D) describe how—

14 "(i) the proposed program will operate;

15 "(ii) grant funds will be used for activities carried out under
16 this section;

17 "(iii) grant funds will be used to increase the quality and
18 rigor of the courses in the dual-enrollment programs; and

19 "(iv) program progress will be measured (including setting
20 forth the performance standards that will be used to measure such progress); and

21 "(E) describe how the partnership will support and continue
22 to support dual-enrollment programs after the grant has expired.

23 "(3) PEER REVIEW.—The Secretary shall use a peer-review process to

1 review applications under this section and make recommendations for funding to the Secretary.

2 "(4) PRIORITY.—The Secretary shall give priority to applications

3 that—

4 "(A) place few restrictions on the courses that students enrolled in the
5 dual-enrollment programs can take, other than those imposed on regular students at the junior or
6 community college;

7 "(B) include schools in which at least 50 percent of the students are
8 eligible for free and/or reduced-price lunch under the Richard B. Russell National School Lunch
9 Act;

10 "(C) give priority to students who are low-income individuals, as defined
11 in section 402A(g)(2);or

12 "(D) have established clear articulation agreements to ensure that
13 academic credit earned at a junior or community college participating in the dual-enrollment
14 programs is transferable.

15 "(d) USE OF FUNDS.—(1) A grantee shall use its grant funds to carry out one or more
16 of the following activities:

17 "(A) Establishing or expanding existing dual-enrollment programs, which
18 may include both academic and technical courses.

19 "(B) Promoting awareness throughout the State of these programs.

20 "(C) Providing support services to students, including assistance
21 with applications, mentoring, counseling; and tutorial instruction.

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"(D) Awarding postsecondary, academic scholarships to high school students who enroll in and complete the dual-enrollment program and who matriculate to an institution of higher education.

"(E) Providing books and other materials for students enrolled in these programs.

"(F) Annually evaluating the performance of the program.

"(2) In order to receive a scholarship or other assistance in paying for books and other materials under this section, a student in a dual-enrollment program shall—

"(A) be a low-income individual, as defined in section 402A(g)(2);

"(B) have maintained an overall 3.0 grade point average in high school;

and

"(C)(i) have met the enrollment requirements of the high school and the junior or community college for the program; or

"(ii) have received permission to participate in the program from his or her high school and parent or guardian.

"(e) REPORTING AND DISSEMINATION.—(1) Each grantee under this section shall submit to the Secretary an annual report on the operation and progress of its program during the preceding year, using such performance measures, and supplying such documents and data, as the Secretary may require.

"(2)(A) Based on the annual reports under paragraph (1), the Secretary shall publish a report on the performance of the program.

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(B) The Secretary shall disseminate successful practices developed

under this section.

"STATE CONSORTIA PROGRAM

"SEC. 406C. (a) GRANTS.—(1) The Secretary shall make grants to consortia of two or more States and institutions of higher education to create comprehensive articulation agreements between institutions of higher education in the participating States that would allow for the seamless and timely transfer of postsecondary academic credits between such institutions, particularly across State lines and from junior and community colleges to 4-year institutions of higher education.

"(2) Grants awarded under this section shall be for a period of not more than 3 years.

"(3)(A) In a State in which the constitution or law of the State designates an individual, entity, or agency in the State other than the Governor to be responsible for the supervision of institutions of higher education, that individual, entity, or agency shall represent the State within the consortium.

"(B) Each participating State in a consortium, after consultation with the State agency responsible for supervision of institutions of higher education, shall designate a State agency to be responsible for the administration and supervision of the activities carried out under this section within the State.

"(b) DEFINITIONS.— As used in this section, the term—

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"(1) 'articulation agreement' means an agreement between institutions of higher education that provides for the transfer of academic credit earned for substantially equivalent courses of study and programs; and

"(2) 'credit' means a numerical unit that is assigned by an institution of higher education to a course of study to designate how courses fulfill graduation requirements.

"(c) APPLICATION.—(1) Any consortium that desires to receive a grant under this section shall submit an application to the Secretary, in such form and containing such information, as the Secretary may require.

"(2) Each application shall—

"(A) list each member of the consortium and their responsibilities (including who will act as the fiscal agent for the consortium);

"(B) describe the need for the proposed program, including a description of how the program will build on any existing efforts;

"(C) describe the human, financial (other than funds under this section), and other resources that each member of the consortium will contribute to the proposed program, and describe the efforts each member of the consortium will make in seeking additional resources;

"(D) describe how the proposed program will operate and how grant funds will be used for activities authorized under this section and how program progress will be measured (including setting forth the performance standards that will be used to measure progress);

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"(E) describe how the proposed program will reduce the administrative and financial burdens of credit transfer among institutions of higher education in participating States; and

"(F) describe how the consortium will support and continue the program after the grant has expired.

"(3) PEER REVIEW.—The Secretary shall use a peer-review process to review applications under this section and make recommendations for funding to the Secretary.

"(4) PRIORITY.—The Secretary shall give priority to applications that—

"(A) include private institutions of higher education in the articulation agreements; and

"(B) encourage articulation agreements that cover rigorous core academic subject areas.

"(d) USE OF FUNDS.—(1) A grantee shall use grant funds to carry out the following activities:

"(A) Designing, establishing, and implementing comprehensive articulation agreements between institutions of higher education in the participating States that would allow for the seamless and timely transfer of postsecondary academic credits between such institutions.

"(B) Annually evaluate the performance of the program.

"(2) A grantee may use grant funds to carry out of the following activities:

1 "(A) Acquiring technical assistance from State or local entities that
2 have successfully designed, established, or implemented extensive transfer-of-credit
3 arrangements and provide technical and administrative support to institutions of higher
4 education.

5 "(B) Developing agreements with local educational agencies for
6 vocational course-equivalency approval procedures for purposes of satisfying entrance
7 requirements to institutions of higher education.

8 "(e) REPORTING AND DISSEMINATION.—(1) Each consortium participating in a
9 program shall submit to the Secretary an annual report on the operation and progress of their
10 program during the preceding year, using such performance measures and supplying such
11 documents and data as the Secretary may require.

12 "(2)(A) Based on the annual reports under paragraph (1), the Secretary
13 shall publish a report on the performance of the program.

14 "(B) The Secretary shall disseminate successful practices
15 developed under this section.

16

17 "AUTHORIZATION OF APPROPRIATIONS

18 "SEC. 406D. There are authorized to be appropriated \$125,000,000 for fiscal year 2006
19 and such sums as may be necessary for each of the 4 succeeding fiscal years to carry out this
20 chapter."

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PRESIDENTIAL MATHEMATICS AND SCIENCES
SCHOLARSHIPS

SEC. 106. (a) Subpart 8 of part A of title IV is repealed.

(b) Part A of title IV is further amended by inserting immediately after subpart 7 the following new subpart:

"SUBPART 8—PRESIDENTIAL MATHEMATICS AND SCIENCES SCHOLARSHIPS

"FINDINGS AND PURPOSE

"SEC. 420D. (a) FINDINGS.--The Congress finds as follows:

"(1) If the United States is to remain a world leader in the global economy its college students must have the training they need to compete for the best jobs of the 21st century.

"(2) Increasingly those jobs will require baccalaureate degrees in mathematics, sciences, and in engineering, or be generated by people who have such degrees.

"(3) Congress should establish a Presidential Mathematics and Sciences scholarships program to meet the goals described in paragraph (1).

"(b) PURPOSE.—The purpose of this subpart is to increase the number of postsecondary students from low-income backgrounds who are enrolled in studies leading to baccalaureate degrees in physical, life, or computer sciences, mathematics, and engineering.

"(c) DEFINITIONS.—As used in this subpart--

"(1) 'computer science' means the branch of knowledge or study of computers, including such fields of knowledge or study as computer hardware, computer software, computer engineering, information systems, and robotics;

1 "(2) 'eligible student' means a student who—
2 "(A) is enrolled, full-time, in an institution of higher education, other than
3 a United States service academy;
4 "(B) has completed at least 2 years of undergraduate education;
5 "(C) has declared, and is pursuing, a major in studies leading to a
6 baccalaureate degree in physical, life, or computer sciences, mathematics, or engineering; and
7 "(D) is eligible for a Federal Pell Grant under subpart 1;
8 "(3) 'engineering' means the science by which the properties of matter and
9 the sources of energy in nature are made useful to humanity in structures, machines, and
10 products as in the construction of engines, bridges, buildings, mines, and chemical plants,
11 including such fields of knowledge or study as aeronautical engineering, chemical engineering,
12 civil engineering, electrical engineering, industrial engineering, materials engineering, and
13 mechanical engineering;
14 "(4) 'life sciences' means the branch of knowledge or study of living things,
15 including such fields of knowledge or study as biology, biochemistry, biophysics, microbiology,
16 genetics, physiology, botany, zoology, ecology, and behavioral biology, except that the term
17 does not encompass social psychology or the health professions;
18 "(5) 'managing agent' means entity to which an award is made under section
19 420E to manage a program of Presidential Mathematics and Sciences scholarships;
20 "(6) 'mathematics' means the branch of knowledge or study of numbers and the
21 systematic treatment of magnitude, relationships between figures and forms, and relations
22 between quantities expressed symbolically, including such fields of knowledge or study as
23 statistics, applied mathematics, and operations research; and

1 "(7) 'physical sciences' means the branch of knowledge or study of the material
2 universe, including such fields of knowledge or study as astronomy, atmospheric sciences,
3 chemistry, earth sciences, ocean sciences, and physics.

