SECTION 1. SHORT TITLE; REFERENCES.

(a) SHORT TITLE.—This Act may be cited as the "College Cost Reduction and Access Act".

(b) REFERENCES.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.).

(c) EFFECTIVE DATE.—Except as otherwise expressly provided, the amendments made by this Act shall be effective on October 1, 2007.

TITLE I—GRANTS TO STUDENTS IN ATTENDANCE AT INSTITUTIONS OF HIGHER EDUCATION

SEC. 101. TUITION SENSITIVITY.

(a) AMENDMENT.—Section 401(b) (20 U.S.C. 1070a(b)) is amended—

(1) by striking paragraph (3); and

(2) by redesignating paragraphs (4) through (9) as paragraphs (3) through (8), respectively.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall be effective with respect to determinations of Federal Pell Grant amounts for award years beginning on or after July 1, 2007.

(c) AUTHORIZATION AND APPROPRIATION OF FUNDS.—There is authorized to be appropriated, and there is appropriated, out of any money in the Treasury not otherwise appropriated, for the Department of Education to carry out the amendment made by subsection (a), $11,000,000 for fiscal year 2008.

SEC. 102. MANDATORY PELL GRANT INCREASES.

(a) EXTENSION OF AUTHORITY.—Section 401(a) (20 U.S.C. 1070a(a)) is amended by striking ''fiscal year 2004'' and inserting ''fiscal year 2017''.

(b) FUNDING FOR INCREASES.—Section 401(b) (20 U.S.C. 1070a(b)) is amended by adding at the end the following new paragraph:

''(9) ADDITIONAL FUNDS.—

''(A) IN GENERAL.—There are authorized to be appropriated, and there are appropriated, to carry out subparagraph (B) of this paragraph (in addition to any other amounts appropriated to carry out this section and out of any money in the Treasury not otherwise appropriated) the following amounts:

''(i) $2,030,000,000 for fiscal year 2008;

"(ii) $2,090,000,000 for fiscal year 2009;

"(iii) $3,030,000,000 for fiscal year 2010;

"(iv) $3,090,000,000 for fiscal year 2011;

"(v) $5,050,000,000 for fiscal year 2012;

"(vi) $105,000,000 for fiscal year 2013;

"(vii) $4,305,000,000 for fiscal year 2014;

"(viii) $4,400,000,000 for fiscal year 2015;

"(ix) $4,600,000,000 for fiscal year 2016; and

"(x) $4,900,000,000 for fiscal year 2017.

"(B) INCREASE IN FEDERAL PELL GRANTS.—The amounts made available pursuant to subparagraph (A) of this paragraph shall be used to increase the amount of the maximum Federal Pell Grant for which a student shall be eligible during an award year, as specified in the last enacted appropriation Act applicable to that award year, by—

"(i) $490 for each of the award years 2008–2009 and 2009–2010;

"(ii) $690 for each of the award years 2010–2011 and 2011–2012; and

"(iii) $1,090 for award year 2012–2013.

"(C) ELIGIBILITY.—The Secretary shall only award an increased amount of a Federal Pell Grant under this section for any award year pursuant to the provisions of this paragraph to students who qualify for a Federal Pell Grant award under the maximum grant award enacted in the annual appropriation Act for such award year without regard to the provisions of this paragraph.

"(D) FORMULA OTHERWISE UNAFFECTED.—Except as provided in subparagraphs (B) and (C), nothing in this paragraph shall be construed to alter the requirements of this section, or authorize the imposition of additional requirements, for the determination and allocation of Federal Pell Grants under this section.

"(E) RATABLE INCREASES AND DECREASES.—The amounts specified in subparagraph (B) shall be ratably increased or decreased to the extent that funds available under subparagraph (A) exceed or are less than (respectively) the amount required to provide the amounts specified in subparagraph (B).

"(F) USE OF FISCAL YEAR FUNDS FOR AWARD YEARS.—The amounts made available by subparagraph (A) for any fiscal year shall be available and remain available for use under subparagraph (B) for the award year that begins in such fiscal year.".

SEC. 103. UPWARD BOUND.

Section 402C is further amended by adding at the end the following new subsection:

"(f) ADDITIONAL FUNDS.—

"(1) AUTHORIZATION AND APPROPRIATION.—There are authorized to be appropriated, and there are appropriated to the Secretary, from funds not otherwise appropriated, $57,000,000 for each of the fiscal years 2008 through 2011 to carry out paragraph (2), except that any amounts that remain unexpended for such purpose for each of such fiscal years may be available for technical assistance and administration costs for the Upward Bound program. The authority to award grants under this subsection shall expire at the end of fiscal year 2011.

''(2) USE OF FUNDS.—The amounts made available by paragraph (1) shall be available to provide assistance to all Upward Bound projects that did not receive assistance in fiscal year 2007 and that have a grant score above 70. Such assistance shall be made available in the form of 4-year grants.''.

SEC. 104. TEACH GRANTS.

Part A of title IV (20 U.S.C. 1070 et seq.) is amended by adding at the end the following new subpart:

''Subpart 9—TEACH Grants

''SEC. 420L. DEFINITIONS.

''For the purposes of this subpart:

''(1) ELIGIBLE INSTITUTION.—The term 'eligible institution' means an institution of higher education, as defined in section 102, that the Secretary determines—

''(A) provides high quality teacher preparation and professional development services, including extensive clinical experience as a part of pre-service preparation;

''(B) is financially sound;

"(C) provides pedagogical course work, or assistance in the provision of such coursework, including the monitoring of student performance, and formal instruction related to the theory and practices of teaching; and

"(D) provides supervision and support services to teachers, or assistance in the provision of such services, including mentoring focused on developing effective teaching skills and strategies.

"(2) Post-baccalaureate.—The term 'post-baccalaureate' means a program of instruction for individuals who have completed a baccalaureate degree, that does not lead to a graduate degree, and that consists of courses required by a State in order for a teacher candidate to receive a professional certification or licensing credential that is required for employment as a teacher in an elementary school or secondary school in that State, except that such term shall not include any program of instruction offered by an eligible institution that offers a baccalaureate degree in education.

"(3) Teacher candidate.—The term 'teacher candidate' means a student or teacher described in subparagraph (A) or (B) of section 420N(a)(2).

"SEC. 420M. PROGRAM ESTABLISHED.

''(a) PROGRAM AUTHORITY.—

''(1) PAYMENTS REQUIRED.—The Secretary shall pay to each eligible institution such sums as may be necessary to pay to each teacher candidate who files an application and agreement in accordance with section 420N, and who qualifies under paragraph (2) of section 420N(a), a TEACH Grant in the amount of $4,000 for each academic year during which that teacher candidate is in attendance at the institution.

''(2) REFERENCES.—Grants made under paragraph (1) shall be known as 'Teacher Education Assistance for College and Higher Education Grants' or 'TEACH Grants'.

''(b) PAYMENT METHODOLOGY.—

''(1) PREPAYMENT.—Not less than 85 percent of any funds provided to an eligible institution under subsection (a) shall be advanced to the eligible institution prior to the start of each payment period and shall be based upon an amount requested by the institution as needed to pay teacher candidates until such time as the Secretary determines and publishes in the Federal Register with an opportunity for comment, an alternative payment system that provides payments to institutions in an accurate and timely manner, except that this sentence shall not be construed to limit the authority of the Secretary to place an institution on a reimbursement system of payment.

"(2) DIRECT PAYMENT.—Nothing in this section shall be interpreted to prohibit the Secretary from paying directly to teacher candidates, in advance of the beginning of the academic term, an amount for which teacher candidates are eligible, in cases where the eligible institution elects not to participate in the disbursement system required by paragraph (1).

"(3) DISTRIBUTION OF GRANTS TO TEACHER CANDIDATES.—Payments under this subpart shall be made, in accordance with regulations promulgated by the Secretary for such purpose, in such manner as will best accomplish the purposes of this subpart. Any disbursement allowed to be made by crediting the teacher candidate's account shall be limited to tuition and fees and, in the case of institutionally-owned housing, room and board. The teacher candidate may elect to have the institution provide other such goods and services by crediting the teacher candidate's account.

"(c) REDUCTIONS IN AMOUNT.—

"(1) PART-TIME STUDENTS.—In any case where a teacher candidate attends an eligible institution on less than a full-time basis (including a teacher candidate who attends an eligible institution on less than a half-time basis) during any academic year, the amount of a grant under this subpart for which that teacher candidate is eligible shall be reduced in proportion to the degree to which that teacher candidate is not attending on a full-time basis, in accordance with a schedule of reductions established by the Secretary for the purposes of this subpart, computed in accordance with this subpart. Such schedule of reductions shall be established by regulation and published in the Federal Register in accordance with section 482 of this Act.

"(2) NO EXCEEDING COST.—The amount of a grant awarded under this subpart, in combination with Federal assistance and other student assistance, shall not exceed the cost of attendance (as defined in section 472) at the eligible institution at which that teacher candidate is in attendance. If, with respect to any teacher candidate for any academic year, it is determined that the amount of a TEACH Grant exceeds the cost of attendance for that year, the amount of the TEACH Grant shall be reduced until such grant does not exceed the cost of attendance at the eligible institution.

"(d) PERIOD OF ELIGIBILITY FOR GRANTS.—

"(1) UNDERGRADUATE AND POST-BACCALAUREATE STUDENTS.—The period during which an undergraduate or post-baccalaureate student may receive grants under this subpart shall be the period required for the completion of the first undergraduate baccalaureate or post-baccalaureate course of study being pursued by the teacher candidate at the eligible institution at which the teacher candidate is in attendance, except that—

"(A) any period during which the teacher candidate is enrolled in a noncredit or remedial course of study as described in paragraph (3) shall not be counted for the purpose of this paragraph; and

"(B) the total amount that a teacher candidate may receive under this subpart for undergraduate or post-baccalaureate study shall not exceed $16,000.

"(2) GRADUATE STUDENTS.—The period during which a graduate student may receive grants under this subpart shall be the period required for the completion of a master's degree course of study pursued by the teacher candidate at the eligible institution at which the teacher candidate is in attendance, except that the total amount that a teacher candidate may receive under this subpart for graduate study shall not exceed $8,000.

"(3) REMEDIAL COURSE; STUDY ABROAD.—Nothing in this section shall be construed to exclude from eligibility courses of study which are noncredit or remedial in nature (including courses in English language acquisition) which are determined by the eligible institution to be necessary to help the teacher candidate be prepared for the pursuit of a first undergraduate baccalaureate or post-baccalaureate degree or certificate or, in the case of courses in English language instruction, to be necessary to enable the teacher candidate to utilize already existing knowledge, training, or skills. Nothing in this section shall be construed to exclude from eligibility programs of study abroad that are approved for credit by the home institution at which the teacher candidate is enrolled.

"SEC. 420N. APPLICATIONS; ELIGIBILITY.

