To amend the Higher Education Act of 1965 to simplify the delivery of student loans to borrowers and eliminate borrower confusion; to provide a variety of repayment plans, including income contingent repayment through the EXCEL account, to borrowers so that they have flexibility in managing their student loan repayment obligations, and so that those obligations do not foreclose community service-oriented career choices for those borrowers; to replace, through an orderly transition, the Federal Family Education Loan Program with the Federal Direct Student Loan Program; to avoid the unnecessary cost, to taxpayers and borrowers, and administrative complexity associated with the Federal Family Education Loan Program through the use of a direct student loan program, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 6 (legislative day, APRIL 19), 1993

Mr. KENNEDY (for himself, Mr. SIMON, Mr. DURENBERGER, Mr. WELLSTONE, Mr. LIEBERMAN, Mr. BRADLEY, and Mr. RIEGLE) (by request) introduced the following bill; which was read twice and referred to the Committee on Labor and Human Resources

A BILL

To amend the Higher Education Act of 1965 to simplify the delivery of student loans to borrowers and eliminate borrower confusion; to provide a variety of repayment plans, including income contingent repayment through the EXCEL account, to borrowers so that they have flexibility in managing their student loan repayment obligations, and so that those obligations do not foreclose community service-oriented career choices for those bor-
rowers; to replace, through an orderly transition, the Federal Family Education Loan Program with the Federal Direct Student Loan Program; to avoid the unnecessary cost, to taxpayers and borrowers, and administrative complexity associated with the Federal Family Education Loan Program through the use of a direct student loan program, and for other purposes.

Be it enacted by the Senate and House of Representa-
tives of the United States of America in Congress assembled,
That this Act may be cited as the “Student Loan Reform
Act of 1993”.

TITLE I—AMENDMENTS TO FEDERAL DIRECT
LOAN DEMONSTRATION PROGRAM

SECT. 111. Part D of title IV of the Higher Education
Act of 1965 (20 U.S.C. 1001 et seq.; hereinafter referred
to as “the Act”) is amended in the part heading—
(1) by inserting “STUDENT” immediately fol-
lowing “DIRECT”; and
(2) by striking out “DEMONSTRATION”.

SECT. 112. Section 451 of the Act is amended to read
as follows:
“PURPOSE; PROGRAM AUTHORIZATION
“SECT. 451. (a) PURPOSE.—It is the purpose of this
part—
“(1) to simplify the delivery of student loans to borrowers and eliminate borrower confusion;

“(2) to provide a variety of repayment plans, including income contingent repayment through the EXCEL account, to borrowers so that they have flexibility in managing their student loan repayment obligations, and so that those obligations do not foreclose community service-oriented career choices for those borrowers;

“(3) to replace, through an orderly transition, the Federal Family Education Loan Program under part B of this title with the Federal Direct Student Loan Program under this part;

“(4) to avoid the unnecessary cost, to taxpayers and borrowers, and administrative complexity associated with the Federal Family Education Loan Program under part B of this title through the use of a direct student loan program; and

“(5) to create a more streamlined student loan program that can be managed more effectively at the Federal level.

“(b) PROGRAM AUTHORITY.—There are hereby made available, in accordance with the provisions of this part, such sums as may be necessary to make loans to all eligible students in attendance at participating institutions of
higher education selected by the Secretary (and the eligible parents of such students), to enable such students to pursue their courses of study at such institutions during the period beginning July 1, 1994, and ending on June 30, 1998. Such loans shall be made by participating institutions that also have agreements with the Secretary to originate loans, or by alternative originators designated by the Secretary to make loans for students in attendance at participating institutions (and their parents).”.

FUNDS FOR ORIGINATION OF DIRECT STUDENT LOANS

Sec. 113. Section 452 of the Act is amended to read as follows:

"FUNDS FOR ORIGINATION OF DIRECT STUDENT LOANS

"Sec. 452. (a) IN GENERAL.—The Secretary shall provide funds for student and parent loans under this part (1) directly to an institution of higher education that has an agreement with the Secretary under section 454(a) to participate in the direct student loan programs under this part and that also has an agreement with the Secretary under section 454(b) to originate loans under this part, or (2) through an alternative originator designated by the Secretary, on the basis of the need and the eligibility of students at each participating institution, and parents of such students, for such loans.

"(b) FEES FOR ORIGINATION SERVICES.—(1) The Secretary shall pay fees to institutions of higher education
with agreements under section 454(b), in an amount established by the Secretary, to assist in meeting the costs of loan origination. Such fees—

"(A) shall be paid by the Secretary based on all the loans made under this part to a particular borrower in the same academic year;

"(B) shall be subject to a sliding scale that decreases the amount of such fees as the number of borrowers increases; and

"(C)(i) for academic year 1994-1995, shall not exceed a program-wide average of $10 per borrower for all the loans made under this part to such borrower in the same academic year; and

"(ii) for succeeding academic years, the Secretary shall establish such average fee in regulations.

"(2) The Secretary shall pay fees for loan origination services to alternative originators of loans made under this part in an amount established by the Secretary in accordance with the terms of the contract between the Secretary and each such alternative originator.

"(c) NO ENTITLEMENT TO PARTICIPATE OR ORIGINATE.—No institution of higher education shall have a right to participate in the programs authorized by this part, originate loans, or perform any program function under this part. Nothing in this subsection shall be con-
strued so as to limit the entitlement of an eligible student
attending a participating institution (or the eligible parent
of such student) to borrow under this part.”

SEC. 114. Section 453 of the Act is amended—

(1) by amending subsections (a) and (b) to read
as follows:

“(a) PHASE-IN OF PROGRAM.—(1)(A) The Secretary
shall enter into agreements pursuant to section 454(a)
with institutions of higher education to participate in the
direct student loan programs under this part, and agree-
ments pursuant to section 454(b) with institutions of
higher education to originate loans in such programs, for
academic years beginning on or after July 1, 1994. Alter-
native origination services, through which an entity other
than the participating institution at which the student is
in attendance originates the loan, shall be provided by the
Secretary, through one or more contracts under section
456 or such other means as the Secretary may provide,
for students attending participating institutions that do
not originate direct student loans under this part. Such
agreements for the first year of the program shall, to the
extent feasible, be entered into not later than January 1,
1994.

“(B) In order to ensure an expeditious but orderly
transition from the loan programs under part B of this
title to the direct student loan programs under this part, the Secretary shall, in the exercise of his or her discretion, determine the number of institutions with which he or she shall enter into agreements under sections 454 (a) and (b) for any academic year, except that the Secretary shall exercise such discretion so as to achieve the following goals—

“(i) for academic year 1994-1995, loans made under this part shall represent 4 percent of the sum of new student loan volume under this part and part B of this title;

“(ii) for academic year 1995-1996, loans made under this part shall represent 25 percent of the sum of new student loan volume under this part and part B of this title;

“(iii) for academic year 1996-1997, loans made under this part shall represent 60 percent of the sum of new student loan volume under this part and part B of this title;

“(iv) for academic year 1997-1998, loans made under this part shall represent 100 percent of the sum of new student loan volume under this part and part B of this title.

“(2) The requirements of the Cash Management Improvement Act of 1990 (Public Law 101-453) shall apply
to the program under this part only to the extent specified in a schedule established by the Secretaries of Education and the Treasury, except that such schedule shall provide for the application of all such requirements not later than July 1, 1998.

“(b) Selection Criteria.—(1) Participation.—(A) Each institution of higher education desiring to participate in the direct student loan program under this part shall submit an application satisfactory to the Secretary containing such information and assurances as the Secretary may require.

