

110TH CONGRESS
1ST SESSION

H. R. 5

IN THE SENATE OF THE UNITED STATES

JANUARY 17, 2007

Received; read twice and referred to the Committee on Health, Education,
Labor, and Pensions

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

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

Passed the House of Representatives January 17,
 2007.

Attest:

KAREN L. HAAS,
Clerk.