"(a) APPLICATIONS; DEMONSTRATION OF ELIGIBILITY.—

"(1) FILING REQUIRED.—The Secretary shall periodically set dates by which teacher candidates shall file applications for grants under this subpart. Each teacher candidate desiring a grant under this subpart for any year shall file an application containing such information and assurances as the Secretary may determine necessary to enable the Secretary to carry out the functions and responsibilities of this subpart.

"(2) DEMONSTRATION OF TEACH GRANT ELIGIBILITY.—Each application submitted under paragraph (1) shall contain such information as is necessary to demonstrate that—

"(A) if the applicant is an enrolled student—

"(i) the student is an eligible student for purposes of section 484;

"(ii) the student—

"(I) has a grade point average that is determined, under standards prescribed by the Secretary, to be comparable to a 3.25 average on a zero to 4.0 scale, except that, if the student is in the first year of a program of undergraduate education, such grade point average shall be determined on the basis of the student's cumulative secondary school grade point average; or

"(II) displayed high academic aptitude by receiving a score above the 75th percentile on at least one of the batteries in an undergraduate, postbaccalaureate, or graduate school admissions test; and

"(iii) the student is completing coursework and other requirements necessary to begin a career in teaching, or plans to complete such coursework and requirements prior to graduating; or

"(B) if the applicant is a current or prospective teacher applying for a grant to obtain a graduate degree—

"(i) the applicant is a teacher or a retiree from another occupation with expertise in a field in which there is a shortage of teachers, such as mathematics, science, special education, English language acquisition, or another high-need subject; or "(ii) the applicant is or was a teacher who is using high-quality alternative certification routes, such as Teach for America, to get certified.

"(b) AGREEMENTS TO SERVE.—Each application under subsection (a) shall contain or be accompanied by an agreement by the applicant that—

"(1) the applicant will—

"(A) serve as a full-time teacher for a total of not less than 4 academic years within 8 years after completing the course of study for which the applicant received a TEACH Grant under this subpart;

"(B) teach in a school described in section 465(a)(2)(A);

"(C) teach in any of the following fields:

"(i) mathematics;

"(ii) science;

"(iii) a foreign language;

"(iv) bilingual education;

"(v) special education;

"(vi) as a reading specialist; or

"(vii) another field documented as high-need by the Federal Government, State government, or local educational agency, and approved by the Secretary;

"(D) submit evidence of such employment in the form of a certification by the chief administrative officer of the school upon completion of each year of such service; and

"(E) comply with the requirements for being a highly qualified teacher as defined in section 9101 of the Elementary and Secondary Education Act of 1965; and

"(2) in the event that the applicant is determined to have failed or refused to carry out such service obligation, the sum of the amounts of any TEACH Grants received by such applicant will be treated as a loan and collected from the applicant in accordance with subsection (c) and the regulations thereunder.

"(c) REPAYMENT FOR FAILURE TO COMPLETE SERVICE.—In the event that any recipient of a grant under this subpart fails or refuses to comply with the service obligation in the agreement under subsection (b), the sum of the amounts of any TEACH Grants received by such recipient shall, upon a determination of such a failure or refusal in such service obligation, be treated as a Federal Direct Unsubsidized Stafford Loan under part D of title

IV, and shall be subject to repayment, together with interest thereon accruing from the date of the grant award, in accordance with terms and conditions specified by the Secretary in regulations under this subpart.

"SEC. 420O. PROGRAM PERIOD AND FUNDING.

"Beginning on July 1, 2008, there shall be available to the Secretary to carry out this subpart, from funds not otherwise appropriated, such sums as may be necessary to provide TEACH Grants in accordance with this subpart to each eligible applicant.".

TITLE II—STUDENT LOAN BENEFITS, TERMS, AND CONDITIONS

SEC. 201. INTEREST RATE REDUCTIONS.

(a) FFEL INTEREST RATES.—

(1) Section 427A(l) (20 U.S.C. 1077a(l)) is amended by adding at the end the following new paragraph:

"(4) REDUCED RATES FOR UNDERGRADUATE SUBSIDIZED LOANS.—Notwithstanding subsection (h) and paragraph (1) of this subsection, with respect to any loan to an undergraduate student made, insured, or guaranteed under this part (other than a loan made pursuant to section 428B, 428C, or 428H) for which the first disbursement is made on or after July 1, 2006, and before July 1, 2012, the applicable rate of interest shall be as follows:

"(A) For a loan for which the first disbursement is made on or after July 1, 2006, and before July 1, 2008, 6.8 percent on the unpaid principal balance of the loan.

"(B) For a loan for which the first disbursement is made on or after July 1, 2008, and before July 1, 2009, 6.0 percent on the unpaid principal balance of the loan.

"(C) For a loan for which the first disbursement is made on or after July 1, 2009, and before July 1, 2010, 5.6 percent on the unpaid principal balance of the loan.

"(D) For a loan for which the first disbursement is made on or after July 1, 2010, and before July 1, 2011, 4.5 percent on the unpaid principal balance of the loan.

"(E) For a loan for which the first disbursement is made on or after July 1, 2011, and before July 1, 2012, 3.4 percent on the unpaid principal balance of the loan.".

(2) SPECIAL ALLOWANCE CROSS REFERENCE.—Section 438(b)(2)(I)(ii)(II) (20 U.S.C. 1087–1(b)(2)(I)(ii)(II)) is amended by striking "section

427A(l)(1)'' and inserting ''section 427A(l)(1) or (l)(4)''.

(b) Direct Loan Interest Rates.—Section 455(b)(7) (20 U.S.C. 1087e(b)(7)) is amended by adding at the end the following new subparagraph:

''(D) Reduced rates for undergraduate FDSL.—Notwithstanding the preceding paragraphs of this subsection and subparagraph (A) of this paragraph, for Federal Direct Stafford Loans made to undergraduate students for which the first disbursement is made on or after July 1, 2006, and before July 1, 2012, the applicable rate of interest shall be as follows:

''(i) For a loan for which the first disbursement is made on or after July 1, 2006, and before July 1, 2008, 6.8 percent on the unpaid principal balance of the loan.

''(ii) For a loan for which the first disbursement is made on or after July 1, 2008, and before July 1, 2009, 6.0 percent on the unpaid principal balance of the loan.

"(iii) For a loan for which the first disbursement is made on or after July 1, 2009, and before July 1, 2010, 5.6 percent on the unpaid principal balance of the loan.

"(iv) For a loan for which the first disbursement is made on or after July 1, 2010, and before July 1, 2011, 4.5 percent on the unpaid principal balance of the loan.

"(v) For a loan for which the first disbursement is made on or after July 1, 2011, and before July 1, 2012, 3.4 percent on the unpaid principal balance of the loan.".

SEC. 202. STUDENT LOAN DEFERMENT FOR CERTAIN MEMBERS OF THE ARMED FORCES.

(a) FEDERAL FAMILY EDUCATION LOANS.—Section 428(b)(1)(M)(iii) (20 U.S.C. 1078(b)(1)(M)(iii)) is amended—

(1) in the matter preceding subclause (I), by striking "not in excess of 3 years";

(2) in subclause (II), by striking "; or" and inserting a comma; and

(3) by adding at the end the following:

"and for the 180-day period following the demobilization date for the service described in subclause (I) or (II); or''.

(b) DIRECT LOANS.—Section 455(f)(2)(C) (20 U.S.C. 1087e(f)(2)(C)) is amended—

(1) in the matter preceding clause (i), by striking "not in excess of 3 years'';

(2) in clause (ii), by striking "; or'' and inserting a comma; and

(3) by adding at the end the following:

"and for the 180-day period following the demobilization date for the service described in clause (i) or (ii); or''.

(c) PERKINS LOANS.—Section 464(c)(2)(A)(iii) (20 U.S.C. 1087dd(c)(2)(A)(iii)) is amended—

(1) in the matter preceding subclause (I), by striking "not in excess of 3 years'';

(2) in subclause (II), by striking the semicolon and inserting a comma; and

(3) by adding at the end the following:

"and for the 180-day period following the demobilization date for the service described in subclause (I) or (II);''.

(d) APPLICABILITY.—Section 8007(f) of the Higher Education Reconciliation Act of 2005 (20 U.S.C. 1078 note) is amended by striking "loans for which'' and all that follows through the period at the end and inserting "all loans under title IV of the Higher Education Act of 1965.".

SEC. 203. INCOME-BASED REPAYMENT.

(a) AMENDMENT.—Part G of title IV (20 U.S.C. 1088 et seq.) is amended by adding at the end the following:

"SEC. 493C. INCOME-BASED REPAYMENT.

"(a) DEFINITIONS.—In this section:

"(1) EXCEPTED PLUS LOAN.—The term 'excepted PLUS loan' means a loan under section 428B, or a Federal Direct PLUS Loan, that is made, insured, or guaranteed on behalf of a dependent student.

"(2) EXCEPTED CONSOLIDATION LOAN.—The term 'excepted consolidation loan' means a consolidation loan under section 428C, or a Federal Direct Consolidation Loan, if the proceeds of such loan were used to the discharge the liability on an excepted PLUS loan.

"(3) PARTIAL FINANCIAL HARDSHIP.—The term 'partial financial hardship', when used with respect to a borrower, means that for such borrower—

"(A) the annual amount due on the total amount of loans made, insured, or guaranteed under part B or D (other than an excepted PLUS loan or excepted consolidation loan) to a borrower as calculated under the standard repayment plan under section 428(b)(9)(A)(i) or 455(d)(1)(A), based on a 10-year repayment period; exceeds

"(B) 15 percent of the result obtained by calculating, on at least an annual basis, the amount by which—

"(i) the borrower's, and the borrower's spouse's (if applicable), adjusted gross income; exceeds

"(ii) 150 percent of the poverty line applicable to the borrower's family size as determined under section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)).