“(B) When the program authorized under this part is fully implemented, the Secretary shall enter into agreements under section 454(a) with institutions that submit applications in accordance with subparagraph (A).

“(C) Until such full implementation, the Secretary shall select institutions for participation in the direct student loan program under this part, and shall enter into agreements with them under section 454(a), from among those institutions that submit the applications described in subparagraph (A), and meet such other eligibility requirements as the Secretary may prescribe, by—

“(i)(I) categorizing such institutions according to anticipated loan volume, length of academic program, and control of the institution; and
“(II) selecting institutions that are reasonably representative of the respective categories; and
“(ii) if needed to carry out the purposes of this part, selecting additional institutions.
“(2) ORIGINATION.—(A) The Secretary may enter into a supplemental agreement with an institution (or a consortium of such institutions) that—
“(i) has an agreement under subsection 454(a);
“(ii) desires to originate loans under this part;
and
“(iii) meets the criteria specified in subparagraph (B).
“(B)(i) For academic year 1994–1995, the Secretary may approve an institution to originate loans only if such institution—
“(I) made loans under part E of this title in academic year 1993–1994 and did not exceed the applicable maximum default rate under section 462(g) for the most recent fiscal year for which data are available;
“(II) is not on the reimbursement system of payment for any of the programs under subpart 1 or 3 of part A, part C, or part E;
“(III) is not overdue on program or financial reports or audits required under this title;
“(IV) is not subject to an emergency action, or a limitation, suspension, or termination under section 428(b)(1)(T), 432(h), or 487(c);

“(V) in the opinion of the Secretary, has not had significant deficiencies identified by the State postsecondary review entity under subpart 1 of part H of this title;

“(VI) in the opinion of the Secretary, has not had severe performance deficiencies for any of the programs under this title, including those demonstrated by audits or program reviews submitted or conducted during the five calendar years immediately preceding the date of application; and

“(VII) provides an assurance that it has no delinquent outstanding debts to the United States, unless such debts are being repaid under or in accordance with a repayment arrangement satisfactory to the United States, or the Secretary in his or her discretion determines that the existence or amount of such debts has not been finally determined by the cognizant Federal agency or agencies.

“(ii) For academic year 1995±1996 and subsequent academic years, the Secretary shall publish regulations governing the approval of institutions to originate loans.’’;
(2) by striking out subsections (c), (d), (e), and (f);
(3) by amending subsection (g) to read as follows:

``(g) CONSORTIA.—Subject to such requirements as the Secretary may prescribe, eligible institutions of higher education with agreements under section 454(a) may apply to originate loans under this part for students in attendance at such institutions, as consortia. Such institutions shall be required to meet the requirements to participate in the program under this part individually.”’’; and
(4) by redesignating subsection (g) as subsection (c).

AGREEMENTS WITH INSTITUTIONS

SEC. 115. Section 454 of the Act is amended to read as follows:

‘‘AGREEMENTS WITH INSTITUTIONS
‘‘SEC. 454. (a) PARTICIPATION.—An agreement with any institution of higher education for participation in the direct student loan program under this part shall—

‘‘(1) provide for the establishment and maintenance of a direct student loan program at the institution under which—

‘‘(A) the institution will—
“(i) identify eligible students who seek student financial assistance at such institution in accordance with section 484;

“(ii) estimate the need of each such student as required by part F of this title for an academic year: Provided, That, any loan obtained by a student under this part with the same terms (except as otherwise provided in this part) as loans made under section 428A or 428H, or a loan obtained by a parent under this part with the same terms (except as otherwise provided in this part) as loans made under section 428B, or obtained under any State-sponsored or private loan program, may be used to offset the expected family contribution of the student for that year; and

“(iii) provide a statement that certifies the eligibility of any student to receive a loan under this part that is not in excess of the maximum amount applicable to such loan, except that the institution may, in exceptional circumstances specified by the Secretary, refuse to certify a statement that permits a student to receive a
loan under this part, or certify a loan amount that is less than the student’s determination of need (as determined under part F of this title), if the reason for such action is documented and provided in written form to such student;

“(B) the institution will set forth a schedule for disbursement of the proceeds of the loan in installments, consistent with the requirements of section 428G; and

“(C) the institution will provide timely and accurate information—

“(i) concerning the status of student borrowers (and students on whose behalf parents borrow under this part) while such students are in attendance at the institution and concerning any new information of which the institution becomes aware for such students (or their parents) after they leave the institution, to the Secretary for the servicing and collecting of loans made under this part; and

“(ii) if the institution does not have an agreement with the Secretary under subsection (b), concerning student eligi-
bility and need, as determined under sub-
paragraph (A), to the Secretary as needed
for the alternative origination of loans to
eligible students and parents in accordance
with this part;

“(2) provide assurances that the institution will
comply with requirements established by the Sec-
etary relating to student loan information with re-
spect to loans made under this part;

“(3) provide that the institution accepts respon-
sibility and financial liability stemming from its fail-
ure to perform its functions pursuant to the agree-
ment;

“(4) provide that students at the institution
and their parents (with respect to such students)
will not be eligible to participate in the programs
under part B of this title for the period during
which such institutiuon participates in the direct stu-
dent loan program under this part;

“(5) provide for the implementation of a quality
assurance system, as established by the Secretary, to
ensure that the institution is complying with pro-
gram requirements and meeting program objectives;

“(6) provide that the institution will not charge
any fees of any kind, however described, to student
or parent borrowers for origination activities or the
 provision of any information necessary for a student
 or parent to receive a loan under this part, or any
 benefits associated with such loan; and

 "(7) include such other provisions as the Sec-
 retary determines are necessary to protect the inter-
 ests of the United States and to promote the pur-
 poses of this part.

 "(b) ORIGINATION.— An agreement with any institu-
 tion of higher education for the origination of loans under
 this part shall—

 "(1) supplement the agreement entered into in
 accordance with subsection (a);

 "(2) include provisions established by the Sec-
 retary that are similar to the participation agree-
 ment provisions described in paragraphs (1)(G), (2),
 (3), (4), (5), (6), and (7) of subsection (a), as modi-
 fied to relate to the origination of loans by the insti-
 tution;

 "(3) provide that the institution will originate
 loans to eligible students and parents in accordance
 with this part; and

 "(4) provide that the note or evidence of obliga-
 tion on the loan shall be the property of the Sec-
 retary.
1 "(c) Withdrawal and Termination Procedures.—The Secretary shall establish procedures by
2 which institutions may withdraw or be terminated from
3 the program under this part.”.

   TERMS OF LOANS

5 Sec. 116. Section 456 of the Act is amended to read
6 as follows:
7 "Terms and Conditions of Loans
8 "Sec. 456. (a) In General.—(1) Unless otherwise
9 specified in this part, loans made to borrowers under this
10 part shall have the same terms, conditions, and benefits
11 as loans made to borrowers under sections 428, 428A,
12 428B, and 428H of this title.
13 "(2) Loans made to borrowers under this part that,
14 except as otherwise specified in this part, have the same
15 terms, conditions, and benefits as loans made to borrowers
16 under—
17 "(A) section 428 shall be known as ‘Federal Di-
18 rect Stafford Loans’;
19 "(B) section 428A shall be known as ‘Federal
20 Direct Supplemental Loans for Students’;
21 "(C) section 428B shall be known as ‘Federal
22 Direct PLUS Loans’; and
23 "(D) section 428H shall be known as ‘Federal
24 Direct Unsubsidized Stafford Loans’.
“(b) Interest Rate.— (1) Section 427A(a) shall not apply to loans made under this part.

