

110TH CONGRESS
2D SESSION

S. _____

To amend the Higher Education Act of 1965 in order to increase unsubsidized Stafford loan limits for undergraduate students, provide for a secondary market for FFEL loans, allow for the in-school deferment of PLUS loans, augment the maximum Federal Pell Grant for the lowest income students, and expand the number of students eligible to obtain loans under the lender-of-last-resort program, and for other purposes.

IN THE SENATE OF THE UNITED STATES

_____ introduced the following bill; which was read twice
and referred to the Committee on _____

A BILL

To amend the Higher Education Act of 1965 in order to increase unsubsidized Stafford loan limits for undergraduate students, provide for a secondary market for FFEL loans, allow for the in-school deferment of PLUS loans, augment the maximum Federal Pell Grant for the lowest income students, and expand the number of students eligible to obtain loans under the lender-of-last-resort program, and for other purposes.

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

1 **SECTION 1. INCREASING UNSUBSIDIZED STAFFORD LOAN**
2 **LIMITS FOR UNDERGRADUATE STUDENTS.**

3 (a) AMENDMENTS.—Section 428H(d) of the Higher
4 Education Act of 1965 (20 U.S.C. 1078–8(d)) is amend-
5 ed—

6 (1) in paragraph (1), by striking “paragraphs
7 (2) and (3)” and inserting “paragraphs (2) through
8 (5)”; and

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

10 “(4) ANNUAL AND AGGREGATE LIMITS FOR UN-
11 DERGRADUATE DEPENDENT STUDENTS.—

12 “(A) ANNUAL LIMITS.—The maximum an-
13 nual amount of loans under this section an un-
14 dergraduate dependent student (except an un-
15 dergraduate dependent student whose parents
16 are unable to borrow under section 428B or the
17 Federal Direct PLUS Loan Program) may bor-
18 row in any academic year (as defined in section
19 481(a)(2)) or its equivalent shall be the sum of
20 the amount determined under paragraph (1),
21 plus \$1,000.

22 “(B) AGGREGATE LIMITS.—The maximum
23 aggregate amount of loans under this section a
24 student described in subparagraph (A) may
25 borrow shall be \$29,500. Interest capitalized

1 year, the maximum annual loan
2 amount that such student may receive
3 may not exceed the amount that bears
4 the same ratio to the amount specified
5 in clause (i) as the length of such pro-
6 gram measured in semester, trimester,
7 quarter, or clock hours bears to one
8 academic year;

9 “(ii) in the case of such a student at
10 an eligible institution who has successfully
11 completed such first and second years but
12 has not successfully completed the remain-
13 der of a program of undergraduate edu-
14 cation—

15 “(I) \$7,000; or

16 “(II) if such student is enrolled
17 in a program of undergraduate edu-
18 cation, the remainder of which is less
19 than one academic year, the maximum
20 annual loan amount that such student
21 may receive may not exceed the
22 amount that bears the same ratio to
23 the amount specified in subclause (I)
24 as such remainder measured in semes-

1 ter, trimester, quarter, or clock hours
2 bears to one academic year; and

3 “(iii) in the case of such a student en-
4 rolled in coursework specified in sections
5 484(b)(3)(B) and 484(b)(4)(B), \$6,000 for
6 coursework necessary for enrollment in an
7 undergraduate degree or certificate pro-
8 gram.

9 “(B) AGGREGATE LIMITS.—The maximum
10 aggregate amount of loans under this section a
11 student described in subparagraph (A) may
12 borrow shall be \$57,500. Interest capitalized
13 shall not be deemed to exceed such maximum
14 aggregate amount.”.

15 (b) CONFORMING AMENDMENTS.—Section 428H(d)
16 of the Higher Education Act of 1965 (as amended by sub-
17 section (a)) (20 U.S.C. 1078–8(d)) is further amended—

18 (1) in paragraph (2)—

19 (A) in the paragraph heading, by striking
20 “INDEPENDENT, GRADUATE,” and inserting
21 “GRADUATE”;

22 (B) in the matter preceding subparagraph
23 (A), by striking “an independent student” and
24 all that follows through “Program)” and insert-

1 ing “a student who is a graduate or profes-
2 sional student”;

3 (C) by striking subparagraphs (A) and
4 (B);