"(b) INCOME-BASED REPAYMENT PROGRAM AUTHORIZED.—Notwithstanding any other provision of this Act, the Secretary shall carry out a program under which—

"(1) a borrower of any loan made, insured, or guaranteed under part B or D (other than an excepted PLUS loan or excepted consolidation loan) who has a partial financial hardship (whether or not the borrower's loan has been submitted to a guaranty agency for default aversion or is already in default) may elect, during any period the borrower has the partial financial hardship, to have the borrower's aggregate monthly payment for all such loans not exceed the result described in subsection (a)(3)(B) divided by 12;

"(2) the holder of such a loan shall apply the borrower's monthly payment under this subsection first toward interest due on the loan, next toward any fees due on the loan, and then toward the principal of the loan;

"(3) any interest due and not paid under paragraph (2)—

"(A) shall, on subsidized loans, be paid by the Secretary for a period of not more than 3 years after the date of the borrower's election under paragraph (1), except that such period shall not include any period during which the borrower is in deferment due to an economic hardship described in section 435(o); and

"(B) be capitalized—

"(i) in the case of a subsidized loan, subject to subparagraph (A), at the time the borrower—

"(I) ends the election to make income-based repayment under this subsection; or

"(II) begins making payments of not less than the amount specified in paragraph (6)(A); or

"(ii) in the case of an unsubsidized loan, at the time the borrower—

"(I) ends the election to make income-based repayment under this subsection; or

"(II) begins making payments of not less than the amount specified in paragraph (6)(A);

"(4) any principal due and not paid under paragraph (2) shall be deferred;

"(5) the amount of time the borrower makes monthly payments under paragraph (1) may exceed 10 years;

"(6) if the borrower no longer has a partial financial hardship or no longer wishes to continue the election under this subsection, then—

"(A) the maximum monthly payment required to be paid for all loans made to the borrower under part B or D (other than an excepted PLUS loan or excepted consolidation loan) shall not exceed the monthly amount calculated under section 428(b)(9)(A)(i) or 455(d)(1)(A), based on a 10-year repayment period, when the borrower first made the election described in this subsection; and

"(B) the amount of time the borrower is permitted to repay such loans may exceed 10 years;

"(7) the Secretary shall repay or cancel any outstanding balance of principal and interest due on all loans made under part B or D (other than a loan under section 428B or a Federal Direct PLUS Loan) to a borrower who—

"(A) at any time, elected to participate in income-based repayment under paragraph (1); and

"(B) for a period of time prescribed by the Secretary, not to exceed 25 years, meets 1 or more of the following requirements:

"(i) has made reduced monthly payments under paragraph (1) or paragraph (6);

"(ii) has made monthly payments of not less than the monthly amount calculated under section 428(b)(9)(A)(i) or 455(d)(1)(A), based on a 10-year repayment period, when the borrower first made the election described in this subsection;

"(iii) has made payments of not less than the payments required under a standard repayment plan under section 428(b)(9)(A)(i) or 455(d)(1)(A) with a repayment period of 10 years;

"(iv) has made payments under an income-contingent repayment plan under section 455(d)(1)(D);

"(v) has been in deferment due to an economic hardship described in section 435(o);

"(8) a borrower who is repaying a loan made under part B or D pursuant to income-based repayment may elect, at any time, to terminate repayment pursuant to income-based repayment and repay such loan under the standard repayment plan; and

"(9) the special allowance payment to a lender calculated under section 438(b)(2)(I), when calculated for a loan in repayment under this section, shall be calculated on the principal balance of the loan and on any accrued interest unpaid by the borrower in accordance with this section.

"(c) ELIGIBILITY DETERMINATIONS.—The Secretary shall establish procedures for annually determining the borrower's eligibility for income-based repayment, including verification of a borrower's annual income and the annual amount due on the total amount of loans made, insured, or guaranteed under part B or D (other than an excepted PLUS loan or excepted consolidation loan), and such other procedures as are necessary to effectively implement income-based repayment under this section. The Secretary shall consider, but is not limited to, the procedures established in accordance with section 455(e)(1) or in connection with income sensitive repayment schedules under section 428(b)(9)(A)(iii) or 428C(b)(1)(E).".

(b) CONFORMING AMENDMENTS.—

(1) Section 428C (20 U.S.C. 1078-3) is amended—

(A) in subsection (a)(3)(B)(i), by amending subclause (V) to read as follows:

"(V) an individual may obtain a subsequent consolidation loan under section 455(g) only—

"(aa) for the purposes of obtaining an income contingent repayment plan, and only if the loan has been submitted to the guaranty agency for default aversion; or

"(bb) for the purposes of using the public service loan forgiveness program under section 455(m).";

(B) in the first sentence of subsection (b)(5), by inserting "or chooses to obtain a consolidation loan for the purposes of using the public service loan forgiveness program offered under section 455(m)," after "from such a lender,"; and

(C) in the second sentence of such subsection, by inserting before the period the following: ", except that if a borrower intends to be eligible to use the public service loan forgiveness program under section 455(m), such loan shall be repaid using one of the repayment options described in section 455(m)(1)(A)".

(2) Section 428C (20 U.S.C. 1078-3) (as amended by paragraph (1) of this subsection) is amended—

(A) in subsection (a)(3)(B)(i)(V)(aa)—

(i) by striking "an income contingent repayment plan," and inserting "income contingent repayment or income-based repayment,"; and

(ii) by inserting "or if the loan is already in default" before the semicolon;

(B) in the first sentence of subsection (b)(5), by inserting "or income-based repayment terms" after "income-sensitive repayment terms"; and

(C) in the second sentence of such subsection, by inserting ", pursuant to income-based repayment under section 493C," after "part D of this title".

(3) Section 455(d)(1)(D) (20 U.S.C. 1087e(d)(1)(D)) is amended by inserting "made on behalf of a dependent student" after "PLUS loan".

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall be effective on July 1, 2009.

(2) EXCEPTION.—The amendments made by subsection (b)(1) shall be effective on July 1, 2008.

SEC. 204. DEFERRAL OF LOAN REPAYMENT FOLLOWING ACTIVE DUTY.

Part G of title IV is further amended by adding after section 493C (as added by section 203 of this Act) the following new section:

"SEC. 493D. DEFERRAL OF LOAN REPAYMENT FOLLOWING ACTIVE DUTY.

"(a) DEFERRAL OF LOAN REPAYMENT FOLLOWING ACTIVE DUTY.—In addition to any deferral of repayment of a loan made under this title pursuant to section 428(b)(1)(M)(iii), 455(f)(2)(C), or 464(c)(2)(A)(iii), a borrower of a loan under this title who is a member of the National Guard or other reserve component of the Armed Forces of the United States, or a member of such Armed Forces in a retired status, is called or ordered to active duty, and is enrolled, or was enrolled within six months prior to the activation, in a program of instruction at an eligible institution, shall be eligible for a deferment during the 13 months following the conclusion of such service, except that a deferment under this subsection shall expire upon the borrower's return to enrolled student status.

"(b) ACTIVE DUTY.—Notwithstanding section 481(d), in this section, the term 'active duty' has the meaning given such term in section 101(d)(1) of title 10, United States Code, except that such term—

"(1) does not include active duty for training or attendance at a service school; but

"(2) includes, in the case of members of the National Guard, active State duty.".

SEC. 205. MAXIMUM REPAYMENT PERIOD.

Section 455(e) (20 U.S.C. 1087e(e)) is amended by adding at the end the following:

"(7) MAXIMUM REPAYMENT PERIOD.—In calculating the extended period of time for which an income contingent repayment plan under this subsection may be in effect for a borrower, the Secretary shall include all time periods during which a borrower of loans under part B, part D, or part E—

"(A) is not in default on any loan that is included in the income contingent repayment plan; and

"(B)(i) is in deferment due to an economic hardship described in section 435(o);

"(ii) makes monthly payments under paragraph (1) or (6) of section 493C(b);

"(iii) makes monthly payments of not less than the monthly amount calculated under section 428(b)(9)(A)(i) or subsection (d)(1)(A), based on a 10-year repayment period, when the borrower first made the election described in section 493C(b)(1);

"(iv) makes payments of not less than the payments required under a standard repayment plan under section 428(b)(9)(A)(i) or subsection (d)(1)(A) with a repayment period of 10 years; or

"(v) makes payments under an income contingent repayment plan under subsection (d)(1)(D).".

TITLE III—FEDERAL FAMILY EDUCATION LOAN PROGRAM

SEC. 301. GUARANTY AGENCY COLLECTION RETENTION.

Clause (ii) of section 428(c)(6)(A) (20 U.S.C. 1078(c)(6)(A)(ii)) is amended to read as follows:

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

"(I) beginning October 1, 2003 and ending September 30, 2007, this clause shall be applied by substituting '23 percent' for '24 percent'; and

"(II) beginning October 1, 2007, this clause shall be applied by substituting '16 percent' for '24 percent'.''.

SEC. 302. ELIMINATION OF EXCEPTIONAL PERFORMER STATUS FOR LENDERS.

(a) ELIMINATION OF STATUS.—Part B of title IV (20 U.S.C. 1071 et seq.) is amended by striking section 428I (20 U.S.C. 1078–9).

(b) CONFORMING AMENDMENTS.—Part B of title IV is further amended—

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

(A) by striking subparagraph (D); and

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

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

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall be effective on October 1, 2007, except that section 428I of the Higher Education Act of 1965 (as in effect on the day before the date of enactment of this Act) shall apply to eligible lenders that received a designation under subsection (a) of such section prior to October 1, 2007, for the remainder of the year for which the designation was made.

SEC. 303. REDUCTION OF LENDER INSURANCE PERCENTAGE.

(a) AMENDMENT.—Subparagraph (G) of section 428(b)(1) (20 U.S.C. 1078(b)(1)(G)) is amended to read as follows:

"(G) insures 95 percent of the unpaid principal of loans insured under the program, except that—

"(i) such program shall insure 100 percent of the unpaid principal of loans made with funds advanced pursuant to section 428(j) or 439(q); and

"(ii) notwithstanding the preceding provisions of this subparagraph, such program shall insure 100 percent of the unpaid principal amount of exempt claims as defined in subsection (c)(1)(G);".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be effective on October 1, 2012, and shall apply with respect to loans made on or after such date.

SEC. 304. DEFINITIONS.

Section 435 (20 U.S.C. 1085) is amended—

(1) in subsection (o)(1)—

(A) in subparagraph (A)(ii)—

(i) by striking "100 percent of the poverty line for a family of 2" and inserting "150 percent of the poverty line applicable to the borrower's family size"; and

(ii) by inserting "or" after the semicolon;

(B) by striking subparagraph (B); and

(C) by redesignating subparagraph (C) as subparagraph (B);

(2) in subsection (o)(2), by striking "(1)(C)" and inserting "(1)(B)"; and

(3) by adding at the end the following:

"(p) ELIGIBLE NOT-FOR-PROFIT HOLDER.—

"(1) DEFINITION.—Subject to the limitations in paragraph (2) and the prohibition in paragraph (3), the term 'eligible not-for-profit holder' means an eligible lender under subsection (d) (except for an eligible lender described in subsection (d)(1)(E)) that requests a special allowance payment under section 438(b)(2)(I)(vi)(II) or a payment under section 771 and that is—

"(A) a State, or a political subdivision, authority, agency, or other instrumentality there-of, including such entities that are eligible to issue bonds described in section 1.103-1 of title 26, Code of Federal Regulations, or section 144(b) of the Internal Revenue Code of 1986;

"(B) an entity described in section 150(d)(2) of such Code that has not made the election described in section 150(d)(3) of such Code;

"(C) an entity described in section 501(c)(3) of such Code; or

"(D) a trustee acting as an eligible lender on behalf of a State, political subdivision, authority, agency, instrumentality, or other entity described in subparagraph (A), (B), or (C).