“(2)(A) For Federal Direct Stafford Loans and Federal Direct Unsubsidized Stafford Loans made before July 1, 1997, the applicable rate of interest shall, during any twelve-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to—

“(i) the bond equivalent rate of ninety-one-day Treasury bills auctioned at the final auction held prior to such June 1; plus

“(ii) 3.1 percent, except that such rate shall not exceed 9 percent.

“(B) For Federal Direct Stafford Loans and Federal Direct Unsubsidized Stafford Loans made on or after July 1, 1997, the applicable rate of interest shall, during any twelve-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 for all such loans and be equal to—

“(i) the bond equivalent rate of the security with a comparable maturity; plus

“(ii) 1 percent, except that such rate shall not exceed 9 percent.

“(3)(A) For Federal Direct Supplemental Loans for Students made before July 1, 1997, the applicable rate
of interest shall, during any twelve-month period begin-
ning on July 1 and ending on June 30, be determined
on the preceding June 1 and be equal to—

“(i) the bond equivalent rate of fifty-two-week
Treasury bills auctioned at the final auction held
prior to such June 1; plus

“(ii) 3.1 percent,
except that such rate shall not exceed 11 percent.

“(B) For Federal Direct Supplemental Loans for
Students made on or after July 1, 1997, the applicable
rate of interest shall, during any twelve-month period be-
ginning on July 1 and ending on June 30, be determined
on the preceding June 1 for all such loans and be equal
to—

“(i) the bond equivalent rate of the security
with a comparable maturity; plus

“(ii) 1.5 percent,
except that such rate shall not exceed 11 percent.

“(4)(A) For Federal Direct PLUS Loans made be-
fore July 1, 1997, the applicable rate of interest shall, dur-
ing any twelve-month period beginning on July 1 and end-
ing on June 30, be determined on the preceding June 1
for loans and be equal to—
“(i) the bond equivalent rate of fifty-two-week Treasury bills auctioned at the final auction held prior to such June 1; plus

“(ii) 3.1 percent,

except that such rate shall not exceed 10 percent.

“(B) For Federal PLUS Loans made on or after July 1, 1997, the applicable rate of interest shall, during any twelve-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 for all such loans and be equal to—

“(i) the bond equivalent rate of the security with a comparable maturity; plus

“(ii) 2.1 percent,

except that such rate shall not exceed 10 percent.

“(c) Loan Fee.—The Secretary shall charge the borrower of a loan made under this part a loan fee of not less than 5 percent, but not more than 6.5 percent, of the principal amount of the loan.

“(d) Repayment Plans.—(1)(A) The Secretary shall design each repayment plan under this subsection so that, to the extent possible, the cost to the Federal Government for each cohort of borrowers does not exceed what such cost would be if all borrowers in the cohort selected the standard repayment plan described in clause (i). Consistent with criteria established by the Secretary, the Sec-
Secretary shall offer a borrower of a loan made under this part a variety of plans for repayment of such loan, including principal and interest on the loan. The borrower may choose—

"(i) a standard repayment plan, with a fixed annual repayment amount paid over a fixed period of time;

"(ii) an extended repayment plan, with a fixed annual repayment amount paid over an extended period of time: Provided, That, the borrower annually repays a minimum amount determined by the Secretary;

"(iii) a graduated repayment plan, with annual repayment amounts established at two or more graduated levels and paid over a fixed or extended period of time: Provided, That, any of the borrower’s scheduled payments shall not be less than 50 percent, nor more than 150 percent, of what the amortized payment on the amount owed would be if the loan were repaid under the standard repayment plan; and

"(iv) except for the borrower of a Federal Direct PLUS Loan, an income contingent repayment plan known as an ‘EXCEL account,’ with varying annual repayment amounts based on the income of the borrower, paid over an extended period of time,
not to exceed a maximum length of time determined by the Secretary.

“(B) If a borrower of a loan made under this part does not select a repayment plan described in subparagraph (A), the Secretary may provide the borrower with a repayment plan described in clause (i), (ii), or (iii) of subparagraph (A).

“(C) The borrower of a loan made under this part may change his or her selection of a repayment plan under subparagraph (A), or the Secretary’s selection of a plan for the borrower under subparagraph (B), as the case may be, under such terms and conditions as may be established by the Secretary.

“(D) The Secretary may provide an alternative repayment plan to a borrower of a loan made under this part who demonstrates to the satisfaction of the Secretary that the terms and conditions of the repayment plans available under subparagraph (A) are not adequate to accommodate the borrower’s exceptional circumstances.

“(E) The Secretary may require any borrower who has defaulted on a loan made under this part to—

“(i) pay all reasonable collection costs associated with such loan; and

“(ii) repay the loan pursuant to an EXCEL account.
“(2)(A) The Secretary may obtain such information as is reasonably necessary regarding the income of a borrower (and the borrower’s spouse, if applicable) of a loan made under this part that is, or may be, repaid pursuant to an EXCEL account for the purpose of determining the annual repayment obligation of the borrower. The Secretary shall establish procedures for determining the borrower’s repayment obligation on that loan for such year, and such other procedures as are necessary to implement effectively repayment pursuant to an EXCEL account.

“(B)(i) A repayment schedule for a loan made under this part and repaid pursuant to an EXCEL account shall be based on the adjusted gross income (as defined in section 62 of the Internal Revenue Code of 1986, 26 U.S.C. 62) of the borrower or, if the borrower is married and files a Federal income tax return jointly with his or her spouse, on the adjusted gross income of the borrower and his or her spouse.

“(ii) A borrower who chooses, or is required, to repay a loan made under this part pursuant to an EXCEL account, and for whom adjusted gross income is unavailable or does not reasonably reflect his or her current income, shall provide to the Secretary other documentation of income satisfactory to the Secretary, which documentation
the Secretary may use to determine an appropriate repayment schedule.

“(iii) EXCEL account repayment schedules shall be established by the Secretary through regulations and shall require payments measured as a percentage of the appropriate portion of the annual income of the borrower (and the borrower’s spouse, if applicable) as determined by the Secretary.

“(iv) The balance due on a loan made under this part that is repaid pursuant to an EXCEL account shall equal the unpaid principal amount of the loan, any accrued interest, and any fees, such as late charges, assessed on such loan. The Secretary may limit by regulation the amount of interest that may be capitalized on such loan, and the timing of any such capitalization.

“(C) The Secretary shall establish procedures under which a borrower of a loan made under this part who chooses or is required to repay such loan pursuant to an EXCEL account is notified of the terms and conditions of such plan, including notification of such borrower—

“(i) that the Internal Revenue Service will disclose to the Secretary the most recent available information concerning the borrower’s income; and

“(ii) that if a borrower considers that special circumstances, such as a loss of employment by the
borrower or his or her spouse, warrant an adjustment in the borrower’s loan repayment as determined using the information described in clause (i), or the alternative documentation described in subparagraph (B)(ii), the borrower may contact the Secretary, who shall determine whether such adjustment is appropriate, in accordance with criteria established by the Secretary.

