

COLLEGE COST REDUCTION ACT OF 2007

—————
JUNE 25, 2007.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed
—————

Mr. GEORGE MILLER of California, from the Committee on
Education and Labor, submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 2669]

[Including cost estimate of the Congressional Budget Office]

The Committee on Education and Labor, to whom was referred the bill (H.R. 2669) to provide for reconciliation pursuant to section 601 of the concurrent resolution on the budget for fiscal year 2008, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited to as the “College Cost Reduction Act of 2007”.

(b) **TABLE OF CONTENTS.**—

Sec. 1. Short title; table of contents.

Sec. 2. References; effective date.

TITLE I—INVESTING IN STUDENT AID

PART A—INCREASING THE PURCHASING POWER OF PELL GRANTS

Sec. 101. Mandatory Pell Grant Increases.

Sec. 102. Support for working students.

Sec. 103. Simplified needs test and automatic zero improvements.

Sec. 104. Definitions.

PART B—MAKING STUDENT LOANS MORE AFFORDABLE

Sec. 111. Interest rate reductions.

Sec. 112. Increases in loan limits.

Sec. 113. Reduction of lender special allowance payments.

Sec. 114. Elimination of exceptional performer status for lenders.

Sec. 115. Reduction of lender insurance percentage.

Sec. 116. Guaranty agency collection retention.

- Sec. 117. Unit costs for account maintenance fees.
 Sec. 118. Increased loan fees from lenders.
 Sec. 119. Student loan information.
 Sec. 120. Market-based determination of lender returns.

PART C—REWARDING SERVICE IN REPAYMENT

- Sec. 131. Loan forgiveness for service in areas of national need.
 “Sec. 428K. Loan forgiveness for service in areas of national need.
 Sec. 132. Income-contingent repayment for public sector employees.
 Sec. 133. Income-based repayment.
 “Sec. 493C. Income-based repayment.
 Sec. 134. Definition of economic hardship.
 Sec. 135. Deferrals.
 Sec. 136. Maximum repayment period.
 Sec. 137. Deferral of loan repayment following active duty.
 “Sec. 484C. Deferral of loan repayment following active duty.
 Sec. 138. Sense of the Congress; report.

PART D—SUSTAINING THE PERKINS LOAN PROGRAM

- Sec. 141. Federal Perkins Loans.

TITLE II—REDUCING THE COST OF COLLEGE

- Sec. 201. State commitment to affordable college education.
 “Sec. 132. State commitment to affordable college education.
 Sec. 202. Consumer information and public accountability in higher education.
 “Sec. 131. Consumer information and public accountability in higher education.
 Sec. 203. Incentives and rewards for low tuition.
 “Sec. 401B. Incentives and rewards for low tuition.
 Sec. 204. Cooperative education rewards for institutions that restrain tuition increases.

“TITLE VIII—COOPERATIVE EDUCATION REWARDS FOR INSTITUTIONS THAT RESTRAIN TUITION INCREASES

- “Sec. 801. Definition of cooperative education.
 “Sec. 802. Authorization of appropriations; reservations.
 “Sec. 803. Grants for cooperative education.
 “Sec. 804. Demonstration and innovation projects; training and resource centers; and research.

TITLE III—ENSURING A HIGHLY QUALIFIED TEACHER IN EVERY CLASSROOM

PART A—TEACH GRANTS

- Sec. 301. TEACH Grants.

“SUBPART 9—TEACH GRANTS

- “Sec. 420L. Program established.
 “Sec. 420M. Eligibility; applications.
 “Sec. 420N. Definitions.
 “Sec. 420O. Program period and funding.

PART B—CENTERS OF EXCELLENCE

- Sec. 311. Centers of excellence.

“PART C—CENTERS OF EXCELLENCE

- “Sec. 231. Definitions.
 “Sec. 232. Centers of excellence.
 “Sec. 233. Appropriations.

TITLE IV—LEVERAGING FUNDS TO INCREASE COLLEGE ACCESS

PART A—STRENGTHENING HISTORICALLY BLACK COLLEGES AND UNIVERSITIES AND MINORITY-SERVING INSTITUTIONS

- Sec. 401. Investment in Historically Black Colleges and Universities and Minority-Serving Institution.

“PART I—STRENGTHENING HISTORICALLY BLACK COLLEGES AND UNIVERSITIES AND OTHER MINORITY-SERVING INSTITUTIONS

- “Sec. 499A. Investment in Historically Black Colleges and Universities and Other Minority-Serving Institution.

PART B—COLLEGE ACCESS CHALLENGE GRANTS

- Sec. 411. College Access Challenge grants.

PART C—UPWARD BOUND

- Sec. 412. Upward Bound.

TITLE V—ADDITIONAL PROVISIONS

- Sec. 501. Independent evaluation of distance education programs.
 Sec. 502. Encouraging colleges and universities to “go green”.

SEC. 2. REFERENCES; EFFECTIVE DATE.

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

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

TITLE I—INVESTING IN STUDENT AID

PART A—INCREASING THE PURCHASING POWER OF PELL GRANTS

SEC. 101. MANDATORY PELL GRANT INCREASES.

(a) EXTENSION OF AUTHORITY.—Section 401(a) (20 U.S.C. 1070a(a)) is amended by striking “fiscal year 2004” and inserting “fiscal year 2013”.

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

“(9) ADDITIONAL FUNDS.—

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

- “(i) \$840,000,000 for fiscal year 2008;
- “(ii) \$870,000,000 for fiscal year 2009;
- “(iii) \$1,340,000,000 for fiscal year 2010;
- “(iv) \$2,280,000,000 for fiscal year 2011;
- “(v) \$2,350,000,000 for fiscal year 2012;
- “(vi) \$2,400,000,000 for fiscal year 2013;
- “(vii) \$2,450,000,000 for fiscal year 2014;
- “(viii) \$2,510,000,000 for fiscal year 2015;
- “(ix) \$2,550,000,000 for fiscal year 2016; and
- “(x) \$2,570,000,000 for fiscal year 2017.

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

- “(i) \$200 for each of the award years 2008–2009 and 2009–2010;
- “(ii) \$300 for award year 2010–2011; and
- “(iii) \$500 for award year 2011–2012 and each subsequent award year.

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

(c) AUTHORIZED MAXIMUMS.—Section 401(b)(2)(A) (20 U.S.C. 1070a(b)(2)(A)) is amended to read as follows:

“(2)(A) The amount of the Federal Pell Grant for a student eligible under this part shall be—

- “(i) \$7,600 for academic year 2008–2009;
- “(ii) \$8,600 for academic year 2009–2010;
- “(iii) \$9,600 for academic year 2010–2011;
- “(iv) \$10,600 for academic year 2011–2012; and
- “(v) \$11,600 for academic year 2012–2013,

less an amount equal to the amount determined to be the expected family contribution with respect to that student for that year.”

(d) TUITION SENSITIVITY.—

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

- (A) by striking paragraph (3); and
- (B) by redesignating paragraphs (4) through (9) as paragraphs (3) through (8), respectively.

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) of this subsection are effective on the date of enactment of this Act.

(e) MULTIPLE GRANTS.—

(1) AMENDMENT.—Paragraph (5) of section 401(b) (as redesignated by subsection (d)(1)(B)) is amended to read as follows:

“(5) YEAR-ROUND PELL GRANTS.—The Secretary is authorized, for students enrolled in a baccalaureate degree, associate’s degree, or certificate program of study at an eligible institution, to award such students not more than two Pell grants during an award year to permit such students to accelerate progress to-

ward their degree or certificate objectives by enrolling in courses for more than 2 semesters, or 3 quarters, or the equivalent, in a given academic year.”.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall be effective July 1, 2009.

(f) ACADEMIC COMPETITIVENESS GRANTS.—Section 401A (as amended by section 8003 of Public Law 109–171) is amended—

(1) in subsection (c)(3)(A)(ii), by inserting “, except as part of a secondary school program of study” before the semicolon;

(2) by redesignating subsection (g) as subsection (h); and

(3) by inserting after subsection (f) the following new subsection:

“(g) DETERMINATION OF ACADEMIC YEAR.—Notwithstanding section 481(a)(2), for the purpose of determining eligibility for a grant under this section, a student shall be considered to be enrolled or accepted for enrollment in the first, second, third, or fourth academic year of a program of undergraduate education based on the student’s class standing, as determined by the institution of higher education at which the student is enrolled or accepted for enrollment.”.

(g) ELIGIBILITY FOR ACADEMIC COMPETITIVENESS GRANTS.—Section 401A is further amended—

(1) in subsection (c)—

(A) by striking “full-time”; and

(B) by amending paragraph (1) to read as follows:

“(1) is an eligible student under section 484, including being enrolled or accepted for enrollment in a degree, certificate, or other eligible program leading to a recognized educational credential at an institution of higher education;”; and

(2) in subsection (d), by adding at the end the following new paragraph:

“(3) ADJUSTMENT FOR LESS THAN FULL-TIME ENROLLMENT.—A grant awarded under this section to an eligible student who attends an eligible institution on a less than full-time (but at least half-time or more) basis shall be reduced in the same proportion as would a Federal Pell Grant pursuant to section 401(b)(2)(B).”.

SEC. 102. SUPPORT FOR WORKING STUDENTS.

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

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

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

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

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

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

(b) INDEPENDENT STUDENTS WITHOUT DEPENDENTS OTHER THAN A SPOUSE.—Clause (iv) of section 476(b)(1)(A) (20 U.S.C. 1087pp(b)(1)(A)(iv)) is amended to read as follows:

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

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

“(aa) for the 2009–2010 academic year, \$6,690;

“(bb) for the 2010–2011 academic year, \$7,160;

“(cc) for the 2011–2012 academic year, \$7,630; and

“(dd) for the 2012–2013 academic year, \$8,090; and

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

“(aa) for the 2009–2010 academic year, \$10,720;

“(bb) for the 2010–2011 academic year, \$11,470;

“(cc) for the 2011–2012 academic year, \$12,220; and

“(dd) for the 2012–2013 academic year, \$12,960;”.

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

(1) in paragraph (1)—

(A) by striking “REVISED TABLES.—For each” and inserting “REVISED TABLES.—

“(A) IN GENERAL.—For each”;

(B) in subparagraph (A) (as designated by subparagraph (A)), in the third sentence—

(i) by striking “preceding sentence” and inserting “subparagraph (A)”; and

(ii) by striking “For the 2007–2008” and inserting the following:

“(B) SPECIAL RULE FOR 2007–2008 ACADEMIC YEAR.—For the 2007–2008”; and

(C) by adding at the end the following:

“(C) SPECIAL RULE FOR 2009–2010 THROUGH 2012–2013 ACADEMIC YEARS.—For the 2009–2010 academic year, and for each of the 3 succeeding academic years, the Secretary shall revise the tables in accordance with this paragraph, except that, for the table in section 477(b)(4), the Secretary shall revise such table by increasing the amounts contained in such table for the preceding academic year by 10 percent.”; and

(2) in paragraph (2), by striking “shall be developed” and all that follows through the period at the end and inserting “shall be developed—

“(A) for academic year 2008–2009, by increasing each of the dollar amounts contained in such section as such section was in effect on the day before the date of enactment of the College Cost Reduction Act of 2007 by a percentage equal to the estimated percentage increase in the Consumer Price Index (as defined in section 478(f)) between December 2006 and the December next preceding the beginning of such academic year, and rounding the result to the nearest \$10; and

“(B) for each academic year after 2012–2013, by increasing each of the dollar amounts contained in such section for academic year 2012–2013 by a percentage equal to the estimated percentage increase in the Consumer Price Index (as defined in section 478(f)) between December 2011 and the December next preceding the beginning of such academic year, and rounding the result to the nearest \$10.”.

(d) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall take effect on October 1, 2008, and the amendment made by subsection (c) shall take effect on July 1, 2008.

SEC. 103. SIMPLIFIED NEEDS TEST AND AUTOMATIC ZERO IMPROVEMENTS.

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

(1) in subsection (b)—

(A) in paragraph (1)(A)(i)—

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

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

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

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

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

(B) in paragraph (1)(B)(i)—

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

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

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

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

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

(2) in subsection (c)—

(A) in paragraph (1)—

(i) in subparagraph (A)—

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

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

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

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

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

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

(B) in paragraph (2)—

(i) in subparagraph (A)—

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

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

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

“(iii) is a dislocated worker; or”; and

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

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

(C) in the flush matter following paragraph (2)(B), by adding at the end the following: “The Secretary shall annually adjust the income level necessary to qualify an applicant for the zero expected family contribution. The

income level shall be adjusted according to increases in the Consumer Price Index, as defined in section 478(f).”; and

(3) in subsection (d)—

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

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

“(d) DEFINITIONS.—In this section:

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

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

(b) DISCRETION OF STUDENT FINANCIAL AID ADMINISTRATORS.—Section 479A(a) (20 U.S.C. 1087tt(a)) is amended in the third sentence by inserting “a family member who is a dislocated worker (as defined in section 101 of the Workforce Investment Act of 1998 (29 U.S.C. 2801));” after “recent unemployment of a family member.”

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

SEC. 104. DEFINITIONS.

(a) TOTAL INCOME.—Section 480(a)(2) (20 U.S.C. 1087vv(a)(2)) is amended—

(1) by striking “and no portion” and inserting “no portion”; and

(2) by inserting “and no distribution from any qualified education benefit described in subsection (f)(3) that is not subject to Federal income tax,” after “1986.”

