

110TH CONGRESS
1ST SESSION

S. _____

To provide for reconciliation pursuant to section 602 of the concurrent resolution on the budget for fiscal year 2008 (S. Con. Res. 21).

IN THE SENATE OF THE UNITED STATES

_____ from the Committee on _____, reported the following original bill; which was read twice and placed on the calendar

A BILL

To provide for reconciliation pursuant to section 602 of the concurrent resolution on the budget for fiscal year 2008 (S. Con. Res. 21).

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; REFERENCES.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Higher Education Access Act of 2007”.

6 (b) REFERENCES.—Except as otherwise expressly
7 provided, whenever in this Act an amendment or repeal
8 is expressed in terms of an amendment to, or repeal of,
9 a section or other provision, the reference shall be consid-

1 ered to be made to a section or other provision of the
2 Higher Education Act of 1965 (20 U.S.C. 1001 et seq.).

3 **TITLE I—GRANTS TO STUDENTS**
4 **IN ATTENDANCE AT INSTITU-**
5 **TIONS OF HIGHER EDU-**
6 **CATION**

7 **SEC. 101. TUITION SENSITIVITY.**

8 (a) AMENDMENTS.—Section 401(b) (20 U.S.C.
9 1070a(b)) is amended—

10 (1) by striking paragraph (3); and

11 (2) by redesignating paragraphs (4) through
12 (8) as paragraphs (3) through (7), respectively.

13 (b) AUTHORIZATION AND APPROPRIATION OF
14 FUNDS.—There are authorized to be appropriated, and
15 there are appropriated, out of any money in the Treasury
16 not otherwise appropriated, for the Department of Edu-
17 cation to carry out the amendment made by subsection
18 (a)(1), \$5,000,000 for fiscal year 2008.

19 **SEC. 102. PROMISE GRANTS.**

20 (a) AMENDMENT.—Subpart 1 of part A of title IV
21 (20 U.S.C. 1070a et seq.) is amended by adding at the
22 end the following:

23 **“SEC. 401B. PROMISE GRANTS.**

24 “(a) GRANTS.—

1 “(1) IN GENERAL.—From amounts appro-
2 priated under subsection (e) for a fiscal year and
3 subject to subsection (b), the Secretary shall award
4 grants to students in the same manner as the Sec-
5 retary awards grants to students under section 401,
6 except that—

7 “(A) at the beginning of each award year,
8 the Secretary shall establish a maximum and
9 minimum award level based on amounts made
10 available under subsection (e);

11 “(B) the Secretary shall only award grants
12 under this section to students eligible for a
13 Federal Pell Grant for the award year; and

14 “(C) when determining eligibility for the
15 awards, the Secretary shall consider only those
16 students who submitted a Free Application for
17 Federal Student Aid or other common reporting
18 form under section 483 as of July 1 of the
19 award year for which the determination is
20 made.

21 “(2) STUDENTS WITH THE GREATEST NEED.—
22 The Secretary shall ensure grants are awarded
23 under this section to students with the greatest need
24 as determined in accordance with section 471.

1 “(b) COST OF ATTENDANCE LIMITATION.—A grant
2 awarded under this section for an award year shall be
3 awarded in an amount that does not exceed—

4 “(1) the student’s cost of attendance for the
5 award year; less

6 “(2) an amount equal to the sum of—

7 “(A) the expected family contribution for
8 the student for the award year; and

9 “(B) any Federal Pell Grant award re-
10 ceived by the student for the award year.

11 “(c) SUPPLEMENT NOT SUPPLANT.—Grants award-
12 ed from funds made available under subsection (e) shall
13 be used to supplement, and not supplant, other Federal,
14 State, or institutional grant funds.

15 “(d) USE OF EXCESS FUNDS.—

16 “(1) 15 PERCENT OR LESS.—If, at the end of
17 a fiscal year, the funds available for making grant
18 payments under this section exceed the amount nec-
19 essary to make the grant payments required under
20 this section to eligible students by 15 percent or less,
21 then all of the excess funds shall remain available
22 for making grant payments under this section dur-
23 ing the next succeeding fiscal year.

24 “(2) MORE THAN 15 PERCENT.—If, at the end
25 of a fiscal year, the funds available for making grant

1 payments under this section exceed the amount nec-
2 essary to make the grant payments required under
3 this section to eligible students by more than 15 per-
4 cent, then all of such funds shall remain available
5 for making such grant payments but grant payments
6 may be made under this paragraph only with respect
7 to awards for that fiscal year.

8 “(e) AUTHORIZATION AND APPROPRIATION OF
9 FUNDS.—

10 “(1) IN GENERAL.—There are authorized to be
11 appropriated, and there are appropriated, out of any
12 money in the Treasury not otherwise appropriated,
13 for the Department of Education to carry out this
14 section—

15 “(A) \$2,620,000,000 for fiscal year 2008;

16 “(B) \$3,040,000,000 for fiscal year 2009;

17 “(C) \$3,460,000,000 for fiscal year 2010;

18 “(D) \$3,900,000,000 for fiscal year 2011;

19 “(E) \$4,020,000,000 for fiscal year 2012;

20 “(F) \$10,000,000 for fiscal year 2013; and

21 “(G) \$3,200,000,000 for each of the fiscal

22 years 2014 through 2017.

23 “(2) AVAILABILITY OF FUNDS.—Funds appro-
24 priated under paragraph (1) for a fiscal year shall
25 remain available through the last day of the fiscal

1 year immediately succeeding the fiscal year for
2 which the funds are appropriated.”.

3 (b) EFFECTIVE DATE.—The amendment made by
4 subsection (a) shall take effect on July 1, 2008.

5 **TITLE II—STUDENT LOAN BENE-**
6 **FITS, TERMS, AND CONDI-**
7 **TIONS**

8 **SEC. 201. DEFERMENTS.**

9 (a) FISL.—Section 427(a)(2)(C)(iii) (20 U.S.C.
10 1077(a)(2)(C)(iii)) is amended by striking “3 years” and
11 inserting “6 years”.

12 (b) INTEREST SUBSIDIES.—Section 428(b)(1)(M)(iv)
13 (20 U.S.C. 1078(b)(1)(M)(iv)) is amended by striking “3
14 years” and inserting “6 years”.

15 (c) DIRECT LOANS.—Section 455(f)(2)(D) (20
16 U.S.C. 1087e(f)(2)(D)) is amended by striking “3 years”
17 and inserting “6 years”.

18 (d) PERKINS.—Section 464(c)(2)(A)(iv) (20 U.S.C.
19 1087dd(c)(2)(A)(iv)) is amended by striking “3 years”
20 and inserting “6 years”.

21 (e) EFFECTIVE DATE AND APPLICABILITY.—The
22 amendments made by this section shall take effect on July
23 1, 2008, and shall only apply with respect to the loans
24 made to a borrower of a loan under title IV of the Higher

1 Education Act of 1965 who obtained the borrower's first
2 loan prior to October 1, 2012.

3 **SEC. 202. STUDENT LOAN DEFERMENT FOR CERTAIN MEM-**
4 **BERS OF THE ARMED FORCES.**

5 (a) FEDERAL FAMILY EDUCATION LOANS.—Section
6 428(b)(1)(M)(iii) (20 U.S.C. 1077(b)(1)(M)(iii)) is
7 amended—

8 (1) in the matter preceding subclause (I), by
9 striking “not in excess of 3 years”;

10 (2) in subclause (II), by striking “; or” and in-
11 serting a comma; and

12 (3) by adding at the end the following:

13 “and for the 180-day period following the
14 demobilization date for the service de-
15 scribed in subclause (I) or (II); or”.

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

18 (1) in the matter preceding clause (i), by strik-
19 ing “not in excess of 3 years”;

20 (2) in clause (ii), by striking “; or” and insert-
21 ing a comma; and

22 (3) by adding at the end the following:

23 “and for the 180-day period following the de-
24 mobilization date for the service described in
25 clause (i) or (ii); or”.

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

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

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

7 (3) by adding at the end the following:

8 “and for the 180-day period following the demobili-
9 zation date for the service described in subclause (I)
10 or (II);”.

11 (d) APPLICABILITY.—Section 8007(f) of the Higher
12 Education Reconciliation Act of 2005 (20 U.S.C. 1078
13 note) is amended by striking “loans for which” and all
14 that follows through the period at the end and inserting
15 “all loans under title IV of the Higher Education Act of
16 1965.”.