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5 "PRESIDENTIAL MATHEMATICS AND SCIENCES SCHOLARS

6 "SEC. 420E. (a) AWARD.—(1)(A) From funds authorized under section 420F, the
7 Secretary shall through a grant or cooperative agreement make an award to a private, non-profit
8 organization, other than an institution of higher education or system of institutions of higher
9 education, to manage, through a public and private partnership, a program of Presidential
10 Mathematics and Sciences scholarships under this subpart.

11 "(B) The award under subparagraph (A) shall be for a five-year period.

12 "(2)(A) One hundred percent of the funds awarded under paragraph (1)(A) for
13 any fiscal year shall be obligated and expended solely on scholarships to eligible students.

14 "(B) No Federal funds shall be used to provide more than 50 percent of
15 the cost of any scholarship to an eligible student.

16 "(3)(A) The Secretary may establish—

17 "(i) eligibility criteria for applicants for managing agent,
18 including criteria regarding financial and administrative capability;

19 "(ii) operational standards for the managing agent, including
20 management and performance requirements, such as audit, recordkeeping, record retention,
21 and reporting procedures and requirements; and

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"(iii) rules for the selection and treatment of scholarship applicants and recipients, and for transfer and accounting of funds, by the managing agent and the institutions of higher education that recipients attend.

"(B) The Secretary, as necessary, may review and revise any criteria, standards, and rules established under this paragraph and, through the agreement with the managing agent, see that any revisions are implemented.

"(4) If the managing agent fails to meet the requirements of this section the Secretary may terminate the award to the managing agent.

"(b) DUTIES OF THE MANAGING AGENT.—(1) The managing agent shall—

"(1) establish a Presidential Mathematics and Sciences Scholar’s Fund in a separate, named, account, that clearly discloses the amount of Federal and non-Federal funds deposited in the account and used for scholarships under this subpart;

"(2) solicit funds for scholarships and for the administration of the program, from non-Federal sources;

"(3) solicit applicants for scholarships;

"(4) from the amounts in the Fund, award scholarships to eligible students and transfer such funds to the institutions of higher education that they attend; and

"(5) annually submit to the Secretary a financial audit and a report on the progress of the program, and such other documents as the Secretary may require to determine the effective management of the program;

1 "(c) APPLICATIONS.—(1) Any eligible entity that desires to be the managing agent
2 under this section shall submit an application to the Secretary, in such form and containing such
3 information, as the Secretary may require.

4 "(2) Each application shall include—

5 "(A) a description of--

6 "(i) how the applicant meets or will meet requirements established
7 under subsection (a)(3);

8 "(ii) how the applicant will solicit funds for scholarships and for
9 the administration of the program, from non-Federal sources;

10 "(iii) how the applicant will provide nationwide outreach to
11 inform students about the program and to encourage students to pursue degrees in physical, life,
12 or computer sciences, mathematics, and engineering;

13 "(iv) how the applicant will solicit throughout the Nation for
14 applications for scholarships;

15 "(v) how the applicant will verify the eligibility of applicants for
16 scholarships and their eligibility for continued support;

17 "(vi) the selection criteria the applicant will use to award
18 scholarships and to renew those awards;

19 "(vii) how the applicant will inform the institution of higher
20 education chosen by the recipient of the name and scholarship amount of the recipient;

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"(viii) what procedures and assurances the applicant and the institution of higher education that the recipient attends will use to verify student eligibility, attendance, degree progress, and academic performance and to deliver and account for payments to the institutions the recipients attend;

"(ix) the management (including audit and accounting) procedures the applicant will use for the program;

"(x) the human, financial, and other resources that the applicant will need and use to manage the program;

"(xi) how the applicant will evaluate the program and report to the Secretary annually; and

"(xii) a description of how the entity will coordinate with, complement, and build on similar public and private mathematics and sciences programs;

"(d) SCHOLARSHIP RECIPIENTS.—(1) A student receiving a scholarship under this subpart shall be known as a 'Presidential Mathematics and Sciences Scholar'.

"(2) Any student desiring to receive a scholarship under this subpart shall submit—

"(A) the financial aid form required under section 483 to the Secretary; and

"(B) an application to the managing agent in such form, and containing such information, as the managing agent may require.

"(3)(A) Scholarships shall be awarded for only one academic year of study at a time.

1 "(B)(i) A scholarship shall be renewable on an annual basis for the
2 established length of the academic program, but not to exceed 3 years of study, if the student
3 awarded the scholarship remains eligible.

4 "(ii) The managing agent may condition renewal of a scholarship
5 on measures of academic progress and achievement, with the approval of the Secretary.

6 "(C)(i) If a student fails to either remain eligible or meet established
7 measures of academic progress and achievement, the managing agent shall instruct the student's
8 institution of higher education to suspend payment of the student's scholarship.

9 "(ii) A suspension of payment shall remain in effect until the
10 student is able to demonstrate to the satisfaction of the managing agent that he or she is again
11 eligible and meets the established measures of academic progress and achievement.

12 "(iii) A student's eligibility for a scholarship shall be terminated if
13 a suspension period exceeds 12 months.

14 "(D)(i)(I) A student awarded a scholarship may, in a manner and under
15 the terms established by, and with the approval of, the managing agent, postpone or interrupt his
16 or her enrollment at an institution of higher education for up to 12 months.

17 "(II) Such a postponement or interruption shall not be
18 considered a suspension for purposes of subparagraph (C).

19 "(ii) Neither a student nor the student's institution of higher
20 education shall receive the student's scholarship payments during the period of postponement or
21 interruption, but such payments shall resume upon enrollment or reenrollment.

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"(iii) In exceptional circumstances, such as serious injury or illness or the necessity to care for family members, the student's postponement or interruption may, upon notification and approval of the managing agent, be extended beyond the 12 month period described in clause (i)(I).

"(e) RESPONSIBILITIES OF INSTITUTION OF HIGHER EDUCATION.—(1) The managing agent shall require any institution of higher education that enrolls a student who receives a scholarship under this subpart to annually provide an assurance, prior to making any payment, that the student—

"(A) is eligible in accordance with section 420D(c)(2); and

"(B) has provided the institution with a written commitment to attend, or is attending, classes and is satisfactorily meeting the institution's academic criteria for enrollment in its program of study.

"(2)(A) The managing agent shall provide the institution of higher education with payments from the Fund for selected recipients in at least two installments.

"(B) An institution of higher education shall return prorated amounts of any scholarship payment to the managing agent, who shall deposit it in to the Fund, if a recipient declines a scholarship, does not attend courses, transfers to another institution of higher education, or becomes ineligible for a scholarship.

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"AUTHORIZATION OF APPROPRIATIONS

"SEC 420F. AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated \$50,000,000 for fiscal year 2006 and such sums as may be necessary for each of the 4 succeeding fiscal years to carry out this subpart."

FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM
AMENDMENTS

SEC. 107. (a) AUTHORIZATION OF APPROPRIATIONS.—Section 413A(b)(1) (20 U.S.C. 1070b(b)(1)) is amended by striking "\$675,000,000 for fiscal year 1999" and inserting in lieu thereof "\$778,720,000 for fiscal year 2006".

(b) ALLOCATION FORMULA.—Section 413D (20 U.S.C. 1070b-3) is amended—
(1) by amending subsection (a) to read as follows:

"(a) ALLOCATION BASED ON PREVIOUS ALLOCATION.—(1)(A) From the amount appropriated pursuant to section 413A(b) for each fiscal year after fiscal year 2005, the Secretary shall, subject to paragraphs (2), (3), and (4), first allocate to each eligible institution an amount equal to the percentage, described in subparagraph (B), of the amount the institution received under this subsection for fiscal year 2005 (as this subsection was in effect with respect to allocations for that fiscal year).