(b) UNTAXED INCOME AND BENEFITS.—Section 480(b) (20 U.S.C. 1087vv(b)) is amended to read as follows:

“(b) UNTAXED INCOME AND BENEFITS.—

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

“(A) child support received;

“(B) workman’s compensation;

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

“(D) interest on tax-free bonds;

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

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

“(G) untaxed portion of pensions;

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

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

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

(c) ASSETS.—Section 480(f) (20 U.S.C. 1087vv(f)) is amended—

(1) in paragraph (3), by striking “shall not be considered an asset of a student for purposes of section 475” and inserting “shall be considered an asset of the parent for purposes of section 475”;

(2) by redesignating paragraphs (4) and (5) as paragraphs (5) and (6), respectively; and

(3) by inserting after paragraph (3) the following:

“(4) A qualified education benefit shall be considered an asset of the student for purposes of section 476 and 477.”.

(d) OTHER FINANCIAL ASSISTANCE.—Section 480(j)(2) (20 U.S.C. 1087vv(j)(2)) is amended by inserting “, or a distribution that is not includable in gross income under section 529 of such Code, under another prepaid tuition plan offered by a State, or under a Coverdell education savings account under section 530 of such Code,” after “1986”.

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

PART B—MAKING STUDENT LOANS MORE AFFORDABLE

SEC. 111. INTEREST RATE REDUCTIONS.

(a) FFEL INTEREST RATES.—

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

“(4) REDUCED RATES FOR UNDERGRADUATE SUBSIDIZED LOANS.—Notwithstanding subsection (h) and paragraph (1) of this subsection, with respect to any loan to an undergraduate student made, insured, or guaranteed under this part (other than a loan made pursuant to section 428B, 428C, or 428H) for which the first disbursement is made on or after July 1, 2006, and before July 1, 2013, the applicable rate of interest shall be as follows:

“(A) For a loan for which the first disbursement is made on or after July 1, 2006, and before July 1, 2008, 6.80 percent on the unpaid principal balance of the loan.

“(B) For a loan for which the first disbursement is made on or after July 1, 2008, and before July 1, 2009, 6.12 percent on the unpaid principal balance of the loan.

“(C) For a loan for which the first disbursement is made on or after July 1, 2009, and before July 1, 2010, 5.44 percent on the unpaid principal balance of the loan.

“(D) For a loan for which the first disbursement is made on or after July 1, 2010, and before July 1, 2011, 4.76 percent on the unpaid principal balance of the loan.

“(E) For a loan for which the first disbursement is made on or after July 1, 2011, and before July 1, 2012, 4.08 percent on the unpaid principal balance of the loan.

“(F) For a loan for which the first disbursement is made on or after July 1, 2012 and before July 1, 2013, 3.40 percent on the unpaid principal balance of the loan.”

(2) SPECIAL ALLOWANCE CROSS REFERENCE.—Section 438(b)(2)(I)(ii)(II) (20 U.S.C. 1086(b)(2)(I)(ii)(II)) is amended by striking “section 427A(l)(1)” and inserting “section 427A(l)(1) or (l)(4)”.

(b) DIRECT LOAN INTEREST RATES.—Section 455(b)(7) (20 U.S.C. 1087e(b)(7)) is amended by adding at the end the following new subparagraph:

“(D) REDUCED RATES FOR UNDERGRADUATE FDSL.—Notwithstanding the preceding paragraphs of this subsection, for Federal Direct Stafford Loans made to undergraduate students for which the first disbursement is made on or after July 1, 2006, and before July 1, 2013, the applicable rate of interest shall be as follows:

“(i) For a loan for which the first disbursement is made on or after July 1, 2006, and before July 1, 2008, 6.80 percent on the unpaid principal balance of the loan.

“(ii) For a loan for which the first disbursement is made on or after July 1, 2008, and before July 1, 2009, 6.12 percent on the unpaid principal balance of the loan.

“(iii) For a loan for which the first disbursement is made on or after July 1, 2009, and before July 1, 2010, 5.44 percent on the unpaid principal balance of the loan.

“(iv) For a loan for which the first disbursement is made on or after July 1, 2010, and before July 1, 2011, 4.76 percent on the unpaid principal balance of the loan.

“(v) For a loan for which the first disbursement is made on or after July 1, 2011, and before July 1, 2012, 4.08 percent on the unpaid principal balance of the loan.

“(vi) For a loan for which the first disbursement is made on or after July 1, 2012, and before July 1, 2013, 3.40 percent on the unpaid principal balance of the loan.”

SEC. 112. INCREASES IN LOAN LIMITS.

(a) INCREASE IN THIRD AND SUBSEQUENT YEAR LIMITS.—

(1) FEDERAL INSURANCE LIMITS.—Section 425(a)(1)(A)(iii) (20 U.S.C. 1075(a)(1)(A)(iii)) is amended by striking “\$5,500” and inserting “\$7,500”.

(2) GUARANTY LIMITS.—Section 428(b)(1)(A)(iii)(I) (20 U.S.C. 1078(b)(1)(A)(iii)(I)) is amended by striking “\$5,500” and inserting “\$7,500”.

(b) INCREASE IN AGGREGATE LIMITS.—

(1) FEDERAL INSURANCE LIMITS.—Section 425(a)(2)(A) (20 U.S.C. 1075(a)(2)(A)(i)) is amended—

(A) in clause (i), by striking “\$23,000” and inserting “\$30,500”; and

- (B) in clause (ii), by striking “\$65,500” and inserting “\$73,000”.
- (2) **GUARANTY LIMITS.**—Section 428(b)(1)(B) (20 U.S.C. 1078(b)(1)(A)(iii)(I)) is amended—
- (A) in clause (i), by striking “\$23,000” and inserting “\$30,500”; and
- (B) in clause (ii), by striking “\$65,500” and inserting “\$73,000”.
- (c) **EFFECTIVE DATE.**—The amendments made by this section shall be effective July 1, 2008.

SEC. 113. REDUCTION OF LENDER SPECIAL ALLOWANCE PAYMENTS.

Section 438(b)(2)(I) (20 U.S.C. 1087–1(b)(2)(I)) is amended—

- (1) in clause (i), by striking “clauses (ii), (iii), and (iv)” and inserting “the following clauses”;
- (2) in clause (v)(III), by striking “clauses (ii), (iii), and (iv)” and inserting “clauses (ii), (iii), (iv), and (vi)”;
- (3) by adding at the end the following new clause:

“(vi) **REDUCTION FOR LOANS ON OR AFTER OCTOBER 1, 2007.**—With respect to a loan on which the applicable interest rate is determined under section 427A(l), the percentage to be added under clause (i)(III) in computing the special allowance payment pursuant to this subparagraph shall be the following:

“(I) **IN GENERAL AND PLUS LOANS.**—1.79 percent in the case of a loan described in clause (i) or (iii) for which the first disbursement of principal is made on or after October 1, 2007.

“(II) **IN SCHOOL AND GRACE PERIOD.**—1.19 percent in the case of a loan described in clause (ii)(II) for which the first disbursement of principal is made on or after October 1, 2007.

“(III) **CONSOLIDATION LOANS.**—2.09 percent in the case of a loan described in clause (iv) for which the first disbursement of principal is made on or after October 1, 2007.”

SEC. 114. ELIMINATION OF EXCEPTIONAL PERFORMER STATUS FOR LENDERS.

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

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

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

(A) by striking subparagraph (D); and

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

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

SEC. 115. REDUCTION OF LENDER INSURANCE PERCENTAGE.

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

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

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

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

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

SEC. 116. GUARANTY AGENCY COLLECTION RETENTION.

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

“(ii) an amount equal to 23 percent of such payments for use in accordance with section 422B, except that beginning October 1, 2007, this subparagraph shall be applied by substituting ‘16 percent’ for ‘23 percent’.”

SEC. 117. UNIT COSTS FOR ACCOUNT MAINTENANCE FEES.

Section 458(b) (20 U.S.C. 1087h(b)) is amended—

(1) by striking “Account” and inserting the following:

“(1) **FOR FISCAL YEARS 2006 AND 2007.**—For fiscal years 2006 and 2007, account”; and

(2) by adding at the end the following new paragraph:

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

“(A) UNIT COST BASIS.—For fiscal year 2008 and each succeeding fiscal year, the Secretary shall calculate the account maintenance fees payable to guaranty agencies under subsection (a)(3), on a per-loan cost basis in accordance with subparagraph (B) of this paragraph.

“(B) DETERMINATIONS.—To determine the amount that shall be paid under subsection (a)(3) per outstanding loan guaranteed by a guaranty agency for fiscal year 2008 and succeeding fiscal years, the Secretary shall—

“(i) establish the per-loan cost basis amount by—

“(I) dividing the total amount of account maintenance fees paid under subsection (a)(3) in fiscal year 2006, by

“(II) the number of loans under part B that were outstanding in that fiscal year; and

“(ii) determine on October 1 of fiscal year 2008 and each subsequent fiscal year, and pay to each guaranty agency, an amount equal to the product of the number of loans under part B that are outstanding on October 1 of that fiscal year and insured by that guaranty agency, multiplied by—

“(I) the amount determined under clause (i); increased by

“(II) a percentage equal to the percentage increase in the GDP price index (as determined by the Bureau of Labor Statistics of the Department of Labor) between the calendar quarter ending on June 30, 2006, and the calendar quarter ending on the June 30 preceding such October 1 of such fiscal year.”.

SEC. 118. INCREASED LOAN FEES FROM LENDERS.

Paragraph (2) of section 438(d) (20 U.S.C. 1087–1(d)(2)) is amended to read as follows:

“(2) AMOUNT OF LOAN FEES.—

“(A) AMOUNT.—The amount of the loan fee which shall be deducted under paragraph (1), but which may not be collected from the borrower, shall be equal to—

“(i) except as provided in clauses (ii) and (iii), 0.50 percent of the principal amount of the loan with respect to any loan under this part for which the first disbursement was made on or after October 1, 1993;

“(ii) 1.0 percent of the principal amount of the loan with respect to any loan under this part for which the first disbursement was made on or after October 1, 2007, that is held by any holder other than a holder described in subclause (I) or (II) of clause (iii); and

“(iii) 0.0 percent of the principal amount of the loan with respect to any loan under this part for which the first disbursement was made on or after October 1, 2007, that is held by—

“(I) any holder that, together with its affiliated holders, is designated by the Secretary as a small lender under subparagraph (B); or

“(II) any holder that—

“(aa) is a unit of State or local government or a nonprofit private entity; and

“(bb) is not owned in whole or in part by, or controlled or operated by, or otherwise affiliated with, a for-profit entity.

“(B) DESIGNATION OF SMALL LENDERS.—In determining which holders of eligible loans qualify as small lenders for purposes of subparagraph (A)(iii)(I), the Secretary shall, using the most recently available data with respect to the total principal amount of eligible loans held by holders—

“(i) rank all holders of eligible loans (combined with their affiliated holders) in descending order by total principal amount of eligible loans held;

“(ii) calculate the total principal amount of eligible loans held by all holders; and

“(iii) identify the subset of consecutively ranked holders under clause (i), starting with the lowest ranked holder, that together hold a total principal amount of such loans equal to 15 percent of the total amount calculated under clause (ii), but excluding the holder, if any, whose holdings when added cause the total holdings of the subset to equal but not exceed such 15 percent of such total amount calculated; and

“(iv) designate as small lenders any holder identified as a member of the subset under clause (iii).”.

SEC. 119. STUDENT LOAN INFORMATION.

Section 428(k) (20 U.S.C. 1078(k)) is amended by adding at the end the following new paragraph:

“(4) **STUDENT LOAN INFORMATION.**—

“(A) Notwithstanding any other provision of law or regulation, a lender, secondary market, holder, or guaranty agency shall provide, free of charge and in a timely and effective manner, any student loan information maintained by that entity that is requested by an institution of higher education or any third-party servicer (as defined in section 481(c)) working on behalf of that institution to prevent student loan defaults.

“(B) An institution and any third-party servicer obtaining access to information under subparagraph (A) shall safeguard that information in order to prevent potential abuses of that information, including identity theft.

“(C) Any third party servicer that obtains information under this paragraph—

“(i) shall only use the information in a manner directly related to the default prevention work the servicer is performing on behalf of the institution of higher education; and

“(ii) shall be subject to any regulations established by the Secretary pursuant to section 432 concerning the misuse of such information, including any penalties for such misuse.”.

SEC. 120. MARKET-BASED DETERMINATION OF LENDER RETURNS.

(a) **JOINT PLANNING STUDY TO SELECT AUCTION MECHANISMS FOR TESTING.**—

(1) **PLANNING STUDY.**—The Secretaries of Education and Treasury jointly shall conduct a planning study, in consultation with the Office of Management and Budget, the Congressional Budget Office, the General Accounting Office, and other individuals and entities the Secretaries determines appropriate, to—

(A) examine the matters described in paragraph (2) in order to determine which market-based mechanisms for determining lender returns on loans made, insured, or guaranteed under part B of title IV of the Higher Education Act of 1965 (20 U.S.C. 1071 et seq.) shall be tested under the pilot programs described in subsection (c); and

(B) determine what related administrative and other changes will be required in order to ensure that high-quality services are provided under a successful implementation of market-based determinations of lender returns for all loans made, insured, or guaranteed under such part.

(2) **MATTERS EXAMINED.**—The planning study under this subsection shall examine—

(A) whether it is most appropriate to auction existing loans under part B of title IV of such Act, to auction the rights to originate loans under such part, or whether the sale of securities backed by federally-owned student loan assets originated by banks acting as agents of the Federal Government would provide the most efficient market-based alternative;

(B) matters related to efficient financial organization of any auctions or sales of loans under such part, including how loans and origination rights are bundled, the capital structure of any securitization plan, and issues related to servicing; and

(C) how to ensure that statutory, regulatory, and administrative requirements do not impede separate management and ownership of loans or assets backed by loans under part B of title IV of such Act.