17 (e) EFFECTIVE DATE.—The amendments made by
18 this section shall take effect on July 1, 2008.

19 **SEC. 203. INCOME-BASED REPAYMENT PLANS.**

20 (a) FFEL.—Section 428 (as amended by sections
21 201(b) and 202(a)) (20 U.S.C. 1078) is further amend-
22 ed—

23 (1) in subsection (b)—

24 (A) in paragraph (1)—

1 (i) in subparagraph (D), by striking
2 “income contingent” and inserting “in-
3 come-based”; and

4 (ii) in subparagraph (E)(i), by strik-
5 ing “income-sensitive” and inserting “in-
6 come-based”; and

7 (B) by striking clause (iii) of paragraph
8 (9)(A) and inserting the following:

9 “(iii) an income-based repayment
10 plan, with parallel terms, conditions, and
11 benefits as the income-based repayment
12 plan described in subsections (e) and
13 (d)(1)(D) of section 455, except that—

14 “(I) in lieu of the process of ob-
15 taining Federal income tax return and
16 information from the Internal Rev-
17 enue Service, as described in section
18 455(e)(1), the borrower shall provide
19 the lender with a copy of the Federal
20 income tax return and return informa-
21 tion for the borrower (and, if applica-
22 ble, the borrower’s spouse) for the
23 purposes described in section
24 455(e)(1), and the lender shall deter-
25 mine the repayment obligation on the

1 loan, in accordance with the proce-
2 dures developed by the Secretary;

3 “(II) in lieu of the requirements
4 of section 455(e)(3), in the case of a
5 borrower who chooses to repay a loan
6 made, insured, or guaranteed under
7 this part pursuant to income-based re-
8 payment and for whom the adjusted
9 gross income is unavailable or does
10 not reasonably reflect the borrower’s
11 current income, the borrower shall
12 provide the lender with other docu-
13 mentation of income that the Sec-
14 retary has determined is satisfactory
15 for similar borrowers of loans made
16 under part D;

17 “(III) the Secretary shall pay
18 any interest due and not paid for
19 under the repayment schedule de-
20 scribed in section 455(e)(4) for a loan
21 made, insured, or guaranteed under
22 this part in the same manner as the
23 Secretary pays any such interest for a
24 loan made under part D under section
25 455(e)(6);

1 “(IV) the Secretary shall assume
2 the obligation to repay an outstanding
3 balance of principal and interest due
4 on all loans made, insured, or guaran-
5 teed under this part (other than an
6 excepted PLUS loan, as defined in
7 section 455(e)(10)) for a borrower
8 who satisfies the requirements of sub-
9 paragraphs (A) and (B) of section
10 455(e)(7), in the same manner as the
11 Secretary forgives such outstanding
12 balance under section 455(e)(7); and

13 “(V) in lieu of the notification re-
14 quirements under section 455(e)(8),
15 the lender shall notify a borrower of a
16 loan made, insured, or guaranteed
17 under this part who chooses to repay
18 such loan pursuant to income-based
19 repayment of the terms and condi-
20 tions of such plan, in accordance with
21 the procedures established by the Sec-
22 retary, including notification that—

23 “(aa) the borrower shall be
24 responsible for providing the
25 lender with the information nec-

essary for documentation of the
borrower's income, including in-
come information for the bor-
rower's spouse (as applicable);
and

“(bb) if the borrower con-
siders that special circumstances
warrant an adjustment, as de-
scribed in section 455(e)(8)(B),
the borrower may contact the
lender, and the lender shall de-
termine whether such adjustment
is appropriate, in accordance
with the criteria established by
the Secretary; and”;

16 (2) in subsection (e)—

(A) in the subsection heading, by striking
“INCOME-SENSITIVE” and inserting “INCOME-
BASED”;

20 (B) in paragraph (1)—

(i) by striking “income-sensitive re-
payment” and inserting “income-based re-
payment”; and

24 (ii) by inserting “and for the public
25 service loan forgiveness program under

1 section 455(m), in accordance with section
2 428C(b)(5)” before the semicolon; and

3 (C) in paragraphs (2) and (3), by striking
4 “income-sensitive” each place the term occurs
5 and inserting “income-based”; and
6 (3) in subsection (m)—

7 (A) in the subsection heading, by striking
8 “INCOME CONTINGENT” and inserting “IN-
9 COME-BASED”;

10 (B) in paragraph (1), by striking “income
11 contingent repayment plan” and all that follows
12 through the period at the end and inserting “in-
13 come-based repayment plan as described in sub-
14 section (b)(9)(A)(iii) and section
15 455(d)(1)(D).”; and

16 (C) in the paragraph heading of paragraph
17 (2), by striking “INCOME CONTINGENT” and in-
18 serting “INCOME-BASED”.

19 (b) CONSOLIDATION LOANS.—Section 428C (20
20 U.S.C. 1078–3) is amended—

21 (1) in subsection (a)(3)(B)(i)(V), by striking
22 “for the purposes of obtaining an income contingent
23 repayment plan,” and inserting “for the purpose of
24 using the public service loan forgiveness program
25 under section 455(m),”;

1 (2) in subsection (b)(5)—

2 (A) in the first sentence, by striking “, or
3 is unable to obtain a consolidation loan with in-
4 come-sensitive repayment terms acceptable to
5 the borrower from such a lender,” and inserting
6 “, or chooses to obtain a consolidation loan for
7 the purposes of using the public service loan
8 forgiveness program offered under section
9 455(m),”; and

10 (B) in the second sentence, by striking “in-
11 come contingent repayment under part D of
12 this title” and inserting “income-based repay-
13 ment”; and

14 (3) in subsection (c)—

15 (A) in paragraph (2)(A)—

16 (i) in the first sentence, by striking
17 “of graduated or income-sensitive repay-
18 ment schedules, established by the lender
19 in accordance with the regulations of the
20 Secretary.” and inserting “of graduated
21 repayment schedules, established by the
22 lender in accordance with the regulations
23 of the Secretary, and income-based repay-
24 ment schedules, established pursuant to
25 regulations by the Secretary.”; and

1 (ii) in the second sentence, by striking
2 “Except as required” and all that follows
3 through “subsection (b)(5),” and inserting
4 “Except as required by such income-based
5 repayment schedules”; and

6 (B) in paragraph (3)(B), by striking “in-
7 come contingent repayment offered by the Sec-
8 retary under subsection (b)(5)” and inserting
9 “income-based repayment”.

10 (c) DIRECT LOANS.—Section 455 (as amended by
11 sections 201(c) and 202(b)) (20 U.S.C. 1087e) is further
12 amended—

13 (1) in subsection (d)—

14 (A) in paragraph (1)(D)—

15 (i) by striking “income contingent re-
16 payment plan” and inserting “income-
17 based repayment plan”; and

18 (ii) by striking “a Federal Direct
19 PLUS loan” and inserting “an excepted
20 PLUS loan or any Federal Direct Consoli-
21 dation Loan that includes an excepted
22 PLUS loan (as defined in subsection
23 (e)(10))”; and

1 (B) in paragraph (5)(B), by striking “in-
2 come contingent” and inserting “income-
3 based”; and

4 (2) in subsection (e)—

5 (A) in the subsection heading, by striking
6 “INCOME CONTINGENT” and inserting “IN-
7 COME-BASED”;

8 (B) in paragraphs (1), (2), and (3), by
9 striking “income contingent” each place the
10 term appears and inserting “income-based”;

11 (C) in paragraph (4)—

12 (i) by striking “Income contingent”
13 and inserting “Income-based”; and

14 (ii) by striking “Secretary.” and in-
15 serting “Secretary, except that the month-
16 ly required payment under such schedule
17 shall not exceed 15 percent of the result
18 obtained by calculating the amount by
19 which—

20 “(A) the borrower’s adjusted gross income;
21 exceeds

22 “(B) 150 percent of the poverty line appli-
23 cable to the borrower’s family size, as deter-
24 mined under section 673(2) of the Community
25 Service Block Grant Act,

1 divided by 12.”;

2 (D) in paragraph (5), by striking “income
3 contingent” and inserting “income-based”;

4 (E) by redesignating paragraph (6) as
5 paragraph (8);

6 (F) by inserting after paragraph (5) the
7 following:

8 “(6) TREATMENT OF INTEREST.—In the case
9 of a Federal Direct Stafford Loan, any interest due
10 and not paid for under paragraph (2) shall be paid
11 by the Secretary.