"(2) LIMITATIONS.—

"(A) EXISTING ON DATE OF ENACTMENT.—

"(i) IN GENERAL.—An eligible lender shall not be an eligible not-for-profit holder under this Act unless such lender—

"(I) was a State, political subdivision, authority, agency, instrumentality, or other entity described in paragraph (1)(A), (B), or (C) that was, on the date of the enactment of the College Cost Reduction and Access Act, acting as an eligible lender under subsection (d) (other than an eligible lender described in subsection (d)(1)(E)); or

"(II) is a trustee acting as an eligible lender under this Act on behalf of such a State, political subdivision, authority, agency, instrumentality, or other entity described in subclause (I) of this clause.

"(ii) EXCEPTION.—Notwithstanding clause (i), a State may elect, in accordance with regulations of the Secretary, to waive the requirements this subparagraph for a new not-for-profit holder determined by the State to be necessary to carry out a public purpose of such State, except that a State may not make such election with respect the requirements of clause (i)(II).

"(B) NO FOR-PROFIT OWNERSHIP OR CONTROL.—No political subdivision, authority, agency, instrumentality, or other entity described in paragraph (1)(A), (B), or (C) shall be an eligible not-for-profit holder under this

Act if such entity is owned or controlled, in whole or in part, by a for-profit entity.

"(C) SOLE OWNERSHIP OF LOANS AND INCOME.—No State, political subdivision, authority, agency, instrumentality, or other entity described in paragraph (1)(A), (B), or (C) shall be an eligible not-for-profit holder under this Act with respect to any loan, or income from any loan, unless the State, political subdivision, authority, agency, instrumentality, or other entity described in paragraph (1)(A), (B), or (C) is the sole owner of the beneficial interest in such loan and the income from such loan.

"(D) TRUSTEE COMPENSATION LIMITATIONS.—A trustee described in paragraph (1)(D) shall not receive compensation as consideration for acting as an eligible lender on behalf of an entity described in described in paragraph (1)(A), (B), or (C) in excess of reasonable and customary fees.

"(E) RULE OF CONSTRUCTION.—For purposes of subparagraphs (B), (C), and (D) of this paragraph, a State, political subdivision, authority, agency, instrumentality, or other entity described in paragraph (1)(A), (B), or (C) shall not—

"(i) be deemed to be owned or controlled, in whole or in part, by a for-profit entity, or

"(ii) lose its status as the sole owner of a beneficial interest in a loan and the income from a loan by that political subdivision, authority, agency, instrumentality, or other entity,

by granting a security interest in, or otherwise pledging as collateral, such loan, or the income from such loan, to secure a debt obligation in the operation of an arrangement described in paragraph (1)(D).

"(3) PROHIBITION.—In the case of a loan for which the special allowance payment is calculated under section 438(b)(2)(I)(vi)(II) and that is sold by the eligible not-for-profit holder holding the loan to an entity that is not an eligible not-for-profit holder under this Act, the special allowance payment for such loan shall, beginning on the date of the sale, no longer be calculated under section 438(b)(2)(I)(vi)(II) and shall be calculated under section 438(b)(2)(I)(vi)(I) instead.

"(4) REGULATIONS.—Not later than 1 year after the date of enactment of the College Cost Reduction and Access Act, the Secretary shall promulgate regulations in accordance with the provisions of this subsection.".

SEC. 305. SPECIAL ALLOWANCES.

(a) REDUCTION OF LENDER SPECIAL ALLOWANCE PAYMENTS.—Section 438(b)(2)(I) (20 U.S.C. 1087–1(b)(2)(I)) is amended—

(1) in clause (i), by striking "clauses (ii), (iii), and (iv)" and inserting "the following clauses";

(2) in clause (v)(III), by striking "clauses (ii), (iii), and (iv)" and inserting "clauses (ii), (iii), (iv), and (vi)"; and

(3) by adding at the end the following:

"(vi) REDUCTION FOR LOANS DISBURSED ON OR AFTER OCTOBER 1, 2007.—With respect to a loan on which the applicable interest rate is determined under section 427A(l) and for which the first disbursement of principal is made on or after October 1, 2007, the special allowance payment computed pursuant to this subparagraph shall be computed—

"(I) for loans held by an eligible lender not described in subclause (II)—

"(aa) by substituting '1.79 percent' for '2.34 percent' each place the term appears in this subparagraph;

"(bb) by substituting '1.19 percent' for '1.74 percent' in clause (ii);

"(cc) by substituting '1.79 percent' for '2.64 percent' in clause (iii); and

"(dd) by substituting '2.09 percent' for '2.64 percent' in clause (iv); and

"(II) for loans held by an eligible not-for-profit holder—

"(aa) by substituting '1.94 percent' for '2.34 percent' each place the term appears in this subparagraph;

"(bb) by substituting '1.34 percent' for '1.74 percent' in clause (ii);

"(cc) by substituting '1.94 percent' for '2.64 percent' in clause (iii); and

"(dd) by substituting '2.24 percent' for '2.64 percent' in clause (iv).".

(b) INCREASED LOAN FEES FROM LENDERS.—Paragraph (2) of section 438(d) (20 U.S.C. 1087–1(d)(2)) is amended to read as follows:

"(2) AMOUNT OF LOAN FEES.—The amount of the loan fee which shall be deducted under paragraph (1), but which may not be collected from the borrower, shall be equal to—

"(A) except as provided in subparagraph (B), 0.50 percent of the principal amount of the loan with respect to any loan under this part for which the first disbursement was made on or after October 1, 1993; and

"(B) 1.0 percent of the principal amount of the loan with respect to any loan under this part for which the first disbursement was made on or after October 1, 2007.".

SEC. 306. ACCOUNT MAINTENANCE FEES.

Section 458(b) (20 U.S.C. 1087h(b)) is amended by striking "0.10 percent" and inserting "0.06 percent".

TITLE IV—LOAN FORGIVENESS

SEC. 401. LOAN FORGIVENESS FOR PUBLIC SERVICE EMPLOYEES.

Section 455 (20 U.S.C. 1087e) is further amended by adding at the end the following:

"(m) REPAYMENT PLAN FOR PUBLIC SERVICE EMPLOYEES.—

"(1) IN GENERAL.—The Secretary shall cancel the balance of interest and principal due, in accordance with paragraph (2), on any eligible Federal Direct Loan not in default for a borrower who—

"(A) has made 120 monthly payments on the eligible Federal Direct Loan after October 1, 2007, pursuant to any one or a combination of the following:

"(i) payments under an income-based repayment plan under section 493C;

"(ii) payments under a standard repayment plan under subsection (d)(1)(A), based on a 10-year repayment period;

"(iii) monthly payments under a repayment plan under subsection (d)(1) or (g) of not less than the monthly amount calculated under subsection (d)(1)(A), based on a 10-year repayment period;

"(iv) payments under an income contingent repayment plan under subsection (d)(1)(D); and

"(B)(i) is employed in a public service job at the time of such forgiveness; and

"(ii) has been employed in a public service job during the period in which the borrower makes each of the 120 payments described in subparagraph (A).

"(2) LOAN CANCELLATION AMOUNT.—After the conclusion of the employment period described in paragraph (1), the Secretary shall cancel the obligation to repay the balance of principal and interest due as of the time of such cancellation, on the eligible Federal Direct Loans made to the borrower under this part.

"(3) DEFINITIONS.—In this subsection:

"(A) ELIGIBLE FEDERAL DIRECT LOAN.—The term 'eligible Federal Direct Loan' means a Federal Direct Stafford Loan, Federal Direct PLUS Loan, or Federal Direct Unsubsidized Stafford Loan, or a Federal Direct Consolidation Loan.

"(B) PUBLIC SERVICE JOB.—The term 'public service job' means—

“(i) a full-time job in emergency management, government, military service, public safety, law enforcement, public health, public education (including early childhood education), social work in a public child or family service agency, public interest law services (including prosecution or public defense or legal advocacy in low-income communities at a nonprofit organization), public child care, public service for individuals with disabilities, public service for the elderly, public library sciences, school-based library sciences and other school-based services, or at an organization that is described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code; or

“(ii) teaching as a full-time faculty member at a Tribal College or University as defined in section 316(b) and other faculty teaching in high-needs areas, as determined by the Secretary.”.

TITLE V—FEDERAL PERKINS LOANS

SEC. 501. DISTRIBUTION OF LATE COLLECTIONS.

Section 466(b) (20 U.S.C. 1087ff(b)) is amended by striking ''March 31, 2012'' and inserting ''October 1, 2012''.

TITLE VI—NEED ANALYSIS

SEC. 601. SUPPORT FOR WORKING STUDENTS.

(a) DEPENDENT STUDENTS.—Subparagraph (D) of section 475(g)(2) (20 U.S.C. 1087oo(g)(2)(D)) is amended to read as follows:

''(D) an income protection allowance of the following amount (or a successor amount prescribed by the Secretary under section 478):

''(i) for academic year 2009–2010, $3,750;

''(ii) for academic year 2010–2011, $4,500;

''(iii) for academic year 2011–2012, $5,250; and

''(iv) for academic year 2012–2013, $6,000;''.

(b) INDEPENDENT STUDENTS WITHOUT DEPENDENTS OTHER THAN A SPOUSE.—Clause (iv) of section

476(b)(1)(A) (20 U.S.C. 1087pp(b)(1)(A)) is amended to read as follows:

"(iv) an income protection allowance of the following amount (or a successor amount prescribed by the Secretary under section 478):

"(I) for single or separated students, or married students where both are enrolled pursuant to subsection (a)(2)—

"(aa) for academic year 2009–2010, $7,000;

"(bb) for academic year 2010–2011, $7,780;

"(cc) for academic year 2011–2012, $8,550; and

"(dd) for academic year 2012–2013, $9,330; and

"(II) for married students where 1 is enrolled pursuant to subsection (a)(2)—

"(aa) for academic year 2009–2010, $11,220;

"(bb) for academic year 2010–2011, $12,460;

"(cc) for academic year 2011–2012, $13,710; and

"(dd) for academic year 2012–2013, $14,960;".

(c) INDEPENDENT STUDENTS WITH DEPENDENTS OTHER THAN A SPOUSE.—Paragraph (4) of section 477(b) (20 U.S.C. 1087qq(b)) is amended to read as follows:

"(4) INCOME PROTECTION ALLOWANCE.—The income protection allowance is determined by the tables described in subparagraphs (A) through (D) (or a successor table prescribed by the Secretary under section 478).