(3) **MECHANISMS.**—In determining which market-based mechanisms are the most promising models to test the pilot programs under subsection (b), the planning study shall take into account whether a particular market-based mechanism will—

(A) ensure loan availability under part B of title IV of such Act to all eligible students at all participating institutions;

(B) minimize administrative complexity for borrowers, institutions, lenders, and the Federal Government; and

(C) reduce Federal costs if used on a program-wide basis.

(4) **REPORT.**—A report on the results of the planning study, together with a plan for implementation of one or more pilot programs using promising market-based approaches for determining lender returns, shall be transmitted to Congress not later than 6 months after the date of enactment of this Act.

(b) **PILOT PROGRAMS TO BE TESTED.**—

(1) **AUTHORIZATION.**—

(A) **IN GENERAL.**—Notwithstanding any other provision of law, after the report described in subsection (a)(4) is transmitted to Congress, the Secretary of Education shall, in consultation with the Secretary of the Treas-

ury, begin preparations necessary to carry out pilot programs meeting the requirements of this subsection in accordance with the implementation plan included in such report.

(B) IMPLEMENTATION DATE.—The Secretary of Education shall commence implementation of the pilot programs under this subsection not earlier than July 1, 2008.

(C) DURATION AND LOAN VOLUME.—The pilot programs under this subsection shall be not more than two academic years in duration, and the Secretary of Education may use the pilot programs to determining the lender returns for not more than—

(i) 10 percent of the annual loan volume under part B of title IV of the Higher Education Act of 1965 during the first year of the pilot programs under this subsection; and

(ii) 20 percent of the annual loan volume under part B of title IV of such Act during the second year of the pilot programs under this subsection.

(2) VOLUNTARY PARTICIPATION.—

(A) Participation in any auction-based pilot program under this subsection shall be voluntary for eligible institutions and eligible lenders participating under part B of title IV of such Act prior to July 1, 2006.

(B) All savings to the United States Treasury generated by such auctions shall be distributed to institutions participating under this subsection on a basis proportionate to loan volume under such part for supplemental, need-based financial aid, except that an institution that is operating as an eligible lender under section 435(d)(2) of such Act shall not be eligible for any such distribution.

(3) INDEPENDENT EVALUATION.—The Government Accountability Office shall conduct an independent evaluation of the pilot programs under this subsection, which evaluation shall be completed, and the results of such submitted to the Secretary of Education, the Secretary of the Treasury, and Congress, not later than 120 days after the termination of such pilot programs.

(c) PROGRAM-WIDE IMPLEMENTATION.—Notwithstanding any other provision of part B of title IV of the Higher Education Act of 1965, for the first academic year beginning not less than 120 days after the independent evaluation described in subsection (b)(3) has been transmitted to Congress, and succeeding academic years, the Secretary of Education is authorized to implement for all loans made under such part, a program-wide, market-based system to determine returns to all lenders as the Secretary of Education determines appropriate, provided that—

(1) the Secretary of Education, in consultation with the Secretary of the Treasury, has certified that the auction-based system that the Secretary of Education intends to implement on a program-wide basis would—

(A) ensure loan availability under such part to all eligible students at all participating institutions;

(B) minimize administrative complexity for borrowers, institutions, lenders, and the Federal Government, including the enhancement of the modernization of the student financial aid system; and

(C) reduce Federal costs when used on a program-wide basis; and

(2) the Secretary of Education has notified Congress of the Secretary's intent to implement a program-wide auction based system, and has provided a description of the structure of such auction-based system, at least 120 days before implementing such system.

(d) CONSULTATION.—

(1) IN GENERAL.—As part of the planning study, pilot programs, and program-wide implementation phases described in this section, the Secretary of Education shall consult with representatives of investment banks, ratings agencies, lenders, institutions of higher education, and students, as well as individuals or other entities with pertinent technical expertise. The Secretary of Education shall engage in such consultations using such methods as, and to the extent that, the Secretary determines appropriate to the time constraints associated with the study, programs, and implementation.

(2) SERVICES OF OTHER FEDERAL AGENCIES.—In carrying out the planning study and pilot programs described in this section, the Secretary of Education may use, on a reimbursable basis, the services (including procurement authorities and services), equipment, personnel, and facilities of other agencies and instrumentalities of the Federal Government.

PART C—REWARDING SERVICE IN REPAYMENT

SEC. 131. LOAN FORGIVENESS FOR SERVICE IN AREAS OF NATIONAL NEED.

Section 428K (20 U.S.C. 1078–11) is amended to read as follows:

“SEC. 428K. LOAN FORGIVENESS FOR SERVICE IN AREAS OF NATIONAL NEED.

“(a) PROGRAM AUTHORIZED.—

“(1) LOAN FORGIVENESS AUTHORIZED.—The Secretary shall forgive, in accordance with this section, the student loan obligation of a borrower in the amount specified in subsection (c), for any new borrower after the date of enactment of the College Cost Reduction Act of 2007, who—

“(A) is employed full-time in an area of national need described in subsection (b); and

“(B) is not in default on a loan for which the borrower seeks forgiveness.

“(2) METHOD OF LOAN FORGIVENESS.—To provide loan forgiveness under paragraph (1), the Secretary is authorized to carry out a program—

“(A) through the holder of the loan, to assume the obligation to repay a qualified loan amount for a loan made, insured, or guaranteed under this part; and

“(B) to cancel a qualified loan amount for a loan made under part D of this title.

“(3) REGULATIONS.—The Secretary is authorized to issue such regulations as may be necessary to carry out the provisions of this section.

“(b) AREAS OF NATIONAL NEED.—For purposes of this section, an individual shall be treated as employed in an area of national need if the individual is employed full-time as any of the following:

“(1) EARLY CHILDHOOD EDUCATORS.—An individual who is employed as an early childhood educator in an eligible preschool program or eligible early childhood education program in a low-income community, and who is involved directly in the care, development, and education of infants, toddlers, or young children age 5 and under.

“(2) NURSES.—An individual who is employed—

“(A) as a nurse in a clinical setting; or

“(B) as a member of the nursing faculty at an accredited school of nursing (as those terms are defined in section 801 of the Public Health Service Act (42 U.S.C. 296)).

“(3) FOREIGN LANGUAGE SPECIALISTS.—An individual who has obtained a baccalaureate degree in a critical foreign language and is employed—

“(A) in an elementary or secondary school as a teacher of a critical foreign language; or

“(B) in an agency of the United States Government in a position that regularly requires the use of such critical foreign language.

“(4) LIBRARIANS.—An individual who is employed as a librarian in—

“(A) a public library that serves a geographic area within which the public schools have a combined average of 30 percent or more of their total student enrollments composed of children counted under section 1113(a)(5) of the Elementary and Secondary Education Act of 1965; or

“(B) an elementary or secondary school which is in the school district of a local educational agency which is eligible in such year for assistance pursuant to title I of the Elementary and Secondary Education Act of 1965, and which for the purpose of this paragraph and for that year has been determined by the Secretary (pursuant to regulations and after consultation with the State educational agency of the State in which the school is located) to be a school in which the enrollment of children counted under section 1113(a)(5) of the Elementary and Secondary Education Act of 1965 exceeds 30 percent of the total enrollment of that school.

“(5) HIGHLY QUALIFIED TEACHERS: BILINGUAL EDUCATION AND LOW-INCOME COMMUNITIES.—An individual who—

“(A) is highly qualified as such term is defined in section 9101 of the Elementary and Secondary Education Act of 1965; and

“(B)(i) is employed as a full-time teacher of bilingual education; or

“(ii) is employed as a teacher in a public or nonprofit private elementary or secondary school which is in the school district of a local educational agency which is eligible in such year for assistance pursuant to title I of the Elementary and Secondary Education Act of 1965, and which for the purpose of this paragraph and for that year has been determined by the Secretary (pursuant to regulations and after consultation with the State educational agency of the State in which the school is located) to be a school in which the enrollment of children counted under section 1113(a)(5) of the

Elementary and Secondary Education Act of 1965 exceeds 40 percent of the total enrollment of that school.

“(6) CHILD WELFARE WORKERS.—An individual who—

“(A) has obtained a degree in social work or a related field with a focus on serving children and families; and

“(B) is employed in public or private child welfare services.

“(7) SPEECH-LANGUAGE PATHOLOGISTS.—An individual who is a speech-language pathologist, who is employed in an eligible preschool program or an elementary or secondary school, and who has, at a minimum, a graduate degree in speech-language pathology, or communication sciences and disorders.

“(8) NATIONAL SERVICE.—An individual who is engaged as a participant in a project under the National and Community Service Act of 1990 (as such terms are defined in section 101 of such Act (42 U.S.C. 12511)).

“(9) PUBLIC SECTOR EMPLOYEES.—An individual who is employed in public safety (including as a first responder, firefighter, police officer, or other law enforcement or public safety officer), emergency management (including as an emergency medical technician), public health, or public interest legal services (including prosecution or public defense).

“(c) QUALIFIED LOAN AMOUNT.—At the end of each school, academic, or calendar year of full-time employment in an area of national need described in subsection (b), not to exceed 5 years, the Secretary shall forgive not more than \$1,000 of the student loan obligation of a borrower that is outstanding after the completion of each such school, academic, or calendar year of employment, as appropriate, not to exceed \$5,000 in the aggregate for any borrower.

“(d) CONSTRUCTION.—Nothing in this section shall be construed to authorize the refunding of any repayment of a loan.

“(e) SEGAL AMERICORPS EDUCATION AWARD AND NATIONAL SERVICE AWARD RECIPIENTS.—A student borrower who qualifies for the maximum education award under subtitle D of title I of the National and Community Service Act of 1990 (42 U.S.C. 12601 et seq.) shall receive under this section the amount, if any, by which the maximum benefit available under this section exceeds the maximum education award available under such subtitle.

“(f) INELIGIBILITY FOR DOUBLE BENEFITS.—No borrower may receive a reduction of loan obligations under both this section and section 428J or 460.

“(g) DEFINITIONS.—In this section:

“(1) CRITICAL FOREIGN LANGUAGE.—The term ‘critical foreign language’ includes the languages of Arabic, Korean, Japanese, Chinese, Pashto, Persian-Farsi, Serbian-Croatian, Russian, Portuguese, and any other language identified by the Secretary of Education, in consultation with the Defense Language Institute, the Foreign Service Institute, and the National Security Education Program, as a critical foreign language need.

“(2) EARLY CHILDHOOD EDUCATOR.—The term ‘early childhood educator’ means an early childhood educator who works directly with children in an eligible preschool program or eligible early childhood education program who has completed a baccalaureate or advanced degree in early childhood development, early childhood education, or in a field related to early childhood education.

“(3) ELIGIBLE PRESCHOOL PROGRAM.—The term ‘eligible preschool program’ means a program that provides for the care, development, and education of infants, toddlers, or young children age 5 and under, meets any applicable State or local government licensing, certification, approval, and registration requirements, and is operated by—

“(A) a public or private school that is supported, sponsored, supervised, or administered by a local educational agency;

“(B) a Head Start agency serving as a grantee designated under the Head Start Act (42 U.S.C. 9831 et seq.);

“(C) a nonprofit or community based organization; or

“(D) a child care program, including a home.

“(4) ELIGIBLE EARLY CHILDHOOD EDUCATION PROGRAM.—The term ‘eligible early childhood education program’ means—

“(A) a family child care program, center-based child care program, State prekindergarten program, school program, or other out-of-home early childhood development care program, that—

“(i) is licensed or regulated by the State; and

“(ii) serves 2 or more unrelated children who are not old enough to attend kindergarten;

“(B) a Head Start Program carried out under the Head Start Act (42 U.S.C. 9831 et seq.); or

“(C) an Early Head Start Program carried out under section 645A of the Head Start Act (42 U.S.C. 9840a).

“(5) **LOW-INCOME COMMUNITY.**—In this subsection, the term ‘low-income community’ means a community in which 70 percent of households earn less than 85 percent of the State median household income.

“(6) **NURSE.**—The term ‘nurse’ means a nurse who meets all of the following:

“(A) The nurse graduated from—

“(i) an accredited school of nursing (as those terms are defined in section 801 of the Public Health Service Act (42 U.S.C. 296));

“(ii) a nursing center; or

“(iii) an academic health center that provides nurse training.

“(B) The nurse holds a valid and unrestricted license to practice nursing in the State in which the nurse practices in a clinical setting.

“(C) The nurse holds one or more of the following:

“(i) A graduate degree in nursing, or an equivalent degree.

“(ii) A nursing degree from a collegiate school of nursing (as defined in section 801 of the Public Health Service Act (42 U.S.C. 296)).

“(iii) A nursing degree from an associate degree school of nursing (as defined in section 801 of the Public Health Service Act (42 U.S.C. 296)).

“(iv) A nursing degree from a diploma school of nursing (as defined in section 801 of the Public Health Service Act (42 U.S.C. 296)).

“(7) **SPEECH-LANGUAGE PATHOLOGIST.**—The term ‘speech-language pathologist’ means a speech-language pathologist who—

“(A) has received, at a minimum, a graduate degree in speech-language pathology or communication sciences and disorders from an institution of higher education accredited by an agency or association recognized by the Secretary pursuant to section 496(a) of this Act; and

“(B) provides speech-language pathology services under section 1861(l)(1) of the Social Security Act (42 U.S.C. 1395x(l)(1)), or meets or exceeds the qualifications for a qualified speech-language pathologist under subsection (l)(3) of such section (42 U.S.C. 1395x(l)(3)).