12 “(7) LOAN FORGIVENESS.—The Secretary shall
13 cancel the obligation to repay an outstanding bal-
14 ance of principal and interest due on all loans made
15 under this part, or assume the obligation to repay
16 an outstanding balance of principal and interest due
17 on all loans made, insured, or guaranteed under part
18 B, (other than an excepted PLUS Loan or any Fed-
19 eral Direct Consolidation Loan or loan under section
20 428C that includes an excepted PLUS loan) to a
21 borrower who—

22 “(A) makes the election under this sub-
23 section or under section 428(b)(9)(A)(iii); and

24 “(B) for a period of time prescribed by the
25 Secretary not to exceed 25 years (including any

1 period during which the borrower is in
2 deferment due to an economic hardship de-
3 scribed in section 435(o)), meets 1 of the fol-
4 lowing requirements with respect to each pay-
5 ment made during such period:

6 “(i) Has made the payment under this
7 subsection or section 428(b)(9)(A)(iii).

8 “(ii) Has made the payment under a
9 standard repayment plan under section
10 428(b)(9)(A)(i) or 455(d)(1)(A).

11 “(iii) Has made a payment that
12 counted toward the maximum repayment
13 period under income-sensitive repayment
14 under section 428(b)(9)(A)(iii) or income
15 contingent repayment under section
16 455(d)(1)(D), as each such section was in
17 effect on June 30, 2008.

18 “(iv) Has made a reduced payment of
19 not less than the amount required under
20 subsection (e), pursuant to a forbearance
21 agreement under section
22 428(c)(3)(A)(i)(II).”;

23 (G) in the matter preceding subparagraph
24 (A) of paragraph (8) (as redesignated by sub-

1 paragraph (E)), by striking “income contin-
2 gent” and inserting “income-based”; and

3 (H) by adding at the end the following:

4 “(9) RETURN TO STANDARD REPAYMENT.—A
5 borrower who is repaying a loan made under this
6 part pursuant to income-based repayment may
7 choose, at any time, to terminate repayment pursu-
8 ant to income-based repayment and repay such loan
9 under the standard repayment plan.

10 “(10) DEFINITION OF EXCEPTED PLUS
11 LOAN.—In this subsection, the term ‘excepted PLUS
12 loan’ means a Federal Direct PLUS loan or a loan
13 under section 428B that is made, insured, or guar-
14 anteed on behalf of a dependent student.”.

15 (d) CONFORMING AMENDMENTS AND TECHNICAL
16 CORRECTIONS.—The Act (20 U.S.C. 1001 et seq.) is fur-
17 ther amended—

18 (1) in section 427(a)(2)(H) (20 U.S.C.
19 1077(a)(2)(H))—

20 (A) by striking “or income-sensitive”; and

21 (B) by inserting “or income-based repay-
22 ment schedule established pursuant to regula-
23 tions by the Secretary” before the semicolon at
24 the end; and

1 (2) in section 455(d)(1)(C) (20 U.S.C.
2 1087e(d)(1)(C)), by striking “428(b)(9)(A)(v)” and
3 inserting “428(b)(9)(A)(iv)”.

4 (e) TRANSITION PROVISION.—A student who, as of
5 June 30, 2008, elects to repay a loan under part B or
6 part D of the Higher Education Act of 1965 (20 U.S.C.
7 1071 et seq., 1087a et seq.) through an income-sensitive
8 repayment plan under section 428(b)(9)(A)(iii) of such
9 Act (20 U.S.C. 1078(b)(9)(A)(iii)) or an income contin-
10 gent repayment plan under section 455(d)(1)(D) of such
11 Act (20 U.S.C. 1087e(d)(1)(D)) (as each such section was
12 in effect on the day before the date of enactment of this
13 Act) shall have the option to continue repayment under
14 such section (as such section was in effect on such day),
15 or may elect, beginning on July 1, 2008, to use the in-
16 come-based repayment plan under section
17 428(b)(9)(A)(iii) or 455(d)(1)(D) (as applicable) of the
18 Higher Education Act of 1965, as amended by this sec-
19 tion.

20 (f) EFFECTIVE DATE AND APPLICABILITY.—The
21 amendments made by this section shall take effect on July
22 1, 2008, and shall only apply with respect to a borrower
23 of a loan under title IV of the Higher Education Act of
24 1965 who obtained the borrower’s first loan under such
25 title prior to October 1, 2012.

1 **TITLE III—FEDERAL FAMILY**
2 **EDUCATION LOAN PROGRAM**

3 SEC. 301. REDUCTION OF LENDER INSURANCE PERCENT-
4 AGE.

5 (a) AMENDMENT.—Section 428(b)(1)(G) (20 U.S.C.
6 1078(b)(1)(G)) is amended—

(1) in the matter preceding clause (i), by striking “insures 98 percent” and inserting “insures 97 percent”;

10 (2) in clause (i), by inserting “and” after the
11 semicolon;

12 (3) by striking clause (ii); and

13 (4) by redesignating clause (iii) as clause (ii).

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

17 SEC. 302. GUARANTY AGENCY COLLECTION RETENTION.

18 Clause (ii) of section 428(c)(6)(A) (20 U.S.C.
19 1078(c)(6)(A)(ii)) is amended to read as follows:

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

23 “(I) beginning October 1, 2003
24 and ending September 30, 2007, this
25 subparagraph shall be applied by sub-

1 stituting ‘23 percent’ for ‘24 percent’;
2 and
3 “(II) beginning October 1, 2007,
4 this subparagraph shall be applied by
5 substituting ‘16 percent’ for ‘24 per-
6 cent’.”.

7 **SEC. 303. ELIMINATION OF EXCEPTIONAL PERFORMER**
8 **STATUS FOR LENDERS.**

9 (a) **ELIMINATION OF STATUS.**—Part B of title IV (20
10 U.S.C. 1071 et seq.) is amended by striking section 428I
11 (20 U.S.C. 1078–9).

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

14 (1) in section 428(c)(1) (20 U.S.C.
15 1078(c)(1))—

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

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

20 (2) in section 438(b)(5) (20 U.S.C. 1087–
21 1(b)(5)), by striking the matter following subpara-
22 graph (B).

23 (c) **EFFECTIVE DATE.**—The amendments made by
24 subsections (a) and (b) shall take effect on October 1,
25 2007, except that section 428I of the Higher Education

1 Act of 1965 (as in effect on the day before the date of
2 enactment of this Act) shall apply to eligible lenders that
3 received a designation under subsection (a) of such section
4 prior to October 1, 2007, for the remainder of the year
5 for which the designation was made.

6 **SEC. 304. DEFINITIONS.**

7 (a) AMENDMENTS.—Section 435 (20 U.S.C. 1085) is
8 amended—

9 (1) in subsection (o)(1)—

10 (A) in subparagraph (A)(ii), by striking
11 “100 percent of the poverty line for a family of
12 2” and inserting “150 percent of the poverty
13 line applicable to the borrower’s family size”;
14 and

15 (B) in subparagraph (B)(ii), by striking
16 “to a family of 2” and inserting “to the bor-
17 rower’s family size”; and

18 (2) by adding at the end the following:

19 “(p) ELIGIBLE NOT-FOR-PROFIT HOLDER.—

20 “(1) DEFINITION OF ELIGIBLE NOT-FOR-PROF-
21 IT HOLDER.—The term ‘eligible not-for-profit hold-
22 er’ means an eligible lender under subsection (d)
23 (except for an eligible lender described in subsection
24 (d)(1)(E)) that requests a special allowance payment
25 under section 438(b)(2)(I)(vi)(II) and that is—

1 “(A) a State of the United States, or a po-
2 litical subdivision thereof, or an authority, agen-
3 cy, or other instrumentality thereof (including
4 such entities that are eligible to issue bonds de-
5 scribed in section 1.103–1 of title 26, Code of
6 Federal Regulations, or section 144(b) of the
7 Internal Revenue Code of 1986);

8 “(B) an entity described in section
9 150(d)(2) of such Code that has not made the
10 election described in section 150(d)(3) of such
11 Code;

12 “(C) an entity described in section
13 501(c)(3) of such Code; or

14 “(D) a trustee acting as an eligible lender
15 on behalf of an entity described in subpara-
16 graph (A), (B), or (C),

17 except that no entity described in this paragraph
18 shall be owned or controlled in whole or in part by
19 a for-profit entity.

