

110TH CONGRESS  
1ST SESSION

# S. 1400

To amend the Higher Education Act of 1965 to improve the information and repayment options provided to student borrowers, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

MAY 15, 2007

Mr. ENZI (for himself, Mr. ALEXANDER, Mr. ALLARD, Mr. BURR, Mr. ISAKSON, and Ms. MURKOWSKI) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

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## A BILL

To amend the Higher Education Act of 1965 to improve the information and repayment options provided to student borrowers, 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,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Student Information  
5 Means a Positive Loan Experience Act of 2007”.

6       **SEC. 2. PURPOSE.**

7       The purpose of this Act is to improve—

1           (1) the repayment plans available to borrowers  
 2           of loans under title IV of the Higher Education Act  
 3           of 1965 (20 U.S.C. 1070 et seq.); and

4           (2) borrowers' understanding of—

5                 (A) the repayment plans available for such  
 6           loans;

7                 (B) the conditions under which such loans  
 8           may be cancelled or forgiven; and

9                 (C) the availability of deferments, forbear-  
 10          ance, and consolidation for such loans, and the  
 11          impact on the balance of such loans and total  
 12          interest paid of using those options.

13 **SEC. 3. FLEXIBLE REPAYMENT PLANS.**

14          (a) STUDENT LOAN REQUIREMENTS.—Section  
 15 427(a)(2)(H) of the Higher Education Act of 1965 (20  
 16 U.S.C. 1077(a)(2)(H)) is amended by inserting “, and, if  
 17 applicable, the option of electing to delay repayment or  
 18 principal for the first 2 years of the repayment period”  
 19 before the semicolon at the end.

20          (b) FFEL REPAYMENT PLANS.—Section 428(b)(9)  
 21 of the Higher Education Act of 1965 (20 U.S.C.  
 22 1078(b)(9)) is amended—

23                 (1) in subparagraph (A)—

24                         (A) in the first sentence of the matter pre-  
 25                         ceding clause (i), by inserting “, and the elec-

tion described in subparagraph (C)” after  
 “thereon”;

(B) in clause (ii), by inserting “, which  
 plan shall be established by the lender with the  
 informed agreement of the borrower” before the  
 semicolon at the end; and

(C) by striking clause (iv) and inserting  
 the following:

“(iv) for new borrowers on or after  
 October 7, 1998, who accumulate out-  
 standing loans under this part totaling  
 more than \$20,000, an extended repay-  
 ment plan, with a fixed annual or grad-  
 uated repayment amount paid over an ex-  
 tended period, not to exceed 25 years, ex-  
 cept that the borrower shall repay annually  
 a minimum amount determined in accord-  
 ance with paragraph (1)(L)(i).”; and

(2) by adding at the end the following:

“(C) OPTION FOR FIRST 2 YEARS.—A  
 lender shall offer each new borrower of loans on  
 or after October 7, 1998, the opportunity to  
 elect, for the first 2 years of repayment of such  
 loans, to delay the repayment of principal, re-

1            regardless of the repayment plan selected under  
 2            this paragraph.”.

3            (c) DIRECT LOAN REPAYMENT PLANS.—Section  
 4 455(d) of the Higher Education Act of 1965 (20 U.S.C.  
 5 1087e(d)) is amended—

6            (1) in paragraph (1)—

7            (A) in the matter preceding subparagraph

8            (A)—

9            (i) in the first sentence, by inserting

10            “, and the election described in paragraph

11            (6)” after “the loan”; and

12            (ii) in the third sentence, by striking

13            “may choose” and inserting “shall choose

14            from”; and

15            (B) in subparagraph (C), by striking

16            “428(b)(9)(A)(v)” and inserting

17            “428(b)(9)(A)(iv)”;

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

19            “(6) OPTION FOR FIRST 2 YEARS.—The Sec-  
 20            retary shall offer each new borrower of loans on or  
 21            after October 7, 1998, the opportunity to elect, for  
 22            the first 2 years of repayment of such loans, to delay  
 23            the repayment of principal, consistent with section  
 24            428(b)(9)(C).”.

1 (d) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply with respect to loans for which the  
 3 first disbursement is made on or after October 7, 1998.

4 **SEC. 4. REVISED DEFINITION OF ECONOMIC HARDSHIP.**

5 Section 435(o)(1) of the Higher Education Act of  
 6 1965 (20 U.S.C. 1085(o)(1)) is amended—

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

11 (2) in subparagraph (B)(ii), by striking “to a  
 12 family of 2” and inserting “to the borrower’s family  
 13 size”.