“(h) **PROGRAM FUNDING.**—There shall be available to the Secretary to carry out this section, from funds not otherwise appropriated, such sums as may be necessary to provide loan forgiveness in accordance with this section to each eligible individual.”

SEC. 132. INCOME-CONTINGENT REPAYMENT FOR PUBLIC SECTOR EMPLOYEES.

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

“(7) **REPAYMENT PLAN FOR PUBLIC SECTOR EMPLOYEES.**—

“(A) **IN GENERAL.**—The Secretary shall forgive the balance due on any loan made under this part or section 428C(b)(5) for a borrower—

“(i) who has made 120 payments on such loan pursuant to income-contingent repayment; and

“(ii) who is employed, and was employed for the 10-year period in which the borrower made the 120 payments described in clause (i), in a public sector job.

“(B) **PUBLIC SECTOR JOB.**—In this paragraph, the term ‘public sector job’ means a full-time job in emergency management, government, public safety, law enforcement, public health, education (including early childhood education), social work in a public child or family service agency, or public interest legal services (including prosecution or public defense).

“(8) **RETURN TO STANDARD REPAYMENT.**—A borrower who is repaying a loan made under this part pursuant to income-contingent repayment may choose, at any time, to terminate repayment pursuant to income-contingent repayment and repay such loan under the standard repayment plan.”

SEC. 133. INCOME-BASED REPAYMENT.

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

“SEC. 493C. INCOME-BASED REPAYMENT.

“(a) **DEFINITIONS.**—In this section:

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

“(2) **PARTIAL FINANCIAL HARDSHIP.**—The term ‘partial financial hardship’, when used with respect to a borrower, means that for such borrower—

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

“(B) 15 percent of the result obtained by calculating the amount by which—

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

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

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

“(1) a borrower of any loan made, insured, or guaranteed under part B or D (other than an excepted PLUS loan) who has a partial financial hardship may elect, during any period the borrower has the partial financial hardship, to have the borrower’s aggregate monthly payment for all such loans not exceed the result described in subsection (a)(2)(B) divided by 12;

“(2) the holder of such a loan shall apply the borrower’s monthly payment under this subsection first toward interest due on the loan and then toward the principal of the loan;

“(3) any interest due and not paid under paragraph (2) shall be capitalized;

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

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

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

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

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

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

“(A) is in deferment due to an economic hardship described in section 435(o) for a period of time prescribed by the Secretary, not to exceed 20 years; or

“(B)(i) makes the election to participate in income-based repayment under paragraph (1); and

“(ii) for a period of time prescribed by the Secretary, not to exceed 20 years (including any period during which the borrower is in deferment due to an economic hardship described in section 435(o)), meets 1 or more of the following requirements:

“(I) has made reduced monthly payments under paragraph (1);

“(II) has made monthly payments of not less than the monthly amount calculated under section 428(b)(9)(A)(i) or 455(d)(1)(A) when the borrower first made the election described in this subsection;

“(III) has made payments under a standard repayment plan under section 428(b)(9)(A)(i) or 455(d)(1)(A);

“(IV) has made payments under an income-contingent repayment plan under section 455(d)(1)(D); and

“(8) a borrower who is repaying a loan made under this part pursuant to income-based repayment may elect, at any time, to terminate repayment pursuant to income-based repayment and repay such loan under the standard repayment plan.”

(b) CONFORMING ICR AMENDMENT.—Section 455(d)(1)(D) (20 U.S.C. 1087e(d)(1)(D)) is amended by inserting “made on behalf of a dependent student” after “PLUS loan”.

SEC. 134. DEFINITION OF ECONOMIC HARDSHIP.

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

(1) in paragraph (1)—

(A) in subparagraph (A)(ii)—

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

(ii) by inserting “or” after the semicolon;

(B) by striking subparagraph (B); and

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

(2) in paragraph (2), by striking “(1)(C)” and inserting “(1)(B)”.

SEC. 135. DEFERRALS.

(a) FISL.—Section 427(a)(2)(C)(iii) (20 U.S.C. 1077(a)(2)(C)(iii)) is amended by striking “not in excess of 3 years”.

(b) INTEREST SUBSIDIES.—Section 428(b)(1)(M)(iv) (20 U.S.C. 1078(b)(1)(M)(iv)) is amended by striking “not in excess of 3 years”.

(c) DIRECT LOANS.—Section 455(f)(2)(D) (20 U.S.C. 1087e(f)(2)(D)) is amended by striking “not in excess of 3 years”.

(d) PERKINS.—Section 464(c)(2)(A)(iv) (20 U.S.C. 1087dd(c)(2)(A)(iv)) is amended by striking “not in excess of 3 years”.

SEC. 136. MAXIMUM REPAYMENT PERIOD.

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

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

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

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

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

“(iii) makes payments under a standard repayment plan described in section 428(b)(9)(A)(i) or subsection (d)(1)(A).”

(b) TECHNICAL CORRECTION.—Section 455(d)(1)(C) (20 U.S.C. 1087e(d)(1)(C)) is amended by striking “428(b)(9)(A)(v)” and inserting “428(b)(9)(A)(iv)”.

SEC. 137. DEFERRAL OF LOAN REPAYMENT FOLLOWING ACTIVE DUTY.

Part G of title IV is amended by inserting after section 484B (20 U.S.C. 1091b) the following new section:

“SEC. 484C. DEFERRAL OF LOAN REPAYMENT FOLLOWING ACTIVE DUTY.

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

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

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

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

SEC. 138. SENSE OF THE CONGRESS; REPORT.

(a) SENSE OF CONGRESS.—It is the sense of the Congress that—

(1) in order to provide the borrowers of Federal student loans with the option of converting their loans to income-contingent repayment by providing direct loans for the discharge of such loans (in this section referred to as “direct IDEA loans”), the Secretary of Education and the Secretary of the Treasury will work together with the Government Accountability Office to develop a process by which the borrower will make payments on such loan using the income tax withholding system and will make appropriate adjustments to his or her withholding or estimated tax payments for such purposes;

(2) the Secretaries shall determine—

(A) whether such a repayment option would be beneficial to borrowers and taxpayers; and

(B) how such program would be implemented by the Departments of Education and Treasury; and

(3) this process would—

(A) streamline the repayment process and provide greater flexibility for borrowers electing to use the direct IDEA loan;

(B) significantly reduce the number of loan defaults by borrowers; and

(C) significantly reduce the redundancy in reporting information pertaining to income-contingent repayment to the Department of Education, institutions, and applicants.

(b) REPORT.—The Secretaries of Education and the Treasury shall, within one year after the date of enactment of this Act—

(1) provide the Congress with information on the progress in devising the direct IDEA loan with income-contingent repayment using the income tax withholding system;

(2) inform the Congress of any necessary statutory changes for the purpose of establishing a direct IDEA loan with income-contingent repayment using the income tax withholding system; and

(3) consider international programs demonstrating implementation of income-contingent repayment collected through revenue services, such as programs in England, Australia, and New Zealand.

PART D—SUSTAINING THE PERKINS LOAN PROGRAM

SEC. 141. FEDERAL PERKINS LOANS.

Section 461(b) (20 U.S.C. 1087aa(b)) is amended by adding at the end the following new paragraphs:

“(3) In addition to any amounts appropriated pursuant to paragraph (1) or (2) of this subsection, there shall be available to the Secretary for contributions to student loan funds established under part E, from funds not otherwise appropriated, \$100,000,000 for each of the fiscal years 2008 through 2012. The sum of the amount made available under this subsection for any such fiscal year, plus the amount so appropriated for such fiscal year, shall, for purposes of allocations under section 462, be treated as the amount appropriated pursuant to section 461(b) for such fiscal year.

“(4) The authority to make contributions to student loan funds under this part shall expire at the end of fiscal year 2012.”.

TITLE II—REDUCING THE COST OF COLLEGE

SEC. 201. STATE COMMITMENT TO AFFORDABLE COLLEGE EDUCATION.

Title I is amended by inserting after section 131 (20 U.S.C. 1015) the following new section:

“SEC. 132. STATE COMMITMENT TO AFFORDABLE COLLEGE EDUCATION.

“(a) MAINTENANCE OF EFFORT REQUIRED.—No State shall reduce the total amount provided by the State for public institutions of higher education in such State for any academic year beginning on or after July 1, 2008, to an amount which is less than the average amount provided by such State to such institutions of higher education during the 5 most recent preceeding academic years for which satisfactory data is available.

“(b) WAIVER.—The Secretary may waive the requirements of this section, if the Secretary determines that such a waiver would be equitable due to exceptional or uncontrollable circumstances, such as a natural disaster or a precipitous and unforeseen decline in the financial resources of the State educational agency.

“(c) WITHHOLDING OF ALL LEAP FUNDS FOR VIOLATIONS.—Notwithstanding any other provision of law, the Secretary of Education shall withhold from any State that violates subsection (a) (except a State that receives a waiver under subsection (b)) any amount that would otherwise be available to the State under the Leveraging Educational Assistance Partnership Program under subpart 4 of part A of title IV until such State has corrected such violation.”.

SEC. 202. CONSUMER INFORMATION AND PUBLIC ACCOUNTABILITY IN HIGHER EDUCATION.

Section 131 of the Higher Education Act of 1965 (20 U.S.C. 1015) is amended to read as follows:

“SEC. 131. CONSUMER INFORMATION AND PUBLIC ACCOUNTABILITY IN HIGHER EDUCATION.

“(a) COLLEGE OPPORTUNITY ON-LINE (COOL) WEBSITE RE-DESIGN PROCESS.—In carrying out this section, the Commissioner of Education Statistics—

“(1) shall identify the data elements related to college costs that are of greatest importance to prospective students, enrolled students, and their families, paying particular attention to low-income, non-traditional student populations, and first-generation college students;

“(2) shall convene a group of individuals with expertise in the collection and reporting of data related to institutions of higher education, the use of consumer data, and consumer marketing in general to—

“(A) determine the relevance of particular data elements to prospective students, enrolled students, and families;

“(B) assess the cost-effectiveness of various ways in which institutions of higher education might produce relevant data;

“(C) determine the general comparability of the data across institutions of higher education; and

“(D) make recommendations regarding the inclusion of specific data items and the most effective and least burdensome methods of collecting and reporting useful data from institutions of higher education; and

“(3) shall ensure that the redesigned COOL website—

“(A) uses, to the extent practicable, data elements currently provided by institutions of higher education to the Secretary;

“(B) includes clear and uniform information determined to be relevant to prospective students, enrolled students, and families;

“(C) provides comparable information, by ensuring that data are based on accepted criteria and common definitions;

“(D) includes a sorting function that permits users to customize their search for and comparison of institutions of higher education based on the information identified through the process as prescribed in paragraph (1) as being of greatest relevance to choosing an institution of higher education.

“(b) DATA COLLECTION.—

“(1) DATA SYSTEM.—The Commissioner of Education Statistics shall continue to redesign the relevant parts of the Integrated Postsecondary Education Data System to include additional data as required by this section and to continue to improve the usefulness and timeliness of data collected by such System in order to inform consumers about institutions of higher education.

“(2) COLLEGE CONSUMER PROFILE.—The Secretary shall continue to publish on the COOL website, for each academic year and in accordance with standard definitions developed by the Commissioner of Education Statistics (including definitions developed under section 131(a)(3)(A) as in effect on the day before the date of enactment of the College Cost Reduction Act of 2007), from at least all institutions of higher education participating in programs under title IV the following information:

“(A) The tuition and fees charged for a first-time, full-time undergraduate student.

“(B) The room and board charges for a first-time, full-time undergraduate student.

“(C) The price of attendance for a first-time, full-time undergraduate student, consistent with the provisions of section 472.

“(D) The average amount of financial assistance received by a first-year, full-time undergraduate student, including—

“(i) each type of assistance or benefits described in 428(a)(2)(C)(ii);

“(ii) institutional and other assistance; and

“(iii) Federal loans under parts B, D, and E of title IV.

“(E) The number of first-time, full-time undergraduate students receiving financial assistance described in each clause of subparagraph (D).

“(F) The institutional instructional expenditure per full-time equivalent student.

“(G) Student enrollment information, including information on the number and percentage of full-time and part-time students, and the number and percentage of resident and non-resident students.

“(H) Faculty-to-student ratios.

“(I) Faculty information, including the total number of faculty and the percentage of faculty who are full-time employees of the institution and the percentage who are part-time.

“(J) Completion and graduation rates of undergraduate students, identifying whether the completion or graduation rates are from a 2-year or 4-year program of instruction and, in the case of a 2-year program of instruction, the percentage of students who transfer to 4-year institutions prior or subsequent to completion or graduation.

“(K) A link to the institution of higher education with information of interest to students including mission, accreditation, student services (including services for students with disabilities), transfer of credit policies, any articulation agreements entered into by the institution, and, if appropriate, placement rates and other measures of success in preparing students for entry into or advancement in the workforce.

“(L) The college affordability information elements specified in subsection (c).

“(M) Any additional information that the Secretary may require.

“(c) COLLEGE AFFORDABILITY INFORMATION ELEMENTS.—The college affordability information elements required by subsection (b)(2)(L) shall include, for each institution submitting data—

“(1) the sticker price of the institution for the 3 most recent academic years;

“(2) the net tuition price of the institution for the 3 most recent academic years;

“(3) the percentage change in both the sticker price and the net tuition price over the 3-year time period that is being reported;

“(4) the percentage change in the higher education price index (as defined in section 401B(d)) over the same 3-year time period; and

“(5) whether the institution has been placed on affordability alert status as required by subsection (d)(2).