5 (D) in subparagraph (D)—

6 (i) in the matter preceding clause (i),
7 by inserting “graduate” before “student”;

8 (ii) in clause (i), by striking “\$4,000”
9 and all that follows through “degree,”; and

10 (iii) in clause (ii), by striking “in the
11 case” and all that follows through “de-
12 gree,”; and

13 (E) by redesignating subparagraphs (C)
14 and (D) (as amended by subparagraph (D)) as
15 subparagraphs (A) and (B), respectively; and

16 (2) in the paragraph heading of paragraph (3),
17 by striking “INDEPENDENT, GRADUATE,” and insert-
18 ing “GRADUATE”.

19 **SEC. 2. IN-SCHOOL DEFERMENT OF PLUS LOANS.**

20 Section 428B(d)(1) of the Higher Education Act of
21 1965 (20 U.S.C. 1078–2(d)(1)) is amended—

22 (1) by striking “deferral during” and inserting
23 “deferral—

24 “(B) during”; and

1 (2) by inserting before subparagraph (B) (as
2 added by paragraph (1)) the following:

3 “(A) in the case of the parents of a de-
4 pendent student, until the student ceases to be
5 enrolled in an undergraduate program of study
6 at an institution of higher education on at least
7 a half-time basis; or”.

8 **SEC. 3. SECONDARY MARKET OF LAST RESORT.**

9 (a) IN GENERAL.—Part B of title IV of the Higher
10 Education Act of 1965 (20 U.S.C. 1071 et seq.) is amend-
11 ed by adding at the end the following:

12 **“SEC. 440B. SECONDARY MARKET OF LAST RESORT.**

13 “(a) IN GENERAL.—Notwithstanding any other pro-
14 vision of this Act and subject to subsections (b), (c), and
15 (d), the Secretary—

16 “(1) shall serve as the secondary market of last
17 resort for loans under section 428, 428B, 428C, or
18 428H;

19 “(2) shall buy any such loan that an eligible
20 lender wishes to sell to the Secretary, at a price
21 equal to the sum of—

22 “(A) the total of the outstanding principal
23 of such loan and any accrued, unpaid interest
24 due on such loan; and

1 “(B) a premium in the amount equal to
2 the cost of originating a similar loan under part
3 D;

4 “(3) shall hold and service such loan under sec-
5 tion 428, 428B, 428C or 428H in the same manner
6 as the Secretary holds and services similar loans
7 under part D; and

8 “(4) may not alter the terms and conditions of
9 a promissory note of such loan under section 428,
10 428B, 428C, or 428H except as necessary to comply
11 with paragraphs (1) through (3), and shall not re-
12 quire the execution of a new promissory note.

13 “(b) REPRESENTATIVE SUBSET OF LOANS.—An eli-
14 gible lender that wishes to sell to the Secretary loans
15 under section 428, 428B, 428C, or 428H, that do not rep-
16 resent 100 percent of all loans under such sections that
17 are held by the lender, shall offer for sale to the Secretary
18 a subset of the loans under such sections held by the lend-
19 er that is representative (including representative with re-
20 spect to risk of default) of the lender’s total portfolio of
21 loans under such sections.

22 “(c) SUNSET PROVISION.—

23 “(1) IN GENERAL.—Except as provided in para-
24 graph (2), the authority provided to the Secretary
25 under subsection (a) shall expire on July 1, 2009.

1 “(2) EXTENSION.—If the Secretary determines
2 that economic circumstances necessitate extending
3 the authority provided under subsection (a) in order
4 to continue to ensure timely, uninterrupted access to
5 student loans, the Secretary may extend the sunset
6 provision under paragraph (1). The Secretary may
7 make multiple extensions under this paragraph, ex-
8 cept that each such extension may not be for a pe-
9 riod of more than 12 months.”.

10 (b) EFFECTIVE DATE.—The amendment made by
11 subsection (a) shall take effect on the date of enactment
12 of this Act.

