

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

# H. R. 5

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## AN ACT

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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “College Student Relief  
3 Act of 2007”.

4 **SEC. 2. INTEREST RATE REDUCTIONS.**

5 (a) FFEL INTEREST RATES.—

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

9 “(4) REDUCED RATES FOR UNDERGRADUATE  
10 SUBSIDIZED LOANS.—Notwithstanding subsection  
11 (h) and paragraph (1) of this subsection, with re-  
12 spect to any loan to an undergraduate student made,  
13 insured, or guaranteed under this part (other than  
14 a loan made pursuant to section 428B, 428C, or  
15 428H) for which the first disbursement is made on  
16 or after July 1, 2006, and before January 1, 2012,  
17 the applicable rate of interest shall be as follows:

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

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

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

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

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

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

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

21          (b) DIRECT LOAN INTEREST RATES.—Section  
22          455(b)(7) of the Higher Education Act of 1965 (20  
23          U.S.C. 1087e(b)(7)) is amended by adding at the end the  
24          following new subparagraph:

1           “(D) REDUCED RATES FOR UNDER-  
2 GRADUATE FDSL.—Notwithstanding the pre-  
3 ceding paragraphs of this subsection, for Fed-  
4 eral Direct Stafford Loans made to under-  
5 graduate students for which the first disburse-  
6 ment is made on or after July 1, 2006, and be-  
7 fore January 1, 2012, the applicable rate of in-  
8 terest shall be as follows:

9           “(i) For a loan for which the first dis-  
10 bursement is made on or after July 1,  
11 2006, and before July 1, 2007, 6.80 per-  
12 cent on the unpaid principal balance of the  
13 loan.

14           “(ii) For a loan for which the first  
15 disbursement is made on or after July 1,  
16 2007, and before July 1, 2008, 6.12 per-  
17 cent on the unpaid principal balance of the  
18 loan.

19           “(iii) For a loan for which the first  
20 disbursement is made on or after July 1,  
21 2008, and before July 1, 2009, 5.44 per-  
22 cent on the unpaid principal balance of the  
23 loan.

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

1           2009, and before July 1, 2010, 4.76 per-  
2           cent on the unpaid principal balance of the  
3           loan.

4           “(v) For a loan for which the first  
5           disbursement is made on or after July 1,  
6           2010, and before July 1, 2011, 4.08 per-  
7           cent on the unpaid principal balance of the  
8           loan.

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

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

15          (a) AMENDMENT.—Subparagraph (G) of section  
16 428(b)(1) of the Higher Education Act of 1965 (20  
17 U.S.C. 1078(b)(1)(G)) is amended to read as follows:

18                 “(G) insures 95 percent of the unpaid  
19                 principal of loans insured under the program,  
20                 except that—

21                         “(i) such program shall insure 100  
22                         percent of the unpaid principal of loans  
23                         made with funds advanced pursuant to sec-  
24                         tion 428(j) or 439(q); and

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

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

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

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

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

16                         “(I) beginning October 1, 2003  
17                         and ending September 30, 2007, this  
18                         subparagraph shall be applied by sub-  
19                         stituting ‘23 percent’ for ‘24 percent’;

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

24                         “(III) beginning October 1, 2008  
25                         and ending September 30, 2010, this

1                   subparagraph shall be applied by sub-  
2                   stituting ‘18 percent’ for ‘24 percent’;  
3                   and

4                   “(IV) beginning October 1, 2010,  
5                   this subparagraph shall be applied by  
6                   substituting for ‘24 percent’ a per-  
7                   centage determined in accordance  
8                   with the regulations of the Secretary  
9                   and equal to the average rate paid to  
10                  collection agencies that have contracts  
11                  with the Secretary.”.

12 **SEC. 5. ELIMINATION OF EXCEPTIONAL PERFORMER STA-**  
13 **TUS FOR LENDERS.**

14           (a) **ELIMINATION OF STATUS.**—Part B of title IV of  
15 the Higher Education Act of 1965 (20 U.S.C. 1071 et  
16 seq.) is amended by striking section 428I (20 U.S.C.  
17 1078–9).

