

Public Law 98-79  
98th Congress

An Act

Aug. 15, 1983  
[H.R. 3394]

To provide additional authority for the consolidation of student loans and to make certain other changes in Federal student financial assistance.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Student Loan Consolidation and Technical Amendments Act of 1983".

Student Loan Consolidation and Technical Amendments Act of 1983.  
20 USC 1001 note.

EXTENSION OF EXISTING STUDENT LOAN CONSOLIDATION AUTHORITY

96 Stat. 1405.  
20 USC 1087-2.

SEC. 2. Section 439(o) of the Higher Education Act of 1965 (hereafter in this Act referred to as "the Act") is amended by striking out "on August 1, 1983" in paragraph (5) and inserting in lieu thereof "on November 1, 1983".

DISCLOSURE OF INFORMATION TO STUDENT BORROWERS

20 USC 1083a.

SEC. 3. (a) Section 433A of the Act is amended to read as follows:

"STUDENT LOAN INFORMATION BY ELIGIBLE LENDERS

"SEC. 433A. (a) Each eligible lender shall, at or prior to the time such lender disburses a loan to a borrower which is insured or guaranteed under this part, provide thorough and accurate loan information on such loan to the borrower. Any disclosure required by this subsection may be made by an eligible lender as part of the written application material provided to the borrower, or as part of the promissory note evidencing the loan, or on a separate written form provided to the borrower. The disclosures shall include—

Information disclosure.

"(1) the name of the eligible lender, and the address to which communications and payments should be sent;

"(2) the principal amount of the loan;

"(3) the amount of any charges, such as the origination fee and insurance premium, collected by the lender at or prior to the disbursement of the loan and whether such charges are deducted from the proceeds of the loan or paid separately by the borrower;

"(4) the stated interest rate on the loan;

"(5) the yearly and cumulative maximum amounts that may be borrowed;

"(6) an explanation of when repayment of the loan will be required and when the borrower will be obligated to pay interest that accrues on the loan;

"(7) a statement as to the minimum and maximum repayment term which the lender may impose, and the minimum annual payment required by law;

"(8) an explanation of any special options the borrower may have for loan consolidation or other refinancing of the loan;

"(9) a statement that the borrower has the right to prepay all or part of the loan, at any time, without penalty, a statement summarizing circumstances in which repayment of the loan or interest that accrues on the loan may be deferred, and a brief notice of the program for repayment of loans, on the basis of military service, pursuant to section 902 of the Department of Defense Authorization Act, 1981 (10 U.S.C. 2141, note);

10 USC 2141  
note.

"(10) a definition of default and the consequences to the borrower if the borrower defaults, including a statement that the default may be reported to a credit bureau or credit reporting agency;

"(11) to the extent practicable, the effect of accepting the loan on the eligibility of the borrower for other forms of student assistance; and

"(12) an explanation of any cost the borrower may incur in the making or collection of the loan.

"(b) Each eligible lender shall, at or prior to the start of the repayment period of the student borrower on loans made, insured, or guaranteed under this part, disclose to the borrower the information required under this subsection. Any disclosure required by this subsection may be made by an eligible lender either in a promissory note evidencing the loan or loans or in a written statement provided to the borrower. The disclosures shall include:

Information  
disclosure.

"(1) the name of the eligible lender, and the address to which communications and payments should be sent;

"(2) the scheduled date upon which the repayment period is to begin;

"(3) the estimated balance owed by the borrower on the loan or loans covered by the disclosure as of the scheduled date on which the repayment period is to begin (including, if applicable, the estimated amount of interest to be capitalized);

"(4) the stated interest rate on the loan or loans, or the combined interest rate of loans with different stated interest rates;

"(5) the nature of any fees which may accrue or be charged to the borrower during the repayment period;

"(6) the repayment schedule for all loans covered by the disclosure including the date the first installment is due, and the number, amount, and frequency of required payments;

"(7) an explanation of any special options the borrower may have for loan consolidation or other refinancing of the loan;

"(8) the projected total of interest charges which the borrower will pay on the loan or loans, assuming that the borrower makes payments exactly in accordance with the repayment schedule; and

"(9) a statement that the borrower has the right to prepay all or part of the loan or loans covered by the disclosure at any time without penalty.

"(c) Such information shall be available without cost to the borrower. The failure of an eligible lender to provide information as required by this section shall not (1) relieve a borrower of the obligation to repay a loan in accordance with its terms, (2) provide a basis for a claim for civil damages, or (3) be deemed to abrogate the obligation of the Secretary under a contract of insurance or reinsurance, or the obligation of a State or nonprofit private agency or organization which has an agreement with the Secretary under section 428(b) under a contract of guaranty. The Secretary may

Loan repayment,  
obligation.