“(e) DEFERMENT.—(1) A borrower of a loan made under this part who meets the requirements described in paragraph (2) shall be eligible for a deferment, during which periodic installments of principal need not be paid, and interest—

“(A) shall not accrue, in the case of a Federal Direct Stafford Loan or a Federal Direct Consolidation Loan that consolidated only Federal Direct Stafford Loans, or a combination of such loans and Federal Stafford Loans for which the student borrower received an interest subsidy under section 428; or

“(B) shall accrue and be capitalized or paid by the borrower, in the case of a Federal Direct Supplemental Loan for Students loan, a Federal Direct PLUS Loan, a Federal Direct Unsubsidized Staf-
ford Loan, or a Federal Direct Consolidation Loan other than those described in subparagraph (A).

“(2) A borrower of a loan made under this part shall be eligible for a deferment during any period—

“(A) during which the borrower—

““(i) is pursuing at least a half-time course of study at an eligible institution, as determined by such institution; or

““(ii) is pursuing a course of study pursuant to a graduate fellowship program approved by the Secretary, or pursuant to a rehabilitation training program for individuals with disabilities approved by the Secretary.

except that no borrower shall be eligible for a deferment under this subparagraph, or a loan made this part (other than a Federal Direct PLUS Loan, or a Federal Direct Consolidation Loan), while serving in a medical internship or residency program;

“(B) not in excess of three years during which the borrower is seeking and unable to find full-time employment;

“(C) not in excess of three years during which the Secretary determines, in accordance with regulations prescribed under section 345(o), that the bor-
rower has experienced or will experience an economic hardship, regardless of the reason for such hardship.

“(f) FORBEARANCE.—(1)(A) A borrower of a loan made under this part shall be eligible for forbearance, as defined in subparagraph (B), which shall be granted by the Secretary if the Secretary determines that the borrower is willing but unable to make schedule loan payments.

“(B) The term ‘forbearance’ means permitting the temporary cessation of payments, allowing an extension of time for making payments, or temporarily accepting smaller payments than previously scheduled. Interest shall continue to accrue on a loan for which a borrower receives forbearance and shall be capitalized or paid by the borrower.

“(2)(A) A borrower of a loan made under this part who is serving in a national service position, for which he or she receives a national service educational award under the National Service Trust Act of 1993, shall be eligible for forbearance granted by the Secretary during periods in which the borrower is serving in such position.

“(B) For purposes of this paragraph, ‘forbearance’ shall mean the temporary cessation of payments unless the borrower selects another option described in paragraph (1)(B).
“(g) **Federal Direct Consolidation Loans.**— A borrower of a loan made under this part may consolidate such loan with the loans described in subsection (a)(4) and (d)(1)(C) of section 428C only under the terms and conditions established by the Secretary under this part. Loans made under this subsection shall be known as ‘Federal Direct Consolidation Loans’;

“(h) **Borrower Defenses.**— Notwithstanding any other provision of State or Federal law, the Secretary shall specify in regulations (except as authorized under section 458(a)), which acts or omissions of an institution of higher education a borrower may assert as a defense to repayment of a loan made under this part, except that in no event may a borrower recover from the Secretary, in any action arising from or relating to a loan made under this part, an amount in excess of the amount such borrower has repaid on such loan.

“(i) **Optically Imaged Documents.**— Records maintained in accordance with section 484A(c) may be used in any proceeding, as permitted by section 484A(c), with respect to a loan made under this part.

“(j) **Nondischargeability in Bankruptcy.**— Notwithstanding any other provision of law, a loan made under this part shall not be dischargeable in bankruptcy.”.
SEC. 117. Section 457 of the Act is amended to read as follows:

"CONTRACTS

"SEC. 457. (a)(1) The Secretary may award one or more contracts for services and supplies under subsection (b). The entities with which the Secretary may enter into such contracts may include, but are not limited to, agencies with agreements with the Secretary under sections 428 (b) and (c), if such agencies are otherwise qualified and comply with the procedures applicable to the award of such contracts.

"(2) The Secretary may, through June 30, 1998, award contracts under this section without regard to the requirements in 41 U.S.C. 253, 41 U.S.C. 416, and 15 U.S.C. 637(e) and the corresponding requirements of the Federal Acquisition Regulations if he or she determines, on a case-by-case basis, that exemption from such requirements is in the public interest and necessary for the orderly transition from the loan programs under part B to the direct student loan programs under this part.

"(3) On and after July 1, 1998, all statutory and regulatory requirements described in paragraph (2) shall apply to the award of a contract under this section.

"(b) The Secretary may enter into one or more contracts for—
“(1) the alternative origination of loans to students attending institutions with agreements to participate in the program under this part (or their parents), if such institutions do not have agreements with the Secretary under section 454(b);

“(2) the servicing and collection of loans made under this part;

“(3) the establishment and operation of one or more data systems for the maintenance of records on all loans made under this part;

“(4) services to assist in the orderly transition from the loan programs under part B to the direct student loan programs under this part; and

“(5) such other aspects of the direct student loan programs as the Secretary determines are necessary to ensure the successful operation of the programs.”.

REPORTS

SEC. 118. Section 458 of the Act is amended—

(1) in subsection (a), by striking out “demonstration program.” and inserting in lieu thereof “program under this part.”;

(2) by striking out subsections (b), (c), (d), and (e); and

(3) adding at the end thereof the following new subsections:
“(b) Research, Demonstration, and Evaluation.—The Secretary may use a portion of the funds described in section 459 for research on, or the demonstration or evaluation of, any aspects of the program authorized by this part, including flexible repayment plans.

“(c) Plan for IRS Participation and Other Repayment Options.—(1) The Secretaries of Education and the Treasury shall, within six months of the date of enactment, submit a plan to the President that—

“(A) provides for repayment for loans made under this part through wage withholding by the Internal Revenue Service; and

“(B) evaluates the feasibility of other wage-withholding repayment options for such loans.

“(2) If the President determines that the implementation of one or more repayment options contained in the plan described in paragraph (1) would further the purposes of this part, the Secretaries of Education and the Treasury shall be authorized to take such actions as are reasonable and necessary to implement such repayment options, including entering into an agreement pursuant to section 6306 of the Internal Revenue Code of 1986.

“(3) The Secretary of Education may use such amounts as may be necessary for the funds available under section 459 to implement the repayment options se-
lected by the President under paragraph (2) and shall make available to the Secretary of the Treasury such amounts under section 459 as the Secretaries determine to be necessary to implement those repayment options carried out by the Internal Revenue Service.”.

SECRETARIAL ACTIVITIES

SEC. 119. Section 459 of the Act is amended—
(1) in the section heading, by striking out “SCHEDULE OF”;
(2) by striking out subsection (a) and inserting in lieu thereof the following new subsection:
“(a) NOTICE IN LIEU OF REGULATIONS FOR FIRST YEAR OF PROGRAM.—The Secretary shall publish in the Federal Register whatever standards, criteria, and procedures, consistent with the provisions of this part, the Secretary determines are reasonable and necessary to the successful implementation of the first year of the direct student loan program authorized by this part. Section 431 of the General Education Provisions Act shall not apply to the publication of such standards, criteria, and procedures.”;
(3) by striking out subsections (b) and (e);
(4) in subsection (c)—
(A) by inserting “a date not later than” immediately preceding “October 1, 1993,”; and
(B) by striking out “participate” through
the end thereof and inserting in lieu thereof the
following: “participate in the first year of the
direct student loan program under this part.”;
(5) in subsection (d), by striking out “partici-
pate” through the end thereof and inserting in lieu
thereof the following: “participate in the first year of
the loan program under this part.”; and
(6) by redesignating subsections (c) and (d) as
subsections (b) and (c), respectively.

REPEALS AND REDesignations

Sec. 120. (a) Section 455 of the Act is repealed.
(b) Sections 456, 457, 458, 459, and 459A are redes-
ignated as sections 455, 456, 457, 458, and 459, respec-
tively.

