

104TH CONGRESS
2D SESSION

H. R. 3863

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 12, 1996

Received; read twice and referred to the Committee on Labor and Human
Resources

AN ACT

To amend the Higher Education Act of 1965 to permit lenders under the unsubsidized Federal Family Education Loan program to pay origination fees on behalf of borrowers.

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

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Student Debt Reduc-
3 tion Act of 1996”.

4 **SEC. 2. UNSUBSIDIZED STUDENT LOANS.**

5 (a) AMENDMENT.—Paragraph (1) of section 428H(f)
6 of the Higher Education Act of 1965 (20 U.S.C. 1078–
7 8(f)(1)) is amended to read as follows:

8 “(1) AMOUNT OF ORIGINATION FEE.—Except
9 as provided in paragraph (5), an origination fee
10 shall be paid to the Secretary with respect to each
11 loan under this section in the amount of 3.0 percent
12 of the principal amount of the loan. Each lender
13 under this section is authorized to charge the bor-
14 rower for such origination fee, provided that the
15 lender assesses the same fee to all student borrow-
16 ers. Any such fee charged to the borrower shall be
17 deducted proportionately from each installment pay-
18 ment of the proceeds of the loan prior to payment
19 to the borrower.”.

20 (b) CONFORMING AMENDMENTS.—Section 428H(f)
21 of such Act is further amended—

22 (1) in paragraph (3), by striking “the origina-
23 tion fee” and inserting “any origination fee that is
24 charged to the borrower”;

25 (2) in paragraph (4), by striking “origination
26 fees authorized to be collected from borrowers” and

1 inserting “origination fees required under paragraph
2 (1)”; and

3 (3) by adding at the end the following new
4 paragraph:

5 “(6) EXCEPTION.—Notwithstanding paragraph
6 (1), a lender may assess a lesser origination fee for
7 a borrower demonstrating greater financial need as
8 determined by such borrower’s adjusted gross family
9 income.”.

10 (c) REPORT ON COMPETITIVE ALLOCATION.—Within
11 60 days after the date of enactment of this Act, the Sec-
12 retary of Education shall submit to each House of the
13 Congress a legislative proposal that would permit the Sec-
14 retary to allocate the right to make subsidized and
15 unsubsidized student loans on the basis of competitive bid-
16 ding. Such proposal shall include provision to ensure that
17 any payments received from such competitive bidding are
18 equally allocated to deficit reduction and to pro rata re-
19 duction of origination fees in both guaranteed and direct
20 student loans.

21 **SEC. 3. STUDY OF LOAN FEES.**

22 (a) STUDY REQUIRED.—The Secretary of Education
23 shall conduct a statistical analysis of the subsidized and
24 unsubsidized student loan programs under part B of title
25 IV of the Higher Education Act of 1965 to gather data

1 on lenders' use of loan fees and to determine if there are
2 any anomalies that would indicate any institutional, pro-
3 grammatic or socioeconomic discrimination in the assess-
4 ing or waiving such fees.

5 (b) REPORT.—The Secretary of Education shall sub-
6 mit to each House of the Congress a report on the study
7 required by subsection (a) within 2 years after the date
8 of enactment of this Act.

9 (c) STATISTICAL CHARACTERISTICS TO BE STUD-
10 IED.—In conducting the study required by subsection (a),
11 the Secretary of Education shall compare recipients of
12 loans on the basis of income, residence location, type and
13 location of higher education, program of instruction and
14 type of lender.

Passed the House of Representatives September 11,
1996.

Attest:

ROBIN H. CARLE,

Clerk.