“(d) OUTCOMES AND ACTIONS.—

“(1) RESPONSE FROM INSTITUTION.—Effective on June 30, 2008, an institution that increases its sticker price at a percentage rate for any 3-year interval ending on or after that date that exceeds two times the rate of change in the higher education price index (as defined in section 401B(d)) over the same time period shall provide a report to the Secretary, in such a form, at such time, and containing such information as the Secretary may require. Such report shall be published by the Secretary on the COOL website, and shall include—

“(A) a description of the factors contributing to the increase in the institution’s costs and in the tuition and fees charged to students; and

“(B) if determinations of tuition and fee increases are not within the exclusive control of the institution, a description of the agency or instrumentality of State government or other entity that participates in such determinations and the authority exercised by such agency, instrumentality, or entity.

“(2) CONSEQUENCES FOR 2-YEAR CONTINUATION OF FAILURE.—If the Secretary determines that an institution that is subject to paragraph (1) has failed to reduce the subsequent increase in sticker price to equal to or below two times the rate of change in the higher education price index (as defined in section 401B(d)) for 2 consecutive academic years subsequent to the 3-year interval used under paragraph (1), the Secretary shall place the institution on affordability alert status.

“(3) EXEMPTIONS.—Notwithstanding paragraph (2), an institution shall not be placed on affordability alert status if, for any 3-year interval for which sticker prices are computed under paragraph (1)—

“(A) with respect to the the class of institutions described in paragraph (5) to which the institution belongs, the sticker price of the institution is in the lowest quartile of institutions within such class, as determined by the Secretary, during the last year of such 3-year interval; or

“(B) the institution has a percentage change in its sticker price computed under paragraph (1) that exceeds two times the rate of change in the higher education price index (as defined in section 401B(d)) over the same time period, but the dollar amount of the sticker price increase is less than \$500.

“(4) INFORMATION TO STATE AGENCIES.—Any institution that reports under paragraph (1)(B) that an agency or instrumentality of State government or other entity participates in the determinations of tuition and fee increases shall, prior to submitting any information to the Secretary under this subsection, submit such information to, and request the comments and input of, such agency, instrumentality, or entity. With respect to any such institution, the Secretary shall provide a copy of any communication by the Secretary with that institution to such agency, instrumentality, or entity.

“(5) CLASSES OF INSTITUTIONS.—For purposes of this subsection, the classes of institutions shall be those sectors used by the Integrated Postsecondary Education Data System, based on whether the institution is public, nonprofit private, or for-profit private, and whether the institution has a 4-year, 2-year, or less than 2-year program of instruction.

“(6) DATA REJECTION.—Nothing in this subsection shall be construed as allowing the Secretary to reject the data submitted by an individual institution of higher education.

“(e) INFORMATION TO THE PUBLIC.—The Secretary shall work with public and private entities to promote broad public awareness, particularly among middle and high school students and their families, of the information made available under this section, including by distribution to students who participate in or receive bene-

fits from means-tested federally funded education programs and other Federal programs determined by the Secretary.

“(f) FINES.—In addition to actions authorized in section 487(c), the Secretary may impose a fine in an amount not to exceed \$25,000 on an institution of higher education for failing to provide the information required by this section in a timely and accurate manner, or for failing to otherwise cooperate with the National Center for Education Statistics regarding efforts to obtain data under subsection (c) and pursuant to the program participation agreement entered into under section 487.

“(g) REGULATIONS.—The Secretary is authorized to issue such regulations as may be necessary to carry out the provisions of this section.

“(h) DEFINITIONS.—For the purposes of this section:

“(1) NET TUITION PRICE.—The term ‘net tuition price’ means the sticker price, minus the average grants provided to such students, for any academic year.

“(2) STICKER PRICE.—The term ‘sticker price’ means the average tuition and fees charged to a first-time, full-time, full-year undergraduate student by an institution of higher education for any academic year.”.

SEC. 203. INCENTIVES AND REWARDS FOR LOW TUITION.

Subpart 1 of part A of title IV is amended by inserting after section 401A (20 U.S.C. 1070a-1) the following new section:

“SEC. 401B. INCENTIVES AND REWARDS FOR LOW TUITION.

“(a) REWARDS FOR LOW TUITION.—For an institution of higher education that, for academic year 2008–2009 or any succeeding academic year, has an annual net tuition price increase (expressed as a percentage) for the most recent academic year for which satisfactory data is available that is equal to or less than the percentage change in the higher education price index for such academic year, the Secretary shall provide such institution an amount sufficient to provide a 25 percent increase under subpart 1 of part A of title IV to each Pell Grant recipient attending such institution for the next award year beginning after the date of such determination. Each such institution shall distribute any amounts received under this subsection among such Pell Grant recipients by increasing the amount of their Pell Grant awards by 25 percent.

“(b) REWARDS FOR GUARANTEED TUITION.—

“(1) BONUS.—For each institution of higher education that the Secretary of Education determines complies with the requirements of paragraph (2) or (3) of this subsection, the Secretary shall provide to such institution a bonus amount equal to 25 percent of the aggregate amount of aid received by students at the institution under section 401(a). Such institution shall award the bonus amount to the Pell Grant recipients who were in attendance at the institution during the award year that such institution satisfied the eligibility criteria for maintaining low tuition and fees. Each such student shall receive an amount that equals 25 percent of their total Pell Grant award for such award year, except that no student shall receive an amount under this section that would cause the amount of total financial aid received by such student to exceed the cost of attendance of the institution. If there are additional funds remaining after all eligible students have been paid from the bonus amount, the institution shall award all excess funds first to remaining Pell Grant recipients who were not in attendance at the institution during such award year, and then to other eligible students under this title in attendance at such institution in the form of need-based aid.

“(2) 4-YEAR INSTITUTIONS.—An institution of higher education that provides a program of instruction for which it awards a bachelor’s degree complies with the requirements of this paragraph if such institution guarantees that for any academic year beginning on or after July 1, 2008, and for each of the 4 succeeding continuous academic years, the net tuition price charged to an undergraduate student will not exceed—

“(A) the amount that the student was charged for an academic year at the time he or she first enrolled in the institution of higher education, plus

“(B) the product of the percentage increase in the higher education price index for the prior academic year, or the most recent prior academic year for which data is available, multiplied by the amount determined under subparagraph (A).

“(3) LESS-THAN 4-YEAR INSTITUTIONS.—An institution of higher education that does not provide a program of instruction for which it awards a bachelor’s degree complies with the requirements of this paragraph if such institution guarantees that for any academic year (or the equivalent) beginning on or after July 1, 2008, and for each of the 1.5 succeeding continuous academic years, the net tuition price charged to an undergraduate student will not exceed—

“(A) the amount that the student was charged for an academic year at the time he or she first enrolled in the institution of higher education, plus

“(B) the product of the percentage increase in the higher education price index for the prior academic year, or the most recent prior academic year for which data is available, multiplied by the amount determined under subparagraph (A).

“(c) MAINTAINING AFFORDABLE TUITION.—For any institution of higher education whose increase in the annual net tuition price (expressed as a percentage), for the most recent academic year for which satisfactory data is available, is greater than the percentage increase in the higher education price index for such academic year, the Secretary shall require such institution to submit to the Secretary the following information, within 6 months of such determination:

“(1) a detailed report on the exact causes for the net tuition price increase that outlines revenues and expenditures; and

“(2) cost containment strategies to lower net tuition prices.

“(d) PRIORITY.—In awarding incentives and rewards under this section, the Secretary shall give priority to institutions of higher education with the lowest annual net tuition price increase (expressed as a percentage) for the most recent academic year for which satisfactory data is available, when compared with other institutions of higher education with annual net tuition price increases that are equal to or less than the percentage change in the higher education price index for such academic year.

“(e) DEFINITIONS.—

“(1) NET TUITION PRICE.—The term ‘net tuition price’ has the same meaning as provided in section 131(k).

“(2) HIGHER EDUCATION PRICE INDEX.—The term ‘higher education price index’ means a statistical measure of change over time in the prices of a fixed market basket of goods and services purchased by colleges and universities through current fund educational and general expenditures (excluding expenditures for research), as developed by the Bureau of Labor Statistics.

“(f) FUNDING.—There shall be available to the Secretary to carry out this section, from funds not otherwise appropriated, \$15,000,000 for each of the fiscal years 2008 through 2012.

“(g) SUNSET.—The authority to carry out this section shall expire at the end of fiscal year 2012.”.

SEC. 204. COOPERATIVE EDUCATION REWARDS FOR INSTITUTIONS THAT RESTRAIN TUITION INCREASES.

The Higher Education Act of 1965 (20 U.S.C. 1001 et seq.) is amended by adding at the end the following title:

“TITLE VIII—COOPERATIVE EDUCATION REWARDS FOR INSTITUTIONS THAT RESTRAIN TUITION INCREASES

“SEC. 801. DEFINITION OF COOPERATIVE EDUCATION.

“For the purpose of this title the term ‘cooperative education’ means the provision of alternating or parallel periods of academic study and public or private employment in order to give students work experiences related to their academic or occupational objectives and an opportunity to earn the funds necessary for continuing and completing their education.

“SEC. 802. AUTHORIZATION OF APPROPRIATIONS; RESERVATIONS.

“(a) APPROPRIATIONS.—There shall be available to the Secretary to carry out this title from funds not otherwise appropriated \$15,000,000 for each of the fiscal years 2008 through 2012.

“(b) RESERVATIONS.—Of the amount appropriated for each such fiscal year—

“(1) not less than 50 percent shall be available for carrying out grants to institutions of higher education and combinations of such institutions described in section 803(a)(1)(A) for cooperative education under section 803;

“(2) not less than 25 percent shall be available for carrying out grants to institutions of higher education described in section 803(a)(1)(B) for cooperative education under section 803;

“(3) not more than 11 percent shall be available for demonstration projects under paragraph (1) of section 804(a);

“(4) not more than 11 percent shall be available for training and resource centers under paragraph (2) of section 804(a); and

“(5) not more than 3 percent shall be available for research under paragraph (3) of section 804(a).

“(c) AVAILABILITY OF APPROPRIATIONS.—Appropriations under this title shall not be available for the payment of compensation of students for employment by employers under arrangements pursuant to this title.

“(d) SUNSET.—The authority to carry out this title shall expire at the end of fiscal year 2012.

“SEC. 803. GRANTS FOR COOPERATIVE EDUCATION.

“(a) GRANTS AUTHORIZED.—

“(1) IN GENERAL.—The Secretary is authorized—

“(A) from the amount available under section 802(b)(1) in each fiscal year and in accordance with the provisions of this title, to make grants to institutions of higher education or combinations of such institutions that have not previously received a grant under this paragraph to pay the Federal share of the cost of planning, establishing, expanding, or carrying out programs of cooperative education by such institutions or combinations of institutions; and

“(B) from the amount available under section 802(b)(2) in each fiscal year and in accordance with the provisions of this title, to make grants to institutions of higher education that are operating an existing cooperative education program (as determined by the Secretary) to pay the cost of planning, establishing, expanding, or carrying out programs of cooperative education by such institutions.

“(2) PROGRAM REQUIREMENT.—Cooperative education programs assisted under this section shall provide alternating or parallel periods of academic study and of public or private employment, giving students work experience related to their academic or occupational objectives and the opportunity to earn the funds necessary for continuing and completing their education.

“(3) AMOUNT OF GRANTS.—

“(A) The amount of each grant awarded pursuant to paragraph (1)(A) to any institution of higher education or combination of such institutions in any fiscal year shall not exceed \$500,000.

“(B)(i) Except as provided in clauses (ii) and (iii), the Secretary shall award grants in each fiscal year to each institution of higher education described in paragraph (1)(B) that has an application approved under subsection (b) in an amount which bears the same ratio to the amount reserved pursuant to section 802(b)(2) for such fiscal year as the number of unduplicated students placed in cooperative education jobs during the preceding fiscal year (other than cooperative education jobs under section 804 and as determined by the Secretary) by such institution of higher education bears to the total number of all such students placed in such jobs during the preceding fiscal year by all such institutions.

“(ii) No institution of higher education shall receive a grant pursuant to paragraph (1)(B) in any fiscal year in an amount which exceeds 25 percent of such institution’s cooperative education program’s personnel and operating budget for the preceding fiscal year.

“(iii) The minimum annual grant amount which an institution of higher education is eligible to receive under paragraph (1)(B) is \$1,000 and the maximum annual grant amount is \$75,000.

“(4) LIMITATION.—The Secretary shall not award grants pursuant to paragraphs (1)(A) and (1)(B) to the same institution of higher education or combination of such institution in any one fiscal year.

“(5) USES.—Grants under paragraph (1)(B) shall be used exclusively—

“(A) to expand the quality and participation of a cooperative education program;

“(B) for outreach in new curricular areas; and

“(C) for outreach to potential participants including underrepresented and nontraditional populations.