"(A) ACADEMIC YEAR 2009–2010.—For academic year 2009–2010, the income protection allowance is determined by the following table:

"Income Protection Allowance

Family Size	Number in College					
(including student)	1	2	3	4	5	For each additional subtract:
2	$17,720	$14,690				
3	22,060	19,050	$16,020			
4	27,250	24,220	21,210	$18,170		
5	32,150	29,120	26,100	23,070	$20,060	
6	37,600	34,570	31,570	28,520	25,520	$3,020
For each additional add:	4,240	4,240	4,240	4,240	4,240	

"(B) ACADEMIC YEAR 2010–2011.—For academic year 2010–2011, the income protection allowance is determined by the following table:

"Income Protection Allowance

Family Size	Number in College					
(including student)	1	2	3	4	5	For each additional subtract:
2	$19,690	$16,330				
3	24,510	21,160	$17,800			
4	30,280	26,910	23,560	$20,190		
5	35,730	32,350	29,000	25,640	$22,290	
6	41,780	38,410	35,080	31,690	28,350	$3,350
For each additional add:	4,710	4,710	4,710	4,710	4,710	

"(C) ACADEMIC YEAR 2011–2012.—For academic year 2011–2012, the income protection allowance is determined by the following table:

"Income Protection Allowance

Family Size	Number in College					
(including student)	1	2	3	4	5	For each additional subtract:
2	$21,660	$17,960				
3	26,960	23,280	$19,580			
4	33,300	29,600	25,920	$22,210		
5	39,300	35,590	31,900	28,200	$24,520	
6	45,950	42,250	38,580	34,860	31,190	$3,690
For each additional add:	5,180	5,180	5,180	5,180	5,180	

"(D) ACADEMIC YEAR 2012–2013.—For academic year 2012–2013, the income protection allowance is determined by the following table:

"Income Protection Allowance

Family Size	Number in College					
(including student)	1	2	3	4	5	For each additional subtract:
2	$23,630	$19,590				
3	29,420	25,400	$21,360			
4	36,330	32,300	28,280	$24,230		
5	42,870	38,820	34,800	30,770	$26,750	
6	50,130	46,100	42,090	38,030	34,020	$4,020
For each						

"Income Protection Allowance—Continued

Family Size	Number in College					
(including student)	1	2	3	4	5	For each additional subtract:
additional add:	5,660	5,660	5,660	5,660	5,660	".

(d) UPDATED TABLES AND AMOUNTS.—Section 478(b) (20 U.S.C. 1087rr(b)) is amended—

(1) by striking paragraph (1) and inserting the following:

"(1) REVISED TABLES.—

"(A) IN GENERAL.—For each academic year after academic year 2008–2009, the Secretary shall publish in the Federal Register a revised table of income protection allowances for the purpose of sections 475(c)(4) and 477(b)(4), subject to subparagraphs (B) and (C).

"(B) TABLE FOR INDEPENDENT STUDENTS.—

"(i) ACADEMIC YEARS 2009–2010 THROUGH 2012–2013.—For each of the academic years 2009–2010 through 2012–2013, the Secretary shall not develop a revised table of income protection allowances under section 477(b)(4) and the table specified for such academic year under subparagraphs (A) through (D) of such section shall apply.

"(ii) OTHER ACADEMIC YEARS.—For each academic year after academic year 2012–2013, the Secretary shall develop the revised table of income protection allowances by increasing each of the dollar amounts contained in the table of income protection allowances under section 477(b)(4)(D) by a percentage equal to the estimated percentage increase in the Consumer Price Index (as determined by the Secretary) between December 2011 and the December next preceding the beginning of such academic year, and rounding the result to the nearest $10.

"(C) TABLE FOR PARENTS.—For each academic year after academic year 2008–2009, the Secretary shall develop the revised table of income protection allowances under section 475(c)(4) by increasing each of the dollar amounts contained in the table by a percentage equal to the estimated percentage increase in the Consumer Price Index (as determined by the Secretary) between December 1992 and the

December next preceding the beginning of such academic year, and rounding the result to the nearest $10.''; and

(2) in paragraph (2), by striking ''shall be developed'' and all that follows through the period at the end and inserting ''shall be developed for each academic year after academic year 2012–2013, by increasing each of the dollar amounts contained in such section for academic year 2012–2013 by a percentage equal to the estimated percentage increase in the Consumer Price Index (as determined by the Secretary) between December 2011 and the December next preceding the beginning of such academic year, and rounding the result to the nearest $10.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall be effective on July 1, 2009.

SEC. 602. SIMPLIFIED NEEDS TEST AND AUTOMATIC ZERO IMPROVEMENTS.

(a) SIMPLIFIED NEEDS TEST.—Section 479 (20 U.S.C. 1087ss) is amended—

(1) in subsection (b)—

(A) in paragraph (1)(A)(i)—

(i) in subclause (II), by striking ''or'' after the semicolon;

(ii) by redesignating subclause (III) as subclause (IV);

(iii) by inserting after subclause (II) the following:

"(III) 1 of whom is a dislocated worker; or"; and

(iv) in subclause (IV) (as redesignated by clause (ii)), by striking "12-month" and inserting "24-month"; and

(B) in paragraph (1)(B)(i)—

(i) in subclause (II), by striking "or" after the semicolon;

(ii) by redesignating subclause (III) as subclause (IV);

(iii) by inserting after subclause (II) the following:

"(III) 1 of whom is a dislocated worker; or"; and

(iv) in subclause (IV) (as redesignated by clause (ii)), by striking "12-month" and inserting "24-month";

(2) in subsection (c)—

(A) in paragraph (1)—

(i) in subparagraph (A)—

(I) in clause (ii), by striking "or" after the semicolon;

(II) by redesignating clause (iii) as clause (iv);

(III) by inserting after clause (ii) the following:

"(iii) 1 of whom is a dislocated worker; or"; and

(IV) in clause (iv) (as redesignated by subclause (II)), by striking "12-month" and inserting "24-month"; and

(ii) in subparagraph (B), by striking "$20,000" and inserting "$30,000"; and

(B) in paragraph (2)—

(i) in subparagraph (A)—

(I) in clause (ii), by striking "or" after the semicolon;

(II) by redesignating clause (iii) as clause (iv);

(III) by inserting after clause (ii) the following:

"(iii) 1 of whom is a dislocated worker; or"; and

(IV) in clause (iv) (as redesignated by subclause (II)), by striking "12-month" and inserting "24-month"; and

(ii) in subparagraph (B), by striking "$20,000" and inserting "$30,000"; and

(C) in the flush matter following paragraph (2)(B), by adding at the end the following: "The Secretary shall annually adjust the income level necessary to qualify an applicant for the zero expected family contribution. The income level shall be adjusted according to increases in the Consumer Price Index, as defined in section 478(f)."; and

(3) in subsection (d)—

(A) by redesignating paragraphs (1) through (6) as subparagraphs (A) through (F), respectively and moving the margins of such subparagraphs 2 ems to the right;

(B) by striking "(d) DEFINITION" and all that follows through "the term" and inserting the following:

"(d) DEFINITIONS.—In this section:

"(1) DISLOCATED WORKER.—The term 'dislocated worker' has the meaning given the term in section 101 of the Workforce Investment Act of 1998 (29 U.S.C. 2801).

"(2) MEANS-TESTED FEDERAL BENEFIT PROGRAM.—The term".

(b) EFFECTIVE DATE.—The amendments made by this section shall be effective on July 1, 2009.

SEC. 603. DISCRETION OF STUDENT FINANCIAL AID ADMINISTRATORS.

(a) AMENDMENTS.—The third sentence of section 479A(a) (20 U.S.C. 1087tt(a)) is amended—

(1) by inserting "or an independent student" after "family member";

(2) by inserting "a family member who is a dislocated worker (as defined in section 101 of the Workforce Investment Act of 1998)," before "the number of parents"; and

(3) by inserting "a change in housing status that results in an individual being homeless (as defined in section 103 of the McKinney-Vento Homeless Assistance Act)," after "under section 487,".

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect on July 1, 2009.

SEC. 604. DEFINITIONS.

(a) IN GENERAL.—Section 480 (20 U.S.C. 1087vv) is amended—

(1) in subsection (a)(2)—

(A) by striking ‘‘and no portion’’ and inserting ‘‘no portion’’; and

(B) by inserting ‘‘and no distribution from any qualified education benefit described in subsection (f)(3) that is not subject to Federal income tax,’’ after ‘‘1986,’’;

(2) by striking subsection (b) and inserting the following:

‘‘(b) UNTAXED INCOME AND BENEFITS.—

‘‘(1) The term ‘untaxed income and benefits’ means—

‘‘(A) child support received;

‘‘(B) workman’s compensation;

‘‘(C) veteran’s benefits such as death pension, dependency, and indemnity compensation, but excluding veterans’ education benefits as defined in subsection (c);

‘‘(D) interest on tax-free bonds;

‘‘(E) housing, food, and other allowances (excluding rent subsidies for low-income housing) for military, clergy, and others (including cash payments and cash value of benefits);

“(F) cash support or any money paid on the student‘s behalf, except, for dependent students, funds provided by the student’s parents;

“(G) untaxed portion of pensions;

“(H) payments to individual retirement accounts and Keogh accounts excluded from income for Federal income tax purposes; and

“(I) any other untaxed income and benefits, such as Black Lung Benefits, Refugee Assistance, or railroad retirement benefits, or benefits received through participation in employment and training activities under title I of the Workforce Investment Act of 1998 (29 U.S.C. 2801 et seq.).

“(2) The term ‘untaxed income and benefits’ shall not include the amount of additional child tax credit claimed for Federal income tax purposes.”;

(3) in subsection (d)—

(A) by redesignating paragraphs (1), (2), (3) through (6), and (7) as subparagraphs (A), (B), (D) through (G), and (I), respectively, and indenting appropriately;

(B) by striking “The term” and inserting the following:

“(1) DEFINITION.—The term”;

(C) by striking subparagraph (B) (as redesignated by subparagraph (A)) and inserting the following:

"(B) is an orphan, in foster care, or a ward of the court, at any time when the individual is 13 years of age or older;

"(C) is an emancipated minor or is in legal guardianship as determined by a court of competent jurisdiction in the individual's State of legal residence;";

(D) in subparagraph (G) (as redesignated by subparagraph (A)), by striking "or" after the semicolon;

(E) by inserting after subparagraph (G) (as redesignated by subparagraph (A)) the following:

"(H) has been verified during the school year in which the application is submitted as either an unaccompanied youth who is a homeless child or youth (as such terms are defined in section 725 of the McKinney-Vento Homeless Assistance Act), or as unaccompanied, at risk of homelessness, and self-supporting, by—

"(i) a local educational agency homeless liaison, designated pursuant to section

722(g)(1)(J)(ii) of the McKinney-Vento Homeless Assistance Act;

"(ii) the director of a program funded under the Runaway and Homeless Youth Act or a designee of the director;

"(iii) the director of a program funded under subtitle B of title IV of the McKinney-Vento Homeless Assistance Act (relating to emergency shelter grants) or a designee of the director; or

"(iv) a financial aid administrator; or"; and

(F) by adding at the end the following:

"(2) SIMPLIFYING THE DEPENDENCY OVERRIDE PROCESS.—A financial aid administrator may make a determination of independence under paragraph (1)(I) based upon a documented determination of independence that was previously made by another financial aid administrator under such paragraph in the same award year.";

(4) in subsection (e)—

(A) in paragraph (3), by striking "and" after the semicolon;

(B) in paragraph (4), by striking the period at the end and inserting "; and"; and

(C) by adding at the end the following:

"(5) special combat pay.";

(5) in subsection (f), by striking paragraph (3) and inserting the following:

"(3) A qualified education benefit shall be considered an asset of—

"(A) the student if the student is an independent student; or

"(B) the parent if the student is a dependent student, regardless of whether the owner of the account is the student or the parent.";

(6) in subsection (j)—

(A) in paragraph (2), by inserting ", or a distribution that is not includable in gross income under section 529 of such Code, under another prepaid tuition plan offered by a State, or under a Coverdell education savings account under section 530 of such Code," after "1986"; and

(B) by adding at the end the following:

"(4) Notwithstanding paragraph (1), special combat pay shall not be treated as estimated financial assistance for purposes of section 471(3)."; and

(7) by adding at the end the following:

"(n) SPECIAL COMBAT PAY.—The term 'special combat pay' means pay received by a member of the Armed Forces because of exposure to a hazardous situation.".