FUNDS FOR ADMINISTRATIVE EXPENSES

Sec. 121. Section 459 of the Act (as redesignated
by section 120) is amended by striking out “administra-
tive costs under this part,” through the end thereof and
inserting in lieu thereof the following: “administrative
costs under this part, including the costs of the transition
from the loan programs under part B to the direct student
loan programs under this part and transition support for
the expenses of guaranty agencies in servicing outstanding
loans in their portfolios and in guaranteeing new loans,
not to exceed $261,000,000 in fiscal year 1994,
$346,000,000 in fiscal year 1995, $552,000,000 in fiscal year 1996, $596,000,000 in fiscal year 1997, and $749,000,000 in fiscal year 1998. If in any fiscal year, the Secretary determines that additional funds for administrative expenses are needed as a result of such transition, or the expansion of the direct student loan programs under this part, the Secretary is authorized to use funds available under this section for a subsequent fiscal year for such expenses. The Secretary is also authorized to carry over funds available under this section to a subsequent fiscal year.’’.

TITLE II—CONFORMING AMENDMENTS

PART A—CONFORMING AMENDMENTS TO THE HIGHER EDUCATION ACT OF 1965

PRESERVING LOAN ACCESS

SEC. 211. (a) PURPOSE.—It is the purpose of the amendments made by this section to provide the Secretary with flexible authority as needed to preserve access to student and parent loans under part B of title IV of the Act during the transition from the Federal Family Education Loan Program under such part to the Federal Direct Student Loan Program under part D of such title.

(b) ADVANCES TO GUARANTY AGENCIES FOR LENDER-OF-LAST-RESORT SERVICES.—(1) Section 428(j) of
the Act is amended by adding at the end thereof the following new paragraph:

"(4) Advances to Guaranty Agencies for Lender-of-Last-Resort Services During Transition to Direct Lending.—(A) In order to ensure the availability of loan capital during the transition from the Federal Family Education Loan Program under this part to the Federal Direct Student Loan Program under part D of this title, the Secretary is authorized to provide a guaranty agency with additional advance funds in accordance with section 422(c)(7), with such restrictions on the use of such funds as are determined appropriate by the Secretary, in order to ensure that the guaranty agency will make loans as the lender-of-last-resort. Such agency shall make such loans in accordance with this subsection and the requirements of the Secretary.

"(B) Notwithstanding any other provision in this part, a guaranty agency serving as a lender-of-last-resort under this paragraph shall be paid a fee, established by the Secretary, for making such loans in lieu of interest and special allowance subsidies, and shall be required to assign such loans to the Secretary on demand. Upon such assignment, the portion of the advance represented by the loans assigned shall be considered repaid by such guaranty agency."
(2) Section 422(c)(7) of the Act is amended by striking out "to a guaranty agency" through the end thereof and inserting in lieu thereof the following: "to a guaranty agency—

((A) in accordance with section 428(j), in order to ensure that the guaranty agency shall make loans as the lender-of-last-resort during the transition from the Federal Family Education Loan Program under this part to the Federal Direct Student Loan Program under part D of this title; or

((B) if the Secretary is seeking to terminate the guaranty agency's agreement, or assuming the guaranty agency's functions, in accordance with section 428(c)(10)(F)(v), in order to assist the agency in meeting its immediate cash needs, ensure the uninterrupted payment of claims, or ensure that the guaranty agency shall make loans as described in subparagraph (A));".

(c) LENDER REFERRAL SERVICES.—Section 428(e) of the Act is amended—

(1) in paragraph (1)—

(A) by amending the paragraph heading to read as follows: "IN GENERAL; AGREEMENTS WITH GUARANTY AGENCIES.—";
(B) by inserting the subparagraph designation ``(A)'' immediately after the paragraph designation;

(C) by striking out “in any State” and inserting in lieu thereof “with which the Secretary has an agreement under subparagraph (B)”; and

(D) by adding at the end thereof the following new subparagraph:

“(B)(i) The Secretary may enter into agreements with guaranty agencies that meet standards established by the Secretary to provide lender referral services in geographic areas specified by the Secretary. Such guaranty agencies shall be paid in accordance with paragraph (3) for such services.

“(ii) The Secretary shall publish in the Federal Register whatever standards, criteria, and procedures, consistent with the provisions of this part and part D of this title, the Secretary determines are reasonable and necessary to provide lender referral services under this subsection and ensure loan access to student and parent borrowers during the transition from the loan programs under this part to the
direct student loan programs under part D of this title. Section 431 of the General Education Provisions Act shall not apply to the publication of such standards, criteria, and procedures.”;

(2) in paragraph (2)—

(A) in the matter preceding subparagraph (A), by striking out “in a State” and inserting in lieu thereof “with which the Secretary has an agreement under paragraph (1)(B)”;

(B) by amending subparagraph (A) to read as follows:

“(A)(i) such student is either a resident of, or is accepted for enrollment in, or is attending, an eligible institution located in a geographic area for which the Secretary (I) determines that loans are not available to all eligible students, and (II) has entered into an agreement with a guaranty agency under paragraph (1)(B) to provide lender referral services; and”;

(3) in paragraph (3), by striking out “The” and inserting in lieu thereof “From funds available for costs of transition under section 459 of the Act, the”; and

(4) by striking out paragraph (5).
(d) Student Loan Marketing Association.—

Section 439(q) of the Act is amended—

(1) in paragraph (1)(A)—

(A) in the first sentence, by striking out “the Association or its designated agent may begin making loans” and inserting in lieu thereof “the Association or its designated agent shall, subject to the limitations in section 428(j)(3), begin making loans to such eligible borrowers”; and

(B) by striking out the second sentence therein;

(2) in paragraph (2)(A), by striking out “the Association or its designated agent may” and inserting in lieu thereof “the Association or its designated agent shall, subject to the limitations in section 428(j)(3),”; and

(3) in paragraph (3), by striking out “that—” through the end thereof and inserting in lieu thereof the following: “that the conditions that caused the implementation of this subsection have ceased to exist.”.

Guaranty Agency Reserves

Sec. 212. Section 422 of the Act is amended by adding at the end thereof the following new subsection:
“(g) PRESERVATION OF GUARANTY AGENCY RESERVES.—(1) Notwithstanding any other provision of law, the reserve funds of the guaranty agencies, and any assets purchased with such reserve funds, regardless of who holds or controls the reserves or assets, shall be considered to be the property of the United States to be used in the operation of the program authorized by this part or the program authorized by part D of this title. However, the Secretary may not require the return of all of a guaranty agency reserve funds to the Secretary unless he or she determines that such return is essential to the operation of the program authorized by this part or the program authorized by part D of this title, or to ensure the orderly termination of the guaranty agency’s operations and the liquidation of its assets. The reserves shall be maintained by each guaranty agency to pay program expenses and contingent liabilities, as authorized by the Secretary, except that the Secretary may—

“(A) direct a guaranty agency to return to the Secretary a portion of its reserve fund which the Secretary determines is unnecessary to pay the program expenses and contingent liabilities of the guaranty agency; and

“(B) direct the guaranty agency to require the return, to the guaranty agency or to the Secretary,
of any reserve funds or assets held by, or under the
control of, any other entity, which the Secretary de-
termines are necessary to pay the program expenses
and contingent liabilities of the guaranty agency, or
which are required for the orderly termination of the
guaranty agency’s operations and the liquidation of
its assets.