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

20                   (1) in section 428(c)(1) (20 U.S.C.  
21 1078(c)(1))—

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

23                           (B) by redesignating subparagraphs (E)  
24 through (H) as subparagraphs (D) through  
25 (G), respectively; and

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

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

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

8           Section 438(b)(2)(I) of the Higher Education Act of  
9           1965 (20 U.S.C. 1087–1(b)(2)(I)) is amended by adding  
10          at the end the following new clauses:

11                           “(vi) REDUCTION FOR LOANS DIS-  
12                           BURSED ON OR AFTER JULY 1, 2007.—With  
13                           respect to a loan on which the applicable  
14                           interest rate is determined under section  
15                           427A(l) and for which the first disburse-  
16                           ment of principal is made on or after July  
17                           1, 2007, the special allowance payment  
18                           computed pursuant to this subparagraph  
19                           shall be computed—

20   “(I) by substituting ‘2.24 per-  
21   cent’ for ‘2.34 percent’ each place it  
22   appears in this subparagraph;

23   “(II) by substituting ‘1.64 per-  
24   cent’ for ‘1.74 percent’ in clause (ii);  
25   and



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

4                   “(vii) SMALLER LENDER EXEMP-  
5                   TION.—Clause (vi) shall not apply to the  
6                   calculation of the special allowance pay-  
7                   ment with respect to any 3-month period  
8                   for any holder of eligible loans that, to-  
9                   gether with its affiliated holders, is des-  
10                  ignated by the Secretary as a small lender.

11                  “(viii) DESIGNATION OF SMALL LEND-  
12                  ERS.—In determining which holders of eli-  
13                  gible loans qualify for the exemption pro-  
14                  vided under clause (vii), the Secretary  
15                  shall, using the most recently available  
16                  data with respect to the total principal  
17                  amount of eligible loans held by holders—

18                         “(I) rank all holders of eligible  
19                         loans in descending order by total  
20                         principal amount of eligible loans  
21                         held;

22                         “(II) calculate the total principal  
23                         amount of eligible loans held by all  
24                         holders; and

1           “(III) identify the subset of con-  
2           secutively ranked holders under sub-  
3           clause (I), starting with the lowest  
4           ranked holder, that together hold a  
5           total principal amount of such loans  
6           equal to 10 percent of the total  
7           amount calculated under subclause  
8           (II), but excluding the holder, if any,  
9           whose holdings when added cause the  
10          total holdings of the subset to both  
11          equal and then exceed such 10 per-  
12          cent of such total amount calculated;  
13          and

14           “(IV) designate as small lenders  
15          any holder identified as a member of  
16          the subset under subclause (III).”.

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

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

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

1           “(A) 0.50 percent of the principal amount  
2           of the loan with respect to any loan under this  
3           part for which the first disbursement was made  
4           on or after October 1, 1993, and before July 1,  
5           2007; and

6           “(B) 1.0 percent of the principal amount  
7           of the loan with respect to any loan under this  
8           part for which the first disbursement was made  
9           on or after July 1, 2007.”.

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

11           Section 428C(f)(2) of the Higher Education Act of  
12 1965 (20 U.S.C. 1078–2(f)(2)) is amended—

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

15           (2) by adding at the end the following new sub-  
16           paragraph:

17           “(B) For consolidation loans based on applica-  
18           tions received on or after July 1, 2007, if 90 percent  
19           or more of the total principal and accrued unpaid in-  
20           terest outstanding on the loans held, directly or indi-  
21           rectly, by any holder is comprised of principal and  
22           accrued unpaid interest owed on consolidation loans,  
23           the rebate described in paragraph (1) for such hold-

1 er shall be equal to 1.30 percent of the principal  
2 plus accrued unpaid interest on such loans.”.

Passed the House of Representatives January 17,  
2007.

Attest:

*Clerk.*



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

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**AN ACT**

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reduce interest rates for student borrowers.