(b) EFFECTIVE DATE.—The amendments made by this section shall be effective on July 1, 2009.

TITLE VII—COMPETITIVE LOAN AUCTION PILOT PROGRAM

SEC. 701. COMPETITIVE LOAN AUCTION PILOT PROGRAM.

Title IV (20 U.S.C. 1070 et seq.) is further amended by adding at the end the following:

"PART I—COMPETITIVE LOAN AUCTION PILOT PROGRAM

"SEC. 499. COMPETITIVE LOAN AUCTION PILOT PROGRAM.

"(a) DEFINITIONS.—In this section:

"(1) ELIGIBLE FEDERAL PLUS LOAN.—The term 'eligible Federal PLUS Loan' means a loan described in section 428B made to a parent of a dependent student who is a new borrower on or after July 1, 2009.

"(2) ELIGIBLE LENDER.—The term 'eligible lender' has the meaning given the term in section 435.

"(b) PILOT PROGRAM.—The Secretary shall carry out a pilot program under which the Secretary establishes a mechanism for an auction of eligible Federal PLUS

Loans in accordance with this subsection. The pilot program shall meet the following requirements:

"(1) PLANNING AND IMPLEMENTATION.—During the period beginning on the date of enactment of this section and ending on June 30, 2009, the Secretary shall plan and implement the pilot program under this subsection. During the planning and implementation, the Secretary shall consult with other Federal agencies with knowledge of, and experience with, auction programs, including the Federal Communication Commission and the Department of the Treasury.

"(2) ORIGINATION AND DISBURSEMENT; APPLICABILITY OF SECTION 428B.—Beginning on July 1, 2009, the Secretary shall arrange for the origination and disbursement of all eligible Federal PLUS Loans in accordance with the provisions of this subsection and the provisions of section 428B that are not inconsistent with this subsection.

"(3) LOAN ORIGINATION MECHANISM.—The Secretary shall establish a loan origination auction mechanism that meets the following requirements:

"(A) AUCTION FOR EACH STATE.—The Secretary administers an auction under this paragraph for each State, under which eligible lenders compete to originate eligible Federal PLUS Loans under this paragraph at all institutions of higher education within such State.

"(B) PREQUALIFICATION PROCESS.—The Secretary establishes a prequalification process for eligible lenders desiring to participate in an auction under this paragraph that contains, at a minimum—

"(i) a set of borrower benefits and servicing requirements each eligible lender shall meet in order to participate in such an auction; and

"(ii) an assessment of each such eligible lender's capacity, including capital capacity, to participate effectively.

"(C) TIMING AND ORIGINATION.—Each State auction takes place every 2 years, and the eligible lenders with the winning bids for the State are the only eligible lenders permitted to originate eligible Federal PLUS Loans made under this paragraph for the cohort of students at the institutions of higher education within the State until the students graduate from or leave the institutions of higher education.

"(D) BIDS.—Each eligible lender's bid consists of the amount of the special allowance payment (after the application of section 438(b)(2)(I)(v)) the eligible lender proposes to accept from the Secretary with respect to the eligible Federal PLUS Loans made under this paragraph in lieu of the amount determined under section 438(b)(2)(I).

"(E) MAXIMUM BID.—The maximum bid allowable under this paragraph shall not exceed the amount of the special allowance payable on eligible Federal PLUS Loans made under this paragraph computed under section 438(b)(2)(I) (other than clauses (ii), (iii), (iv), and (vi) of such section), except that for purposes of the computation under this subparagraph, section 438(b)(2)(I)(i)(III) shall be applied by substituting '1.79 percent' for '2.34 percent'.

"(F) WINNING BIDS.—The winning bids for each State auction shall be the 2 bids containing the lowest and the second lowest proposed special allowance payments, subject to subparagraph (E).

"(G) AGREEMENT WITH SECRETARY.—Each eligible lender having a winning bid under subparagraph (F) enters into an agreement with the Secretary under which the eligible lender—

"(i) agrees to originate eligible Federal PLUS Loans under this paragraph to each borrower who—

"(I) seeks an eligible Federal PLUS Loan under this paragraph to enable a dependent student to attend an institution of higher education within the State;

"(II) is eligible for an eligible Federal PLUS Loan; and

"(III) elects to borrow from the eligible lender; and

"(ii) agrees to accept a special allowance payment (after the application of section 438(b)(2)(I)(v)) from the Secretary with respect to the eligible Federal PLUS Loans originated under clause (i) in the amount proposed in the second lowest winning bid described in subparagraph (F) for the applicable State auction.

"(H) SEALED BIDS; CONFIDENTIALITY.—All bids are sealed and the Secretary keeps the bids confidential, including following the announcement of the winning bids.

"(I) ELIGIBLE LENDER OF LAST RESORT.—

"(i) IN GENERAL.—In the event that there is no winning bid under subparagraph (F), the students at the institutions of higher education within the State that was the subject of the auction shall be served by an eligible lender of last resort, as determined by the Secretary.

"(ii) DETERMINATION OF ELIGIBLE LENDER OF LAST RESORT.—Prior to the start of any auction under this paragraph, eligible lenders that desire to serve as an eligible lender of last resort shall submit an application to the Secretary at such time and in such manner as the Secretary may determine. Such application shall include an assurance that the eligible lender will meet the prequalification requirements described in subparagraph (B).

"(iii) GEOGRAPHIC LOCATION.—The Secretary shall identify an eligible lender of last resort for each State.

"(iv) NOTIFICATION TIMING.—The Secretary shall not identify any eligible lender of last resort until after the announcement of all the winning bids for a State auction for any year.

"(v) MAXIMUM SPECIAL ALLOWANCE.—The Secretary is authorized to set a special allowance payment that shall be payable to a lender of last resort for a State under this subparagraph, which special allowance payment shall be kept confidential, including following the announcement of winning bids. The Secretary shall set such special allowance payment so that it incurs the lowest possible cost to the Federal Government, taking into consideration the lowest bid that was submitted in an auction for such State and the lowest bid submitted in a similar State, as determined by the Secretary.

"(J) GUARANTEE AGAINST LOSSES.—The Secretary guarantees the eligible Federal PLUS Loans made under this paragraph against losses resulting from the default of a parent borrower in an amount equal to 99 percent of the unpaid principal and interest due on the loan.

"(K) LOAN FEES.—The Secretary shall not collect a loan fee under section 438(d) with respect to an eligible Federal Plus Loan originated under this paragraph.

"(L) CONSOLIDATION.—

"(i) IN GENERAL.—An eligible lender who is permitted to originate eligible Federal PLUS Loans for a borrower under this paragraph shall have the option to consolidate such loans into 1 loan.

"(ii) NOTIFICATION.—In the event a borrower with eligible Federal PLUS Loans made under this paragraph wishes to consolidate the loans, the borrower shall notify the eligible lender who originated the loans under this paragraph.

"(iii) LIMITATION ON ELIGIBLE LENDER OPTION TO CONSOLIDATE.—The option described in clause (i) shall not apply if—

"(I) the borrower includes in the notification in clause (ii) verification of consolidation terms and conditions offered by an eligible lender other than the eligible lender described in clause (i); and

"(II) not later than 10 days after receiving such notification from the borrower, the eligible lender described in clause (i) does not agree to match such terms and conditions, or provide more favorable terms and conditions to such borrower than the offered terms and conditions described in subclause (I).

"(iv) CONSOLIDATION OF ADDITIONAL LOANS.—If a borrower has a Federal Direct PLUS Loan or a loan made on behalf of a dependent student under section 428B and seeks to consolidate such loan with an eligible Federal PLUS Loan made under this paragraph, then the eligible lender that originated the borrower's loan under this paragraph may include in the consolidation under this subparagraph a Federal Direct PLUS Loan or a loan made on behalf of a dependent student under section 428B, but only if—

"(I) in the case of a Federal Direct PLUS Loan, the eligible lender agrees, not later than 10 days after the borrower requests such consolidation from the lender, to match the consolidation terms and conditions that would otherwise be available to the borrower if the borrower consolidated such loans in the loan program under part D; or

"(II) in the case of a loan made on behalf of a dependent student under section 428B, the eligible lender agrees, not later than 10 days after the borrower requests such consolidation from the lender, to match the consolidation terms and conditions offered by an eligible lender other than the eligible lender that originated the borrower's loans under this paragraph.

"(v) SPECIAL ALLOWANCE ON CONSOLIDATION LOANS THAT INCLUDE LOANS MADE UNDER THIS PARAGRAPH.—The applicable special allowance payment for loans consolidated under this paragraph shall be equal to the lesser of—

"(I) the weighted average of the special allowance payment on such loans, except that in calculating such weighted average the Secretary shall exclude any Federal Direct PLUS Loan included in the consolidation; or

"(II) the result of—

"(aa) the average of the bond equivalent rates of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in such quarter as reported by the Federal Reserve in Publication H–15 (or its successor) for such 3-month period; plus

"(bb) 1.59 percent.

"(vi) INTEREST PAYMENT REBATE FEE.—Any loan under section 428C consolidated under this paragraph shall not be subject to the interest payment rebate fee under section 428C(f).".

TITLE VIII—PARTNERSHIP GRANTS

SEC. 801. COLLEGE ACCESS CHALLENGE GRANT PROGRAM.

Title VII (20 U.S.C. 1133 et seq.) is amended by adding at the end the following new part:

"PART E—COLLEGE ACCESS CHALLENGE GRANT PROGRAM

"SEC. 771. COLLEGE ACCESS CHALLENGE GRANT PROGRAM.

"(a) AUTHORIZATION AND APPROPRIATION.—There are authorized to be appropriated, and there are appropriated, to carry out this section $66,000,000 for each of the fiscal years 2008 and 2009. The authority to award grants under this section shall expire at the end of fiscal year 2009.