"(B) The percentage to be used for purposes of subparagraph (A) is—

"(i) 80 percent for fiscal years 2006 and 2007;

"(ii) 60 percent for fiscal years 2008 and 2009;

"(iii) 40 percent for fiscal years 2010 and 2011;

1 "(iv) 20 percent for fiscal years 2012 and 2013; and

2 "(v) 0 percent for fiscal year 2014 and any succeeding fiscal year.

3 "(2)(A) From the amount so appropriated the Secretary shall next allocate to each
4 eligible institution that began participation in the program under this subpart after fiscal year
5 2005 but is not a first or second time participant, an amount equal to the greater of—

6 "(i) \$5,000; or

7 "(ii) 90 percent of the amount received and used under this subpart
8 for the first year it participated in the program.

9 "(B) From the amount so appropriated, the Secretary shall next allocate to
10 each eligible institution that began participating in the program under this subpart after fiscal
11 year 2005 and is a first or second time participant, an amount equal to the greatest of—

12 "(i) \$5,000; or

13 "(ii) an amount equal to—

14 "(I) 90 percent of the amount received and used under this
15 subpart in the second preceding fiscal year by eligible institutions offering comparable programs
16 of instruction; divided by

17 "(II) the number of students enrolled at such comparable
18 institutions in such fiscal year; multiplied by

19 "(III) the number of students enrolled at the applicant
20 institution in such fiscal year; or

21 "(iii) 90 percent of the institution's allocation under this subpart
22 for the preceding fiscal year.

1 "(C) Notwithstanding subparagraphs (A) and (B), the Secretary shall
2 allocate to each eligible institution which—

3 "(i) was a first-time participant in the program in fiscal year 2006
4 or any subsequent fiscal year; and

5 "(ii) received a larger amount under this subsection in its second
6 year of participation;

7 "an amount equal to 90 percent of the amount the institution received under this subsection in its
8 second year of participation.

9 "(3)(A) If the amount appropriated for any fiscal year is less than the amount
10 required to be allocated to all institutions under paragraph (1), the amount of the allocation to
11 each such institution shall be ratably reduced.

12 "(B) If the amount appropriated for any fiscal year is more than the
13 amount required to be allocated to all institutions under paragraph (1), but less than the amount
14 required to be allocated under paragraph (2),--

15 "(i) the Secretary shall allot the amount required to be allocated to
16 all institutions under paragraph (1); and

17 "(ii) the amount of the allocation to each institution under
18 paragraph (2) shall be ratably reduced.

19 "(C) If additional amounts are appropriated for any fiscal year in which
20 the allocations were reduced pursuant to subparagraph (A) or (B), the amounts of the allocations
21 so reduced shall be increased on the same basis as they were reduced, until the amounts allocated
22 equal the amount required to be allocated to all institutions under paragraph (1) and (2).

1 "(4)(A) Notwithstanding any other provision of this section, the Secretary shall
2 allocate, among institutions described in subparagraph (B), an amount equal to not more than 10
3 percent of the amount by which the amount appropriated for any fiscal year to carry out this
4 subpart exceeds \$700,000,000.

5 "(B) An otherwise eligible institution may receive a portion of the
6 allocation described in subparagraph (A) if—

7 "(i) not less than 10 percent of the students attending the
8 institution receive Federal Pell Grants; and

9 "(ii)(I) in the case of an institution that offers programs of at least
10 4 years in duration, if its graduation rate for Federal Pell Grant recipients attending the institution
11 and graduating within the period of time equal to normal duration of the longest undergraduate
12 program offered by the institution, as measured from the first day of their enrollment, exceeds
13 the median rate for the institution's sector; or

14 "(II) in the case of an institution that offers programs of at
15 least 2, but less than 4, years in duration, if its rate for Federal Pell Grant recipients attending the
16 institution and graduating or transferring to an institution that offers programs of at least 4 years
17 in duration within the period of time equal to the normal duration of the program offered, as
18 measured from the first day of their enrollment, exceeds the median rate for the institution's
19 sector."

20 (c) EFFECTIVE DATE.—The amendments made by subsection (b) shall be effective for
21 fiscal year 2006 and succeeding fiscal years.

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FEDERAL FAMILY EDUCATION LOAN PROGRAM AUTHORIZATIONS

SEC. 108. (a) FEDERAL LOAN INSURANCE PROGRAM.—Section 424(a) (20 U.S.C. 1074a) is amended by striking "2004" and "2008" and inserting in lieu thereof "2010" and "2014", respectively.

(b) AUTHORITY TO MAKE INTEREST SUBSIDIZED LOANS.—Section 428(a)(5) (20 U.S.C. 1078(a)(5)) is amended by striking "2004" and "2008" and inserting in lieu thereof "2010" and "2014", respectively.

(c) AUTHORITY TO MAKE CONSOLIDATION LOANS.—Section 428C(e) (20 U.S.C. 1078-3(e)) is amended by striking "2004" and inserting in lieu thereof "2010".

STUDENT LOAN LIMITS

SEC. 109. (a) LOAN LIMITS.—(1) Section 425(a) (20 U.S.C. 1075(a)) is amended—

(A) in paragraph (1)(A)—

(i) in clause (i)(I), by striking "\$2,625" and inserting in lieu thereof "\$3,500"; and

(ii) in clause (ii)(I), by striking "\$3,500" and inserting in lieu thereof "\$4,500"; and

(B) in paragraph (2)—

(i) in clause (i), by striking "\$23,000" and "428A or 428B" and inserting in lieu thereof "\$25,000" and "428B or 428H", respectively; and

(ii) in clause (ii), by striking "428A or 428B" and inserting in lieu thereof "428B or 428H".

(2) Section 428(b)(1) (20 U.S.C. 1078(b)(1)) is amended—

1 (A) in subparagraph (A)—

2 (i) in clause (i)(I), by striking "\$2,625" and inserting in lieu
3 thereof "\$3,500";

4 (ii) in clause (ii)(I), by striking "\$3,500" and inserting in lieu
5 thereof "\$4,500"; and

6 (iii) in clause (vi)(I), by striking "\$2,625" and inserting in lieu
7 thereof "\$3,500"; and

8 (B) in subparagraph (B)—

9 (i) in clause (i), by striking "\$23,000" and "428A or 428B" and
10 inserting in lieu thereof "\$25,000" and "428B or 428H", respectively;

11 (ii) in clause (ii), by striking "\$65,500" and "428A or 428B" and
12 inserting in lieu thereof "\$67,500" and "428B or 428H", respectively.

13 (3) Section 428H(d)(2)(C) (20 U.S.C. 1078-8(d)(2)(C)) is amended by striking
14 "\$10,000" and inserting in lieu thereof "\$12,000".

15 (b) EFFECTIVE DATE.—The amendments made by subsection (a) shall be effective for
16 loans made under part B or D of title IV for periods of instruction beginning on or after July 1,
17 2006.

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19 **STUDENT LOAN INTEREST RATES**

20 **SEC. 110. (a) FFEL LOANS.—**(1) Section 427A (20 U.S.C. 1077a) is amended—

21 (A) in subsection (k)—

22 (i) in the heading thereof, by striking "1998, AND BEFORE
23 JULY 1, 2006.—" and inserting in lieu thereof "1998.—";

1 (ii) in paragraphs (1), (2), and (3), by striking "and before July 1,
2 2006," each place it appears;

3 (iii) by redesignating paragraph (5) as paragraph (6); and

4 (iv) by inserting after paragraph (4) the following new paragraph:

5 "(5) VARIABLE RATE FOR CONSOLIDATION LOANS.—With respect to any
6 consolidation loan under section 428C for which the application is received by an eligible lender
7 on or after July 1, 2006, the applicable rate of interest shall, during any 12-month period
8 beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal
9 to—

10 "(A) the bond equivalent rate of 91-day Treasury bills auctioned at the
11 final auction held prior to such June 1; plus

12 "(B) 2.3 percent,
13 except that such rate shall not exceed 8.25 percent.";

14 (B) by striking subsection (l); and

15 (C) by redesignating subsections (m) and (n) as subsections (l) and (m),
16 respectively.

17 (2) Section 428C(c)(1)(A)(ii) (20 U.S.C. 1078-3(c)(1)(A)(ii)) is amended by
18 striking "section 427A(l)(3)" and inserting in lieu thereof "section 427A(k)(5)".

