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1ST SESSION

H. R. 5

To amend the Higher Education Act of 1965 to reduce interest rates for student borrowers.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 12, 2007

Mr. GEORGE MILLER of California (for himself, Mr. COURTNEY, Mr. KILDEE, Mr. PAYNE, Mr. ANDREWS, Mr. SCOTT of Virginia, Ms. WOOLSEY, Mr. HINOJOSA, Mrs. MCCARTHY of New York, Mr. TIERNEY, Mr. KUCINICH, Mr. WU, Mr. HOLT, Mrs. DAVIS of California, Mr. DAVIS of Illinois, Mr. GRIJALVA, Mr. BISHOP of New York, Ms. LINDA T. SÁNCHEZ of California, Mr. ALTMIRE, Ms. CLARKE, Mr. HARE, Ms. HIRONO, Mr. LOEBSACK, Mr. SARBANES, Mr. SESTAK, Ms. SHEA-PORTER, Mr. YARMUTH, Mr. ACKERMAN, Mr. ALLEN, Mr. ARCURI, Mr. BACA, Mr. BAIRD, Ms. BALDWIN, Ms. BEAN, Mr. BECERRA, Ms. BERKLEY, Mr. BERMAN, Mr. BERRY, Mr. BLUMENAUER, Ms. BORDALLO, Mr. BOREN, Mr. BOSWELL, Mr. BOUCHER, Mrs. BOYDA of Kansas, Mr. BRADY of Pennsylvania, Mr. BRALEY of Iowa, Mr. BUTTERFIELD, Mrs. CAPPS, Mr. CAPUANO, Mr. CARDOZA, Mr. CARNAHAN, Mr. CARNEY, Ms. CARSON, Ms. CASTOR, Mr. CHANDLER, Mrs. CHRISTENSEN, Mr. CLAY, Mr. CLYBURN, Mr. COHEN, Mr. CONYERS, Mr. COOPER, Mr. COSTA, Mr. COSTELLO, Mr. CRAMER, Mr. CROWLEY, Mr. CUELLAR, Mr. CUMMINGS, Mr. DAVIS of Alabama, Mr. LINCOLN DAVIS of Tennessee, Mr. DEFazio, Ms. DEGETTE, Mr. DELAHUNT, Ms. DELAURO, Mr. DICKS, Mr. DINGELL, Mr. DOGGETT, Mr. DONNELLY, Mr. DOYLE, Mr. ELLISON, Mr. ELLSWORTH, Mr. EMANUEL, Mr. ENGEL, Ms. ESHOO, Mr. ETHERIDGE, Mr. FALEOMAVAEGA, Mr. FARR, Mr. FATTAH, Mr. FILNER, Mr. FRANK of Massachusetts, Ms. GIFFORDS, Mrs. GILLIBRAND, Mr. GONZALEZ, Mr. AL GREEN of Texas, Mr. GENE GREEN of Texas, Mr. HALL of New York, Ms. HARMAN, Mr. HASTINGS of Florida, Mr. HIGGINS, Mr. HILL, Mr. HINCHEY, Mr. HODES, Mr. HOLDEN, Mr. HONDA, Ms. HOOLEY, Mr. HOYER, Mr. INSLEE, Mr. ISRAEL, Mr. JACKSON of Illinois, Ms. JACKSON-LEE of Texas, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. JOHNSON of Georgia, Mrs. JONES of Ohio, Mr. KAGEN, Ms. KAPTUR, Mr. KENNEDY, Ms. KILPATRICK of Michigan, Mr. KIND, Mr. KLEIN of Florida, Mr. LANGEVIN, Mr. LANTOS, Mr. LAMPSON, Mr. LARSEN of Washington, Mr. LARSON of Connecticut, Ms. LEE, Mr. LEVIN, Mr. LEWIS of Georgia, Mr. LIPINSKI, Ms. ZOE LOFGREN of California, Mrs. LOWEY, Mr. LYNCH, Mr. MAHONEY of Florida, Mrs. MALONEY of New York, Mr.