"(b) PROGRAM AUTHORIZED.—

"(1) GRANTS AUTHORIZED.—From amounts appropriated under subsection (a), the Secretary shall award grants, from allotments under subsection (c), to States (and to philanthropic organization, as appropriate under paragraph (3)) having applications approved under subsection (d), to enable the State (or philanthropic organization) to pay the Federal share of the costs of carrying out the activities and services described in subsection (f).

"(2) FEDERAL SHARE; NON-FEDERAL SHARE.—

"(A) FEDERAL SHARE.—The amount of the Federal share under this section for a fiscal year shall be equal to ⅔ of the costs of the activities and services described in subsection (f) that are carried out under the grant.

"(B) NON-FEDERAL SHARE.—The amount of the non-Federal share under this section shall be equal to ⅓ of the costs of the activities and services described in subsection (f). The non-Federal share may be in cash or in-kind, and may be provided from State resources, contributions from private organizations, or both.

"(3) REDUCTION FOR FAILURE TO PAY NON-FEDERAL SHARE.—If a State fails to provide the full non-Federal share required under this subsection, the Secretary shall reduce the amount of the grant payment under this section proportionately, and may award the proportionate reduction amount of the grant directly to a philanthropic organization, as defined in subsection (i), to carry out this section.

"(4) TEMPORARY INELIGIBILITY FOR SUBSEQUENT PAYMENTS.—

"(A) IN GENERAL.—The Secretary shall determine a grantee to be temporarily ineligible to receive a grant payment under this section for a fiscal year if—

"(i) the grantee fails to submit an annual report pursuant to subsection (h) for the preceding fiscal year; or

"(ii) the Secretary determines, based on information in such annual report, that the grantee is not effectively meeting the conditions described under subsection (g) and the goals of the application under subsection (d).

"(B) REINSTATEMENT.—If the Secretary determines that a grantee is ineligible under subparagraph (A), the Secretary may enter into an agreement with the grantee setting forth the terms and conditions under which the grantee may regain eligibility to receive payments under this section.

"(c) DETERMINATION OF ALLOTMENT.—

"(1) AMOUNT OF ALLOTMENT.—Subject to paragraph (2), in making grant payments to grantees under this section, the allotment to each grantee for a fiscal year shall be equal to the sum of—

"(A) the amount that bears the same relation to 50 percent of the amount appropriated under subsection (a) for such fiscal year as the number of residents in the State aged 5 through 17 who are living below the poverty line applicable to the resident's family size (as determined under section 673(2) of the Community Service Block Grant Act) bears to the total number of such residents in all States; and

"(B) the amount that bears the same relation to 50 percent of the amount appropriated under subsection (a) for such fiscal year as the number of residents in the State aged 15 through 44 who are living below the poverty line applicable to the individual's family size (as determined under section 673(2) of the Community Service Block Grant Act) bears to the total number of such residents in all States.

"(2) MINIMUM AMOUNT.—The allotment for each State under this section for a fiscal year shall not be an amount that is less than 0.5 percent of the total amount appropriated under subsection (a) for such fiscal year.

"(d) SUBMISSION AND CONTENTS OF APPLICATION.—

"(1) In general.—For each fiscal year for which a grantee desires a grant payment under subsection (b), the State agency with jurisdiction over higher education, or another agency designated by the Governor or chief executive of the State to administer the program under this section, or a philanthropic organization, in accordance with subsection (b)(3), shall submit an application to the Secretary at such time, in such manner, and containing the information described in paragraph (2).

"(2) Application.—An application submitted under paragraph (1) shall include the following:

"(A) A description of the grantee's capacity to administer the grant under this section and report annually to the Secretary on the activities and services described in subsection (f).

"(B) A description of the grantee's plan for using the grant funds to meet the requirements of subsections (f) and (g), including plans for how the grantee will make special efforts to—

"(i) provide such benefits to students in the State that are underrepresented in postsecondary education; or "(ii) in the case of a philanthropic organization that operates in more than one State, provide benefits to such students in each such State for which the philanthropic organization is receiving grant funds under this section.

"(C) A description of how the grantee will provide or coordinate the provision of the non-Federal share from State resources or private contributions.

"(D) A description of—

"(i) the structure that the grantee has in place to administer the activities and services described in subsection (f); or

"(ii) the plan to develop such administrative capacity.

"(e) SUBGRANTS TO NONPROFIT ORGANIZATIONS.—A State receiving a payment under this section may elect to make a subgrant to one or more nonprofit organizations in the State, including an eligible not-for-profit holder (as defined in section 435(p) of the Higher Education Act of 1965, as amended by section 303 of this Act), or a partnership of such organizations, to carry out activities or services described in subsection (f), if the nonprofit organization or partnership—

"(1) was in existence on the day before the date of the enactment of this Act; and

"(2) as of such day, was participating in activities and services related to increasing access to higher education, such as those activities and services described in subsection (f).

"(f) ALLOWABLE USES.—

"(1) IN GENERAL.—Subject to paragraph (3), a grantee may use a grant payment under this section only for the following activities and services, pursuant to the conditions under subsection (g):

"(A) Information for students and families regarding—

"(i) the benefits of a postsecondary education;

"(ii) postsecondary education opportunities;

"(iii) planning for postsecondary education; and

"(iv) career preparation.

"(B) Information on financing options for postsecondary education and activities that promote financial literacy and debt management among students and families.

"(C) Outreach activities for students who may be at risk of not enrolling in or completing postsecondary education.

"(D) Assistance in completion of the Free Application for Federal Student Aid or other common financial reporting form under section 483(a) of the Higher Education Act of 1965.

"(E) Need-based grant aid for students.

"(F) Professional development for guidance counselors at middle schools and secondary schools, and financial aid administrators and college admissions counselors at institutions of higher education, to improve such individuals' capacity to assist students and parents with—

"(i) understanding—

"(I) entrance requirements for admission to institutions of higher education; and

"(II) State eligibility requirements for Academic Competitiveness Grants or National SMART Grants under section 401A, and other financial assistance that is dependent upon a student's coursework;

"(ii) applying to institutions of higher education;

"(iii) applying for Federal student financial assistance and other State, local, and private student financial assistance and scholarships;

"(iv) activities that increase students' ability to successfully complete the coursework required for a postsecondary degree, including activities such as tutoring or mentoring; and

"(v) activities to improve secondary school students' preparedness for postsecondary entrance examinations.

"(G) Student loan cancellation or repayment (as applicable), or interest rate reductions, for borrowers who are employed in a high-need geographical area or a high-need profession in the State, as determined by the State.

"(2) PROHIBITED USES.—Funds made available under this section shall not be used to promote any lender's loans.

"(3) USE OF FUNDS FOR ADMINISTRATIVE PURPOSES.—A grantee may use not more than 6 percent of the total amount of the sum of the Federal share provided under this section and the non-Federal share required under this section for administrative purposes relating to the grant under this section.

"(g) SPECIAL CONDITIONS.—

"(1) AVAILABILITY TO STUDENTS AND FAMILIES.—A grantee receiving a grant payment under this section shall—

"(A) make the activities and services described in subparagraphs (A) through (F) of subsection (f)(1) that are funded under the payment available to all qualifying students and families in the State;

"(B) allow students and families to participate in the activities and services without regard to—

"(i) the postsecondary institution in which the student enrolls;

"(ii) the type of student loan the student receives;

"(iii) the servicer of such loan; or

"(iv) the student's academic performance;

"(C) not charge any student or parent a fee or additional charge to participate in the activities or services; and

"(D) in the case of an activity providing grant aid, not require a student to meet any condition other than eligibility for Federal financial assistance under title IV of the Higher Education Act of 1965, except as provided for in the loan cancellation or repayment or interest rate reductions described in subsection (f)(1)(G).

"(2) PRIORITY.—A grantee receiving a grant payment under this section shall, in carrying out any activity or service described in subsection (f)(1) with the grant funds, prioritize students and families who are living below the poverty line applicable to the individual's family size (as determined under section 673(2) of the Community Service Block Grant Act).

"(3) DISCLOSURES.—

"(A) ORGANIZATIONAL DISCLOSURES.—In the case of a State that has chosen to make a payment to an eligible not-for-profit holder in the State in accordance with subsection (e), the holder shall clearly and prominently indicate the name of the holder and the nature of the holder's work in connection with any of the activities carried out, or any information or services provided, with such funds.

"(B) INFORMATIONAL DISCLOSURES.—Any information about financing options for higher education provided through an activity or service funded under this section shall—

"(i) include information to students and the students' parents of the availability of Federal, State, local, institutional, and other grants and loans for postsecondary education; and

"(ii) present information on financial assistance for postsecondary education that is not provided under title IV of the Higher Education Act of 1965 in a manner that is clearly distinct from information on student financial assistance under such title.

"(4) COORDINATION.—A grantee receiving a grant payment under this section shall attempt to coordinate the activities carried out with the grant payment with any existing activities that are similar to such activities, and with any other entities that support the existing activities in the State.

"(h) REPORT.—A grantee receiving a payment under this section shall prepare and submit an annual report to the Secretary on the activities and services carried out under this section, and on the implementation of such activities and services. The report shall include—

"(1) each activity or service that was provided to students and families over the course of the year;

"(2) the cost of providing each activity or service;

"(3) the number, and percentage, if feasible and applicable, of students who received each activity or service; and

"(4) the total contributions from private organizations included in the grantee's non-Federal share for the fiscal year.

"(i) DEFINITIONS.—In this section:

"(1) PHILANTHROPIC ORGANIZATION.—The term 'philanthropic organization' means a non-profit organization—

"(A) that does not receive funds under title IV of the Higher Education Act of 1965 or under the Elementary and Secondary Education Act of 1965;

"(B) that is not a local educational agency or an institution of higher education;

"(C) that has a demonstrated record of dispersing grant aid to underserved populations to ensure access to, and participation in, higher education;

"(D) that is affiliated with an eligible consortia (as defined in paragraph (2)) to carry out this section; and

"(E) the primary purpose of which is to provide financial aid and support services to students from underrepresented populations to increase the number of such students who enter and remain in college.

"(2) ELIGIBLE CONSORTIA.—The term 'eligible consortia' means a partnership of 2 or more entities that have agreed to work together to carry out this section that—

"(A) includes—

"(i) a philanthropic organization, which serves as the manager of the consortia;

"(ii) a State that demonstrates a commitment to ensuring the creation of a Statewide system to address the issues of early intervention and financial support for eligible students to enter and remain in college; and

"(iii) at the discretion of the philanthropic organization described in clause (i), additional partners, including other non-profit organizations, government entities (including local municipalities, school districts, cities, and counties), institutions of higher education, and other public or private programs that provide mentoring or outreach programs; and

"(B) conducts activities to assist students with entering and remaining in college, which may include—

"(i) providing need-based grants to students;

"(ii) providing early notification to low-income students of their potential eligibility for Federal financial aid (which may include assisting students and families with filling out FAFSA forms), as well as other financial aid and other support available from the eligible consortia;

"(iii) encouraging increased student participation in higher education through mentoring or outreach programs; and

"(iv) conducting marketing and outreach efforts that are designed to—

"(I) encourage full participation of students in the activities of the consortia that carry out this section; and

"(II) provide the communities impacted by the activities of the consortia with a general knowledge about the efforts of the consortia.