“(b) APPLICATIONS.—Each institution of higher education or combination of such institutions desiring to receive a grant under this section shall submit an application to the Secretary at such time and in such manner as the Secretary shall prescribe. Each such application shall—

“(1) set forth the program or activities for which a grant is authorized under this section;

“(2) specify each portion of such program or activities which will be performed by a nonprofit organization or institution other than the applicant, and the compensation to be paid for such performance;

“(3) provide that the applicant will expend during such fiscal year for the purpose of such program or activities not less than the amount expended for such purpose during the previous fiscal year;

“(4) describe the plans which the applicant will carry out to assure, and contain a formal statement of the institution’s commitment which assures, that the applicant will continue the cooperative education program beyond the 5-year period of Federal assistance described in subsection (c)(1) at a level which is not less than the total amount expended for such program during the first year such program was assisted under this section;

“(5) provide that, in the case of an institution of higher education that provides a 2-year program which is acceptable for full credit toward a bachelor’s degree, the cooperative education program will be available to students who are certificate or associate degree candidates and who carry at least one-half the normal full-time academic workload;

“(6) provide that the applicant will—

“(A) for each fiscal year for which the applicant receives a grant, make such reports with respect to the impact of the cooperative education program in the previous fiscal year as may be essential to ensure that the applicant is complying with the provisions of this section, including—

“(i) the number of unduplicated student applicants in the cooperative education program;

“(ii) the number of unduplicated students placed in cooperative education jobs;

“(iii) the number of employers who have hired cooperative education students;

“(iv) the average income for students derived from working in cooperative education jobs; and

“(v) the increase or decrease in the number of unduplicated students placed in cooperative education jobs in each fiscal year compared to the previous fiscal year; and

“(B) keep such records as are essential to ensure that the applicant is complying with the provisions of this title, including the notation of cooperative education employment on the student’s transcript;

“(7) describe the extent to which programs in the academic discipline for which the application is made have had a favorable reception by public and private sector employers;

“(8) describe the extent to which the institution is committed to extending cooperative education on an institution-wide basis for all students who can benefit;

“(9) describe the plans that the applicant will carry out to evaluate the applicant’s cooperative education program at the end of the grant period;

“(10) provide for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of, and accounting for, Federal funds paid to the applicant under this title;

“(11) demonstrate a commitment to serving all underserved populations; and

“(12) include such other information as is essential to carry out the provisions of this title.

“(c) DURATION OF GRANTS; FEDERAL SHARE.—

“(1) DURATION OF GRANTS.—No individual institution of higher education may receive, individually or as a participant in a combination of such institutions—

“(A) a grant pursuant to subsection (a)(1)(A) for more than 5 fiscal years;

or

“(B) a grant pursuant to subsection (a)(1)(B) for more than 5 fiscal years.

“(2) FEDERAL SHARE.—The Federal share of a grant under section 803(a)(1)(A) may not exceed—

“(A) 85 percent of the cost of carrying out the program or activities described in the application in the first year the applicant receives a grant under this section;

“(B) 70 percent of such cost in the second such year;

“(C) 55 percent of such cost in the third such year;

“(D) 40 percent of such cost in the fourth such year; and

“(E) 25 percent of such cost in the fifth such year.

“(3) SPECIAL RULE.—Any provision of law to the contrary notwithstanding, the Secretary shall not waive the provisions of this subsection.

“(d) MAINTENANCE OF EFFORT.—If the Secretary determines that a recipient of funds under this section has failed to maintain the fiscal effort described in subsection (b)(3), then the Secretary may elect not to make grant payments under this section to such recipient.

“SEC. 804. DEMONSTRATION AND INNOVATION PROJECTS; TRAINING AND RESOURCE CENTERS; AND RESEARCH.

“(a) AUTHORIZATION.—The Secretary is authorized, in accordance with the provisions of this section, to make grants and enter into contracts—

“(1) from the amounts available in each fiscal year under section 802(b)(3), for the conduct of demonstration projects designed to demonstrate or determine the feasibility or value of innovative methods of cooperative education ;

“(2) from the amounts available in each fiscal year under section 802(b)(4), for the conduct of training and resource centers designed to—

“(A) train personnel in the field of cooperative education;

“(B) improve materials used in cooperative education programs if such improvement is conducted in conjunction with other activities described in this paragraph;

“(C) furnish technical assistance to institutions of higher education to increase the potential of the institution to continue to conduct a cooperative education program without Federal assistance;

“(D) encourage model cooperative education programs which furnish education and training in occupations in which there is a national need;

“(E) support partnerships under which an institution carrying out a comprehensive cooperative education program joins with one or more institutions of higher education in order to—

“(i) assist the institutions other than the comprehensive cooperative education institution to develop and expand an existing program of cooperative education; or

“(ii) establish and improve or expand comprehensive cooperative education programs; and

“(F) encourage model cooperative education programs in the fields of science and mathematics for women and minorities who are underrepresented in such fields; and

“(3) from the amounts available in each fiscal year under section 802(b)(5), for the conduct of research relating to cooperative education.

“(b) ADMINISTRATIVE PROVISION.—

“(1) IN GENERAL.—To carry out this section, the Secretary may—

“(A) make grants to or contracts with institutions of higher education, or combinations of such institutions; and

“(B) make grants to or contracts with other public or private nonprofit agencies or organizations, whenever such grants or contracts will make an especially significant contribution to attaining the objectives of this section.

“(2) LIMITATION.—

“(A) The Secretary may not use more than 3 percent of the amount appropriated to carry out this section in each fiscal year to make grants or enter into contracts described in paragraph (1)(A).

“(B) The Secretary may use not more than 3 percent of the amount appropriated to carry out this section in each fiscal year to make grants or enter into contracts described in paragraph (1)(B).

“(c) SUPPLEMENT NOT SUPPLANT.—A recipient of a grant or contract under this section may use the funds provided only to supplement and, to the extent possible, increase the level of funds that would, in the absence of such funds, be made available from non-Federal sources to carry out the activities supported by such grant or contract, and in no case to supplant such funds from non-Federal sources.”.

TITLE III—ENSURING A HIGHLY QUALIFIED TEACHER IN EVERY CLASSROOM

PART A—TEACH GRANTS

SEC. 301. TEACH GRANTS.

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

“Subpart 9—TEACH Grants

“SEC. 420L. PROGRAM ESTABLISHED.

“(a) PROGRAM AUTHORITY.—

“(1) PAYMENTS REQUIRED.—The Secretary shall pay to each eligible institution such sums as may be necessary to pay to each eligible student (defined in ac-

cordance with section 484) who files an application and agreement in accordance with section 420M, and who qualifies—

“(A) under paragraph (2) of section 420M(a), a TEACH Grant in the amount of \$4,000 for each academic year during which that student is in attendance at the institution; and

“(B) under paragraphs (2) and (3) of section 420M(a), a Bonus TEACH Grant in the amount of \$500 (in addition to the amount of the TEACH Grant under subparagraph (A)) for each academic year during which that student so qualifies.

“(2) REFERENCE.—Grants made under—

“(A) paragraph (1)(A) shall be known as ‘Teacher Education Assistance for College and Higher Education Grants’ or ‘TEACH Grants’; and

“(B) paragraph (1)(B) shall be known as Bonus TEACH Grants.

“(b) PAYMENT METHODOLOGY.—

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

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

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

“(c) REDUCTIONS IN AMOUNT.—

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

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

“(d) PERIOD OF ELIGIBILITY FOR GRANTS.—

“(1) UNDERGRADUATE STUDENTS.—The period during which an undergraduate student may receive grants under this subpart shall be the period required for the completion of the first undergraduate baccalaureate course of study being pursued by that student at the institution at which the student is in attendance except that—

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

“(B) the total amount that a student may receive under this subpart for undergraduate study shall not exceed \$16,000 with respect to a student who receives only TEACH Grants, and \$18,000 with respect to a student who receives TEACH Grants and Bonus TEACH Grants.

“(2) GRADUATE STUDENTS.—The period during which a graduate student may receive grants under this subpart shall be the period required for the comple-

tion of a master's degree course of study being pursued by that student at the institution at which the student is in attendance, except that the total amount that a student may receive under this subpart for graduate study shall not exceed \$8,000 with respect to a student who receives only TEACH Grants, and \$10,000 with respect to a student who receives TEACH Grants and Bonus TEACH Grants.

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

“SEC. 420M. ELIGIBILITY; APPLICATIONS.

“(a) APPLICATIONS; DEMONSTRATION OF ELIGIBILITY.—

“(1) FILING REQUIRED.—The Secretary shall from time to time set dates by which students shall file applications for grants under this subpart. Each student desiring a grant under this subpart for any year shall file an application containing such information and assurances as the Secretary may deem necessary to enable the Secretary to carry out the functions and responsibilities of this subpart.

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

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

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

“(ii) the student—

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

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

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

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

“(i) the applicant is a teacher or a retiree from another occupation with expertise in a field in which there is a shortage of teachers, such as math, science, special education, English language acquisition, or another high-need subject; or

“(ii) the applicant is or was a teacher who is using high-quality alternative certification routes, such as Teach for America, to get certified.

“(3) DEMONSTRATION OF BONUS TEACH GRANT ELIGIBILITY.—Each application submitted under paragraph (1) for a Bonus TEACH Grant shall contain such information as is necessary to demonstrate that the applicant is—

“(A) eligible for, and has applied for, a TEACH Grant; and

“(B) a student enrolled in a qualified teacher preparation program, as defined in section 420N.

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

“(1) the applicant will—

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

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

“(C) with respect to an applicant for—

“(i) TEACH Grants, teach in any of the following fields: mathematics, science, a foreign language, bilingual education, or special education, or as a reading specialist, or another field documented as high-need by the Federal Government, State government, or local education agency and approved by the Secretary; or

“(ii) TEACH Grants and Bonus TEACH Grants, teach mathematics, science, or a science-related field;

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

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

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

“(c) REPAYMENT FOR FAILURE TO COMPLETE SERVICE.—In the event that any recipient of a grant under this subpart fails or refuses to comply with the service obligation in the agreement under subsection (b), the sum of the amounts of any TEACH Grants and Bonus TEACH Grants received by such recipient shall be treated as a Direct Loan under part D of title IV, and shall be subject to repayment, together with interest thereon accruing after the period of service, in accordance with terms and conditions specified by the Secretary in regulations under this subpart.

“SEC. 420N. DEFINITIONS.

“For the purposes of this subpart:

“(1) ELIGIBLE INSTITUTION.—The term ‘eligible institution’ means an institution of higher education as defined in section 102.

“(2) QUALIFIED TEACHER PREPARATION PROGRAM.—The term ‘qualified teacher preparation program’ means a program for students and teachers described in subparagraph (A) or (B) of section 420M(a)(2) (referred to jointly in this paragraph as ‘teacher candidates’) that—

“(A) recruits and prepares teacher candidates who major in science, technology fields, special education, foreign language, engineering, or mathematics disciplines to become certified as elementary and secondary teachers in those disciplines, special education teachers, or teachers of English Language Learners, with the goals of improving teacher knowledge and effectiveness and increasing elementary and secondary student academic achievement;

“(B) is implemented by an institution of higher education in partnership with high-need local educational agencies;

“(C) offers a baccalaureate degree with a concurrent teacher certification to teacher candidates;

“(D) is implemented in coordination with the faculty of the relevant departments of the institution of higher education;

“(E) utilizes experienced teachers who have a demonstrated record of success in teaching underserved students to instruct teacher candidates in the disciplines described in subparagraph (A);

“(F) provides teacher candidates with—

“(i) support services, including mentoring by experienced teachers who have a demonstrated record of success in teaching underserved students;

“(ii) exposure to, and field experience in, the classroom within the first year of entering the qualified teacher preparation program; and

“(iii) other related support practices while the teacher candidates are participating in the program, and after such candidates graduate from the institution of higher education and are employed as teachers;

“(G) participates in partnerships which include the institution of higher education and local educational agencies and charter districts to provide opportunities for teacher candidate field work;

“(H) focuses on increasing the number of teachers in the disciplines described in subparagraph (A); and

“(I) encourages individuals from underrepresented populations to enter into the teaching profession.

“SEC. 420O. PROGRAM PERIOD AND FUNDING.

“There shall be available to the Secretary to carry out this subpart, from funds not otherwise appropriated, such sums as may be necessary to provide TEACH Grants and Bonus TEACH Grants in accordance with this subpart to each eligible applicant.”

PART B—CENTERS OF EXCELLENCE

SEC. 311. CENTERS OF EXCELLENCE.

Title II (20 U.S.C. 1021 et seq.) is amended by adding at the end the following:

“PART C—CENTERS OF EXCELLENCE

“SEC. 231. DEFINITIONS.

“As used in this part:

“(1) ELIGIBLE INSTITUTION.—The term ‘eligible institution’ means—

“(A) an institution of higher education that has a teacher preparation program that meets the requirements of section 203(b)(2) and that is—

“(i) a part B institution (as defined in section 322);

“(ii) a Hispanic-serving institution (as defined in section 502);

“(iii) a Tribal College or University (as defined in section 316);

“(iv) an Alaska Native-serving institution (as defined in section 317(b)); or

“(v) a Native Hawaiian-serving institution (as defined in section 317(b));

“(B) a consortium of institutions described in subparagraph (A); or

“(C) an institution described in subparagraph (A), or a consortium described in subparagraph (B), in partnership with any other institution of higher education, but only if the center of excellence established under section 232 is located at an institution described in subparagraph (A).

“(2) HIGHLY QUALIFIED.—The term ‘highly qualified’ when used with respect to an individual means that the individual is highly qualified as determined under section 9101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7801) or section 602 of the Individuals with Disabilities Education Act (20 U.S.C. 1401).

“(3) SCIENTIFICALLY BASED READING RESEARCH.—The term ‘scientifically based reading research’ has the meaning given such term in section 1208 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6368).

“(4) SCIENTIFICALLY BASED RESEARCH.—The term ‘scientifically based research’ has the meaning given such term in section 9101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7801).