20 USC 1078.

limit, suspend, or terminate the continued participation of an eligible lender in making loans under this part for failure by that lender to comply with this section.”

20 USC 1087cc-1.

(b) Section 463A of the Act is amended to read as follows:

“STUDENT LOAN INFORMATION BY ELIGIBLE INSTITUTIONS

20 USC 1087cc.

“SEC. 463A. (a) Each institution of higher education, in order to carry out the provisions of section 463(a)(8), shall, at or prior to the time such institution makes a loan to a student borrower which is made under this part, provide thorough and adequate loan information on such loan to the student borrower. Any disclosure required by this subsection may be made by an institution of higher education as part of the written application material provided to the borrower, or as part of the promissory note evidencing the loan, or on a separate written form provided to the borrower. The disclosures shall include:

Information disclosure.

“(1) the name of the institution of higher education, and the address to which communications and payments should be sent;

“(2) the principal amount of the loan;

“(3) the amount of any charges collected by the institution at or prior to the disbursement of the loan and whether such charges are deducted from the proceeds of the loan or paid separately by the borrower;

“(4) the stated interest rate on the loan;

“(5) the yearly and cumulative maximum amounts that may be borrowed;

“(6) an explanation of when repayment of the loan will be required and when the borrower will be obligated to pay interest that accrues on the loan;

“(7) a statement as to the minimum and maximum repayment term which the institution may impose, and the minimum monthly payment required by law;

“(8) an explanation of any special options the borrower may have for loan consolidation or other refinancing of the loan;

“(9) a statement that the borrower has the right to prepay all or part of the loan, at any time, without penalty, a statement summarizing circumstances in which repayment of the loan or interest that accrues on the loan may be deferred, and a brief notice of the program for repayment of loans, on the basis of military service, pursuant to section 902 of the Department of Defense Authorization Act, 1981 (10 U.S.C. 2141, note);

10 USC 2141 note.

“(10) a definition of default and the consequences to the borrower if the borrower defaults, including a statement that the default may be reported to a credit bureau or credit reporting agency;

“(11) to the extent practicable, in effect of accepting the loan on the eligibility of the borrower for other forms of student assistance; and

“(12) an explanation of any cost the borrower may incur in the making or collection of the loan.

“(b) Each institution of higher education shall enter into an agreement with the Secretary under which the institution will, prior to the start of the repayment period of the student borrower on loans made under this part, disclose to the student borrower the information required under this subsection. Any disclosures required by this subsection may be made by an institution of higher

education either in a promissory note evidencing the loan or loans or in a written statement provided to the borrower. The disclosures shall include—

Information disclosure.

“(1) the name of the institution of higher education, and the address to which communications and payments should be sent;

“(2) the scheduled date upon which the repayment period is to begin;

“(3) the estimated balance owed by the borrower on the loan or loans covered by the disclosure as of the scheduled date on which the repayment period is to begin (including, if applicable, the estimated amount of interest to be capitalized);

“(4) the stated interest rate on the loan or loans, or the combined interest rate of loans with different stated interest rates;

“(5) the nature of any fees which may accrue or be charged to the borrower during the repayment period;

“(6) the repayment schedule for all loans covered by the disclosure including the date the first installment is due, and the number, amount, and frequency of required payments;

“(7) an explanation of any special options the borrower may have for loan consolidation or other refinancing of the loan;

“(8) the projected total of interest charges which the borrower will pay on the loan or loans, assuming that the borrower makes payments exactly in accordance with the repayment schedule; and

“(9) a statement that the borrower has the right to prepay all or part of the loan or loans covered by the disclosure at any time without penalty.

“(c) Such information shall be available without cost to the borrower. The failure of an eligible institution to provide information as required by this section shall not (1) relieve a borrower of the obligation to repay a loan in accordance with its terms, (2) provide a basis for a claim for civil damages, or (3) be deemed to abrogate the obligation of the Secretary to make payments with respect to such loan.”

Loan repayment, obligation.