20 “(2) PROHIBITION.—In the case of a loan for
21 which the special allowance payment is calculated
22 under section 438(b)(2)(I)(vi)(II) and that is sold by
23 the eligible not-for-profit holder holding the loan to
24 a for-profit entity or to an entity that is not an eligi-
25 ble not-for-profit holder, the special allowance pay-

1 ment for such loan shall, beginning on the date of
2 the sale, no longer be calculated under section
3 438(b)(2)(I)(vi)(II) and shall be calculated under
4 section 438(b)(2)(I)(vi)(I) instead.

5 “(3) REGULATIONS.—Not later than 1 year
6 after the date of enactment of the Higher Education
7 Access Act of 2007, the Secretary shall promulgate
8 regulations in accordance with the provisions of this
9 subsection.”.

10 (b) APPLICABILITY.—The amendment made by sub-
11 section (a)(1) shall only apply with respect to any bor-
12 rower of a loan under title IV of the Higher Education
13 Act of 1965 who obtained the borrower’s first loan under
14 such title prior to October 1, 2012.

15 **SEC. 305. SPECIAL ALLOWANCES.**

16 (a) REDUCTION OF LENDER SPECIAL ALLOWANCE
17 PAYMENTS.—Section 438(b)(2)(I) (20 U.S.C. 1087–
18 1(b)(2)(I)) is amended—

19 (1) in clause (i), by striking “(iii), and (iv)”
20 and inserting “(iii), (iv), and (vi)”; and

21 (2) by adding at the end the following:

22 “(vi) REDUCTION FOR LOANS DIS-
23 BURSED ON OR AFTER OCTOBER 1, 2007.—

24 With respect to a loan on which the appli-
25 cable interest rate is determined under sec-

tion 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 ‘1.24 percent’ for ‘1.74 percent’ in clause (ii);

“(bb) by substituting ‘1.84 percent’ for ‘2.34 percent’ each place it appears in this subparagraph;

“(cc) by substituting ‘1.84 percent’ for ‘2.64 percent’ in clause (iii); and

“(dd) by substituting ‘2.14 percent’ for ‘2.64 percent’ in clause (iv); and

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

“(aa) by substituting ‘1.99 percent’ for ‘2.34 percent’ each

1 place it appears in this subpara-
2 graph;

3 “(bb) by substituting ‘1.39
4 percent’ for ‘1.74 percent’ in
5 clause (ii);

6 “(cc) by substituting ‘1.99
7 percent’ for ‘2.64 percent’ in
8 clause (iii); and

9 “(dd) by substituting ‘2.29
10 percent’ for ‘2.64 percent’ in
11 clause (iv).”.

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

15 “(2) AMOUNT OF LOAN FEES.—The amount of
16 the loan fee which shall be deducted under para-
17 graph (1), but which may not be collected from the
18 borrower, shall be equal to 1.0 percent of the prin-
19 cipal amount of the loan with respect to any loan
20 under this part for which the first disbursement was
21 made on or after October 1, 2007.”.

1 **TITLE IV—WILLIAM D. FORD**
2 **FEDERAL DIRECT LOAN PRO-**
3 **GRAM**

4 **SEC. 401. LOAN FORGIVENESS FOR PUBLIC SERVICE EM-**
5 **PLOYEES.**

6 Section 455 (as amended by sections 201(c), 202(b),
7 and 203(c)) (20 U.S.C. 1087e) is further amended by add-
8 ing at the end the following:

9 “(m) REPAYMENT PLAN FOR PUBLIC SERVICE EM-
10 PLOYEES.—

11 “(1) IN GENERAL.—The Secretary shall cancel
12 the balance of interest and principal due, in accord-
13 ance with paragraph (2), on any eligible Federal Di-
14 rect Loan not in default for an eligible borrower
15 who—

16 “(A) has made 120 monthly payments on
17 the Federal Direct Loan after October 1, 2007,
18 pursuant to any combination of—

19 “(i) payments under an income-based
20 repayment plan under section
21 455(d)(1)(D);

22 “(ii) payments under a standard re-
23 payment plan under section 455(d)(1)(A);
24 or

1 “(iii) monthly payments under a re-
2 payment plan under section 455(d)(1) of
3 not less than the monthly amount cal-
4 culated under section 455(d)(1)(A); and

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

7 “(ii) has been employed in a public service
8 job during the period in which the borrower
9 made the 120 payments described in subpara-
10 graph (A).

11 “(2) LOAN CANCELLATION AMOUNT.—After the
12 conclusion of the employment period described in
13 paragraph (1), the Secretary shall cancel the obliga-
14 tion to repay, for each year during such period de-
15 scribed in paragraph (1)(B)(ii) for which the eligible
16 borrower submits documentation to the Secretary
17 that the borrower’s annual adjusted gross income or
18 annual earnings was less than or equal to \$65,000,
19 $\frac{1}{10}$ of the amount of the balance of principal and in-
20 terest due as of the time of such cancellation, on the
21 eligible Federal Direct Loans made to the borrower
22 under this part.

23 “(3) DEFINITIONS.—In this subsection:

24 “(A) ELIGIBLE BORROWER.—The term ‘el-
25 igible borrower’ means a borrower who submits

1 documentation to the Secretary that the bor-
2 rower's annual adjusted gross income or annual
3 earnings is less than or equal to \$65,000.

4 “(B) ELIGIBLE FEDERAL DIRECT LOAN.—
5 The term ‘eligible Federal Direct Loan’ means
6 a Federal Direct Stafford Loan, Federal Direct
7 PLUS Loan, Federal Direct Unsubsidized
8 Loan, or a Federal Direct Consolidation Loan
9 if such consolidation loan was obtained by the
10 borrower under section 428C(b)(5) or in ac-
11 cordance with section 428C(a)(3)(B)(i)(V).

12 “(C) PUBLIC SERVICE JOB.—In this para-
13 graph, the term ‘public service job’ means—

14 “(i) a full-time job in public emer-
15 gency management, government, public
16 safety, public law enforcement, public
17 health, public education, public early child-
18 hood education, public child care, social
19 work in a public child or family service
20 agency, public services for individuals with
21 disabilities, public services for the elderly,
22 public interest legal services (including
23 prosecution or public defense), public li-
24 brary sciences, public school library

1 sciences, or other public school-based serv-
2 ices; or
3 “(ii) teaching as a full-time faculty
4 member at a Tribal College or University
5 as defined in section 316(b).”.

6 **SEC. 402. UNIT COST CALCULATION FOR GUARANTY AGEN-**
7 **CY ACCOUNT MAINTENANCE FEES.**

8 Section 458(b) (20 U.S.C. 1087h(b)) is amended—
9 (1) by striking “Account” and inserting the fol-
10 lowing:

11 “(1) FOR FISCAL YEARS 2006 AND 2007.—For
12 each of the fiscal years 2006 and 2007, account”;
13 and

14 (2) by adding at the end the following:

15 “(2) FOR FISCAL YEAR 2008 AND SUCCEEDING
16 FISCAL YEARS.—

17 “(A) IN GENERAL.—For fiscal year 2008
18 and each succeeding fiscal year, the Secretary
19 shall calculate the account maintenance fees
20 payable to guaranty agencies under subsection
21 (a)(3), on a per-loan cost basis in accordance
22 with subparagraph (B).

23 “(B) AMOUNT DETERMINATION.—To de-
24 termine the amount that shall be paid under
25 subsection (a)(3) per outstanding loan guaran-

1 teed by a guaranty agency for fiscal year 2008
2 and succeeding fiscal years, the Secretary
3 shall—

4 “(i) establish the per-loan cost basis
5 amount by dividing the total amount of ac-
6 count maintenance fees paid under sub-
7 section (a)(3) for fiscal year 2006 by the
8 number of loans under part B that were
9 outstanding for that fiscal year; and

10 “(ii) for subsequent fiscal years, ad-
11 just the amount determined under clause
12 (i) as the Secretary determines necessary
13 to account for inflation.”.

14 **TITLE V—FEDERAL PERKINS**
15 **LOANS**

16 **SEC. 501. DISTRIBUTION OF LATE COLLECTIONS.**

17 Section 466(b) (20 U.S.C. 1087ff(b)) is amended by
18 striking “March 31, 2012” and inserting “September 30,
19 2012”.