“SEC. 232. CENTERS OF EXCELLENCE.

“(a) PROGRAM AUTHORIZED.—From the amounts appropriated to carry out this part, the Secretary is authorized to award competitive grants to eligible institutions to establish centers of excellence.

“(b) USE OF FUNDS.—Grants provided by the Secretary under this part shall be used to ensure that current and future teachers are highly qualified, by carrying out one or more of the following activities:

“(1) Implementing reforms within teacher preparation programs to ensure that such programs are preparing teachers who are highly qualified, are able to understand scientifically based research, and are able to use advanced technology effectively in the classroom, including use for instructional techniques to improve student academic achievement, by—

“(A) retraining faculty; and

“(B) designing (or redesigning) teacher preparation programs that—

“(i) prepare teachers to close student achievement gaps, are based on rigorous academic content, scientifically based research (including scientifically based reading research), and challenging State student academic content standards; and

“(ii) promote strong teaching skills.

“(2) Providing sustained and high-quality preservice clinical experience, including the mentoring of prospective teachers by exemplary teachers, substantially increasing interaction between faculty at institutions of higher education and new and experienced teachers, principals, and other administrators at elementary schools or secondary schools, and providing support, including preparation time, for such interaction.

“(3) Developing and implementing initiatives to promote retention of highly qualified teachers and principals, including minority teachers and principals, including programs that provide—

“(A) teacher or principal mentoring from exemplary teachers or principals; or

“(B) induction and support for teachers and principals during their first 3 years of employment as teachers or principals, respectively.

“(4) Awarding scholarships based on financial need to help students pay the costs of tuition, room, board, and other expenses of completing a teacher preparation program.

“(5) Disseminating information on effective practices for teacher preparation and successful teacher certification and licensure assessment preparation strategies.

“(6) Activities authorized under sections 202, 203, and 204.

“(c) APPLICATION.—Any eligible institution desiring a grant under this section shall submit an application to the Secretary at such a time, in such a manner, and accompanied by such information as the Secretary may require.

“(d) MINIMUM GRANT AMOUNT.—The minimum amount of each grant under this part shall be \$500,000.

“(e) LIMITATION ON ADMINISTRATIVE EXPENSES.—An eligible institution that receives a grant under this part may not use more than 2 percent of the grant funds for purposes of administering the grant.

“(f) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out this part.

“SEC. 233. APPROPRIATIONS.

“There shall be available to the Secretary, from funds not otherwise appropriated, \$50,000,000 for the period beginning with fiscal year 2008 and ending with fiscal year 2012, to carry out this part beginning with academic year 2008–2009, which shall remain available until expended. The authority to carry out this part shall expire at the end of fiscal year 2012.”

TITLE IV—LEVERAGING FUNDS TO INCREASE COLLEGE ACCESS

PART A—STRENGTHENING HISTORICALLY BLACK COLLEGES AND UNIVERSITIES AND MINORITY-SERVING INSTITUTIONS

SEC. 401. INVESTMENT IN HISTORICALLY BLACK COLLEGES AND UNIVERSITIES AND MINORITY-SERVING INSTITUTION.

Title IV is amended by adding at the end the following new part:

“PART I—STRENGTHENING HISTORICALLY BLACK COLLEGES AND UNIVERSITIES AND OTHER MINORITY-SERVING INSTITUTIONS

“SEC. 499A. INVESTMENT IN HISTORICALLY BLACK COLLEGES AND UNIVERSITIES AND OTHER MINORITY-SERVING INSTITUTION.

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

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

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

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

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

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

“(6) an Asian and Pacific Islander-serving institution (as defined in subsection (c)).

“(b) NEW INVESTMENT OF FUNDS.—

“(1) IN GENERAL.—There shall be available to the Secretary to carry out this section, from funds not otherwise appropriated, \$100,000,000 for each of the fiscal years 2008 through 2012. The authority to carry out this section shall expire at the end of fiscal year 2012.

“(2) ALLOCATION AND ALLOTMENT.—

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

“(i) 40 percent shall be available for allocation under subparagraph (B);

“(ii) 40 percent shall be available for allocation under subparagraph (C); and

“(iii) 20 percent shall be available for allocation under subparagraph (D).

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

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

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

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

“(i) \$34,000,000 shall be available to eligible institutions described in subsection (a)(1) and shall be made available as grants under section 323 and allotted among such institutions under section 324, treating such amount, plus the amount appropriated for such fiscal year in a regular or supplemental appropriation Act to carry out part B of title III, as the amount appropriated to carry out part B of title III for purposes of allotments under section 324, for use by such institutions with a priority for—

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

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

“(ii) \$6,000,000 shall be available to eligible institutions described in subsection (a)(5) and shall be available for a competitive grant program to award 10 grants of \$600,000 annually for programs in the following areas: science, technology, engineering, or mathematics (STEM); health education; internationalization or globalization; teacher preparation; or improving educational outcomes of African American males.

“(D) ALLOCATION AND ALLOTMENT TO OTHER MINORITY-SERVING INSTITUTIONS.—From the amount made available for allocation under this subparagraph by subparagraph (A)(iii) for any fiscal year (in this subparagraph referred to as the ‘allocable amount’)—

“(i) 60 percent of the allocable amount for such fiscal year shall be available to eligible institutions described in subsection (a)(3) and shall be made available as grants under section 316, treating such 60 percent of the allocable amount as part of the amount appropriated for such fiscal year in a regular or supplemental appropriation Act to carry out such section, and using such 60 percent for purposes described in subsection (c) of such section;

“(ii) 30 percent of the allocable amount for such fiscal year shall be available to eligible institutions described in subsection (a)(4) and shall be made available as grants under section 317, treating such 30 percent of the allocable amount as part of the amount appropriated for such fiscal year in a regular or supplemental appropriation Act to carry out such section and using such 60 percent for purposes described in subsection (a) of such section; and

“(iii) 10 percent of the allocable amount for such fiscal year shall be available to eligible institutions described in subsection (a)(6) for activities described in section 311(c).

“(c) DEFINITIONS.—

“(1) PREDOMINANTLY BLACK INSTITUTION.—The term ‘Predominantly Black institution’ means an institution of higher education that—

“(A) has an enrollment of needy undergraduate students as required and defined by paragraph (2);

“(B) has an average educational and general expenditure which is low, per full-time equivalent undergraduate student in comparison with the av-

erage educational and general expenditure per full-time equivalent undergraduate student of institutions that offer similar instruction, except that the Secretary may apply the waiver requirements described in section 392(b) to this subparagraph in the same manner as the Secretary applies the waiver requirements to section 312(b)(1)(B);

“(C) has an enrollment of undergraduate students—

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

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

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

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

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

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

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

“(2) ENROLLMENT OF NEEDY STUDENTS.—The term ‘enrollment of needy students’ means the enrollment at an eligible institution with respect to which not less than 50 percent of the undergraduate students enrolled in an academic program leading to a degree—

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

“(B) come from families that receive benefits under a means-tested Federal benefits program (as defined in paragraph (4));

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

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

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

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

“(3) LOW-INCOME INDIVIDUAL.—The term ‘low-income individual’ has the meaning given such term in section 402A(g).

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

“(5) ASIAN AMERICAN AND PACIFIC ISLANDER-SERVING INSTITUTION.—The term ‘Asian American and Pacific Islander-serving institution’ means an institution of higher education that—

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

“(B) at the time of application, has an enrollment of undergraduate students that is at least 10 percent Asian American and Pacific Islander students from subgroups with low levels of college degree attainment.

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

“(7) PACIFIC ISLANDER.—The term ‘Pacific Islander’ has the meaning given the term ‘Native Hawaiian’ or ‘Other Pacific Islander’ in such Standards for Maintaining, Collecting, and Presenting Federal Data on Race and Ethnicity.

“(8) LOW LEVELS OF COLLEGE DEGREE ATTAINMENT.—The term ‘low levels of college degree attainment’ mean college degree attainment that is less than 20

percent for adults ages 25 through 29 as reported by the National Center for Educational Statistics.

“(d) TERMINATION OF AUTHORITY.—The authority to carry out this section expires at the end of fiscal year 2012.”.

PART B—COLLEGE ACCESS CHALLENGE GRANTS

SEC. 411. COLLEGE ACCESS CHALLENGE GRANTS.

(a) CHALLENGE GRANT PROGRAM ESTABLISHED.—

(1) PROGRAM ESTABLISHED.—The Secretary shall establish a program to award matching grants to increase the number of eligible students from underserved populations who enter and complete college by providing grants to philanthropic organizations who are members of eligible consortia to carry out the activities of the consortia to achieve this purpose, including—

- (A) providing need-based grants to eligible students;
- (B) providing support to eligible students through school- or institution-based mentoring programs; and
- (C) conducting outreach programs to encourage eligible students to pursue higher education.

(2) GRANT PERIOD; RENEWABILITY.—Grants under this section shall be awarded for one 5-year period, and may not be renewed.

(3) GRANT AMOUNTS.—

(A) IN GENERAL.—A grant awarded under this part for a given fiscal year to a philanthropic organization shall be in an amount equal to the lesser of—

- (i) 200 percent of the amount of charitable gifts received in the preceding fiscal year by the eligible consortia, including charitable gifts received by the individual members of the consortia with which the philanthropic organization is associated; or
- (ii) the maximum grant amount established by the Secretary by regulation, pursuant to subsection (f).

(B) GIFTS PROVIDED IN CASH OR IN-KIND.—For the purposes of subparagraph (A), the charitable gifts received by an eligible consortia and its members may be provided in cash or in-kind, including physical non-cash contributions of monetary value such as property, facilities, and equipment, but excluding services.

(b) USES OF GRANT.—

(1) IN GENERAL.—A philanthropic organization receiving a grant under this section shall—

- (A) provide grants to eligible students; and
- (B) distribute grants to members of the consortia with which the philanthropic organization is affiliated, in accordance with the plan described in subsection (c)(2)(A), to fund the activities of such consortia in accordance with the application under subsection (c).

(2) LIMITATION.—Not more than 15 percent of the funds made available annually through a grant under this section may be used for administrative purposes.

(c) APPLICATIONS.—A philanthropic organization desiring a grant under this section shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may require. Such application shall include the following:

(1) A description of an eligible consortia that meets the requirements of subsection (d), with which the philanthropic organization is affiliated, in accordance with subsection (g).

(2) A detailed description of—

- (A) the philanthropic organization’s plans for distributing the matching grant funds among the members of the eligible consortia; and
- (B) the eligible consortia’s plans for using the matching grant funds, including how the funds will be used to provide financial aid, mentoring, and outreach programs to eligible students.

(3) A plan to ensure the viability of the eligible consortia and the work of the consortia beyond the grant period.

(4) A detailed description of the activities that carry out this section that are conducted by the eligible consortia at the time of the application, and how the matching grant funds will assist the eligible consortia with expanding and enhancing such activities.

(5) A description of the organizational structure that will be used to administer the activities carried out under the plan, including a description of the sys-

tem used to track the participation of students who receive grants to degree completion.

(6) A description of the strategies that will be used to identify eligible students who are enrolled in secondary school and who may benefit from the activities of the eligible consortia.

(d) ELIGIBLE CONSORTIA.—An eligible consortia with which a philanthropic organization is affiliated for the program under this section shall—

(1) be a partnership of multiple entities that have agreed to work together to carry out this section, including—

(A) such philanthropic organization, which shall serve as the manager of the consortia;

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

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

(2) conduct activities to assist eligible students with entering and remaining in college, which include—

(A) providing need-based grants to eligible students;

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

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

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

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

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

(e) ANNUAL REPORT.—A philanthropic organization receiving a grant under this section shall prepare and submit an annual report to the Secretary on the activities carried out with such grant. The report shall include—

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

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

(3) the number and percentage of eligible students who received grants, mentoring, and outreach services; and

(4) the total amount of charitable gifts received by the eligible consortia (including its members) with which the philanthropic organization is affiliated for the fiscal year.

(f) REGULATIONS.—The Secretary shall promulgate regulations to carry out this section. Such regulations shall include—

(1) the maximum grant amount that may be awarded to a philanthropic organization under this section;

(2) the minimum amount of charitable gifts an eligible consortia (including its members) shall receive in a fiscal year for the philanthropic organization affiliated with such consortia to be eligible for a grant under this section.

(g) DEFINITIONS.—For the purposes of this section:

(1) ELIGIBLE STUDENT.—The term “eligible student” means an individual who—

(A) is a member of an underserved population;

(B) is enrolled—

(i) in a secondary school pursuing a high school diploma; or

(ii) in an institution of higher education or is planning to attend an institution of higher education; and

(C) either—

(i) is receiving, or has received, financial assistance or support services from the consortium; or

(ii) meets 2 or more of the following criteria:

(I) Has an expected family contribution equal to zero (as described in section 479 of the Higher Education Act of 1965) or a comparable alternative based upon the State’s approved criteria in section 415C(b)(4) of such Act.

(II) Has qualified for a free lunch, or at the State's discretion a reduced price lunch, under the school lunch program established under the Richard B. Russell National School Lunch Act.

(III) Qualifies for the State's maximum need-based undergraduate award.

(IV) Is participating in, or has participated in, a Federal, State, institutional, or community mentoring or outreach program, as recognized by the eligible consortia carrying out activities under this section.

(2) PHILANTHROPIC ORGANIZATION.—The term “philanthropic organization” means a non-profit organization—

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

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

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

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

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

(3) STATE.—The term “State” means each of the several States of the United States, the District of Columbia, and Puerto Rico.