“(2) To ensure that the funds and assets of the guar-
anty agency are preserved, any contract with respect to
the administration of a guaranty agency’s reserve funds,
or the administration of any assets purchased or acquired
with the reserve funds of the guaranty agency, that is en-
tered into or extended by the guaranty agency, or any
other party on behalf of or with the concurrence of the
guaranty agency, after the effective date of this provision
shall provide that the contract is terminable by the Sec-
retary upon thirty days notice to the contracting parties
if the Secretary determines that such contract includes an
impermissible transfer of the reserve funds or assets, or
is otherwise inconsistent with the terms or purposes of this
section.”.

TERMS OF LOANS

SEC. 213. Section 428 of the Act is amended—
(1) in subsection (b)(1)—
(A) in subparagraph (D), by striking out
“be subject to” through the end thereof and in-
serting in lieu thereof the following: “be subject
to income contingent repayment in accordance
with subsection (m);”;

(B) by redesignating subparagraphs (W),
(X), and (Y) as subparagraphs (X), (Y), and
(Z), respectively; and

(C) by inserting immediately after sub-
paragraph (V) the following new subparagraph:
“(W)(i) provides that, upon written re-
quest, a lender shall grant a borrower forbear-
ance on such terms as are otherwise consistent
with the regulations of the Secretary, during
periods in which the borrower is serving in a
national service position, for which he or she re-
ceives a national service educational award
under the National Service Trust Act of 1993;
“(ii) provides that clauses (iii) and (iv) of
subparagraph (V) shall also apply to a forbear-
ance granted under this subparagraph; and
“(iii) provides that interest shall continue
to accrue on a loan for which a borrower re-
ceives forbearance under this subparagraph and
shall be capitalized or paid by the borrower;”;
(2) in subsection (c)(3)(A), by striking out
“subsection (b)(1)(V)” through the end thereof and
inserting in lieu thereof the following: “subsections (b)(1)(V) and (W);”; and
(3) in subsection (m)—
(A) by amending paragraph (1) to read as follows:
“(1) The Secretary may require any borrower who has defaulted on a loan made under this part that is assigned to the Secretary under subsection (c)(8) to repay that loan under an income contingent repayment plan, the terms and conditions of which shall be established by the Secretary and the same as, or similar to, the EXCEL account established for purposes of part D of this title.”;
(B) by striking out paragraphs (2) and (4);
(C) by amending paragraph (3) to read as follows:
“(3) LOANS FOR WHICH INCOME CONTINGENT REPAYMENT MAY BE REQUIRED.—A loan made under this part may be required to be repaid under this section if the note or other evidence of the loan has been assigned to the Secretary pursuant to subsection (c)(8).”; and
(D) by redesignating paragraph (3) as paragraph (2).
ASSIGNMENT OF LOANS

Sec. 214. (a) Section 428(c)(8) of the Act is amended—

(1) by inserting the subparagraph designation “(A)” immediately following the section heading;

(2) by striking out the second and third sentences therein; and

(3) adding at the end thereof the following new subparagraphs:

“(B) An orderly transition from the Federal Family Education Loan Program under this part to the Federal Direct Student Loan Program under part D of this title shall be deemed to be in the Federal fiscal interest, and a guaranty agency shall promptly assign loans to the Secretary under this paragraph upon his or her request.”.

TERMINATION OF GUARANTY AGENCY AGREEMENTS;
ASSUMPTION OF GUARANTY AGENCY FUNCTIONS BY THE SECRETARY

Sec. 215. Section 428(c)(10) of the Act is amended—

(1) in subparagraph (C), by inserting a comma and “as appropriate,” immediately following “the Secretary shall”;

(2) in subparagraph (D)—
(A) by inserting the clause designation ``(i)'' immediately following the subparagraph designation;

(B) by striking out “Each” and inserting in lieu thereof “If the Secretary is not seeking to terminate the guaranty agency’s agreement under subparagraph (E), or assuming the guaranty agency’s functions under subparagraph (F), a’’;

(C) by adding at the end thereof the following new clause:

“(ii) If the Secretary is seeking to terminate the guaranty agency’s agreement under subparagraph (E), or assuming the guaranty agency’s functions under subparagraph (F), a management plan described in subparagraph (C) shall include the means by which the Secretary and the guaranty agency shall work together to ensure the orderly termination of the operations, and liquidation of the assets, of the guaranty agency.”;

(3) in subparagraph (E)—

(A) in clause (ii), by striking out “or’’ at the end thereof;
(B) in clause (iii), by striking out the period at the end thereof and inserting in lieu thereof a semicolon; and

(C) by adding at the end thereof the following new clauses:

"(iv) the Secretary determines that such action is necessary to protect the Federal fiscal interest;

"(v) the Secretary determines that such action is necessary to ensure the continued availability of loans to student or parent borrowers; or

"(vi) the Secretary determines that such action is necessary to ensure an orderly transition from the loan programs under this part to the direct student loan programs under part D of this title."

(4) in subparagraph (F)—

(A) in the matter preceding clause (i), by striking out "Except as provided in subparagraph (G), if" and inserting in lieu thereof "If";

(B) by amending clause (v) to read as follows:
“(v) provide the guaranty agency with additional advance funds in accordance with section 422(c)(7), with such restrictions on the use of such funds as is determined appropriate by the Secretary, in order to—

“(I) meet the immediate cash needs of the guaranty agency;

“(II) ensure the uninterrupted payment of claims; or

“(III) ensure that the guaranty agency will make loans as the lender-of-last-resort, in accordance with subsection (j)(4);”;

(C) in clause (vi)—

(i) by striking out “and to avoid” and inserting in lieu thereof “to avoid”;

(ii) by striking out the period at the end thereof and inserting in lieu thereof a comma and “and to ensure an orderly transition from the loan programs under this part to the direct student loan programs under part D of this title.”; and

(iii) by redesignating such clause as clause (vii); and
(D) by inserting immediately following clause (v) the following new clause:

“(vi) use all funds and assets of the guaranty agency to assist in the activities undertaken in accordance with this subparagraph and take appropriate action to require the return, to the guaranty agency or the Secretary, of any funds or assets provided by the guaranty agency, under contract or otherwise, to any person or organization; or”;

(5) by striking out subparagraph (G);

(6) by redesignating subparagraphs (H), (I), and (J) as subparagraphs (I), (J), and (K), respectively;

(7) by inserting immediately following subparagraph (F) the following new subparagraphs:

“(G) Notwithstanding any other provision of Federal or State law, if the Secretary has terminated or is seeking to terminate a guaranty agency’s agreement under subparagraph (E), or has assumed a guaranty agency’s functions under subparagraph (F)—

“(i) such guaranty agency may not file for bankruptcy;
“(ii) no State court may issue any order affecting the Secretary’s actions with respect to such guaranty agency;

“(iii) any contract with respect to the administration of a guaranty agency’s reserve funds, or the administration of any assets purchased or acquired with the reserve funds of the guaranty agency, that is entered into or extended by the guaranty agency, or any other party on behalf of or with the concurrence of the guaranty agency, after the effective date of this provision shall provide that the contract is terminable by the Secretary upon thirty days notice to the contracting parties if the Secretary determines that such contract includes an impermissible transfer of the reserve funds or assets, or is otherwise inconsistent with the terms or purposes of this section; and

“(iv) no provision of State law shall apply to the actions of the Secretary in terminating the operations of a guaranty agency;
“(H) Notwithstanding any other provision of law, the Secretary’s liability for any outstanding liabilities of a guaranty agency (other than outstanding student loan guarantees under this part), the functions of which the Secretary has assumed, shall not exceed the fair market value of the reserves of the guaranty agency, minus any necessary liquidation or other administrative costs.”; and

(8) in subparagraph (K) (as redesignated by paragraph (5)), by striking out “system, together” through the end thereof and inserting in lieu thereof the following: “system and the progress of the transition from the loan programs under this part to the direct student loan programs under part D of this title.”.