14 **SEC. 5. USEFUL AND COMPREHENSIVE STUDENT LOAN IN-**  
 15 **FORMATION FOR BORROWERS.**

16 (a) INSURANCE PROGRAM AGREEMENTS.—Section  
 17 428(b)(1) of the Higher Education Act of 1965 (20  
 18 U.S.C. 1078(b)(1)) is amended—

19 (1) in subparagraph (X), by striking “and”  
 20 after the semicolon;

21 (2) in subparagraph (Y)(ii), by striking the pe-  
 22 riod at the end and inserting “; and”; and

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

24 “(Z) provides that the lender shall, at the  
 25 time the lender grants a deferment to a bor-

1           rower who received a loan under section 428H  
 2           and is eligible for a deferment under section  
 3           427(a)(2)(C), provide information to the bor-  
 4           rower to enable the borrower to understand the  
 5           impact of capitalization of interest on the bor-  
 6           rower’s loan principal and total amount of in-  
 7           terest to be paid during the life of the loan.”.

8           (b) GUARANTY AGREEMENTS.—Section 428(c)(3)(C)  
 9 of the Higher Education Act of 1965 (20 U.S.C.  
 10 1078(c)(3)(C)) is amended—

11           (1) in clause (i), by striking “and” after the  
 12           semicolon;

13           (2) in clause (ii), by striking “and” after the  
 14           semicolon;

15           (3) by inserting after clause (ii) the following:

16                   “(iii) the lender shall, at the time of  
 17                   granting a borrower forbearance, provide  
 18                   information to the borrower to enable the  
 19                   borrower to understand the impact of cap-  
 20                   italization of interest on the borrower’s  
 21                   loan principal and total amount of interest  
 22                   to be paid during the life of the loan; and

23                   “(iv) the lender shall contact the bor-  
 24                   rower not less often than once every 180

1 days during the period of forbearance to  
 2 inform the borrower of—

3 “(I) the amount of unpaid prin-  
 4 cipal and the amount of interest that  
 5 has accrued since the last statement  
 6 of such amounts provided to the bor-  
 7 rower by the lender;

8 “(II) the fact that interest will  
 9 accrue on the loan for the period of  
 10 forbearance;

11 “(III) the amount of interest that  
 12 will be capitalized, and the date on  
 13 which capitalization will occur;

14 “(IV) the ability of the borrower  
 15 to pay the interest that has accrued  
 16 before the interest is capitalized; and

17 “(V) the borrower’s option to dis-  
 18 continue the forbearance at any time;  
 19 and”.

20 (c) LENDER AGREEMENTS.—Section 428C(b)(1) of  
 21 the Higher Education Act of 1965 (20 U.S.C. 1078–  
 22 3(b)(1)) is amended—

23 (1) in subparagraph (E), by striking “and”  
 24 after the semicolon;

1           (2) by redesignating subparagraph (F) as sub-  
2       paragraph (G); and

3           (3) by inserting after subparagraph (E) the fol-  
4       lowing:

5           “(F) that the lender shall, upon applica-  
6       tion for a consolidation loan, provide the bor-  
7       rower with information about the possible im-  
8       pact of loan consolidation, including—

9           “(i) the total interest to be paid and  
10       fees to be paid on the consolidation loan,  
11       and the length of repayment for the loan;

12          “(ii) whether consolidation would re-  
13       sult in a loss of loan benefits under this  
14       part or part D, including loan forgiveness,  
15       cancellation, and deferment;

16          “(iii) in the case of a borrower that  
17       plans to include a Federal Perkins Loan  
18       under part E in the consolidation loan,  
19       that once the borrower adds the borrower’s  
20       Federal Perkins Loan to a consolidation  
21       loan—

22          “(I) the borrower will lose all in-  
23       terest-free periods that would have  
24       been available for such loan under  
25       part E, such as the periods during



1 which no interest accrues on the Fed-  
2 eral Perkins Loan while the borrower  
3 is enrolled in school at least half-time,  
4 the grace period, and the periods dur-  
5 ing which the borrower's student loan  
6 repayments are deferred under section  
7 464(c)(2); and

8 “(II) the borrower will no longer  
9 be eligible for cancellation of part or  
10 all of a Federal Perkins loan under  
11 section 465(a);

12 “(iv) the ability of the borrower to  
13 prepay the consolidation loan, pay such  
14 loan on a shorter schedule, and to change  
15 repayment plans;

16 “(v) that borrower benefit programs  
17 for a consolidation loan may vary among  
18 different lenders;

19 “(vi) the consequences of default on  
20 the consolidation loan; and

21 “(vii) that by applying for a consolida-  
22 tion loan, the borrower is not obligated to  
23 agree to take the consolidation loan; and”.