MARKEY, Ms. MATSUI, Ms. MCCOLLUM of Minnesota, Mr. McDERMOTT, Mr. MCGOVERN, Mr. MCINTYRE, Mr. MCNERNEY, Mr. MCNULTY, Mr. MEEHAN, Mr. MEEK of Florida, Mr. MICHAUD, Ms. MILLENDER-MCDONALD, Mr. MITCHELL, Mr. MOORE of Kansas, Mr. MORAN of Virginia, Mr. MURPHY of Connecticut, Mr. PATRICK MURPHY of Pennsylvania, Mr. NADLER, Mrs. NAPOLITANO, Ms. NORTON, Mr. OBERSTAR, Mr. OBEY, Mr. OLVER, Mr. ORTIZ, Mr. PALLONE, Mr. PASCRELL, Mr. PASTOR, Mr. PERLMUTTER, Mr. PETERSON of Minnesota, Mr. POMEROY, Mr. PRICE of North Carolina, Mr. RAHALL, Mr. RANGEL, Mr. REYES, Mr. RODRIGUEZ, Mr. ROSS, Mr. ROTHMAN, Ms. ROYBAL-ALLARD, Mr. RUPPERSBERGER, Mr. RUSH, Mr. RYAN of Ohio, Mr. SALAZAR, Ms. SCHAKOWSKY, Mr. SCHIFF, Ms. SCHWARTZ, Mr. SCOTT of Georgia, Mr. SERRANO, Mr. SHERMAN, Mr. SHULER, Mr. SIRES, Mr. SKELTON, Ms. SLAUGHTER, Mr. SMITH of Washington, Mr. SNYDER, Ms. SOLIS, Mr. SPACE, Mr. SPRATT, Mr. STARK, Mr. STUPAK, Ms. SUTTON, Mrs. TAUSCHER, Mr. THOMPSON of Mississippi, Mr. THOMPSON of California, Mr. TOWNS, Mr. UDALL of Colorado, Mr. UDALL of New Mexico, Mr. VAN HOLLEN, Ms. VELÁZQUEZ, Mr. WALZ of Minnesota, Ms. WASSERMAN SCHULTZ, Ms. WATERS, Ms. WATSON, Mr. WAXMAN, Mr. WEINER, Mr. WELCH of Vermont, Mr. WEXLER, Mr. WILSON of Ohio, and Mr. WYNN) introduced the following bill; which was referred to the Committee on Education and Labor

A BILL

To amend the Higher Education Act of 1965 to reduce interest rates for student borrowers.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “College Student Relief
 5 Act of 2007”.

6 **SEC. 2. INTEREST RATE REDUCTIONS.**

7 (a) FFEL INTEREST RATES.—

1 (1) Section 427A(*l*) of the Higher Education
2 Act of 1965 (20 U.S.C. 1077a(*l*)) is amended by
3 adding at the end the following new paragraph:

4 “(4) REDUCED RATES FOR UNDERGRADUATE
5 SUBSIDIZED LOANS.—Notwithstanding subsection
6 (h) and paragraph (1) of this subsection, with re-
7 spect to any loan to an undergraduate student made,
8 insured, or guaranteed under this part (other than
9 a loan made pursuant to section 428B, 428C, or
10 428H) for which the first disbursement is made on
11 or after July 1, 2006, and before January 1, 2012,
12 the applicable rate of interest shall be as follows:

13 “(A) For a loan for which the first dis-
14 bursement is made on or after July 1, 2006,
15 and before July 1, 2007, 6.80 percent on the
16 unpaid principal balance of the loan.

17 “(B) For a loan for which the first dis-
18 bursement is made on or after July 1, 2007,
19 and before July 1, 2008, 6.12 percent on the
20 unpaid principal balance of the loan.

21 “(C) For a loan for which the first dis-
22 bursement is made on or after July 1, 2008,
23 and before July 1, 2009, 5.44 percent on the
24 unpaid principal balance of the loan.

1 “(D) For a loan for which the first dis-
2 bursement is made on or after July 1, 2009,
3 and before July 1, 2010, 4.76 percent on the
4 unpaid principal balance of the loan.

5 “(E) For a loan for which the first dis-
6 bursement is made on or after July 1, 2010,
7 and before July 1, 2011, 4.08 percent on the
8 unpaid principal balance of the loan.

9 “(F) For a loan for which the first dis-
10 bursement is made on or after July 1, 2011,
11 and before January 1, 2012, 3.40 percent on
12 the unpaid principal balance of the loan.”.

13 (2) SPECIAL ALLOWANCE CROSS REFERENCE.—
14 Section 438(b)(2)(I)(ii)(II) of such Act is amended
15 by striking “section 427A(l)(1)” and inserting “sec-
16 tion 427A(l)(1) or (l)(4)”.