19 (b) DIRECT LOANS. Section 455(b) (20 U.S.C. 1087e(b)) is amended—

20 (1) in paragraph (6)—

21 (A) in the heading thereof, by striking "1998, AND BEFORE JULY 1,
22 2006.—" and inserting in lieu thereof "1998.—";

1 (B) in subparagraphs (A), (B), and (C), by striking "and before July 1,
2 2006," each place it appears;

3 (C) by redesignating subparagraph (E) as subparagraph (F); and

4 (D) by inserting after subparagraph (D) the following new subparagraph:

5 "(E) VARIABLE RATE FOR CONSOLIDATION LOANS.—With
6 respect to any Federal Direct Consolidation loan for which the application is received on or after
7 July 1, 2006, the applicable rate of interest shall, during any 12-month period beginning on July
8 1 and ending on June 30, be determined on the preceding June 1 and be equal to—

9 "(i) the bond equivalent rate of 91-day Treasury bills auctioned at
10 the final auction held prior to such June 1; plus

11 "(ii) 2.3 percent,
12 except that such rate shall not exceed 8.25 percent.";

13 (2) by striking paragraph (7); and

14 (3) by redesignating paragraphs (8) and (9) as paragraphs (7) and (8),
15 respectively.

16 (c) CONFORMING AMENDMENTS.—Section 438(b)(2)(I) (20 U.S.C. 1087-
17 1(b)(2)(I)) is amended—

18 (1) by amending clause (ii) to read as follows:

19 "(ii) IN SCHOOL AND GRACE PERIOD.—In the case of any
20 loan for which the first disbursement is made on or after July 1, 2000, and for which the
21 applicable rate of interest is described in section 427A(k)(2), clause (i)(III) of this subparagraph
22 shall be applied by substituting '1.74 percent' for '2.34 percent.'";

23 (2) in clause (iii), by striking "or (1)(2)";

1 (3) in clause (iv), by striking "or (1)(3)";

2 (4) in clause (v)—

3 (A) in the heading thereof, by striking "BEFORE JULY 1, 2006"; and

4 (B) by striking "and before July 1, 2006,";

5 (5) in clause (vi), by striking "or (1)(3)" each place it appears and inserting in lieu
6 thereof "or (5)" in each such place; and

7 (6) by striking clause (vii).

9 LENDER INSURANCE

10 SEC. 111. (a) Section 428(b)(1)(G) (20 U.S.C. 1078(b)(1)(G)) is amended to read as
11 follows:

12 "(G) insures 95 percent of the unpaid principal of loans insured under the
13 program, except that—

14 "(i) insures 96 percent of the unpaid principal amount of the loans
15 held by a lender if the Secretary authorizes the increase because the lender meets data quality
16 standards specified by the Secretary; and

17 "(ii) such program shall insure 100 percent of the unpaid principal
18 of loans made with funds advanced pursuant to section 428(j) or 439(q);".

19 (b) EFFECTIVE DATE.—The amendments made by subsection (a) shall be effective for
20 loans made on or after October 1, 2006.

22 GUARANTY AGENCY ORIGINATION FEE

23 SEC. 112. (a) AMENDMENT.—Section 428(b)(1)(H) (20 U.S.C. 1078(b)(1)(H)) is
24 amended to read as follows:

1 "(H) provides for the deposit, in the Federal Fund established under
2 section 422A(a), of a guaranty agency origination fee of 1.0 percent of each disbursement of the
3 proceeds of the loan;"

4 (b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be effective
5 with respect to any loan made under part B of title IV for which the application is received on or
6 after October 1, 2006.

7

8 EXTENDED STUDENT LOAN REPAYMENT TERMS

9 SEC. 113. (a) FEDERAL FAMILY EDUCATION LOANS.—Section 428(b)(9) (20
10 U.S.C. 1078(b)(9)) is amended—

11 (1) in subparagraph (A)(iv)—

12 (A) by inserting immediately after the clause designation the following:
13 "(I)";

14 (B) by striking the period at the end thereof and inserting in lieu thereof a
15 semicolon and "or"; and

16 (C) by adding at the end thereof the following new subclause:

17 "(II) for a borrower of loans made under this part,
18 regardless of when those loans were made, an extended repayment plan with a fixed annual
19 repayment amount paid over the period of time described in subparagraph (C), except that the
20 borrower shall repay annually a minimum amount determined in accordance with paragraph
21 (1)(L)(i)."; and

22 (2) by adding at the end thereof the following new subparagraph:

1 "(C) LENGTH OF EXTENDED REPAYMENT PLAN.—If a borrower
2 chooses the extended repayment plan described in subparagraph (A)(iv)(II) and the borrower's
3 unpaid balance on student loans under this part is—

4 "(i) less than \$10,000, the borrower shall repay the loans in not
5 more than 12 years;

6 "(iii) equal to or greater than \$10,000 but less than \$20,000, the
7 borrower shall repay the loans in not more than 15 years;

8 "(iv) equal to or greater than \$20,000 but less than \$40,000, the
9 borrower shall repay the loans in not more than 20 years;

10 "(v) equal to or greater than \$40,000 but less than \$60,000, the
11 borrower shall repay the loans in not more than 25 years; or

12 "(vi) equal to or greater than \$60,000, the borrower shall repay the
13 loans in not more than 30 years."

14 (b) DIRECT LOANS.—Section 455(d) (20 U.S.C. 1087e(d)) is amended—

15 (1) in paragraph (1)(B), by striking "an extended period of time" and inserting in
16 lieu thereof "the period of time described in paragraph (6)"; and

17 (2) by adding at the end thereof the following new paragraph:

18 "(6) LENGTH OF EXTENDED REPAYMENT PLAN.—If a borrower chooses
19 the extended repayment plan described in paragraph (1)(B) and the borrower's unpaid balance on
20 student loans under this part is—

21 "(A) less than \$10,000, the borrower shall repay the loans in not more
22 than 12 years;

1 "(B) equal to or greater than \$10,000 but less than \$20,000, the borrower
2 shall repay the loans in not more than 15 years;

3 "(C) equal to or greater than \$20,000 but less than \$40,000, the borrower
4 shall repay the loans in not more than 20 years;

5 "(D) equal to or greater than \$40,000 but less than \$60,000, the borrower
6 shall repay the loans in not more than 25 years; or

7 "(E) equal to or greater than \$60,000, the borrower shall repay the loans
8 in not more than 30 years."

9

10 GUARANTY AGENCY REINSURANCE RATES

11 SEC. 114. (a) Section 428(c)(1) (20 U.S.C. 1078(c)(1)) is amended—

12 (1) in subparagraph (A), by striking "95 percent" and inserting in lieu thereof "92
13 percent";

14 (2) in subparagraph (B)—

15 (A) in clause (i), by striking "85 percent" and inserting in lieu thereof "82
16 percent"; and

17 (B) in clause (ii), by striking "75 percent" and inserting in lieu thereof "72
18 percent";

19 (3) in subparagraph (E)—

20 (A) in clause (i), by striking "'95 percent'" and inserting in lieu thereof
21 "'92 percent'";

22 (B) in clause (ii), by striking "'85 percent'" and inserting in lieu thereof
23 "'82 percent'"; and

1 (C) in clause (iii), by striking "'75 percent'" and inserting in lieu thereof
2 "'72 percent'"; and

3 (4) in subparagraph (F)—

4 (A) in clause (i), by striking "'95 percent'" and inserting in lieu thereof
5 "'92 percent'";

6 (B) in clause (ii), by striking "'85 percent'" and inserting in lieu thereof
7 "'82 percent'"; and

8 (C) in clause (iii), by striking "'75 percent'" and inserting in lieu thereof
9 "'72 percent'".

10 (b) EFFECTIVE DATE.—The amendments made by subsection (a) shall be effective for
11 loans made under part B of title IV on or after October 1, 2006.

12

13 GUARANTY AGENCY COLLECTION RETENTION ALLOWANCE

14 SEC. 115. Section 428(c)(6)(B) (20 U.S.C. 1078(c)(6)(B)) is amended to read as
15 follows:

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

18 "(i) beginning October 1, 2003 and ending September 30, 2005,
19 this subparagraph shall be applied by substituting '23 percent' for '24 percent';

20 "(ii) beginning October 1, 2005 and ending September 30, 2008, this
21 subparagraph shall be applied by substituting '20 percent' for '24 percent'; and

22 "(iii) beginning October 1, 2008 and ending September 30, 2010,
23 this subparagraph shall be applied by substituting '18 percent' for '24 percent'; and

1 "(iv) beginning October 1, 2010, this subparagraph shall be
2 applied by substituting for '24 percent' a percentage determined in accordance with the
3 regulations of the Secretary and equal to the average rate paid to collection agencies that have
4 contracts with the Secretary."

5 (b) Section 428C (20 U.S.C. 1078-3) is further amended by adding at the end thereof the
6 following new subsection:

7 "(g) RETENTION OF COLLECTION COSTS ON DEFAULTED LOANS.—(1)(A) In
8 the case of a loan made under this part on which the borrower has defaulted and that is included
9 in a consolidation loan under this section, a guaranty agency may, except as provided in
10 paragraph (2), add collection costs in an amount not to exceed 18.5 percent of the outstanding
11 principal and interest to the defaulted loan made under this part that is included in a
12 consolidation loan made under this section.