13 **SEC. 4. NEGATIVE EXPECTED FAMILY CONTRIBUTION.**

14 (a) DEPENDENT STUDENTS.—Section 475 of the
15 Higher Education Act of 1965 (20 U.S.C. 108700) is
16 amended—

17 (1) in subsection (b)(3)—

18 (A) in subparagraph (C)—

19 (i) by striking “dividing the assess-
20 ment resulting under paragraph (2)” and
21 inserting “if the amount of the assessment
22 resulting under paragraph (2) is a positive
23 number, dividing such assessment”; and

24 (ii) by striking the semicolon and in-
25 serting a period; and

1 (B) by striking the matter following sub-
2 paragraph (C); and

3 (2) in subsection (g)(6), by inserting “and the
4 absolute value of the amount of the lowest assess-
5 ment of adjusted available income in the table de-
6 scribed in section 475(e) (or a successor table pre-
7 scribed by the Secretary under section 478),” after
8 “subsection (e)(1)”.

9 (b) INDEPENDENT STUDENTS WITHOUT DEPEND-
10 ENTS OTHER THAN A SPOUSE.—Section 476 of the High-
11 er Education Act of 1965 (20 U.S.C. 1087pp) is amend-
12 ed—

13 (1) in subsection (a)—

14 (A) in paragraph (2), by striking “dividing
15 the sum resulting under paragraph (1)” and in-
16 serting “if the sum resulting under paragraph
17 (1) is a positive number, dividing such sum”;
18 and

19 (B) in the matter following paragraph
20 (3)(B), by striking “less than zero” and insert-
21 ing “less than the amount of the lowest assess-
22 ment of adjusted available income in the table
23 described in section 477(d) (or a successor table
24 prescribed by the Secretary under section
25 478)”;

1 (2) in paragraph (b)(5), by inserting before the
2 period at the end “, except that in no case shall the
3 assessed amount be less than the amount of the low-
4 est assessment of adjusted available income in the
5 table described in section 477(d) (or a successor
6 table prescribed by the Secretary under section
7 478).”.

8 (c) INDEPENDENT STUDENTS WITH DEPENDENTS
9 OTHER THAN A SPOUSE.—Section 477(a) of the Higher
10 Education Act of 1965 (20 U.S.C. 1087qq(a)) is amend-
11 ed—

12 (1) in paragraph (3), by striking “dividing the
13 assessment resulting under paragraph (2)” and in-
14 serting “if the amount of the assessment resulting
15 under paragraph (2) is a positive number, dividing
16 such assessment”;

17 (2) in paragraph (4)(B), by striking the semi-
18 colon and inserting a period; and

19 (3) by striking the matter following paragraph
20 (4)(B).

21 (d) ASSESSMENT SCHEDULES AND RATES.—Section
22 478(e)(1) of the Higher Education Act of 1965 (20 U.S.C.
23 1087rr(e)(1)) is amended by striking “increasing” and in-
24 serting “adjusting”.

25 (e) SIMPLIFIED NEEDS TESTS.—

1 (1) SIMPLIFIED NEEDS TESTS.—Section 479(c)
2 of the Higher Education Act of 1965 (20 U.S.C.
3 1087ss) is further amended—

4 (A) in the subsection heading, by striking
5 “EXPECTED”; and

6 (B) in the matter preceding paragraph (1),
7 by striking “equal to zero” and inserting “equal
8 to the amount of the lowest assessment of ad-
9 justed available income in the table described in
10 section 477(d) (or a successor table prescribed
11 by the Secretary under section 478)”.

12 (2) CONFORMING AMENDMENTS TO THE COL-
13 LEGE COST REDUCTION AND ACCESS ACT.—

14 (A) AMENDMENT.—Section 602(a)(3) of
15 the College Cost Reduction and Access Act
16 (Public Law 110–84) is amended in the quoted
17 material inserted by subparagraph (C), by
18 striking “zero expected family contribution”
19 and inserting “expected family contribution
20 under this subsection.”.

21 (B) EFFECTIVE DATE.—The amendment
22 made by subparagraph (A) shall take effect on
23 July 1, 2009, as if enacted on the date of en-
24 actment of the College Cost Reduction and Ac-
25 cess Act (Public Law 110–84).