"(3) GRANTEE.—The term 'grantee' means—

"(A) a State awarded a grant under this section; or

"(B) with respect to such a State that has failed to meet the non-Federal share requirement of subsection (b), a philanthropic organization awarded the proportionate reduction amount of such a grant under subsection (b)(3).".

SEC. 802. INVESTMENT IN HISTORICALLY BLACK COLLEGES AND UNIVERSITIES AND MINORITY-SERVING INSTITUTIONS.

Title IV (20 U.S.C. 1070 et seq.) is further amended by adding after part I (as added by section 701 of this Act) the following new part:

"PART J—STRENGTHENING HISTORICALLY BLACK COLLEGES AND UNIVERSITIES AND OTHER MINORITY-SERVING INSTITUTIONS

"SEC. 499A. INVESTMENT IN HISTORICALLY BLACK COLLEGES AND UNIVERSITIES AND OTHER MINORITY-SERVING INSTITUTIONS.

"(a) ELIGIBLE INSTITUTION.—An institution of higher education is eligible to receive funds from the amounts made available under this section if such institution is—

"(1) a part B institution (as defined in section 322 (20 U.S.C. 1061));

"(2) a Hispanic-serving institution (as defined in section 502 (20 U.S.C. 1101a));

"(3) a Tribal College or University (as defined in section 316 (20 U.S.C. 1059c));

"(4) an Alaska Native-serving institution or a Native Hawaiian-serving institution (as defined in section 317(b) (20 U.S.C. 1059d(b)));

"(5) a Predominantly Black Institution (as defined in subsection (c));

"(6) an Asian American and Native American Pacific Islander-serving institution (as defined in subsection (c)); or

"(7) a Native American-serving nontribal institution (as defined in subsection (c)).

"(b) NEW INVESTMENT OF FUNDS.—

"(1) IN GENERAL.—There shall be available to the Secretary to carry out this section, from funds not otherwise appropriated, $255,000,000 for each of the fiscal years 2008 and 2009. The authority to award grants under this section shall expire at the end of fiscal year 2009.

"(2) ALLOCATION AND ALLOTMENT.—

"(A) IN GENERAL.—Of the amounts made available under paragraph (1) for each fiscal year—

"(i) $100,000,000 shall be available for allocation under subparagraph (B);

"(ii) $100,000,000 shall be available for allocation under subparagraph (C); and

"(iii) $55,000,000 shall be available for allocation under subparagraph (D).

"(B) HSI STEM AND ARTICULATION PROGRAMS.—The amount made available for allocation under this subparagraph by subparagraph (A)(i) for any fiscal year shall be available for Hispanic-serving Institutions for activities described in section 503, with a priority given to applications that propose—

"(i) to increase the number of Hispanic and other low income students attaining degrees in the fields of science, technology, engineering, or mathematics; and

"(ii) to develop model transfer and articulation agreements between 2-year Hispanic-serving institutions and 4-year institutions in such fields.

"(C) ALLOCATION AND ALLOTMENT HBCUS AND PBIS.—From the amount made available for allocation under this subparagraph by subparagraph (A)(ii) for any fiscal year—

"(i) 85 percent shall be available to eligible institutions described in subsection (a)(1) and shall be made available as grants under section 323 and allotted among such institutions under section 324, treating such amount, plus the amount appropriated for such fiscal year in a regular or supplemental appropriation Act to carry out part B of title III, as the amount appropriated to carry out part B of title III for purposes of allotments under section 324, for use by such institutions with a priority for—

"(I) activities described in paragraphs (1), (2), (4), (5), and (10) of section 323(a); and

"(II) other activities, consistent with the institution's comprehensive plan and designed to increase the institution's capacity to prepare students for careers in the physical or natural sciences, mathematics, computer science or information technology or sciences, engineering, language instruction in the less-commonly taught languages or international affairs, or nursing or allied health professions; and

"(ii) 15 percent shall be available to eligible institutions described in subsection (a)(5) and shall be available for a competitive grant program to award 25 grants of $600,000 annually for programs in any of the following areas:

"(I) science, technology, engineering, or mathematics (STEM);

"(II) health education;

"(III) internationalization or globalization;

"(IV) teacher preparation; or

"(V) improving educational outcomes of African American males.

"(D) ALLOCATION AND ALLOTMENT TO OTHER MINORITY-SERVING INSTITUTIONS.—From the amount made available for allocation under this subparagraph by subparagraph (A)(iii) for any fiscal year—

"(i) $30,000,000 for such fiscal year shall be available to eligible institutions described in subsection (a)(3) and shall be made available as grants under section 316, treating such $30,000,000 as part of the amount appropriated for such fiscal year in a regular or supplemental appropriation Act to carry out such section, and using such $30,000,000 for purposes described in subsection (c) of such section;

"(ii) $15,000,000 for such fiscal year shall be available to eligible institutions described in subsection (a)(4) and shall be made available as grants under section 317, treating such $15,000,000 as part of the amount appropriated for such fiscal year in a regular or supplemental appropriation Act to carry out such section and using such $15,000,000 for purposes described in subsection (c) of such section;

"(iii) $5,000,000 for such fiscal year shall be available to eligible institutions described in subsection (a)(6) for activities described in section 311(c); and

"(iv) $5,000,000 for such fiscal year shall be available to eligible institutions described in subsection (a)(7)—

"(I) to plan, develop, undertake, and carry out activities to improve and expand such institutions' capacity to serve Native Americans, which may include—

"(aa) the purchase, rental, or lease of scientific or laboratory equipment for educational purposes, including instructional and research purposes;

"(bb) renovation and improvement in classroom, library, laboratory, and other instructional facilities;

"(cc) support of faculty exchanges, faculty development, and faculty fellowships to assist faculty in attaining advanced degrees in the faculty's field of instruction;

"(dd) curriculum development and academic instruction;

"(ee) the purchase of library books, periodicals, microfilm, and other educational materials;

"(ff) funds and administrative management, and acquisition of equipment for use in strengthening funds management;

"(gg) the joint use of facilities such as laboratories and libraries; and

"(hh) academic tutoring and counseling programs and student support services; and

"(II) to which the Secretary, to the extent possible and consistent with a competitive process under which such grants are awarded, allocates funds under this clause to ensure maximum and equitable distribution among all such eligible institutions.

"(c) DEFINITIONS.—

"(1) ASIAN AMERICAN.—The term 'Asian American' has the meaning given the term 'Asian' in the Office of Management and Budget's Standards for Maintaining, Collecting, and Presenting Federal Data on Race and Ethnicity as published on October 30, 1997 (62 Fed. Reg. 58789).

"(2) ASIAN AMERICAN AND NATIVE AMERICAN PACIFIC ISLANDER-SERVING INSTITUTION.—The term 'Asian American and Native American Pacific Islander-serving institution' means an institution of higher education that—

"(A) is an eligible institution under section 312(b); and

"(B) at the time of application, has an enrollment of undergraduate students that is at least 10 percent Asian American and Native American Pacific Islander students.

"(3) ENROLLMENT OF NEEDY STUDENTS.—The term 'enrollment of needy students' means the enrollment at an institution of higher education with respect to which not less than 50 percent of the undergraduate students enrolled in an academic program leading to a degree—

"(A) in the second fiscal year preceding the fiscal year for which the determination is made, were Federal Pell Grant recipients for such year;

"(B) come from families that receive benefits under a means-tested Federal benefit program (as defined in paragraph (5));

"(C) attended a public or nonprofit private secondary school—

"(i) that is in the school district of a local educational agency that was eligible for assistance under part A of title I of the Elementary and Secondary Education Act of 1965 for any year during which the student attended such secondary school; and

"(ii) which for the purpose of this paragraph and for that year was determined by the Secretary (pursuant to regulations and after consultation with the State educational agency of the State in which the school is located) to be a school in which the enrollment of children counted under a measure of poverty described in section 1113(a)(5) of such Act exceeds 30 percent of the total enrollment of such school; or

"(D) are first-generation college students (as that term is defined in section 402A(g)), and a majority of such first-generation college students are low-income individuals.

"(4) LOW-INCOME INDIVIDUAL.—The term 'low-income individual' has the meaning given such term in section 402A(g).

"(5) MEANS-TESTED FEDERAL BENEFIT PROGRAM.—The term 'means-tested Federal benefit program' means a program of the Federal Government, other than a program under title IV, in which eligibility for the programs' benefits or the amount of such benefits are determined on the basis of income or resources of the individual or family seeking the benefit.

"(6) NATIVE AMERICAN.—The term 'Native American' means an individual who is of a tribe, people, or culture that is indigenous to the United States.

"(7) NATIVE AMERICAN PACIFIC ISLANDER.—The term 'Native American Pacific Islander' means any descendant of the aboriginal people of any island in the Pacific Ocean that is a territory or possession of the United States

"(8) NATIVE AMERICAN-SERVING NONTRIBAL INSTITUTION.—The term 'Native American-serving nontribal institution' means an institution of higher education that—

"(A) at the time of application—

"(i) has an enrollment of undergraduate students that is not less than 10 percent Native American students; and

"(ii) is not a Tribal College or University (as defined in section 316); and

"(B) submits to the Secretary such enrollment data as may be necessary to demonstrate that the institution is described in subparagraph (A), along with such other information and data as the Secretary may by regulation require.

"(9) PREDOMINANTLY BLACK INSTITUTION.—The term 'Predominantly Black institution' means an institution of higher education that—

"(A) has an enrollment of needy students as defined by paragraph (3);

"(B) has an average educational and general expenditure which is low, per full-time equivalent undergraduate student in comparison with the average educational and general expenditure per full-time equivalent undergraduate student of institutions of higher education that offer similar instruction, except that the Secretary may apply the waiver requirements described in section 392(b) to this subparagraph in the same manner as the Secretary applies the waiver requirements to section 312(b)(1)(B);

"(C) has an enrollment of undergraduate students—

"(i) that is at least 40 percent Black American students;

"(ii) that is at least 1,000 undergraduate students;

"(iii) of which not less than 50 percent of the undergraduate students enrolled at the institution are low-income individuals or first-generation college students (as that term is defined in section 402A(g)); and

"(iv) of which not less than 50 percent of the undergraduate students are enrolled in an educational program leading to a bachelor's or associate's degree that the institution is licensed to award by the State in which the institution is located;

"(D) is legally authorized to provide, and provides within the State, an educational program for which the institution of higher education awards a bachelor's degree, or in the case of a junior or community college, an associate's degree;

"(E) is accredited by a nationally recognized accrediting agency or association determined by the Secretary to be a reliable authority as to the quality of training offered, or is, according to such an agency or association, making reasonable progress toward accreditation; and

“(F) is not receiving assistance under part B of title III.”.