13 "(B) A guaranty agency may retain the collection costs added to the
14 borrower's balance on a defaulted loan under subparagraph (A) when returning the proceeds
15 from the consolidation of that defaulted loan to the Secretary, but may not retain any amounts
16 described under section 428(c)(6).

17 "(2)(A) Beginning October 1, 2008 and ending September 30, 2010, paragraph
18 (1)(A) shall be applied by substituting '18 percent' for '18.5 percent'; and

19 "(B) beginning October 1, 2010, this subparagraph shall be applied by
20 substituting the percentage described in section 428(c)(6)(B)(iv) for '18.5 percent'.

21 (c) Section 428F(a)(1) (20 U.S.C. 1078-6(a)(1)) is amended—

22 (1) by redesignating subparagraph (C) as subparagraph (D); and

1 (2) by inserting immediately after subparagraph (B) the following new
2 subparagraph:

3 "(C)(i) Beginning October 1, 2008 and ending September 30, 2010,
4 subparagraph (B)(i) shall be applied by substituting '81 percent' for '81.5 percent'; and

5 "(iii) beginning October 1, 2010, subparagraph (B)(i) shall be
6 applied by substituting for '81.5 percent' a percentage equal to the complement of the percentage
7 applicable under section 428(c)(6)(B)(iv).".

8

9 REPEAL OF SINGLE HOLDER RULE; REFINANCED CONSOLIDATION LOAN FEE

10 SEC. 116. (a) FFEL AMENDMENTS.—Section 428C (20 U.S.C. 1078-3) is amended—

11 (1) in subsection (a)—

12 (A) in paragraph (3)—

13 (i) by striking subparagraphs (B) and (C); and

14 (ii) in subparagraph (A)—

15 (I) by striking the subparagraph designation "(A)";

16 (II) by redesignating clauses (i) and (ii) as subparagraphs
17 (A) and (B), respectively; and

18 (III) in subparagraph (B) (as redesignated by subclause
19 (II)), by redesignating subclauses (I), (II), and (III) as clauses (i), (ii), and (iii), respectively; and

20 (B) by adding at the end thereof the following new paragraph:

21 "(5) TREATMENT OF ADDITIONAL ELIGIBLE STUDENT LOANS AND

22 REFINANCED CONSOLIDATION LOANS.—An eligible borrower—

23 "(A) who receives eligible student loans—

1 "(i) after the date of receipt of a consolidation loan may—
2 "(I) add those loans to that consolidation loan during the
3 180-day period following the making of that consolidation loan; or
4 "(II) receive a subsequent consolidation loan; and
5 "(ii) prior to the date of receipt of a consolidation loan may—
6 "(I) add those loans to that consolidation loan during the
7 180-day period following the making of that consolidation loan; or
8 "(II) add those loans to a subsequent consolidation loan;
9 "(B) may consolidate two or more consolidation loans into a single
10 consolidation loan; and
11 "(C) may refinance a single consolidation loan into a refinanced
12 consolidation loan (as defined in paragraph (6)), except that the borrower shall be charged a fee
13 in accordance with subsection (b)(1)(F).

14 "(6) DEFINITION OF REFINANCED CONSOLIDATION LOAN.—As used in
15 this section, a refinanced consolidation loan means a new loan made under this section to
16 discharge the liability on a single previous consolidation loan and no other eligible loans."; and

17 (2) in subsection (b)—

18 (A) in paragraph (1)—

19 (i) in subparagraph (A), by striking "and (i)" through the end
20 thereof and inserting in lieu thereof a semicolon;

21 (ii) in subparagraph (E), by striking "and" at the end thereof;

22 (iii) by redesignating subparagraph (F) as subparagraph (G); and

1 (iv) by inserting immediately after subparagraph (E) the following
2 new subparagraph:

3 "(F) that, in the case of a refinanced consolidation loan—

4 "(i) the borrower shall first apply to the holder of the borrower's
5 single previous consolidation loan for a refinanced consolidation loan (or the Secretary, in the
6 case of a single previous direct consolidation loan), and, if the holder (or the Secretary) denies
7 the borrower's application, the borrower may obtain a refinanced consolidation loan from another
8 lender;

9 "(ii) the lender shall charge the borrower a fee of 1.0 percent of
10 the principal amount of the new loan; and

11 "(iii)(I) if the lender is the holder of the borrower's single previous
12 consolidation loan, the lender may retain the fee charged on the refinanced consolidation loan; or

13 "(II) if the lender is not the holder of the borrower's single
14 previous consolidation loan, the fee shall be paid to the Secretary; and"; and

15 (B) by amending paragraph (5) to read as follows:

16 "(5) DIRECT LOANS.—Subject to paragraph (1)(F)(i), the Secretary shall offer
17 a direct consolidation loan to any borrower of a loan made under this part who applies for it, and,
18 in the case of a direct refinanced consolidation loan that is made to discharge the liability on a
19 single previous consolidation loan under this part or part D and no other eligible loans, the
20 Secretary shall charge the borrower a of 1.0 percent of the principal amount of the new loan."

21 (b) DIRECT LOAN AMENDMENTS.— (b) DIRECT LOAN AMENDMENTS.—
22 Section 455(g) is amended in the first sentence by striking the period at the end thereof and
23 inserting in lieu thereof a comma and "and may obtain a direct refinanced consolidation loan to

1 discharge the liability on a single previous consolidation loan under this part or part B (subject to
2 section 428C(b)(1)(F)(i)) and no other eligible loans, provided that the Secretary charges the
3 borrower a fee of 1.0 percent of the principal amount of the new loan." .

4 (c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall be
5 effective for a loan made under section 428C and for Federal Direct Consolidation Loans made
6 under part D of title IV for which the application is received on or after July 1, 2006.

7

8 STUDENT LOAN DISBURSEMENT REQUIREMENTS

9 SEC. 117. Section 428G (20 U.S.C. 1078-7) is amended—

10 (1) in subsection (a)(3), by striking "An institution" and inserting in lieu thereof
11 "In the case of loans made, insured, or guaranteed under this part for periods of instruction
12 beginning on or after July 1, 2006, an institution"; and

13 (2) in subsection (b)(1), in the second sentence therein, by striking "An
14 institution" and inserting in lieu thereof "In the case of loans made, insured or guaranteed under
15 this part for periods of instruction beginning on or after July 1, 2006, an institution".

16

17 EXCEPTIONAL PERFORMANCE

18 SEC. 118. (a) Section 428I (20 U.S.C. 1078-9) is amended to read as follows:

19

20 "SPECIAL INSURANCE AND REINSURANCE RULES 21 FOR EXCEPTIONAL PERFORMANCE

22

23 "SEC. 428I.(a) DESIGNATION OF LENDERS AND SERVICERS.—(1) IN

24 GENERAL.--Whenever the Secretary determines that an eligible lender or servicer meets the

1 performance measures established by the Secretary in regulation, the Secretary shall designate
2 that eligible lender or servicer, as the case may be, for exceptional performance. The Secretary
3 shall notify each appropriate guaranty agency of the eligible lenders and servicers designated
4 under this section.

5 "(2) ADDITIONAL INFORMATION ON LENDERS AND SERVICERS.—

6 Each appropriate guaranty agency shall provide the Secretary with such other information in its
7 possession regarding an eligible lender or servicer desiring designation as may relate to the
8 Secretary's determination under paragraph (1), including but not limited to any information
9 suggesting that the application of a lender or servicer for designation should not be approved.

10 "(3) DETERMINATIONS BY THE SECRETARY.—(A) The Secretary shall

11 designate an eligible lender or servicer for exceptional performance if the eligible lender or
12 servicer meets the performance measures established by the Secretary in regulation.

13 "(B) The Secretary shall make the determination under paragraph (1)

14 based upon the documentation submitted by the eligible lender or servicer as specified in
15 regulation, such other information as provided by any guaranty agency under paragraph (2), and
16 any information in the possession of the Secretary or submitted by any other agency or office of
17 the Federal Government.

18 "(C) The Secretary shall inform the eligible lender or servicer and the

19 appropriate guaranty agency that its application for designation as an exceptional lender or
20 servicer has been approved.

21 "(4) TRANSITION.—(A) Any eligible lender, servicer, or guaranty agency

22 designated for exceptional performance as of the day before the date of enactment of the Higher
23 Education Act Reform Amendments of 2005 shall continue to be so designated, and subject to

1 the requirements of this section as in effect on that day (including revocation), until the
2 performance standards described in paragraph (1) are established.