17 (b) DIRECT LOAN INTEREST RATES.—Section
18 455(b)(7) of the Higher Education Act of 1965 (20
19 U.S.C. 1087e(b)(7)) is amended by adding at the end the
20 following new subparagraph:

21 “(D) REDUCED RATES FOR UNDER-
22 GRADUATE FDSL.—Notwithstanding the pre-
23 ceding paragraphs of this subsection, for Fed-
24 eral Direct Stafford Loans made to under-
25 graduate students for which the first disburse-

1 ment is made on or after July 1, 2006, and be-
2 fore January 1, 2012, the applicable rate of in-
3 terest shall be as follows:

4 “(i) For a loan for which the first dis-
5 bursement is made on or after July 1,
6 2006, and before July 1, 2007, 6.80 per-
7 cent on the unpaid principal balance of the
8 loan.

9 “(ii) For a loan for which the first
10 disbursement is made on or after July 1,
11 2007, and before July 1, 2008, 6.12 per-
12 cent on the unpaid principal balance of the
13 loan.

14 “(iii) For a loan for which the first
15 disbursement is made on or after July 1,
16 2008, and before July 1, 2009, 5.44 per-
17 cent on the unpaid principal balance of the
18 loan.

19 “(iv) For a loan for which the first
20 disbursement is made on or after July 1,
21 2009, and before July 1, 2010, 4.76 per-
22 cent on the unpaid principal balance of the
23 loan.

24 “(v) For a loan for which the first
25 disbursement is made on or after July 1,

1 2010, and before July 1, 2011, 4.08 per-
2 cent on the unpaid principal balance of the
3 loan.

4 “(vi) For a loan for which the first
5 disbursement is made on or after July 1,
6 2011, and before January 1, 2012, 3.40
7 percent on the unpaid principal balance of
8 the loan.”.

9 **SEC. 3. REDUCTION OF LENDER INSURANCE PERCENTAGE.**

10 (a) AMENDMENT.—Subparagraph (G) of section
11 428(b)(1) of the Higher Education Act of 1965 (20
12 U.S.C. 1078(b)(1)(G)) is amended to read as follows:

13 “(G) insures 95 percent of the unpaid
14 principal of loans insured under the program,
15 except that—

16 “(i) such program shall insure 100
17 percent of the unpaid principal of loans
18 made with funds advanced pursuant to sec-
19 tion 428(j) or 439(q); and

20 “(ii) notwithstanding the preceding
21 provisions of this subparagraph, such pro-
22 gram shall insure 100 percent of the un-
23 paid principal amount of exempt claims as
24 defined in subsection (c)(1)(G);”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) shall take effect with respect to loans made
3 on or after July 1, 2007.

4 **SEC. 4. GUARANTEE AGENCY COLLECTION RETENTION.**

5 Clause (ii) of section 428(c)(6)(A) of the Higher
6 Education Act of 1965 (20 U.S.C. 1078(c)(6)(A)(ii)) is
7 amended to read as follows:

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

11 “(I) beginning October 1, 2003
12 and ending September 30, 2007, this
13 subparagraph shall be applied by sub-
14 stituting ‘23 percent’ for ‘24 percent’;

15 “(II) beginning October 1, 2007
16 and ending September 30, 2008, this
17 subparagraph shall be applied by sub-
18 stituting ‘20 percent’ for ‘24 percent’;

19 “(III) beginning October 1, 2008
20 and ending September 30, 2010, this
21 subparagraph shall be applied by sub-
22 stituting ‘18 percent’ for ‘24 percent’;
23 and

24 “(IV) beginning October 1, 2010,
25 this subparagraph shall be applied by

1 substituting for ‘24 percent’ a per-
2 centage determined in accordance
3 with the regulations of the Secretary
4 and equal to the average rate paid to
5 collection agencies that have contracts
6 with the Secretary.’’.

7 **SEC. 5. ELIMINATION OF EXCEPTIONAL PERFORMER STA-**
8 **TUS FOR LENDERS.**

9 (a) **ELIMINATION OF STATUS.**—Part B of title IV of
10 the Higher Education Act of 1965 (20 U.S.C. 1071 et
11 seq.) is amended by striking section 428I (20 U.S.C.
12 1078–9).