**ADMINISTRATIVE COST ALLOWANCE**

Sec. 216. Section 428(f)(1) of the Act is amended—

(1) in subparagraph (A), by striking out “The Secretary” and inserting in lieu thereof “For a fiscal year prior to fiscal year 1994, the Secretary”; and

(2) in subparagraph (B), inserting “prior to fiscal year 1994” immediately following “any fiscal year”.

**CONSOLIDATION LOANS**

Sec. 217. Section 428C of the Act is amended—
(1) by amending subsection (a)(3)(A) to read as follows:

“(A) For the purpose of this section, the term ‘eligible borrower’ means a borrower who, at the time of application for a consolidation loan is in repayment status, or in a grace period preceding repayment, or is a delinquent or defaulted borrower who will reenter repayment through loan consolidation.”;

(2) in subsection (b)—

(A) in paragraph (1)—

(i) in subparagraph (A)(ii), by inserting “with income-sensitive repayment terms” immediately following “obtain a consolidation loan”;

(ii) by redesignating subparagraph (E) as subparagraph (F); and

(iii) by inserting immediately following subparagraph (D) the following new subparagraph:

“(E) that the lender shall offer an income-sensitive repayment schedule, established by the lender in accordance with the regulations of the Secretary, to the borrower of any consolidation
loan made by the lender on or after July 1, 1994; and’;

(B) in paragraph (4), by amending subparagraph (C) to read as follows:

“(C)(i) provides that periodic installments of principal need not be paid, but interest shall accrue and be paid in accordance with clause (ii), during any period for which the borrower would be eligible for a deferral under section 428(b)(1)(M), and that any such period shall not be included in determining the repayment period pursuant to subsection (c)(2) of this section; and

“(ii) provides that interest shall accrue and be paid—

“(I) by the Secretary, in the case of a consolidation loan that consolidated only Federal Stafford Loans for which the student borrower received an interest subsidy under section 428: or

“(II) by the borrower, or capitalized, in the case of a consolidation loan other than one described in subclause (I);’’; and

(C) by adding at the end thereof the following new paragraph:
“(5) In the event that a borrower is unable to obtain a consolidation loan with income-sensitive repayment terms acceptable to the borrower from a lender with an agreement under subsection (a)(1), the Secretary shall offer any such borrower who applies for it, a direct consolidation loan to be repaid pursuant to an EXCEL account under part D of this title, except that the Secretary shall not offer such loans if, in his or her judgment, the Department does not yet have the necessary origination and servicing arrangements in place for such loans.”; and

(3) in subsection (c)—

(A) in paragraph (1), by amending subparagraphs (B) and (C) to read as follows:

“(B) A consolidation loan made before July 1, 1994, shall bear interest at an annual rate on the unpaid principal balance of the loan that is equal to the greater of—

“(i) the weighted average of the interest rates on the loans consolidated, rounded to the nearest whole percent; or

“(ii) 9 percent.

“(C) a consolidation loan made on or after July 1, 1994 shall interest at an annual rate on
the unpaid principal balance of the loan that is
equal to the weighted average of the interest
rates on the loans consolidated, rounded up-
ward to the nearest whole percent.”;

(B) in paragraph (2)—

(i) in subparagraph (A)—

(II) in the matter preceding clause

(i), by striking out “income sensitive
repayment schedules. Such repayment
terms” and inserting in lieu thereof
“income sensitive repayment sched-
ules, established by the lender in ac-
cordance with the regulations of the
Secretary. Except as required by such
income sensitive repayment schedules,
or by the terms of repayment pursu-
ant to an EXCEL account offered by
the Secretary under subsection (b)(5),
such repayment terms”

(III) by redesignating clauses (i),
(ii), (iii), (iv), and (v) as clauses (ii),
(iii), (iv), (v), and (vi), respectively;
and

(III) by inserting immediately
preceding clause (ii) (as redesignated
by subclause (II)) the following new clause:

"(i) is less than $7,500, then such consolidation loan shall be repaid in not more than ten years;";

(ii) by striking out subsection (B);

and

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

(C) in paragraph (3)(A), by inserting immediately following the subparagraph designation the following: "except as required by the terms of repayment pursuant to an EXCEL account offered by the Secretary under subsection (b)(5),".

STUDENT LOAN MARKETING ASSOCIATION

SEC. 218. Section 439 of the Act is further amended by adding at the end thereof the following new subsection:

"(s) TRANSITION STUDY AND ACTIVITIES.—(1) The Secretaries of Education and the Treasury, in consultation with the Association, shall prepare a study, to be completed within six months of the enactment of this provision, which shall examine alternatives concerning the status, operations, and purposes of the Association during and after the transition from the Federal Family Education Loan program to the Federal Direct Student Loan
Program. Such alternatives shall include providing for an orderly transition of the Association from a Government-Sponsored Enterprise to a private corporation when the Federal Direct Student Loan Program is fully implemented. Such study shall—

"(A) consider how best to meet the needs of students and taxpayers;

"(B) reflect the need for the Association to maintain liquidity and perform other functions for the Federal Family Education Loan Program during the transition from such program to the Federal Direct Student Loan Program under part D of this title, including additional duties as specified by the Secretary of Education or the Secretary of the Treasury;

"(C) consider any appropriate changes to part D of title VII, relating to the College Construction Loan Insurance Association; and

"(D) be considered by the Secretaries of Education and the Treasury in developing any legislative proposals concerning any changes to the status of the Association as a Government-Sponsored Enterprise or its duties under the Federal Family Education Loan Program.
“(2) The Secretaries of Education and the Treasury are directed to work with the Association to ensure that any changes in the Association’s status, operations, or purposes are carried out efficiently and effectively.”.

AUTHORITY TO USE OPTICALLY IMAGED DOCUMENTS

SEC. 219. (a) Section 484A of the Act is amended—

(1) in the heading, by adding a semicolon and “OPTICALLY IMAGED DOCUMENTS” after “LIMITATIONS”; and

(2) by adding at the end thereof the following new subsection:

“(c)(1) IN GENERAL.—It is the purpose of this subsection to—

“(A) allow the Secretary to use optical imaging technology to store and retrieve documents and records, including promissory notes and repayment agreements, required for the administration of the programs authorized under part D of this title, or for the administration of loans made under part B of this title that have been assigned to the Secretary;

“(B) permit the Secretary to destroy originals of such documents and records, including promissory notes and repayment agreements, after they have been optically imaged, thereby achieving significant savings in storage and retrieval costs; and
“(C) ensure that the Secretary may introduce as evidence in any proceeding with respect to the programs or loans described in subparagraph (A) optically imaged documents and records, including promissory notes and repayment agreements.

“(2) Notwithstanding any other provision of Federal or State law, an optically imaged copy of any document or record, including a promissory note or repayment agreement, may be introduced as evidence in any proceeding with respect to the programs or loans described in paragraph (1)(A) in any Federal or State court, or other tribunal, and such optically imaged copy shall be admissible in any court or tribunal of the United States or any State as if it were the original document or record and have the same force and effect as the original.