STUDENT FINANCIAL ASSISTANCE TECHNICAL AMENDMENT ACT OF 1982  
REVISIONS

SEC. 4. (a) The Student Financial Assistance Technical Amendments of 1982 is amended by striking out section 3 through 6 and inserting in lieu thereof the following:

96 Stat. 1400.

“COST OF ATTENDANCE

“SEC. 3. (a) Except as provided in subsection (b), but notwithstanding any other provision of law, the cost of attendance criteria used for calculating eligibility for and the amount of Pell Grants for academic years 1983-1984, and 1984-1985, shall be the same as those criteria in effect for academic year 1982-1983.

20 USC 1070a note.

“(b) The cost of attendance allowance for room and board for students not residing at home or in institutionally owned or operated housing for the academic year 1984-1985 shall be a standard amount determined by the institution of higher education based on the expenses reasonably incurred by such student for room and board, which shall be at least \$1,100 but not more than \$1,600.

"SEPARATION OF PELL GRANT FAMILY CONTRIBUTION SCHEDULE FROM  
CAMPUS-BASED PROGRAMS

20 USC 1089  
note.

"SEC. 4. The Secretary of Education shall establish or approve separate systems of need analysis for the academic years 1983-1984, 1984-1985, and 1985-1986 for the programs authorized under subpart 2 of part A, part C, and part E of title IV of the Higher Education Act of 1965.

20 USC 1070b; 42  
USC 2751; 20  
USC 1088.

"PELL GRANT FAMILY CONTRIBUTION SCHEDULES FOR ACADEMIC YEARS  
1984-1985 AND 1985-1986

20 USC 1070a  
note.

"SEC. 5. (a) Except as provided in subsections (b) and (c), the family contribution schedule for academic year 1983-1984 for Pell Grants under subpart 1 of part A of title IV of the Higher Education Act of 1965 shall be the family contribution schedule for such grants for each of the academic years 1984-1985 and 1985-1986.

20 USC 1070a.

"(b)(1) Each of the amounts allowed as an offset for family size for dependent and independent students in the family contribution schedule for each of the academic years 1984-1985 and 1985-1986 shall be computed by increasing (or decreasing) the comparable amount (for the same family size) in the family contribution schedule for the preceding academic year (as set by this section) by a percentage equal to the percentage increase (or decrease) in the Consumer Price Index for Wage Earners and Clerical Workers published by the Department of Labor, and rounding the result to the nearest \$100.

"(2) For purposes of paragraph (1) of this subsection, the percentage increase (or decrease) in the Consumer Price Index for Wage Earners and Clerical Workers is the change, expressed as a percentum, between the arithmetic mean of such index—

"(A) for the period from October 1, 1981, through September 30, 1982, and the arithmetic mean of such index for the period from October 1, 1982, through September 30, 1983, in the case of the academic year 1984-1985; and

"(B) for the period from October 1, 1982, through September 30, 1983, and the arithmetic mean of such index for the period from October 1, 1983, through September 30, 1984, in the case of the academic year 1985-1986.

Publication in  
Federal  
Register.

"(3) The Secretary of Education shall publish in the Federal Register the changes in amounts allowed as an offset for family size as a consequence of the requirements of this subsection immediately after publication by the Secretary of Labor of the Consumer Price Index for September 1983 (with respect to academic year 1984-1985) and immediately after such publication for September 1984 (with respect to academic year 1985-1986).

"(c) For purposes of subsection (a), the family contribution schedule for academic year 1983-1984 shall be modified by the Secretary of Education for use for each of academic years 1984-1985 and 1985-1986—

"(1) to reflect the most recent and relevant data, and

"(2) to comply with section 482(b)(3) of the Higher Education Act of 1965 with respect to the treatment of payments under title 38 of the United States Code.

20 USC 1089.

Publication in  
Federal  
Register.

"(d) The modified family contribution schedule under this section shall be published in the Federal Register—

“(1) not later than fifteen days after the date of enactment of the Student Loan Consolidation and Technical Amendments Act of 1983 for academic year 1984-1985; and

*Ante*, p. 476.

“(2) not later than April 1, 1984, for academic year 1985-1986.

#### “INDEPENDENT STUDENT DETERMINATION

“SEC. 6. Notwithstanding any rule or regulation, the criteria for the determination of independent student status, prescribed under section 482(c)(2) of the Higher Education Act of 1965, in effect for academic year 1982-1983 shall be the criteria for such determinations for each of the academic years 1983-1984, 1984-1985, and 1985-1986.”.