20 **TITLE VI—NEED ANALYSIS**

21 **SEC. 601. SUPPORT FOR WORKING STUDENTS.**

22 (a) **DEPENDENT STUDENTS.**—Subparagraph (D) of
23 section 475(g)(2) (20 U.S.C. 1087oo(g)(2)(D)) is amend-
24 ed to read as follows:

1 “(D) an income protection allowance of the
2 following amount (or a successor amount pre-
3 scribed by the Secretary under section 478):

4 “(i) for academic year 2009–2010,
5 \$3,750;

6 “(ii) for academic year 2010–2011,
7 \$4,500;

8 “(iii) for academic year 2011–2012,
9 \$5,250; and

10 “(iv) for academic year 2012–2013,
11 \$6,000;”.

12 (b) INDEPENDENT STUDENTS WITHOUT DEPEND-
13 ENTS OTHER THAN A SPOUSE.—Clause (iv) of section
14 476(b)(1)(A) (20 U.S.C. 1087pp(b)(1)(A)(iv)) is amended
15 to read as follows:

16 “(iv) an income protection allowance
17 of the following amount (or a successor
18 amount prescribed by the Secretary under
19 section 478):

20 “(I) for single or separated stu-
21 dents, or married students where both
22 are enrolled pursuant to subsection
23 (a)(2)—

24 “(aa) for academic year
25 2009–2010, \$7,000;

1 “(bb) for academic year
2 2010–2011, \$7,780;

3 “(cc) for academic year
4 2011–2012, \$8,550; and

5 “(dd) for academic year
6 2012–2013, \$9,330; and

7 “(II) for married students where
8 1 is enrolled pursuant to subsection
9 (a)(2)—

10 “(aa) for academic year
11 2009–2010, \$11,220;

12 “(bb) for academic year
13 2010–2011, \$12,460;

14 “(cc) for academic year
15 2011–2012, \$13,710; and

16 “(dd) for academic year
17 2012–2013, \$14,960;”.

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

22 “(4) INCOME PROTECTION ALLOWANCE.—The
23 income protection allowance is determined by the ta-
24 bles described in subparagraphs (A) through (D) (or

1 a successor table prescribed by the Secretary under
2 section 478).

3 “(A) ACADEMIC YEAR 2009–2010.—For aca-
4 demic year 2009–2010, the income protection
5 allowance is determined by the following table:

“Income Protection Allowance

Family Size	Number in College				
	1	2	3	4	5
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

NOTE: For each additional family member, add \$4,240.
For each additional college student, subtract \$3,020.

6 “(B) ACADEMIC YEAR 2010–2011.—For
7 academic year 2010–2011, the income protec-
8 tion allowance is determined by the following
9 table:

“Income Protection Allowance

Family Size	Number in College				
	1	2	3	4	5
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

NOTE: For each additional family member, add \$4,710.
For each additional college student, subtract \$3,350.

10 “(C) ACADEMIC YEAR 2011–2012.—For aca-
11 demic year 2011–2012, the income protection
12 allowance is determined by the following table:

36

“Income Protection Allowance

Family Size	Number in College				
	1	2	3	4	5
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

NOTE: For each additional family member, add \$5,180.
For each additional college student, subtract \$3,690.

1 “(D) ACADEMIC YEAR 2012–2013.—For
2 academic year 2012–2013, the income protec-
3 tion allowance is determined by the following
4 table:

“Income Protection Allowance

Family Size	Number in College				
	1	2	3	4	5
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

NOTE: For each additional family member, add \$5,660.
For each additional college student, subtract \$4,020.

5 (d) UPDATED TABLES AND AMOUNTS.—Section
6 478(b) (20 U.S.C. 1087rr(b)) is amended—

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

9 “(1) REVISED TABLES.—

10 “(A) IN GENERAL.—For each academic
11 year after academic year 2008–2009, the Sec-
12 retary shall publish in the Federal Register a
13 revised table of income protection allowances

1 for the purpose of such sections, subject to sub-
2 paragraphs (B) and (C).

3 “(B) TABLE FOR INDEPENDENT STU-
4 DENTS.—

5 “(i) ACADEMIC YEARS 2009–2010
6 THROUGH 2012–2013.—For each of the aca-
7 demic years 2009–2010 through 2012–
8 2013, the Secretary shall not develop a re-
9 vised table of income protection allowances
10 under section 477(b)(4) and the table spec-
11 ified for such academic year under sub-
12 paragraphs (A) through (D) of such sec-
13 tion shall apply.

14 “(ii) OTHER ACADEMIC YEARS.—For
15 each academic year after academic year
16 2012–2013, the Secretary shall develop the
17 revised table of income protection allow-
18 ances by increasing each of the dollar
19 amounts contained in the table of income
20 protection allowances under section
21 477(b)(4)(D) by a percentage equal to the
22 estimated percentage increase in the Con-
23 sumer Price Index (as determined by the
24 Secretary) between December 2011 and
25 the December next preceding the beginning

1 of such academic year, and rounding the
2 result to the nearest \$10.

3 “(C) TABLE FOR PARENTS.—For each
4 academic year after academic year 2008–2009,
5 the Secretary shall develop the revised table of
6 income protection allowances under section
7 475(c)(4) by increasing each of the dollar
8 amounts contained in the table by a percentage
9 equal to the estimated percentage increase in
10 the Consumer Price Index (as determined by
11 the Secretary) between December 1992 and the
12 December next preceding the beginning of such
13 academic year, and rounding the result to the
14 nearest \$10.”; and

15 (2) in paragraph (2), by striking “shall be de-
16 veloped” and all that follows through the period at
17 the end and inserting “shall be developed for each
18 academic year after academic year 2012–2013, by
19 increasing each of the dollar amounts contained in
20 such section for academic year 2012–2013 by a per-
21 centage equal to the estimated percentage increase
22 in the Consumer Price Index (as determined by the
23 Secretary) between December 2011 and the Decem-
24 ber next preceding the beginning of such academic
25 year, and rounding the result to the nearest \$10.”.

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

3 **SEC. 602. AUTOMATIC ZERO IMPROVEMENTS.**

4 (a) IN GENERAL.—Section 479(c) (20 U.S.C.
5 1087ss(c)) is amended—

6 (1) in paragraph (1)(B), by striking “20,000”
7 and inserting “\$30,000”; and

8 (2) in paragraph (2)(B), by striking “\$20,000”
9 and inserting “\$30,000”.

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

12 **SEC. 603. DISCRETION OF STUDENT FINANCIAL AID ADMIN-**
13 **ISTRATORS.**

14 The third sentence of section 479A(a) (20 U.S.C.
15 1087tt(a)) is amended—

16 (1) by inserting “or an independent student”
17 after “family member”; and

18 (2) by inserting “a change in housing status
19 that results in homelessness (as defined in section
20 103 of the McKinney-Vento Homeless Assistance
21 Act),” after “under section 487,”.

22 **SEC. 604. DEFINITIONS.**

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

25 (1) in subsection (a)(2)—

1 (A) by striking “and no portion” and in-
2 serting “no portion”; and

3 (B) by inserting “and no distribution from
4 any qualified education benefit described in sub-
5 section (f)(3) that is not subject to Federal in-
6 come tax,” after “1986,”;

7 (2) in subsection (d)—

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

12 (B) by striking “INDEPENDENT STU-
13 DENT.—The term” and inserting “INDE-
14 PENDENT STUDENT.—”

15 “(1) DEFINITION.—The term”;

16 (C) by striking subparagraph (B) (as re-
17 designated by subparagraph (A)) and inserting
18 the following:

19 “(B) is an orphan, in foster care, or a
20 ward of the court, or was in foster care or a
21 ward of the court until the individual reached
22 the age of 18;

23 “(C) is an emancipated minor or is in legal
24 guardianship as determined by a court of com-

1 petent jurisdiction in the individual’s State of
2 legal residence;”;

3 (D) in subparagraph (G) (as redesignated
4 by subparagraph (A)), by striking “or” after
5 the semicolon;

6 (E) by inserting after subparagraph (G)
7 (as redesignated by subparagraph (A)) the fol-
8 lowing:

9 “(H) has been verified as an unaccom-
10 panied youth who is a homeless child or youth
11 (as such terms are defined in section 725 of the
12 McKinney-Vento Homeless Assistance Act) dur-
13 ing the school year in which the application is
14 submitted, by—