24 (d) INFORMATION DISSEMINATION.—Subparagraph  
25 (M) of section 485(a)(1) of the Higher Education Act of

1 1965 (20 U.S.C. 1092(a)(1)(M)) is amended to read as  
2 follows:

3 “(M) the terms and conditions of the loans that  
4 students receive under parts B, D, and E;”.

5 (e) EXIT COUNSELING.—Subparagraph (A) of sec-  
6 tion 485(b)(1) of the Higher Education Act of 1965 (20  
7 U.S.C. 1092(b)(1)(A)) is amended by striking the sub-  
8 paragraph designation and all that follows through “465.”  
9 and inserting the following: “(A) Each eligible institution  
10 shall, through financial aid offices or otherwise, provide  
11 counseling to borrowers of loans that are made, insured,  
12 or guaranteed under part B (other than loans made pursu-  
13 ant to section 428C or loans made to parents pursuant  
14 to section 428B), or made under part D (other than Fed-  
15 eral Direct Consolidation Loans or Federal Direct PLUS  
16 Loans made to parents) or E, prior to the completion of  
17 the course of study for which the borrower enrolled at the  
18 institution or at the time of departure from such institu-  
19 tion. The counseling required by this subsection shall in-  
20 clude—

21 “(i) information on the repayment plans avail-  
22 able, including a discussion of the different features  
23 of each plan and sample information showing the  
24 difference in interest paid and total payments under  
25 each plan;

1           “(ii) the average anticipated monthly repay-  
2           ments under the standard repayment plan and, at  
3           the borrower’s request, the other repayment plans  
4           for which the borrower is eligible;

5           “(iii) such debt and management strategies as  
6           the institution determines are designed to facilitate  
7           the repayment of such indebtedness;

8           “(iv) an explanation that the borrower has the  
9           ability to prepay each such loan, pay the loan on a  
10          shorter schedule, and change repayment plans;

11          “(v) the terms and conditions under which the  
12          student may obtain full or partial forgiveness or can-  
13          cellation of principal or interest under sections 428J,  
14          460, and 465 (to the extent that such sections are  
15          applicable to the student’s loans);

16          “(vi) the terms and conditions under which the  
17          student may defer repayment of principal or interest  
18          or be granted forbearance under subsections  
19          (b)(1)(M) and (o) of section 428, 428H(e)(7), sub-  
20          sections (f) and (l) of section 455, and section  
21          464(c)(2), and the potential impact of such  
22          deferment or forbearance;

23          “(vii) the consequences of default on such  
24          loans;

1           “(viii) information on the effects of using a con-  
 2           solidation loan to discharge the borrower’s loans  
 3           under parts B, D, and E, including, at a min-  
 4           imum—

5                   “(I) the effects of consolidation on total in-  
 6           terest to be paid, fees to be paid, and length of  
 7           repayment;

8                   “(II) the effects of consolidation on a bor-  
 9           rower’s underlying loan benefits, including all  
 10          grace periods, loan forgiveness, cancellation,  
 11          and deferment opportunities;

12                  “(III) the ability of the borrower to prepay  
 13          the loan or change repayment plans; and

14                  “(IV) that borrower benefit programs may  
 15          vary among different loan holders; and

16                  “(ix) a notice to borrowers about the avail-  
 17          ability of the National Student Loan Data System  
 18          and how the system can be used by a borrower to  
 19          obtain information on the status of the borrower’s  
 20          loans.”.

21          (f) CONFORMING AMENDMENT.—Section 455(g) of  
 22          the Higher Education Act of 1965 (20 U.S.C. 1087e(g))  
 23          is amended by striking “428C(b)(1)(F)” and inserting  
 24          “428C(b)(1)(G)”.

1 **SEC. 6. REPORT REQUIRED.**

2 Section 141(c) of the Higher Education Act of 1965  
3 (20 U.S.C. 1018(c)) is amended—

4 (1) in the subsection heading, by striking  
5 “PLAN AND REPORT” and inserting “PLAN, RE-  
6 PORT, AND BRIEFING”; and

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

8 “(4) BRIEFING ON ENFORCEMENT OF STUDENT  
9 LOAN PROVISIONS.—The Chief Operating Officer  
10 shall provide an annual briefing to the members of  
11 the authorizing committees on the steps the PBO  
12 has taken and is taking to ensure that lenders are  
13 providing the information required under clauses  
14 (iii) and (iv) of section 428(c)(3)(C) and sections  
15 428(b)(1)(Z) and 428C(b)(1)(F).”.

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