

109<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 1425

To ensure that the Federal student loans are delivered as efficiently as possible, so that there is more grant aid for students.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 17, 2005

Mr. PETRI (for himself, Mr. GEORGE MILLER of California, Mr. DOGGETT, Mr. BROWN of Ohio, Mr. SANDERS, Mr. BISHOP of New York, Mr. FILNER, Mr. MCDERMOTT, Ms. KILPATRICK of Michigan, Ms. LEE, Mr. GRIJALVA, Mr. HINCHEY, Mr. KUCINICH, Mr. WU, Mr. VAN HOLLEN, Ms. WATSON, Mr. ETHERIDGE, Ms. MOORE of Wisconsin, Mr. CUMMINGS, Ms. MCCOLLUM of Minnesota, Mr. ISRAEL, Mrs. JONES of Ohio, Ms. BORDALLO, Mr. CROWLEY, Ms. SCHAKOWSKY, Mr. HASTINGS of Florida, Mr. TIERNEY, Mr. KILDEE, Mr. BROWN of South Carolina, Ms. PELOSI, and Mr. ALEXANDER) introduced the following bill; which was referred to the Committee on Education and the Workforce

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## A BILL

To ensure that the Federal student loans are delivered as efficiently as possible, so that there is more grant aid for students.

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 “Student Aid Reward  
5 Act of 2005”.

1 **SEC. 2. STUDENT AID REWARD PROGRAM.**

2 Part G of title IV of the Higher Education Act of  
3 1965 is amended by inserting after section 489 (20 U.S.C.  
4 1096) the end the following:

5 **“SEC. 489A. STUDENT AID REWARD PROGRAM.**

6 “(a) PROGRAM AUTHORIZED.—The Secretary shall  
7 carry out a Student Aid Reward Program to encourage  
8 institutions of higher education to participate in the stu-  
9 dent loan program under this title that is most cost-effec-  
10 tive for taxpayers.

11 “(b) PROGRAM REQUIREMENTS.—In carrying out the  
12 Student Aid Reward Program, the Secretary shall—

13 “(1) provide to each institution of higher edu-  
14 cation participating in the student loan program  
15 under this title that is most cost-effective for tax-  
16 payers a Student Aid Reward Payment, in an  
17 amount determined in accordance with subsection  
18 (c), to encourage the institution to participate in  
19 that student loan program;

20 “(2) require each institution of higher edu-  
21 cation receiving a payment under this section to pro-  
22 vide student loans under that student loan program  
23 for a period of 5 years from the date the payment  
24 is made;

25 “(3) where appropriate, require that funds paid  
26 to institutions of higher education under this section

1 be used to award students a supplement to such stu-  
2 dents' Pell Grants under subpart 1 of part A;

3 “(4) permit such funds to also be used to award  
4 lower and middle income graduate students need-  
5 based grants; and

6 “(5) encourage all institutions of higher edu-  
7 cation to participate in the Student Aid Reward Pro-  
8 gram.

9 “(c) AMOUNT.—The amount of a Student Aid Re-  
10 ward Payment under this section shall be not less than  
11 50 percent of the savings to the Federal Government gen-  
12 erated by the institution's participation in the student loan  
13 program under this title that is most cost-effective for tax-  
14 payers instead of the institution's participation in the stu-  
15 dent loan program not cost-effective for taxpayers.

16 “(d) TRIGGER TO ENSURE COST NEUTRALITY.—

17 “(1) LIMIT TO ENSURE COST NEUTRALITY.—

18 Notwithstanding subsection (c), the Secretary shall  
19 not distribute Student Aid Reward Payments under  
20 the Student Aid Reward Program that, in the aggre-  
21 gate, exceed the Federal savings resulting from im-  
22 plementation of the Student Aid Reward Program.

23 “(2) FEDERAL SAVINGS.—In calculating Fed-  
24 eral savings, as used in paragraph (1), the Secretary  
25 shall determine Federal savings on loans made to

1 students at institutions of higher education that par-  
2 ticipate the student loan program under this title  
3 that is most cost-effective for taxpayers and that, on  
4 the date of enactment of the Student Aid Reward  
5 Program, participated in the student loan program  
6 that is not the most cost-effective for taxpayers, re-  
7 sulting from the difference of—

8 “(A) the Federal cost of loan volume made  
9 under the student loan program under this title  
10 that is most cost-effective for taxpayers; and

11 “(B) the Federal cost of an equivalent type  
12 and amount of loan volume made, insured, or  
13 guaranteed under the student loan program  
14 under this title that is not the most cost-effec-  
15 tive for taxpayers.

16 “(3) DISTRIBUTION RULES.—If the Federal  
17 savings determined under paragraph (2) is not suffi-  
18 cient to distribute full Student Aid Reward Pay-  
19 ments under the Student Aid Reward Program, the  
20 Secretary shall—

21 “(A) first make Student Aid Reward Pay-  
22 ments to those institutions of higher education  
23 that participated in the student loan program  
24 under this title that is not the most cost-effec-

1           tive for taxpayers on the date of enactment of  
2           the Student Aid Reward Program; and

3           “(B) with any remaining Federal savings  
4           after making Payments under subparagraph  
5           (A), make Student Aid Reward Payments to  
6           the institutions of higher education not de-  
7           scribed in subparagraph (A) on a pro-rata  
8           basis.

9           “(4) DISTRIBUTION TO STUDENTS.—Any insti-  
10          tution of higher education that receives a Student  
11          Aid Reward Payment under this section—

12           “(A) shall distribute, where appropriate,  
13           part or all of such payment among the students  
14           of such institution who are Pell Grant recipi-  
15           ents by awarding such students a supplemental  
16           grant; and

17           “(B) may distribute part of such payment  
18           as a supplemental grant to graduate students in  
19           financial need.

20          “(5) ESTIMATES, ADJUSTMENTS, AND CARRY  
21          OVER.—

22           “(A) ESTIMATES AND ADJUSTMENTS.—  
23           The Secretary may make Student Aid Reward  
24           Payments to institutions of higher education on  
25           the basis of estimates, using the best data avail-

1           able at the beginning of an academic/fiscal year.  
2           If the Secretary determines thereafter that loan  
3           program costs for that academic/fiscal year  
4           were different than such estimate, the Secretary  
5           shall adjust (reduce or increase) subsequent  
6           Student Aid Reward Payments rewards paid to  
7           such institutions of higher education to reflect  
8           such difference.

9           “(B) CARRY OVER.—Any institution of  
10          higher education that receives a reduced Stu-  
11          dent Aid Reward Payment under paragraph  
12          (3)(B), shall remain eligible for the unpaid por-  
13          tion of such institution’s financial reward pay-  
14          ment, as well as any additional financial reward  
15          payments for which the institution is otherwise  
16          eligible, in subsequent academic or fiscal years.

17          “(e) DEFINITION.—For purposes of this section—

18                 “(1) the student loan program under this title  
19                 that is most cost-effective for taxpayers is the loan  
20                 program under part B or D of this title that has the  
21                 lowest overall cost to the Federal Government (in-  
22                 cluding administrative costs) for the loans author-  
23                 ized by such parts; and

24                 “(2) the student loan program under this title  
25                 that is not most cost-effective for taxpayers is the

1 loan program under part B or D of this title that  
2 does not have the lowest overall cost to the Federal  
3 Government (including administrative costs) for the  
4 loans authorized by such parts.”.

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