15 “(i) a local educational agency home-
16 less liaison, designated pursuant to section
17 722(g)(1)(J)(ii) of the McKinney-Vento
18 Homeless Assistance Act;

19 “(ii) the director of a program funded
20 under the Runaway and Homeless Youth
21 Act or a designee of the director; or

22 “(iii) the director of a program fund-
23 ed under subtitle B of title IV of the
24 McKinney-Vento Homeless Assistance Act

1 (relating to emergency shelter grants) or a
2 designee of the director; or”; and

3 (F) by adding at the end the following:

4 “(2) SIMPLIFYING THE DEPENDENCY OVER-
5 RIDE PROCESS.—A financial aid administrator may
6 make a determination of independence under para-
7 graph (1)(I) based upon a documented determina-
8 tion of independence that was previously made by
9 another financial aid administrator under such para-
10 graph in the same award year.”;

11 (3) in subsection (e)—

12 (A) in paragraph (3), by striking “and”
13 after the semicolon;

14 (B) in paragraph (4), by striking the pe-
15 riod at the end and inserting “; and”; and

16 (C) by adding at the end the following:

17 “(5) special combat pay.”;

18 (4) in subsection (f), by striking paragraph (3)
19 and inserting the following:

20 “(3) A qualified education benefit shall be con-
21 sidered an asset of—

22 “(A) the student if the student is an inde-
23 pendent student; or

1 “(B) the parent if the student is a depend-
2 ent student, regardless of whether the owner of
3 the account is the student or the parent.”;

4 (5) in subsection (j)—

5 (A) in paragraph (2), by inserting “, or a
6 distribution that is not includable in gross in-
7 come under section 529 of such Code, under
8 another prepaid tuition plan offered by a State,
9 or under a Coverdell education savings account
10 under section 530 of such Code,” after “1986”;
11 and

12 (B) by adding at the end the following:

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

16 (6) by adding at the end the following:

17 “(n) SPECIAL COMBAT PAY.—The term ‘special com-
18 bat pay’ means pay received by a member of the Armed
19 Forces because of exposure to a hazardous situation.”.

20 **SEC. 605. AUTHORIZATION AND APPROPRIATIONS.**

21 There are authorized to be appropriated, and there
22 are appropriated, out of any money in the Treasury not
23 otherwise appropriated, \$10,000,000 for fiscal year 2008
24 for the Department of Education to pay the estimated in-
25 crease in costs in the Federal Pell Grant program under

1 section 401 of the Higher Education Act of 1965 (20
2 U.S.C. 1070a) resulting from the amendments made by
3 sections 603 and 604 for award year 2007-2008.

4 **TITLE VII—GENERAL PROVI-**
5 **SIONS RELATING TO STU-**
6 **DENT ASSISTANCE**

7 **SEC. 701. STUDENT ELIGIBILITY.**

8 (a) AMENDMENTS.—Section 484(r) (20 U.S.C.
9 1091(r)) is amended—

10 (1) in the table in paragraph (1), by inserting
11 “while such student is enrolled in an institution of
12 higher education and receiving financial assistance
13 under this title” after “of a controlled substance”
14 each place the term appears;

15 (2) by redesignating paragraph (3) as para-
16 graph (4); and

17 (3) by inserting after paragraph (2) the fol-
18 lowing:

19 “(4) INTERACTION WITH FAFSA.—The Sec-
20 retary shall not require a student to provide infor-
21 mation regarding the student’s possession or sale of
22 a controlled substance on the Free Application for
23 Federal Student Aid (FAFSA) or any other finan-
24 cial reporting form described in section 483(a).”.

1 (b) AUTHORIZATION AND APPROPRIATIONS.—There
2 are authorized to be appropriated, and there are appro-
3 priated, out of any money in the Treasury not otherwise
4 appropriated, \$5,000,000 for fiscal year 2008 for the De-
5 partment of Education to pay the estimated increase in
6 costs in the Federal Pell Grant program under section 401
7 of the Higher Education Act of 1965 (20 U.S.C. 1070a)
8 resulting from the amendments made by subsection (a)
9 for award year 2007-2008.

10 **TITLE VIII—MISCELLANEOUS**

11 **SEC. 801. COMPETITIVE LOAN AUCTION PILOT PROGRAM.**

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

14 **“PART I—COMPETITIVE LOAN AUCTION PILOT** 15 **PROGRAM; STATE GRANT PROGRAM**

16 **“SEC. 499. COMPETITIVE LOAN AUCTION PILOT PROGRAM.**

17 “(a) DEFINITIONS.—In this section:

18 “(1) ELIGIBLE FEDERAL PLUS LOAN.—The
19 term ‘eligible Federal PLUS Loan’ means a loan de-
20 scribed in section 428B made to a parent of a de-
21 pendent student.

22 “(2) ELIGIBLE LENDER.—The term ‘eligible
23 lender’ has the meaning given the term in section
24 435.

1 “(b) PILOT PROGRAM.—The Secretary shall carry
2 out a pilot program under which the Secretary establishes
3 a mechanism for an auction of eligible Federal PLUS
4 Loans in accordance with this subsection. The pilot pro-
5 gram shall meet the following requirements:

6 “(1) PLANNING AND IMPLEMENTATION.—Dur-
7 ing the period beginning on the date of enactment
8 of this section and ending on June 30, 2009, the
9 Secretary shall plan and implement the pilot pro-
10 gram under this subsection.

11 “(2) ORIGATION AND DISBURSEMENT; APPLI-
12 CABILITY OF SECTION 428B.—Beginning on July 1,
13 2009, the Secretary shall arrange for the origination
14 and disbursement of all eligible Federal PLUS
15 Loans in accordance with the provisions of this sub-
16 section and the provisions of section 428B that are
17 not inconsistent with this subsection.

18 “(3) LOAN ORIGATION MECHANISM.—The
19 Secretary shall establish a loan origination auction
20 mechanism that meets the following requirements:

21 “(A) AUCTION.—The Secretary admin-
22 isters an auction under this paragraph for each
23 State under which eligible lenders compete to
24 originate eligible Federal PLUS Loans under

1 this paragraph at all institutions of higher edu-
2 cation within the State.

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

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

12 “(ii) an assessment of each such eligi-
13 ble lender’s capacity, including capital ca-
14 pacity, to participate effectively.

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

24 “(D) BIDS.—Each eligible lender’s bid
25 consists of the amount of the special allowance

1 payment (including the recapture of excess in-
2 terest) the eligible lender proposes to accept
3 from the Secretary with respect to the eligible
4 Federal PLUS Loans made under this para-
5 graph in lieu of the amount determined under
6 section 438(b)(2)(I).

7 “(E) MAXIMUM BID.—The maximum bid
8 allowable under this paragraph shall not exceed
9 the amount of the special allowance payable on
10 eligible Federal PLUS Loans made under this
11 paragraph computed under section 438(b)(2)(I)
12 (other than clauses (ii), (iii), and (iv) of such
13 section), except that for purposes of the com-
14 putation under this subparagraph, section
15 438(b)(2)(I)(iii) shall be applied by substituting
16 ‘1.74 percent’ for ‘2.34 percent’.

17 “(F) WINNING BIDS.—The winning bids
18 for each State auction shall be the 2 bids con-
19 taining the lowest and the second lowest pro-
20 posed special allowance payments, subject to
21 subparagraph (E).

22 “(G) AGREEMENT WITH SECRETARY.—
23 Each eligible lender having a winning bid under
24 subparagraph (F) enters into an agreement

1 with the Secretary under which the eligible
2 lender—

3 “(i) agrees to originate eligible Fed-
4 eral PLUS Loans under this paragraph to
5 each borrower who—

6 “(I) seeks an eligible Federal
7 PLUS Loan under this paragraph to
8 enable a dependent student to attend
9 an institution of higher education
10 within the State;

11 “(II) is eligible for an eligible
12 Federal PLUS Loan; and

13 “(III) elects to borrow from the
14 eligible lender; and

15 “(ii) agrees to accept a special allow-
16 ance payment (including the recapture of
17 excess interest) from the Secretary with re-
18 spect to the eligible Federal PLUS Loans
19 originated under clause (i) in the amount
20 proposed in the second lowest winning bid
21 described in subparagraph (F) for the ap-
22 plicable State auction.