20 USC 1089  
note.

20 USC 1089.

(b) Section 9 of such Act is amended—

96 Stat. 1403.

20 USC 1078  
note.

(1) by inserting “from July 1, 1984, through June 30, 1985, and from July 1, 1985, through June 30, 1986,” after “June 30, 1984,” in subsection (a);

(2) by striking out “the period of instruction from July 1, 1983, through June 30, 1984,” in subsection (b) and inserting in lieu thereof “each of the periods of instruction (beginning after June 30, 1983) described in subsection (a)”;

(3) by striking out subsection (c) and inserting in lieu thereof the following:

“(c) The modified family contribution schedule under this section shall be submitted not later than—

“(1) April 1, 1983, for the period of instruction from July 1, 1983, through June 30, 1984;

“(2) April 1, 1984, for the period of instruction from July 1, 1984, through June 30, 1985; and

“(3) April 1, 1985, for the period of instruction from July 1, 1985, through June 30, 1986,

and shall otherwise be subject to the provisions of section 482(a) of the Higher Education Act of 1965.”.

20 USC 1089.

#### CLARIFICATION OF APPLICABILITY OF 8 PER CENTUM RATE

SEC. 5. (a) Section 427A(a) of the Act is amended—

20 USC 1077a.

(1) by striking out “other than” and all that follows through “this subsection” in paragraph (1) and inserting in lieu thereof “for which the interest rate does not exceed 7 per centum”;

(2) by striking out “any loan made, insured” and all that follows through “this paragraph” in paragraph (2) and inserting in lieu thereof “any loan described in paragraph (1) or any loan for which the interest rate is determined under paragraph (1)”;

and  
(3) by striking out paragraph (3) and inserting in lieu thereof the following:

“(3) be 8 per centum per annum on the unpaid principal balance of the loan for a loan to cover the cost of education for any period of enrollment beginning on or after a date which is three months after a determination made under subsection (b) in the case of any borrower who, on the date of entering into the note or other written evidence of the loan, has no outstanding balance of principal or interest on any loan for which the interest rate is determined under paragraph (1) or (2) of this subsection.”.

20 USC 1077a.

(b)(1) Section 427A of the Act is further amended by adding at the end thereof the following new subsection:

"Period of instruction."

"(e) For the purposes of subsection (a) of this section—

"(1) the term 'period of instruction' shall, at the discretion of the lender, be any academic year, semester, trimester, quarter, or other academic period; or shall be the period for which the loan is made as determined by the institution of higher education; and

"Period of enrollment."

"(2) the term 'period of enrollment' shall be the period for which the loan is made as determined by the institution of higher education and shall coincide with academic terms such as academic year, semester, trimester, quarter, or other academic period as defined by such institution."

20 USC 1077a note.

(2) The amendment made by this subsection shall be effective as if enacted as part of the amendment made by section 415(a)(1) of the Education Amendments of 1980.

20 USC 1077a.

#### NONDISCRIMINATION

20 USC 1071.

SEC. 6. Section 421 of the Act is amended—

(1) by inserting "; NONDISCRIMINATION;" after "STATEMENT OF PURPOSE" in the heading of such section;

(2) by inserting "(1)" after "SEC. 421. (a)"; and

(3) by inserting before subsection (b) the following new paragraph:

"(2) No institution, bank, credit union, corporation, or other lender who regularly extends, renews, or continues credit or provides insurance under this part shall exclude from receipt or deny the benefits of, or discriminate against any borrower or applicant in obtaining, such credit or insurance on the basis of race, national origin, religion, sex or marital status, age, or handicapped status."

#### RESTRICTION ON SPECIAL ALLOWANCES

20 USC 1087-1.

SEC. 7. (a) Section 438 of the Act is amended by redesignating subsection (d) as subsection (e) and inserting before such subsection the following:

26 USC 1 *et seq.*

"(d)(1) In order for the holders of loans which were made or purchased with funds obtained by the holder from an Authority issuing obligations, the income from which is exempt from taxation under the Internal Revenue Code of 1954, to be eligible to receive a special allowance under subsection (b)(2) of this section, the Authority shall submit to the Secretary a plan for doing business. The Secretary shall approve or disapprove such plan within thirty days after the date of its submission. Each such plan shall contain provisions designed to assure that—

Plans.