3 "(B) The Secretary shall not designate any additional eligible lenders or
4 servicers for exceptional performance until those performance standards are established.";

5 "(b) PAYMENT TO LENDERS AND SERVICERS.—(1) A guaranty agency shall pay,
6 to each eligible lender or servicer (as agent for an eligible lender) designated under subsection
7 (a), 97 percent of the unpaid principal and interest of all loans for which claims are submitted for
8 payment by that eligible lender or servicer for the one-year period following the receipt by the
9 guaranty agency of the notification of designation under this section, or until the guaranty agency
10 receives notice from the Secretary that the designation of the lender or servicer under subsection
11 (a) has been revoked.

12 "(2) In addition to the percentage paid under paragraph (1), the guaranty agency
13 shall also pay the eligible lender or servicer one additional percent of the unpaid principal and
14 interest on the loans described in that paragraph if the Secretary determines the lender has met
15 data quality standards specified by the Secretary.

16 "(c) REVOCATION AUTHORITY.—(1) The Secretary shall revoke the designation
17 of a lender or a servicer under subsection (a) if the Secretary determines that the lender or
18 servicer has failed to meet the performance standards established by the Secretary.

19 "(2) Notwithstanding any other provision of this section, a designation under
20 subsection (a) may be revoked at any time by the Secretary, in the Secretary's discretion, if the
21 Secretary determines that the eligible lender or servicer has failed to meet the criteria and
22 performance standards established by the Secretary in regulation, or if the Secretary believes the

1 lender or servicer may have engaged in fraud in securing designation under subsection (a), or is
2 failing to service loans in accordance with program regulations.

3 "(d) DOCUMENTATION.--Nothing in this section shall restrict or limit the authority of
4 guaranty agencies to require the submission of claims documentation evidencing servicing
5 performed on loans, except that the guaranty agency may not require greater documentation than
6 that required for lenders and servicers not designated under subsection (a).

7 "(e) SPECIAL RULE.--Reimbursements made by the Secretary on loans submitted for
8 claim by an eligible lender or loan servicer designated for exceptional performance under this
9 section shall not be subject to additional review by the Secretary or repurchase by the guaranty
10 agency for any reason other than a determination by the Secretary that the eligible lender or loan
11 servicer engaged in fraud or other purposeful misconduct in obtaining designation for
12 exceptional performance.

13 "(f) LIMITATION.--Nothing in this section shall be construed to affect the processing of
14 claims on student loans of eligible lenders not subject to this section.

15 "(g) CLAIMS.—A lender or servicer designated under subsection (a) failing to service
16 loans or otherwise comply with applicable program regulations shall be considered in violation
17 of section 3729 of title 31.

18 "(i) TERMINATION.—The Secretary may terminate the designation of lenders and
19 servicers under this section if he determines that termination would be in the fiscal interest of the
20 United States.

21 "(j) DEFINITIONS.--As used in this section—

22 "(1) the term 'eligible loan' means a loan made, insured or guaranteed under this
23 part; and

1 "(2) the term 'servicer' means an entity servicing and collecting student loans
2 that—

3 "(A) has substantial experience in servicing and collecting consumer
4 loans or student loans;

5 "(B) has an independent financial audit annually which is furnished to the
6 Secretary and any other parties designated by the Secretary;

7 "(C) has business systems which are capable of meeting the requirements
8 of this part;

9 "(D) has adequate personnel who are knowledgeable about the student
10 loan programs authorized by this part; and

11 "(E) does not have any owner, majority shareholder, director, or officer of
12 the entity who has been convicted of a felony."

13 (b) EFFECTIVE DATE.—The amendments made by subsection (a) shall be effective
14 July 1, 2006.

15

16 SPECIAL ALLOWANCE PAYMENTS ON STUDENT LOANS FUNDED WITH THE
17 PROCEEDS OF TAX-EXEMPT SECURITIES

18

19 SEC. 119. EXTENSION OF REDUCTION OF SPECIAL ALLOWANCE PAYMENTS

20 ON LOANS FUNDED WITH THE PROCEEDS OF TAX-EXEMPT SECURITIES.—Section

21 438(b)(2)(B) (20 U.S.C 1087-1(b)(2)(B)) is amended--

22 (1) in clause (iv), by striking "and before January 1, 2006,"; and

23 (2) in clause (v)(II)—

24 (A) in divisions (aa) and (bb), by striking "and before January 1, 2006," in
25 each such place; and

1 (B) in division (cc), by striking ", and before January 1, 2006".

2
3 LOAN FEES

4 SEC. 120. Section 438 (20 U.S.C. 1087-1) is further amended—

5 (1) by amending subsection (d)(2) to read as follows:

6 "(2) AMOUNT OF LOAN FEES.—(A) Except as provided in subparagraph (B),
7 with respect to any loan made under this part for which the first disbursement was made on or
8 after October 1, 1993, the amount of the loan fee that shall be deducted under paragraph (1) shall
9 be equal to 0.50 percent of the principal amount of the loan.

10 "(B) With respect to any loan made under section 428C on or after July 1,
11 2006, the amount of the loan fee that shall be deducted under paragraph (1) shall be equal to 1.0
12 percent of the principal amount of the loan.";

13 (2) by redesignating subsections (e) and (f) as subsections (f) and (g),
14 respectively; and

15 (3) by inserting immediately after subsection (d) the following new subsection:

16 "(e) LOAN HOLDER REBATE FEE.—(1) IN GENERAL.—Beginning on or after
17 July 1, 2006, each holder of a loan made under this part (other than a loan made under section
18 428C) for which the first disbursement was made on or after July 1, 2006, shall pay to the
19 Secretary, in such manner as the Secretary shall prescribe, a rebate fee calculated on an annual
20 basis equal to .25 percent of the principal of the loan.

21 "(2) DEPOSIT.—The Secretary shall deposit all fees collected pursuant to
22 paragraph (1) into the Treasury."

1
2 FEDERAL WORK STUDY PROGRAM AMENDMENTS

3 SEC. 121. (a) PROGRAM AUTHORIZATION.—Section 441(b) (42 U.S.C. 2751(b)) is
4 amended by striking "\$1,000,000,000" through the end thereof and inserting in lieu thereof
5 "\$990,257,000 for fiscal year 2006 and such sums as may be necessary for each of the 4
6 succeeding fiscal years, of which 20 percent shall be available for each fiscal year to carry out
7 section 443(e).".

8 (b) ALLOCATION OF FUNDS.—Section 442 (42 U.S.C. 2752) is amended—

9 (1) by amending subsection (a) to read as follows:

10 "(a) ALLOCATION BASED ON PREVIOUS ALLOCATION.—(1)(A) From the
11 amount appropriated pursuant to section 441(b) for each fiscal year after fiscal year 2005 (other
12 than the amount set aside to carry out section 443(e)), the Secretary shall, subject to paragraphs
13 (2), (3), and (4), first allocate to each eligible institution an amount equal to the percentage,
14 described in subparagraph (B), of the amount the institution received under this subsection for
15 fiscal year 2005 (as this subsection was in effect with respect to allocations for that fiscal year).

16 "(B) The percentage to be used for purposes of subparagraph (A) is—

17 "(i) 80 percent for fiscal years 2006 and 2007;

18 "(ii) 60 percent for fiscal years 2008 and 2009;

19 "(iii) 40 percent for fiscal years 2010 and 2011;

20 "(iv) 20 percent for fiscal years 2012 and 2013; and

21 "(v) 0 percent for fiscal year 2014 and any succeeding fiscal year.

22 "(2)(A) From the amount so appropriated the Secretary shall next allocate to each
23 eligible institution that began participation in the program under this part after fiscal year 2005
24 but is not a first or second time participant, an amount equal to the greater of—

1 "(i) \$5,000; or
2 "(ii) 90 percent of the amount received and used under this subpart
3 for the first year it participated in the program.

4 "(B) From the amount so appropriated, the Secretary shall next allocate to
5 each eligible institution that began participating in the program under this part after fiscal year
6 2005 and is a first or second time participant, an amount equal to the greatest of—

7 "(i) \$5,000; or

8 "(ii) an amount equal to—

9 "(I) 90 percent of the amount received and used under this
10 part in the second preceding fiscal year by eligible institutions offering comparable programs of
11 instruction; divided by

12 "(II) the number of students enrolled at such comparable
13 institutions in such fiscal year; multiplied by

14 "(III) the number of students enrolled at the applicant
15 institution in such fiscal year; or

16 "(iii) 90 percent of the institution's allocation under this part for
17 the preceding fiscal year.

18 "(C) Notwithstanding subparagraphs (A) and (B), the Secretary shall
19 allocate to each eligible institution which—

20 "(i) was a first-time participant in the program in fiscal year 2006
21 or any subsequent fiscal year; and

22 "(ii) received a larger amount under this subsection in its second
23 year of participation;

1 "an amount equal to 90 percent of the amount the institution received under this subsection in its
2 second year of participation.