23 “(H) SEALED BIDS; CONFIDENTIALITY.—
24 All bids are sealed and the Secretary keeps the

1 bids confidential, including following the an-
2 nouncement of the winning bids.

3 “(I) ELIGIBLE LENDER OF LAST RE-
4 SORT.—

5 “(i) IN GENERAL.—In the event that
6 there is no winning bid under subpara-
7 graph (F), the students at the institutions
8 of higher education within the State that
9 was the subject of the auction shall be
10 served by an eligible lender of last resort,
11 as determined by the Secretary.

12 “(ii) DETERMINATION OF ELIGIBLE
13 LENDER OF LAST RESORT.—Prior to the
14 start of any auction under this paragraph,
15 eligible lenders that desire to serve as an
16 eligible lender of last resort shall submit
17 an application to the Secretary at such
18 time and in such manner as the Secretary
19 may determine. Such application shall in-
20 clude an assurance that the eligible lender
21 will meet the prequalification requirements
22 described in subparagraph (B).

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

1 “(iv) NOTIFICATION TIMING.—The
2 Secretary shall not identify any eligible
3 lender of last resort until after the an-
4 nouncement of all the winning bids for a
5 State auction for any year.

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

13 “(K) CONSOLIDATION.—

14 “(i) IN GENERAL.—An eligible lender
15 who is permitted to originate eligible Fed-
16 eral PLUS Loans for a borrower under
17 this paragraph shall have the option to
18 consolidate such loans into 1 loan.

19 “(ii) NOTIFICATION.—In the event a
20 borrower with eligible Federal PLUS
21 Loans made under this paragraph wishes
22 to consolidate the loans, the borrower shall
23 notify the eligible lender who originated
24 the loans under this paragraph.

1 “(iii) LIMITATION ON ELIGIBLE LEND-
2 ER OPTION TO CONSOLIDATE.—The option
3 described in clause (i) shall not apply if—

4 “(I) the borrower includes in the
5 notification in clause (ii) verification
6 of consolidation terms and conditions
7 offered by an eligible lender other
8 than the eligible lender described in
9 clause (i); and

10 “(II) not later than 10 days after
11 receiving such notification from the
12 borrower, the eligible lender described
13 in clause (i) does not agree to match
14 such terms and conditions, or provide
15 more favorable terms and conditions
16 to such borrower than the offered
17 terms and conditions described in sub-
18 clause (I).

19 “(iv) CONSOLIDATION OF ADDITIONAL
20 LOANS.—If a borrower has a Federal Di-
21 rect PLUS Loan or a loan made on behalf
22 of a dependent student under section 428B
23 and seeks to consolidate such loan with an
24 eligible Federal PLUS Loan made under
25 this paragraph, then the eligible lender

1 that originated the borrower’s loan under
2 this paragraph may include in the consoli-
3 dation under this subparagraph a Federal
4 Direct PLUS Loan or a loan made on be-
5 half of a dependent student under section
6 428B, but only if—

7 “(I) in the case of a Federal Di-
8 rect PLUS Loan, the eligible lender
9 agrees, not later than 10 days after
10 the borrower requests such consolida-
11 tion from the lender, to match the
12 consolidation terms and conditions
13 that would otherwise be available to
14 the borrower if the borrower consoli-
15 dated such loans in the loan program
16 under part D; or

17 “(II) in the case of a loan made
18 on behalf of a dependent student
19 under section 428B, the eligible lender
20 agrees, not later than 10 days after
21 the borrower requests such consolida-
22 tion from the lender, to match the
23 consolidation terms and conditions of-
24 fered by an eligible lender other than
25 the eligible lender that originated the

1 borrower's loans under this para-
2 graph.

3 “(v) SPECIAL ALLOWANCE ON CON-
4 SOLIDATION LOANS THAT INCLUDE LOANS
5 MADE UNDER THIS PARAGRAPH.—The ap-
6 plicable special allowance payment for
7 loans consolidated under this paragraph
8 shall be equal to the lesser of—

9 “(I) the weighted average of the
10 special allowance payment on such
11 loans, except that such weighted aver-
12 age shall exclude the special allowance
13 payment for any Federal Direct
14 PLUS Loan included in the consolida-
15 tion; or

16 “(II) the result of—

17 “(aa) the average of the
18 bond equivalent rates of the
19 quotes of the 3-month commer-
20 cial paper (financial) rates in ef-
21 fect for each of the days in such
22 quarter as reported by the Fed-
23 eral Reserve in Publication H-15
24 (or its successor) for such 3-
25 month period; plus

1 “(bb) 1.59 percent.

2 “(c) COLLEGE ACCESS PARTNERSHIP GRANT PRO-
3 GRAM.—

4 “(1) PURPOSE.—It is the purpose of this sub-
5 section to make payments to States to assist the
6 States in carrying out activities described in para-
7 graph (7) in order to increase access to higher edu-
8 cation for students in the State.

9 “(2) AUTHORIZATION AND APPROPRIATIONS.—
10 There are authorized to be appropriated, and there
11 are appropriated, \$25,000,000 for each of the fiscal
12 years 2008 and 2009 to the Secretary for the pur-
13 pose of awarding grants to States under this sub-
14 section.

15 “(3) PROGRAM AUTHORIZED.—

16 “(A) GRANTS AUTHORIZED.—From
17 amounts appropriated under paragraph (2), the
18 Secretary shall award grants, from allotments
19 under paragraph (4), to States having applica-
20 tions approved under paragraph (5), to enable
21 the State to pay the Federal share of the costs
22 of carrying out the activities and services de-
23 scribed in paragraph (7).

24 “(B) FEDERAL SHARE; NON-FEDERAL
25 SHARE.—

1 “(i) FEDERAL SHARE.—The amount
2 of the Federal share under this subsection
3 for a fiscal year shall be equal to $\frac{2}{3}$ of the
4 costs of the activities and services de-
5 scribed in paragraph (7).

6 “(ii) NON-FEDERAL SHARE.—The
7 amount of the non-Federal share under
8 this subsection shall be equal to $\frac{1}{3}$ of the
9 costs of the activities and services de-
10 scribed in paragraph (7). The non-Federal
11 share may be in cash or in-kind, and may
12 be provided from a combination of State
13 resources and contributions from private
14 organizations in the State.

15 “(C) REDUCTION FOR FAILURE TO PAY
16 NON-FEDERAL SHARE.—If a State fails to pro-
17 vide the full non-Federal share required under
18 this paragraph, the Secretary shall reduce the
19 amount of the grant payment under this sub-
20 section accordingly.

21 “(D) TEMPORARY INELIGIBILITY FOR SUB-
22 SEQUENT PAYMENTS.—

23 “(i) IN GENERAL.—The Secretary
24 shall determine a State to be temporarily

1 ineligible to receive a grant payment under
2 this subsection for a fiscal year if—

3 “(I) the State fails to submit an
4 annual report pursuant to paragraph
5 (9) for the preceding fiscal year; or

6 “(II) the Secretary determines,
7 based on information in such annual
8 report, that the State is not effectively
9 meeting the conditions described
10 under paragraph (8) and the goals of
11 the application under paragraph (5).

12 “(ii) REINSTATEMENT.—If the Sec-
13 retary determines a State is ineligible
14 under clause (i), the Secretary may enter
15 into an agreement with the State setting
16 forth the terms and conditions under which
17 the State may regain eligibility to receive
18 payments under this subsection.

19 “(4) DETERMINATION OF ALLOTMENT.—

20 “(A) AMOUNT OF ALLOTMENT.—Subject
21 to subparagraph (B), in making grant pay-
22 ments to States under this subsection, the allot-
23 ment to each State for a fiscal year shall be
24 equal to the sum of—

1 “(i) the amount that bears the same
2 relation to 50 percent of the amounts ap-
3 propriated under paragraph (2) for such
4 fiscal year as the number of residents in
5 the State aged 5 through 17 who are living
6 below the poverty line applicable to the
7 resident’s family size (as determined under
8 section 673(2) of the Community Service
9 Block Grant Act) bears to the total num-
10 ber of such residents in all States; and

11 “(ii) the amount that bears the same
12 relation to 50 percent of the amount ap-
13 propriated under paragraph (2) for such
14 fiscal year as the number of residents in
15 the State aged 15 through 44 who are liv-
16 ing below the poverty line applicable to the
17 individual’s family size (as determined
18 under section 673(2) of the Community
19 Service Block Grant Act) bears to the total
20 number of such residents in all States.