"(A) no eligible lender in the area served by the Authority will be excluded from participation in the program of the Authority and all eligible lenders may participate in the program on the same terms and conditions if eligible lenders are going to participate in the program;

"(B) no director or staff member of the Authority who receives compensation from the Authority may own stock in, or receive compensation from, any agency that would contract to service and collect the loans of the Authority;

"(C) student loans will not be purchased from participating lenders at a premium or discount amounting to more than 1 per

centum of the unpaid principal amount borrowed plus accrued interest to the date of acquisition, but a reasonable loan transfer fee may be paid by the purchaser;

“(D) the Authority will, within the limit of funds available and subject to the applicable State and Federal law, make loans to, or purchase loans incurred by, all eligible students who are residents of, or who attend an eligible institution within, the area served by the Authority;

“(E) the Authority has a plan under which the Authority will pursue the development of new lender participation in a continuing program of benefits to students together with assurances of existing lender commitments to the program;

“(F) there will be an annual audit of the Authority by a certified public accounting firm which will include review of compliance by the Authority with the provisions of the plan; and

“(G) the Authority will not issue obligations for amounts in excess of the reasonable needs for student loan credit within the area served by the Authority, after taking into account existing sources of student loan credit in that area.

“(2) In order for the holders of loans which were made or purchased with funds obtained by the holder from an Authority issuing obligations, the income from which is exempt from taxation under the Internal Revenue Code of 1954, to be eligible to receive a special allowance under subsection (b)(2) of this section on any such loans, the Authority shall not engage in any pattern or practice which results in a denial of a borrower's access to loans under this part because of the borrower's race, sex, color, religion, national origin, age, handicapped status, income, attendance at a particular eligible institution within the area served by the Authority, length of the borrower's educational program, or the borrower's academic year in school.”

26 USC 1 *et seq.*

(b) Section 420(b) of the Education Amendments of 1980 is repealed.

20 USC 1087-1a.

(c) Section 438(b)(2)(B)(iii) of the Act is amended by striking out “section 420(b) of the Education Amendments of 1980” and inserting in lieu thereof “subsection (d) of this section”.

20 USC 1087-1.

(d) Until two years after the date of enactment of this Act, section 438(d)(2) of the Act (as added by subsection (a) of this section) shall not operate to prevent the payment of special allowances on loans described in such section 438(d)(2) because an Authority described in such section denies access to loans under part B of title IV of the Act to students in attendance at particular institutions with specified high default rates on such loans, if such denial is pursuant to a rule of such Authority adopted prior to August 1, 1983.

20 USC 1087-1 note.

20 USC 1071.

#### STUDENT LOAN MARKETING ASSOCIATION

SEC. 8. Section 439(l) of the Act is amended by striking out “September 30, 1984” and inserting in lieu thereof “September 30, 1988”.

96 Stat. 1405.  
20 USC 1087-2.

#### ADMINISTRATIVE COSTS

SEC. 9. The amendments made by section 417(c) of the Education Amendments of 1980 shall be effective as if enacted as part of the

20 USC 1078 note.  
20 USC 1078.

amendment made by section 127(a) of the Education Amendments of 1976.

20 USC prec.  
1071, 1071-1078,  
1078-1,  
1079-1087,  
1087-1, 1087-2.  
20 USC 1077.

#### REPAYMENT STATUS

SEC. 10. Section 427(a)(2)(B) of the Act is amended by striking out "six months after the date on which" and inserting in lieu thereof "six months after the month in which".

20 USC 1078.

(b) Section 428(b)(1)(E) of the Act is amended—

(1) by inserting "the month in which" after "ten years beginning six months after"; and

(2) in clause (i), by inserting "the month in which" after "not earlier than six months after".

20 USC 1077  
note.  
20 USC 1071.

(c) The amendments made by this section shall be effective with respect to any loan under part B of title IV of the Act on which repayment has not commenced prior to the date of enactment of this Act.

#### NATIONAL COMMISSION ON STUDENT FINANCIAL ASSISTANCE

20 USC 1098.

SEC. 11. Section 491(d)(3) of the Act is amended by striking out "90 days following the submission of its final report" and inserting in lieu thereof "on November 1, 1983".

#### DEFERMENTS OF AUXILIARY LOANS

20 USC 1078-2.

SEC. 12. Section 428B(a)(1) of the Act is amended by inserting before the period at the end of the second sentence the following: ", but such a parent borrower shall not be eligible for any deferment pursuant to section 427(a)(2)(C) or 428(b)(1)(M)".

Approved August 15, 1983.

#### LEGISLATIVE HISTORY—H.R. 3394:

HOUSE REPORT No. 98-324 (Comm. on Education and Labor).  
CONGRESSIONAL RECORD, Vol. 129 (1983):

Aug. 1, considered and passed House.

Aug. 2, considered and passed Senate, amended.

Aug. 3, House concurred in Senate amendments.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 19, No. 33 (1983):

Aug. 16, Presidential statement.