3 "(3)(A) If the amount appropriated for any fiscal year is less than the amount
4 required to be allocated to all institutions under paragraph (1), the amount of the allocation to
5 each such institution shall be ratably reduced.

6 "(B) If the amount appropriated for any fiscal year is more than the
7 amount required to be allocated to all institutions under paragraph (1), but less than the amount
8 required to be allocated under paragraph (2)--

9 "(i) the Secretary shall allot the amount required to be allocated to
10 all institutions under paragraph (1); and

11 "(ii) the amount of the allocation to each institution under
12 paragraph (2) shall be ratably reduced.

13 "(C) If additional amounts are appropriated for any fiscal year in which
14 the allocations were reduced pursuant to subparagraph (A) or (B), the amounts of the allocations
15 so reduced shall be increased on the same basis as they were reduced, until the amounts allocated
16 equal the amount required to be allocated to all institutions under paragraph (1) and (2).

17 "(4)(A) Notwithstanding any other provision of this section, the Secretary shall
18 allocate, among institutions described in subparagraph (B), an amount equal to not more than 10
19 percent of the amount by which the amount appropriated for any fiscal year to carry out this
20 subpart exceeds \$700,000,000.

21 "(B) An otherwise eligible institution may receive a portion of the
22 allocation described in subparagraph (A) if—

1 "(i) not less than 10 percent of the students attending the
2 institution receive Federal Pell Grants; and

3 "(ii)(I) in the case of an institution that offers programs of at least
4 4 years in duration, if its graduation rate for Federal Pell Grant recipients attending the institution
5 and graduating within the period of time equal to normal duration of the longest undergraduate
6 program offered by the institution, as measured from the first day of their enrollment, exceeds
7 the median rate for the institution's sector; or

8 "(II) in the case of an institution that offers programs of at
9 least 2, but less than 4, years in duration, if its rate for Federal Pell Grant recipients attending the
10 institution and graduating or transferring to an institution that offers programs of at least 4 years
11 in duration within the period of time equal to the normal duration of the program offered, as
12 measured from the first day of their enrollment, exceeds the median rate for the institution's
13 sector.";

14 (2) in subsection (b)—

15 (A) in paragraph (1), by inserting "(other than the amount set aside to
16 carry out section 443(e))" after "441(b)"; and

17 (B) in paragraph (2)(A)—

18 (i) in clause (i), by striking "subsection (c)," and inserting in lieu
19 thereof "subsection (d),"; and

20 (ii) in clause (iii), by striking "year;" and inserting in lieu thereof
21 "year (other than the amount set aside to carry out section 443(e));";

22 (3) by redesignating subsections (c), (d), and (e) as subsections (d), (e), and (f),
23 respectively;

1 (4) by inserting immediately after subsection (b) the following new subsection:

2 "(c) ALLOCATION FOR COMMUNITY SERVICES.—(1) From the amount set aside
3 under section 441(b), the Secretary shall allocate to each eligible institution with an agreement
4 under section 443(e)(2) an amount that bears the same ratio to the amount set aside as the
5 amount of the institution's need (as determined under subsection (d)) bears to the sum of the
6 amount of need (as determined under that subsection) of all eligible institutions with agreements
7 under section 443(e)(2)."; and

8 (5) in subsection (e) (as redesignated by paragraph (3)), by amending the first
9 sentence therein to read as follows: "If, under paragraph (1), an institution returns more than 10
10 percent of its allocation under this section, or more than 10 percent of its allocation for
11 community services under subsection (c), the institution's allocation under this section, or the
12 institution's allocation for community services subsection (c), as the case may be, for the next
13 fiscal year shall be reduced by the amount returned.

14 (c) COMMUNITY SERVICES AGREEMENT.—Section 443 (42 U.S.C. 2753) is
15 amended—

16 (1) in subsection (b)(2)—

17 (A) in subparagraph (B)—

18 (i) by inserting "each of the 5" immediately before "succeeding";

19 and

20 (ii) by striking "and" at the end thereof;

21 (B) by redesignating subparagraph (C) as subparagraph (D); and

22 (C) by inserting immediately after subparagraph (B) the following new
23 subparagraph:

1 "(C) for fiscal year 2006 and succeeding fiscal years, an institution—
2 "(i) shall use the funds granted to the institution under subsection
3 (e) in any fiscal year to compensate students employed in community services;
4 "(ii) may use those funds to carry out one or more tutoring or family
5 literacy projects in accordance with subsection (d); and
6 (iii) notwithstanding section 488, may not transfer those funds to
7 the institution's allotment under section 413D;and ";
8 (2) in subsection (d)(1), by inserting "or to which subsection (b)(2)(C) applies
9 and the institution chooses to carry out a project in accordance with clause (ii) of that subsection,
10 after "applies," ; and
11 (3) by adding at the end thereof the following new subsections:
12 "(e) COMMUNITY SERVICES APPLICATION AND AGREEMENT.—Each
13 institution seeking funds from the amount set aside under section 441(b) in order to carry out a
14 program of compensating students employed in community services shall—
15 "(1) submit an application at such time, in such manner, and containing such
16 information as the Secretary may reasonably require; and
17 "(2) if selected to receive those funds---
18 "(A) shall, as part of its agreement under subsection (b), agree
19 to use those funds to compensate students employed in community services, and tutoring or
20 family literacy projects; and

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"(B) may, in addition to amounts provided under section 489 for administrative expenses, use up to 5 percent of the funds granted to the institution under this subsection for administrative expenses related to the establishment and maintenance of community service partnerships with public and private nonprofit agencies.

“(f) COMMUNITY SERVICES TECHNICAL ASSISTANCE AND INFORMATION.—(1) The Secretary shall provide institutions of higher education and the appropriate public and private nonprofit agencies with—

"(A) information on effective practices in the creation and maintenance of high-quality community service and service-learning programs; and

"(B) technical assistance concerning the implementation of community service programs under this part.

"(2) In developing and disseminating the information and technical assistance described in paragraph (1), the Secretary may consult with the Corporation for National and Community Service."

(d) EFFECTIVE DATE.—The amendments made by subsection (b) shall be effective for fiscal year 2006 and succeeding fiscal years.

FUNDS FOR ADMINISTRATIVE EXPENSES

SEC. 122. (a) Section 458 (20 U.S.C. 1087h) is amended—

(1) in subsection (a)(1)—

(A) in subparagraph (B), by striking the comma at the end thereof and inserting in lieu thereof a period; and

1 (B) in the flush language at the end thereof, by striking "\$617,000,000"
2 through the end thereof and inserting in lieu thereof "\$795,000,000 in each of the fiscal years
3 2006 through 2010, of which \$195,000,000 shall be available in each such fiscal year for account
4 maintenance fees described in subparagraph (B)."

5 (2) in subsection (b)(2), by striking "fiscal years 2001, 2002, and 2003," and
6 inserting in lieu thereof "for each of the fiscal years 2001 through 2010,"; and
7 and

8 (3) in subsection (c)—

9 (A) by striking paragraph (1);

10 (B) in paragraph (2)—

11 (i) in subparagraph (A), by striking "set forth in paragraph (1)"
12 and inserting in lieu thereof "described in subsection (a)(1)";

13 (ii) in paragraph (2)(B), by striking "according to the provisions of
14 subparagraph (A)." and inserting in lieu thereof ", but only to the extent that the amount
15 described in subsection (a)(1) and the funds transferred in accordance with paragraph (1) are
16 sufficient to pay the account maintenance fees payable to guaranty agencies pursuant to
17 subsection (b) for a fiscal year. A guaranty agency shall not have a contractual right against the
18 United States to receive payments for any insufficiency that remains after funds are transferred in
19 accordance with subparagraph (A).";

20 (iii) by striking the paragraph designation and the
21 paragraph heading; and

22 (iv) by redesignating subparagraphs (A) and (B) as paragraphs (1)
23 and (2), respectively.

1 (b) EFFECTIVE DATE.—The amendments made by subsection (a) shall be effective for
2 fiscal year 2006 and succeeding fiscal years.

3
4 FEDERAL PERKINS LOAN AMENDMENTS

5 SEC. 123. (a) REPEAL.—Part E of title IV (20 U.S.C. 1087aa-1087ii) is repealed
6 effective June 30, 2005.

7 (b) RETURN OF FEDERAL CAPITAL CONTRIBUTIONS AND ASSIGNMENT OF
8 LOANS.—(1) Not later than October 1, 2006, an institution of higher education with a student
9 loan revolving fund established under part E of title IV of the Higher Education Act of 1965
10 (hereinafter in this section referred to as "the Act") shall remit to the Secretary of Education an
11 amount equal to the Federal portion of the liquid assets of the fund, as determined on June 30,
12 2005.