21 “(B) MINIMUM AMOUNT.—No State shall
22 receive an allotment under this subsection for a
23 fiscal year in an amount that is less than $\frac{1}{2}$ of
24 1 percent of the total amount appropriated
25 under paragraph (2) for such fiscal year.

1 “(5) SUBMISSION AND CONTENTS OF APPLICA-
2 TION.—

3 “(A) IN GENERAL.—For each fiscal year
4 for which a State desires a grant payment
5 under paragraph (3), the State agency with ju-
6 risdiction over higher education, or another
7 agency designated by the Governor of the State
8 to administer the program under this sub-
9 section, shall submit an application to the Sec-
10 retary at such time, in such manner, and con-
11 taining the information described in subpara-
12 graph (B).

13 “(B) APPLICATION.—An application sub-
14 mitted under subparagraph (A) shall include
15 the following:

16 “(i) A description of the State’s ca-
17 pacity to administer the grant under this
18 subsection and report annually to the Sec-
19 retary on the activities and services de-
20 scribed in paragraph (7).

21 “(ii) A description of the State’s plan
22 for using the grant funds to meet the re-
23 quirements of paragraphs (7) and (8), in-
24 cluding plans for how the State will make
25 special efforts to provide such benefits to

1 students in the State that are underrep-
2 resented in postsecondary education.

3 “(iii) A description of how the State
4 will provide or coordinate the non-Federal
5 share from State and private funds, if ap-
6 plicable.

7 “(iv) A description of the existing
8 structure that the State has in place to ad-
9 minister the activities and services under
10 paragraph (7) or the plan to develop such
11 administrative capacity.

12 “(6) PAYMENT TO ELIGIBLE NONPROFIT ORGA-
13 NIZATIONS.—A State receiving a payment under this
14 subsection may elect to make a payment to 1 or
15 more eligible nonprofit organizations, including an
16 eligible not-for-profit holder (as defined in section
17 438(p)), or a partnership of such organizations, in
18 the State in order to carry out activities or services
19 described in paragraph (7), if the eligible nonprofit
20 organization or partnership—

21 “(A) was in existence as of the date of en-
22 actment of the Higher Education Access Act of
23 2007; and

24 “(B) as of the time of such payment, is
25 participating in activities and services related to

1 increasing access to higher education, such as
2 those activities and services described in para-
3 graph (7).

4 “(7) ALLOWABLE USES.—

5 “(A) IN GENERAL.—Subject to subpara-
6 graph (C), a State may use a grant payment
7 under this subsection only for the following ac-
8 tivities and services, pursuant to the conditions
9 under paragraph (8):

10 “(i) Information for students and
11 families on the benefits of a postsecondary
12 education, postsecondary education oppor-
13 tunities, planning for postsecondary edu-
14 cation, and career preparation.

15 “(ii) Information on financing options
16 for postsecondary education and activities
17 that promote financial literacy and debt
18 management among students and families.

19 “(iii) Outreach activities for students
20 who may be at risk of not enrolling in or
21 completing postsecondary education.

22 “(iv) Assistance in completion of the
23 Free Application for Federal Student Aid
24 or other common financial reporting form
25 under section 483.

1 “(v) Need-based grant aid for stu-
2 dents.

3 “(vi) Professional development for
4 guidance counselors at middle schools and
5 secondary schools, and financial aid admin-
6 istrators and college admissions counselors
7 at institutions of higher education, to im-
8 prove such individuals’ capacity to assist
9 students and parents with—

10 “(I) understanding—

11 “(aa) entrance requirements
12 for admission to institutions of
13 higher education; and

14 “(bb) State eligibility re-
15 quirements for Academic Com-
16 petitiveness Grants or National
17 SMART Grants under section
18 401A, and other financial assist-
19 ance that is dependent upon a
20 student’s coursework;

21 “(II) applying to institutions of
22 higher education;

23 “(III) applying for Federal stu-
24 dent financial assistance and other

1 State, local, and private student fi-
2 nancial assistance and scholarships;

3 “(IV) activities that increase stu-
4 dents’ ability to successfully complete
5 the coursework required for a postsec-
6 ondary degree, including such activi-
7 ties as tutoring or mentoring; and

8 “(V) activities to improve sec-
9 ondary school students’ preparedness
10 for postsecondary entrance examina-
11 tions.

12 “(vii) Student loan cancellation or re-
13 payment (as applicable), or interest rate
14 reductions, for borrowers who are em-
15 ployed in a high-need geographical area or
16 a high-need profession in the State, as de-
17 termined by the State.

18 “(B) PROHIBITED USES.—Funds made
19 available under this subsection shall not be used
20 to promote any lender’s loans.

21 “(C) USE OF FUNDS FOR ADMINISTRATIVE
22 PURPOSES.—A State may use not more than 2
23 percent of the total amount of the Federal
24 share and non-Federal share provided under

1 this subsection for administrative purposes re-
2 lating to the grant under this subsection.

3 “(8) SPECIAL CONDITIONS.—

4 “(A) AVAILABILITY TO STUDENTS AND
5 FAMILIES.—A State receiving a grant payment
6 under this subsection shall—

7 “(i) make the activities and services
8 described in clauses (i) through (vi) of
9 paragraph (7)(A) that are funded under
10 the payment available to all qualifying stu-
11 dents and families in the State;

12 “(ii) allow students and families to
13 participate in the activities and services
14 without regard to—

15 “(I) the postsecondary institution
16 in which the student enrolls;

17 “(II) the type of student loan the
18 student receives;

19 “(III) the servicer of such loan;
20 or

21 “(IV) the student’s academic per-
22 formance;

23 “(iii) not charge any student or par-
24 ent a fee or additional charge to partici-
25 pate in the activities or services; and

1 “(iv) in the case of an activity pro-
2 viding grant aid, not require a student to
3 meet any condition other than eligibility
4 for Federal financial assistance under this
5 title, except as provided for in the loan
6 cancellation or repayment or interest rate
7 reductions described in paragraph
8 (7)(A)(vii).

9 “(B) PRIORITY.—A State receiving a grant
10 payment under this subsection shall, in carrying
11 out any activity or service described in para-
12 graph (7)(A) with grant funds, prioritize stu-
13 dents and families who are living below the pov-
14 erty line applicable to the individual’s family
15 size (as determined under section 673(2) of the
16 Community Service Block Grant Act).

17 “(C) DISCLOSURES.—

18 “(i) ORGANIZATIONAL DISCLO-
19 SURES.—In the case of a State that has
20 chosen to make a payment to an eligible
21 not-for-profit holder in the State in accord-
22 ance with paragraph (6), the holder shall
23 clearly and prominently indicate the name
24 of the holder and the nature of its work in
25 connection with any of the activities car-

1 ried out, or any information or services
2 provided, with such funds.

3 “(ii) INFORMATIONAL DISCLO-
4 SURES.—Any information about financing
5 options for higher education provided
6 through an activity or service funded under
7 this subsection shall—

8 “(I) include information to stu-
9 dents and the students’ parents of the
10 availability of Federal, State, local, in-
11 stitutional, and other grants and loans
12 for postsecondary education; and

13 “(II) present information on fi-
14 nancial assistance for postsecondary
15 education that is not provided under
16 this title in a manner that is clearly
17 distinct from information on student
18 financial assistance under this title.

19 “(D) COORDINATION.—A State receiving a
20 payment under this subsection shall attempt to
21 coordinate the activities carried out with such
22 funds with any existing activities that are simi-
23 lar to such activities, and with any other enti-
24 ties that support the existing activities in the
25 State.

1 “(9) REPORT.—A State receiving a payment
2 under this subsection shall prepare and submit an
3 annual report to the Secretary on the program
4 under this subsection and on the implementation of
5 the activities and services described in paragraph
6 (7). The report shall include—

7 “(A) each activity or service that was pro-
8 vided to students and families over the course
9 of the year;

10 “(B) the cost of providing each activity or
11 service;

12 “(C) the number, and percentage, if fea-
13 sible and applicable, of students who received
14 each activity or service; and

15 “(D) the total contributions from private
16 organizations included in the State’s non-Fed-
17 eral share for the fiscal year.

18 “(10) SUNSET.—The authority provided to
19 carry out this subsection shall expire on September
20 30, 2009.”.