“(3) Nothing in this subsection shall be interpreted to preclude the admissibility of a duplicate of a document or record required for the administration of the programs or loans described in paragraph (1)(A) made by a technology other than optical imaging consistent with the Federal Rules of Evidence and section 1732 of title 28 of the United States Code, or applicable State law.

“(4) Nothing in this subsection shall be interpreted to preclude the admissibility of an optically imaged copy of any document or record in a proceeding outside the
(b) Section 432 of the Act is amended by adding at the end thereof the following new subsection:

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(q) Optically Imaged Documents.—Records maintained in accordance with section 484A(c) may be used in any proceeding, as permitted by section 484A(c), with respect to a loan that was made under this part and has been assigned to the Secretary.”.
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(c) Section 487 of the Act is amended by adding at the end thereof the following new subsection:

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(f) Use of Optically Imaged Documents.—In any proceeding with respect to a program or activity under part D of this title, or with respect to a loan made under part B of this title that has been assigned to the Secretary, records maintained in accordance with section 484A may be used as provided in that section.”.
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PART B—Amendments to Other Laws

DISCLOSURE OF TAX RETURN INFORMATION

SEC. 221. (a) Section 6103(a)(3) of the Internal Revenue Code of 1986 (26 U.S.C. 6103(a)(3); relating to confidentiality and disclosure of returns and return information; hereinafter referred to as “the Code”) is amended
by striking out ""(l)(12)"" and inserting in lieu there ""(l)
(10), (12), or (13)"".

(b) Section 6103(l) of the Code is amended—

(1) in paragraph (10)(B), by striking out ""offi-
cers and employees of an agency receiving return in-
formation under subparagraph (A) shall use such in-
formation"" and inserting in lieu thereof ""return in-
formation disclosed under subparagraph (A) may be
used by officers and employees of an agency, and by
officers, employees, and agents of the Department of
Education,""; and

(2) at the end thereof, by adding a new para-
graph to read as follows:

""(13) DISCLOSURE OF RETURN INFORMATION
TO CARRY OUT INCOME CONTINGENT REPAYMENT
OF STUDENT LOANS.—

""(A) IN GENERAL.—The Secretary may,
upon written request from the Secretary of
Education, disclose to officers and employees of
the Department of Education return informa-
tion with respect to a taxpayer who has received
a Federal loan under a student loan program
and whose loan repayment amounts are based
in whole or in part on the taxpayer's income.
Such return information shall be limited to—
“(i) taxpayer identity information with respect to such taxpayer;

“(ii) the filing status of such taxpayer; and

“(iii) the adjusted gross income of such taxpayer (as defined in section 62).

“(B) Restriction on use of disclosed information.—Return information disclosed under subparagraph (A) may be used by officers, employees, and agents of the Department of Education only for the purposes of, and to the extent necessary in, establishing an appropriate income contingent repayment level under a student loan program.

“(C) Definitions.—For purposes of this paragraph, the term ‘student loan program’ means the program authorized under part D of title IV of the Higher Education Act of 1965 and includes loans under parts B and E of title IV the Higher Education Act of 1965 that are in default and have been assigned to the Department of Education.”.

(c) Section 6103(m)(4) of the Code is amended—
(1) in the heading, by inserting “owe an overpayment on federal Pell Grants” immediately after “Individuals who”;

(2) in subparagraph (A)—

(A) by redesignating clauses (i) and (ii) as subclauses (I) and (II); and

(B) by striking out “of any taxpayer who” and inserting in lieu thereof “of any taxpayer—“(i) who owes an overpayment of a grant awarded to that taxpayer under subpart 1 of part A of title IV of the Higher Education Act of 1965, or ““(ii) who”;

(3) in subparagraph (B)—

(A) in clause (i), by striking out “under part B” and inserting in lieu thereof “under part B or D”; and

(B) in clause (ii), by striking out “under part E” and inserting in lieu thereof “under subpart 1 of part A, part D, or E”;

(d) Section 6103(p) of the Code is amended—

(1) in paragraph (3)(A), by striking out “(11), or (12), (m)” and inserting in lieu thereof “(11), (12), or (13), (m)”;

(2) in paragraph (4)—
(A) in the matter preceding subparagraph (A), by striking out ``(10), or (11),'' and inserting in lieu thereof ``(10), (11), or (13),'';

(B) in subparagraph (F)(ii), by striking out ``(11), or (12),'' and inserting in lieu thereof ``(11), (12), or (13),''; and

(C) in the flush left material after subparagraph (F), by striking out ``under subsection (1)(12)(B)'' and inserting in lieu thereof ``under paragraph (10), (12)(B), or (13) of subsection (1)''.

(e) Subchapter A of chapter 64 of the Code is further amended by adding at the end thereof the following new section:

“SEC. 6306. COLLECTION OF PAYMENTS ON FEDERAL DIRECT STUDENT LOANS.

“Upon a determination by the President under section 457(c)(2) of the Higher Education Act of 1965 concerning the implementation of a plan for the repayment of Federal Direct Student Loans through wage withholding or other means by the Internal Revenue Service, the Secretary of the Treasury may enter into an agreement with the Secretary of Education to provide for the collection of payments on loans made pursuant to part D of title IV of such Act. Notwithstanding any other provision
of law, the Secretary of the Treasury may assess and collect such payments as though they were additional income taxes due, and may establish such procedures and conventions as are necessary under such agreement, including those related to withholding, payment of estimated tax, allocation of payments, and dispute resolution.”

(f) Section 7213(a)(2) of the Code is amended by striking out “(10) or (12)” and inserting in lieu thereof “(10), (12), or (13),”.

Amendment to the Balanced Budget and Emergency Deficit Control Act of 1985

Sec. 222. The Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in section 252(c)(1)(B), by striking out “guaranteed”;

(2) in section 256(b)—

(A) by striking out the subsection heading and inserting in lieu thereof the following: “Effect of Orders on Student Loan Programs.—”;

(B) by inserting immediately after the paragraph heading the following: “Federal Family Education Loan Program.—(A)”;:

(C) by redesignating paragraphs (2) and (3) as subparagraphs (A) and (B), respectively;
(D) in paragraph (1)(A) (as redesignated in subparagraph (B)), by striking out “described in paragraphs (2) and (3)” and inserting in lieu thereof “described in subparagraphs (B) and (C)”;

(E) in paragraph (1)(B) (as redesignated in subparagraph (C)), by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively; and

(F) by adding at the end thereof the following new paragraph:

“(1) Federal Direct Student Loan Program.—(A) Any reductions that are required to be achieved from the Federal Direct Student Loan program operated under part D of title IV of the Higher Education Act of 1965 as a consequence of an order issued pursuant to section 254, shall be achieved only by the application of the measures described in subparagraph (B).

“(B) For any loan made during the period beginning on the date that an order issued under section 254 takes effect with respect to a fiscal year, and ending at the close of such fiscal year, the loan fee that is authorized to be collected pursuant to
section 456(c) of such Act shall be increased by 0.50 percent.’’.

TITLE III—EFFECTIVE DATES

SEC. 301. (a) Except as otherwise provided in this section, the amendments made by this title shall be effective upon enactment.

(b) The amendments made by section 213 of this Act shall be effective for loans made in accordance with section 428 for periods of instruction beginning on or after July 1, 1993, or made on or after July 1, 1993, in the case of loans made in accordance with section 428A, 428B, or 428C of the Act.

(c) The amendments made by section 216 of this Act shall be effective on October 1, 1994.

(d) The amendments made by section 217 of this Act shall be effective for loans made on or after July 1, 1994.