13 (2) An institution with a student loan revolving fund established under that part
14 shall promptly remit to the Secretary the Federal portion of collections and other receipts to the
15 fund that are received by the institution after the payment described in paragraph (1).

16 (3) DEVELOPMENT OF PLAN.—Not later than 180 days after the enactment
17 of the Higher Education Act Reform Amendments of 2005, the Secretary of Education shall
18 publish, in the Federal Register, a notice describing a plan for the orderly return of Federal
19 capital contributions, and the assignment of Federal Perkins Loans made under, part E of title IV
20 of the Higher Education Act of 1965, to the Secretary.

21 (4) PLAN REQUIREMENTS.—The plan developed under paragraph (3) shall
22 include—

1 (A) provisions requiring the assignment of Federal Perkins Loans to the
2 Secretary;

3 (B) provisions describing the periodic payment by the Secretary of the
4 institutional share of Federal Perkins Loans that are assigned to the Secretary; and

5 (C) such other provisions for the orderly winding-down of the Federal
6 Perkins Loan Program and the preservation of Federal capital contributions as the Secretary may
7 specify

8 (5) The Secretary may make such modifications to the plan developed under
9 paragraph (4) as the Secretary determines are necessary for the orderly winding-down of the
10 Federal Perkins Loan Program and the preservation of Federal capital contributions.

11 (c) CONFORMING AMENDMENTS.—(1) TRANSFER OF ALLOTMENTS.—
12 Section 488 (20 U.S.C. 1095) is amended by striking "(1) transfer a total of 25 percent of the
13 institutions allotment under section 462 to the institution's allotment under section 413D or 442
14 (or both); and (2)".

15 (2) ADMINISTRATIVE EXPENSES.—Section 489(a) (20 U.S.C. 1096(a)) is
16 amended—

17 (A) in the second sentence, by striking "C, of this title or under part E of
18 this title" and "any such part" and inserting in lieu thereof "C of this title" and "either such part",
19 respectively; and

20 (B) in the third sentence—

21 (i) by inserting "(other than the institution's
22 community service allocation under section 442(c), if any)" immediately after "allotment"; and

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(ii) by striking "its expenditures during such fiscal year under part C" through the end thereof and inserting in lieu thereof "and its expenditures during such fiscal year under part C for compensation of students."

(d) CONTINUATION OF PRIOR RIGHTS AND OBLIGATIONS.—(1)

BORROWERS.—A borrower of a Federal Perkins Loan shall continue to be subject to the terms and conditions applicable to that loan as of June 30, 2005 until that loan is repaid or discharged.

(2) INSTITUTIONS OF HIGHER EDUCATION.—An institution of higher

education that was participating in the Federal Perkins Loan Program on June 30, 2005 shall—

(A) continue to be subject to the requirements of that program (to the

extent those requirements are consistent with the plan developed under subsection (b)(4)) for as long as that institution holds Federal Perkins Loans or any amount of the Federal portion of the student loan revolving fund established under part E of title IV of the Act; and

(B) shall receive its institutional share of that student loan revolving fund

in accordance with that plan.

DEFINITION OF INDEPENDENT STUDENT

SEC. 124. (a) AMENDMENT.—Section 480(d)(3) (20 U.S.C. 1087vv(d)(3)) is amended

by striking the semicolon at the end thereof and inserting in lieu thereof a comma and "or is serving on active duty in the Armed Forces, or is serving in the National Guard or a Reserve of an Armed Force and is ordered to active duty for other than training purposes;"

1 (b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be effective for
2 determinations of need under part F of title IV for academic years beginning on or after July 1,
3 2006.

4
5 DEFINITION OF TELECOMMUNICATIONS COURSE

6 SEC. 125. (a) AMENDMENT.—Section 484(*l*) (20 U.S.C. 1091(*l*))is amended—

7 (1) in paragraph (1)(A), by striking "correspondence courses" and all that follows
8 through the end thereof and inserting in lieu thereof "correspondence courses."; and

9 (2) by amending paragraph (4) to read as follows:

10 "(4) DEFINITION.—(A) For the purposes of this subsection, a course offered
11 through telecommunications is a course that uses one or a combination of the technologies
12 described in subparagraph (B) to—

13 "(i) deliver instruction to students who are separated
14 from the instructor; and

15 "(ii) support regular and substantive interaction between the
16 students and the instructor, either synchronously or asynchronously.

17 "(B) For the purpose of subparagraph (A), the technologies used may
18 include—

19 "(i) the Internet;

20 "(ii) one-way and two-way transmissions through open broadcast,
21 closed circuit, cable, microwave, broadband lines, fiber optics, satellite, or wireless
22 communication devices; and

23 "(iii) audio conferencing.

1 (b) EFFECTIVE DATE.—The amendments made by subsection (a) shall be effective
2 for academic years beginning on or after July 1, 2006.

3
4 APPLICABILITY OF
5 SUSPENSION OF ELIGIBILITY FOR DRUG-RELATED OFFENSES

6 SEC. 126. (a) AMENDMENT.—Section 484(r)(1) (20 U.S.C. 1091(r)(1)) is amended
7 by striking everything preceding the table and inserting the following:

8 "(1) IN GENERAL.—A student who is convicted of any offense under any
9 Federal or State law involving the possession or sale of a controlled substance for conduct that
10 occurred during a period of enrollment for which the student was receiving any grant, loan, or
11 work assistance under this title shall not be eligible to receive such grant, loan, or work
12 assistance from the date of that conviction for the period of time specified in the following
13 table:".

14 (b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be effective
15 with respect to grant, loan, or work assistance provided under title IV of the Higher Education
16 Act of 1965 for award years beginning on or after July 1, 2006.

17
18 PERFORMANCE DATA FOR INSTITUTIONS OFFERING DISTANCE EDUCATION

19 SEC. 127. (a) Section 498 (20 U.S.C. 1099c) is amended—

20 (1) in subsection (b)—

21 (A) by redesignating paragraphs (4) and (5) as paragraphs (5) and (6),
22 respectively; and

23 (B) by inserting immediately after paragraph (3) the following new
24 paragraph:
25

1 "(4) Requires information about the institution's distance education
2 courses and students, including—

3 "(A) the percentage of students enrolled in telecommunications
4 courses offered by the institution for the most recent award year;

5 "(B) the percentage of students enrolled in correspondence courses
6 offered by the institution for the most recent award year;

7 "(C) the percentage of telecommunications courses offered
8 by the institution in the most recent award year; and

9 "(D) the percentage of correspondence courses offered by the
10 institution in the most recent award year;" and

11 (2) by adding at the end thereof the following new subsection:

12 "(k) ADDITIONAL PERFORMANCE DATA FOR DISTANCE EDUCATION.—

13 "(1) Each institution that offers distance education, and that meets criteria
14 established by the Secretary, shall provide such additional performance data as the Secretary may
15 require, at such time and in such manner as may be specified by the Secretary.

16 "(2) The Secretary may consider data provided under paragraph (1) in making a
17 determination whether to certify, recertify or provisionally certify an institution to participate in
18 programs under this title."..

19 (b) Section 485(a)(1) (20 U.S.C. 1092(a)(1)) is amended—

20 (1) in subparagraph (N), by striking "and" at the end thereof;

21 (2) in subparagraph (O), by striking the period at the end thereof and inserting in
22 lieu thereof a semicolon and "and"; and

23 (3) by adding at the end thereof the following new subparagraph:

1 "(P) the performance data provided to the Secretary pursuant to section
2 498(k)(1), if any."

3 (c) The amendments made by—

4 (1) subsection (a) (other than proposed new section 498(k)(2)) shall be
5 effective upon enactment; and

6 (2) subsections (a)(2) (but only with respect to proposed new section
7 498(k)(2)) and (b) shall be effective as of the beginning of the second award year following the
8 date of enactment of this Act, and for succeeding award years.

9
10 AMENDMENTS TO OTHER LAWS

11 SEC. 128. (a) The Taxpayer-Teacher Protection Act of 2004 (P.L. 108-409) is
12 amended—

13 (1) in section 2, in the matter preceding paragraph (1), by inserting "of the
14 Higher Education Act of 1965" immediately after "438(b)(2)(B)"; and

15 (2) in section 3(b)(3), by striking ", and before October 1, 2005." and inserting in
16 lieu thereof a period.

17 (b) Section 6 of the Higher Education Relief Opportunities for Students Act of 2003
18 (P.L. 108-76) is amended by striking "2005" and inserting in lieu thereof "2010".

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