13 (b) **CONFORMING AMENDMENTS.**—Part B of title IV
14 of such Act is further amended—

15 (1) in section 428(c)(1) (20 U.S.C.
16 1078(e)(1))—

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

18 (B) by redesignating subparagraphs (E)
19 through (H) as subparagraphs (D) through
20 (G), respectively; and

21 (2) in section 438(b)(5) (20 U.S.C. 1087–
22 1(b)(5)), by striking the matter following subpara-
23 graph (B).

24 (c) **EFFECTIVE DATE.**—The amendments made by
25 subsections (a) and (b) shall take effect on July 1, 2007.

1 **SEC. 6. REDUCTION OF LENDER SPECIAL ALLOWANCE PAY-**
2 **MENTS.**

3 Section 438(b)(2)(I) of the Higher Education Act of
4 1965 (20 U.S.C. 1087–1(b)(2)(I)) is amended by adding
5 at the end the following new clauses:

6 “(vi) REDUCTION FOR LOANS DIS-
7 BURSED ON OR AFTER JULY 1, 2007.—With
8 respect to a loan on which the applicable
9 interest rate is determined under section
10 427A(l) and for which the first disburse-
11 ment of principal is made on or after July
12 1, 2007, the special allowance payment
13 computed pursuant to this subparagraph
14 shall be computed—

15 “(I) by substituting ‘2.24 per-
16 cent’ for ‘2.34 percent’ each place it
17 appears in this subparagraph;

18 “(II) by substituting ‘1.64 per-
19 cent’ for ‘1.74 percent’ in clause (ii);
20 and

21 “(III) by substituting ‘2.54 per-
22 cent’ for ‘2.64 percent’ each place it
23 appears in clauses (iii) and (iv).

24 “(vii) SMALLER LENDER EXEMP-
25 TION.—Clause (vi) shall not apply to the
26 calculation of the special allowance pay-

1 ment with respect to any 3-month period
2 for any holder of eligible loans that, to-
3 gether with its affiliated holders, is des-
4 ignated by the Secretary as a small lender.

5 “(viii) DESIGNATION OF SMALL LEND-
6 ERS.—In determining which holders of eli-
7 gible loans qualify for the exemption pro-
8 vided under clause (vii), the Secretary
9 shall, using the most recently available
10 data with respect to the total principal
11 amount of eligible loans held by holders—

12 “(I) rank all holders of eligible
13 loans in descending order by total
14 principal amount of eligible loans
15 held;

16 “(II) calculate the total principal
17 amount of eligible loans held by all
18 holders; and

19 “(III) identify the subset of con-
20 secutively ranked holders under sub-
21 clause (I), starting with the lowest
22 ranked holder, that together hold a
23 total principal amount of such loans
24 equal to 10 percent of the total
25 amount calculated under subclause

1 (II), but excluding the holder, if any,
2 whose holdings when added cause the
3 total holdings of the subset to both
4 equal and then exceed such 10 per-
5 cent of such total amount calculated;
6 and

7 “(IV) designate as small lenders
8 any holder identified as a member of
9 the subset under subclause (III).”.

10 **SEC. 7. INCREASED LOAN FEES FROM LENDERS.**

11 Paragraph (2) of section 438(d) of the Higher Edu-
12 cation Act of 1965 (20 U.S.C. 1087–1(d)(2)) is amended
13 to read as follows:

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

18 “(A) 0.50 percent of the principal amount
19 of the loan with respect to any loan under this
20 part for which the first disbursement was made
21 on or after October 1, 1993, and before July 1,
22 2007; and

23 “(B) 1.0 percent of the principal amount
24 of the loan with respect to any loan under this

1 part for which the first disbursement was made
2 on or after July 1, 2007.”.

3 **SEC. 8. INTEREST PAYMENT REBATE FEE.**

4 Section 428C(f)(2) of the Higher Education Act of
5 1965 (20 U.S.C. 1078–2(f)(2)) is amended—

6 (1) by striking “SPECIAL RULE—” and insert-
7 ing “SPECIAL RULES—(A)”;

8 (2) by adding at the end the following new sub-
9 paragraph:

10 “(B) For consolidation loans based on applica-
11 tions received on or after July 1, 2007, if 90 percent
12 or more of the total principal and accrued unpaid in-
13 terest outstanding on the loans held, directly or indi-
14 rectly, by any holder is comprised of principal and
15 accrued unpaid interest owed on consolidation loans,
16 the rebate described in paragraph (1) for such hold-
17 er shall be equal to 1.30 percent of the principal
18 plus accrued unpaid interest on such loans.”.

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