1 (f) FEDERAL PELL GRANTS.—Section 401(b) of the
2 Higher Education Act of 1965 (20 U.S.C. 1070a(b)) is
3 amended by inserting after paragraph (7) the following:

4 “(8) INCREASED AMOUNT FOR STUDENTS WITH
5 NEGATIVE EXPECTED FAMILY CONTRIBUTION.—

6 “(A) IN GENERAL.—Notwithstanding para-
7 graph (2)(A) and any other provision of law and
8 subject to subparagraph (B) and (C), in the case of
9 a student whose expected family contribution is a
10 negative number, such student shall be eligible for a
11 Federal Pell Grant under this section in the amount
12 equal to the sum of—

13 “(i) the maximum Federal Pell Grant for
14 which a student shall be eligible during an
15 award year, as specified in the last enacted ap-
16 propriation Act applicable to that award year;

17 “(ii) the Federal Pell Grant increase de-
18 scribed in paragraph (9) applicable to that
19 award year; and

20 “(iii) an additional amount equal to the
21 absolute value of the student’s expected family
22 contribution.

23 “(B) COST OF ATTENDANCE LIMIT.—Notwith-
24 standing paragraph (3), in the case of a student
25 whose expected family contribution is a negative

1 number, the student's Federal Pell Grant under this
2 subpart, as calculated under subparagraph (A), shall
3 not exceed the student's cost of attendance at such
4 institution, and if the amount of the student's Fed-
5 eral Pell Grant exceeds such cost of attendance for
6 that year, such amount shall be reduced accordingly.

7 “(C) FORMULA OTHERWISE UNAFFECTED.—
8 Except as provided in subparagraphs (A) and (B),
9 nothing in this paragraph shall be construed to alter
10 the requirements of this section, or authorize the im-
11 position of additional requirements, for the deter-
12 mination and allocation of Federal Pell Grants
13 under this section.”.

14 **SEC. 5. LENDER-OF-LAST-RESORT.**

15 (a) IN GENERAL.—Section 428(j) of the Higher Edu-
16 cation Act of 1965 (20 U.S.C. 1078(j)) is amended—

17 (1) in the first sentence of paragraph (1), by
18 striking “part.” and inserting “part or who attend
19 an institution of higher education in the State that
20 is designated under paragraph (4).”;

21 (2) in paragraph (2)(B), by inserting “, in the
22 case of students applying for loans under this sub-
23 section because of an inability to otherwise obtain
24 loans under this part,” after “lender, nor”;

25 (3) in paragraph (3)(C)—

1 (A) in the first sentence, by inserting “or
2 designates an institution of higher education for
3 participation in the program under this sub-
4 section under paragraph (4),” after “under this
5 part”; and

6 (B) in the third sentence, by inserting “or
7 to eligible borrowers who attend an institution
8 in the State that is designated under paragraph
9 (4)” after “problems”; and

10 (4) by adding at the end the following:

11 “(4) INSTITUTION-WIDE STUDENT QUALIFICA-
12 TION.—Upon the request of an institution of higher
13 education, the Secretary shall designate such institu-
14 tion for participation in the lender-of-last-resort pro-
15 gram under this paragraph in the State where the
16 institution is located. If the Secretary designates an
17 institution under this paragraph, the guaranty agen-
18 cy shall make loans, in the same manner as such
19 loans are made under paragraph (1), to students of
20 the designated institution who are eligible to receive
21 interest benefits paid on the students’ behalf under
22 subsection (a) of this section, regardless of whether
23 the students are otherwise unable to obtain loans
24 under this part.”.

1 (b) **EFFECTIVE DATE.**—The amendments made by
2 subsection (a) shall take effect on the date of enactment
3 of this Act.

4 **SEC. 6. MANDATORY ADVANCES.**

5 (a) **IN GENERAL.**—Section 421(b) of the Higher
6 Education Act of 1965 (20 U.S.C. 1071(b)) is amended—

7 (1) in paragraph (4), by striking “programs,
8 and” and inserting “programs,”;

9 (2) in paragraph (5), by striking “agencies.”
10 and inserting “agencies, and”; and

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

12 “(6) there is authorized to be appropriated, and
13 there are appropriated, out of any money in the
14 Treasury not otherwise appropriated, such sums as
15 may be necessary for the purpose of carrying out
16 section 427(c)(7).”.

17 (b) **EFFECTIVE DATE.**—The amendments made by
18 subsection (a) shall take effect on the date of enactment
19 of this Act.

20 **SEC. 7. EFFECTIVE DATE.**

21 Except as otherwise provided, the amendments made
22 by this Act shall take effect on July 1, 2008.