(4) UNDERSERVED POPULATION.—The term “underserved population” means a group of individuals who traditionally have not been well represented in the general population of students who pursue and successfully complete a higher education degree.

(h) PROGRAM FUNDING.—

(1) IN GENERAL.—There shall be available to the Secretary to carry out this section, from funds not otherwise appropriated, \$300,000,000 for the period beginning with fiscal year 2008 and ending with fiscal year 2012.

(2) USE OF EXCESS FUNDS.—If, at the end of a fiscal year, the funds available for awarding grants under this section exceed the amount necessary to make such grants, then all of the excess funds shall remain available for the subsequent fiscal year, and shall be used to award grants under section 401 of the Higher Education Act of 1965 (20 U.S.C. 1070a) for such subsequent fiscal year.

(i) SUNSET.—The authority to carry out this section shall expire at the end of fiscal year 2012.

PART C—UPWARD BOUND

SEC. 412. UPWARD BOUND.

(a) ABSOLUTE PRIORITY PROHIBITED IN UPWARD BOUND PROGRAM.—Section 402C (20 U.S.C. 1070a-13) is amended by adding at the end the following new subsection:

“(f) ABSOLUTE PRIORITY PROHIBITED IN UPWARD BOUND PROGRAM.—Except as otherwise expressly provided by amendment to this section, the Secretary shall not implement or enforce, and shall rescind, the absolute priority for Upward Bound Program participant selection and evaluation published by the Department of Education in the Federal Register on September 22, 2006 (71 Fed. Reg. 55447 et seq.).”.

(b) ADDITIONAL FUNDS.—Section 402C is further amended by adding after subsection (f) (as added by subsection (a)) the following new subsection:

“(g) ADDITIONAL FUNDS.—

“(1) AUTHORIZATION AND APPROPRIATION.—There are authorized to be appropriated, and there are appropriated to the Secretary, from funds not otherwise appropriated, \$30,000,000 for each of the fiscal years 2008 through 2011 to carry out paragraph (2), except that any amounts that remain unexpended for such purpose for each of such fiscal years may be available for technical assistance and administration costs for the Upward Bound program.

“(2) USE OF FUNDS.—The amounts made available by paragraph (1) shall be available to provide assistance to all Upward Bound projects that received assistance in fiscal year 2006 but that did not receive assistance in fiscal year 2007 (other than new applicants) with a grant score above 70. Such assistance shall be made available in the form of 4-year grants.”.

TITLE V—ADDITIONAL PROVISIONS

SEC. 501. INDEPENDENT EVALUATION OF DISTANCE EDUCATION PROGRAMS.

(a) **INDEPENDENT EVALUATION.**—The Secretary of Education shall enter into an agreement with the National Academy of Sciences to conduct a scientifically correct and statistically valid evaluation of the quality of distance education programs, as compared to campus-based education programs, at institutions of higher education. Such evaluation shall include—

(1) identification of the elements by which the quality of distance education, as compared to campus-based education, can be assessed, including elements such as subject matter, interactivity, and student outcomes;

(2) identification of distance and campus-based education program success, with respect to student achievement, in relation to the mission of the institution of higher education; and

(3) identification of the types of students (including classification of types of students based on student age) who most benefit from distance education programs, the types of students who most benefit from campus-based education programs, and the types of students who do not benefit from distance education programs, by assessing elements including access to higher education, job placement rates, undergraduate graduation rates, and graduate and professional degree attainment rates.

(b) **SCOPE.**—The National Academy of Sciences shall select for participation in the evaluation under subsection (a) a diverse group of institutions of higher education with respect to size, mission, and geographic distribution.

(c) **INTERIM AND FINAL REPORTS.**—The agreement under subsection (a) shall require that the National Academy of Sciences submit to the Secretary of Education, the Committee on Health, Education, Labor and Pensions of the Senate, and the Committee on Education and Labor of the House of Representatives—

(1) an interim report regarding the evaluation under subsection (a) not later than December 31, 2007; and

(2) a final report regarding such evaluation not later than December 31, 2009.

(d) **APPROPRIATIONS.**—There shall be available to the Secretary, from funds not otherwise appropriated, \$100,000 to carry out this section.

SEC. 502. ENCOURAGING COLLEGES AND UNIVERSITIES TO “GO GREEN”.

(a) **FINDINGS.**—The Committee on Education and Labor of the House of Representatives makes the following findings:

(1) A commitment to and academic programs for environmental and economic sustainability are essential for our Nation’s future prosperity.

(2) The more than 4,200 higher education institutions in the United States have the capacity to innovatively leverage spending and change consumption patterns by incorporating concepts of sustainability into their academic programs and by modeling sustainable economic and environmental practices for their communities.

(3) Many colleges and universities have interdisciplinary programs or centers focusing on equipping students with the academic content knowledge needed to understand concepts of sustainability and “going green”.

(4) Many colleges and universities have programs related to the research of sustainability and sustainable systems.

(5) Academic programs related to sustainability vary in rigor because no national education content standards for academic sustainability programs currently exist.

(6) Colleges and universities may partner with businesses to encourage students and faculty to translate academic learning and research into practical solutions that promote sustainability.

(7) Colleges and universities that make an effort to reduce energy consumption and promote environmental sustainability not only reduce their own emissions, but also motivate the leaders of the next generation to action and create technical skills and resources to develop innovative solutions.

(8) Many colleges and universities have undertaken detailed, campus-wide assessments of their progress toward “going green” and sustainability or have measured their progress in specific sectors, such as operations, or specific parameters, such as recycling, energy, and water consumption.

(9) No system that evaluates and compares college and university campuses in terms of overall sustainability-related academic programs and practices currently exists.

(b) **SENSE OF THE COMMITTEE ON EDUCATION AND LABOR.**—It is the sense of the Committee on Education and Labor that in order to encourage increased public

awareness of the need to “go green” by using sustainable economic and environmental practices and rigorous sustainability academic programs on college and university campuses, the following should be encouraged:

- (1) The development of educational standards by institutions of higher education to determine the necessary rigor and effectiveness of academic sustainability programs.
- (2) Public awareness of the need for “going green” by using sustainable economic and environmental practices.
- (3) Non-governmental efforts to improve economic and environmental sustainability efforts on college and university campuses, including holding national summits to share best practices.
- (4) Collaborative partnerships between Federal agencies, businesses, universities and communities to broaden sustainability practices.

I. PURPOSE

The purpose of H.R. 2669, the “College Cost Reduction Act of 2007,” is to provide for reconciliation pursuant to section 601 of the concurrent resolution on the budget for fiscal year 2008.

II. COMMITTEE ACTION

110TH CONGRESS

Introduction of the College Cost Reduction Act

On Tuesday, June 12, 2007, Representatives George Miller (D-CA) and Rubén Hinojosa (D-TX) introduced H.R. 2669, the College Cost Reduction Act of 2007, a bill to provide for reconciliation pursuant to section 601 of the concurrent resolution on the budget for fiscal year 2008.

Full Committee markup of H.R. 2669

On Wednesday, June 13, 2007, the Committee on Education and Labor considered H.R. 2669 in legislative session, and reported the bill favorably, as amended, to the House of Representatives. The rollcall vote was 30–16. Chairman Miller offered an amendment in the nature of a substitute.

The amendment in the nature of a substitute contained minor technical changes and the following additions to H.R. 2669:

- Extends a fee elimination provided for small lenders in H.R. 2669 to non-profit lenders, in support of their unique mission, by eliminating the current lender-paid origination fee of 0.5%.
- Provides mandatory financial support of \$500 million, to Historically Black Colleges and Universities (HBCUs), and Hispanic-Serving Institutions (HSIs), Tribal Colleges and Universities (TCUs), Alaska/Hawaiian Native Institutions and newly defined Predominately Black Institutions (PBIs) and institutions serving Asian American and Pacific Islanders.
- Clarifies that students attending institutions that measure academic years by quarters or the equivalent are able to participate in the Year Round Pell Grant program on the same basis as students attending institutions that measure academic years by semesters.
- Makes students attending either a non-profit or a for-profit institution eligible to receive TEACH grants.
- Allows the Secretary of Education to issue waivers to states that experience a fiscal crisis exempting them from certain requirements with respect to demonstrating their commitment to higher education funding.

- Replaces the Consumer Price Index in Section 202, with the Higher Education Price Index referenced in Section 203 of the bill.
- Strikes the Quality Efficiency Task Forces in Section 202 of the bill.
- Narrows the definition of a “public sector” employee in Section 131 by targeting resources to those serving in areas of national need by deleting “government” while keeping the remainder of the listed categories: public safety (including first responders, firefighters, police officers, or other law enforcement or public safety officers), emergency management (including emergency medical technicians), public health and public interest legal services (including prosecutors and public defenders).

The Committee adopted the following amendments:

1. An amendment offered by Mr. Bishop (NY) and Mr. Altmire (PA), adopted by voice vote. The amendment provides \$500 million in Federal capital contributions for the Perkins Loan Program for fiscal years 2008–2012.

2. An amendment offered by Mr. Yarmuth (KY) and Mr. Tierney (MA) adopted by voice vote. The amendment changes the \$5,000 loan-forgiveness program to provide \$1,000 per year of loan forgiveness for up to 5 years, rather than \$5,000 of loan forgiveness after 5 years of service.

3. Amendments offered en bloc by Mr. Ehlers (MI) adopted by voice vote. The amendments call for a study by the National Academy of Sciences of the quality of distance education programs and encourage institutions to adopt and promote sustainable economic and environmental practices and rigorous sustainability academic programs.

4. An amendment by Mrs. Susan Davis (CA) adopted by voice vote. The amendment allows veterans who were enrolled in or left college within six months of deployment, to receive extended repayment on loan terms of up to 13 months upon return from active duty.

5. Amendments offered en bloc by Mr. Petri (WI) adopted by voice vote. One amendment proposes a study for the purpose of designing an income contingent repayment plan using the IRS’ income tax withholding system. The second amendment proposes a study to identify and select an auction-based mechanism of setting student loan lender yields under the FFEL program and to pilot and evaluate the use of such a mechanism.

6. An amendment offered by Mr. Scott (VA) adopted by voice vote. The amendment restores Upward Bound funding to unfunded programs from the FY07 competition.

7. An amendment offered by Mr. Loeb sack (IA) adopted by voice vote. The amendment allows part-time students and students in certificate programs to participate in the Year Round Pell Grant program.

8. An amendment offered by Mr. Grijalva (AZ) adopted by voice vote. The amendment expands the definition of an eligible student for Academic Competitiveness grants to include legal permanent residents, part-time students, and students in certificate programs.

9. An amendment offered by Mr. Scott (VA) adopted by voice vote. The amendment restricts the Secretary’s use of funds for the purpose of evaluating the Upward Bound program and applying a

new “absolute priority” for student eligibility to future competitions.

10. An amendment offered by Mr. Courtney (CT), Ms. Shea-Porter (NH), and Mr. Danny Davis (IL) adopted by voice vote. The amendment provides an additional increase of \$100 for Pell Grants to the first year, bringing the total available in the 2008–2009 academic year to \$200, and bringing the total available in the 2011–2012 academic year to \$500.

The Committee rejected four amendments by rollcall vote.

III. SUMMARY OF THE BILL

PURPOSE

The purpose of H.R. 2669, the College Cost Reduction Act of 2007, is to provide for reconciliation pursuant to section 601 of the concurrent resolution on the budget for fiscal year 2008, and to ensure access to and success in higher education by making college more affordable.

FUNDING

Under the Concurrent Resolution on the Budget for Fiscal Year 2008, the Committee on Education and Labor was instructed to report reconciliation provisions sufficient to reduce the deficit by \$750 million for the period of fiscal years 2007 through 2012. The College Cost Reduction Act of 2007 achieves nearly \$19 billion in savings by cutting excess subsidies paid by the federal government to lenders in the student loan industry. The bill invests approximately \$18.25 billion in students and families to assist them in accessing, attending, and financing college. Moreover, the bill provides \$750 million in deficit reduction to meet the obligation under the instructions by the Budget Committee.

INCREASED FUNDING AND SUPPORT FOR PELL GRANT SCHOLARSHIPS

The College Cost Reduction Act of 2007 provides an extra \$500 Pell Grant, using mandatory funds, phased in over four years that would be added to the appropriated amount. With the current appropriated amount of \$4,700, announced by Chairman Obey on June 7, 2007, students are guaranteed at least \$4,900 and up to \$5,200 by 2011.

This legislation also eliminates the tuition sensitivity provisions that unfairly penalize students attending low-cost tuition institutions.

H.R. 2669 establishes a year-round Pell Grant program, and increases the Income Protection Allowance for dependent and independent students.

In addition to changing the Income Protection Allowance, the legislation also amends the needs analysis formula to increase the “auto-zero” family contribution from the current \$20,000 level to \$30,000.

INTEREST RATE CUTS FOR SUBSIDIZED STUDENT LOANS

The legislation includes the provision from H.R. 5, the College Student Relief Act, to cut interest rates in half for undergraduate students with subsidized student loans—those in most financial

need—over the next five years. This provision alone will save a student with \$13,800 in subsidized loan debt approximately \$4,400 over the life of her loan.

INCREASED LOAN LIMITS AND PROGRAMS TO MANAGE STUDENT LOAN DEBT

In addition to cutting interest rates in half, the College Cost Reduction Act will also increase the borrowing limits for third and fourth year students to \$7,500, and increase the aggregate borrowing limit for undergraduates to \$30,500 and for graduates to \$65,500.

Included in this legislation is an Income-Based Repayment proposal, which builds on the tenets of the Federal Direct Loan Program's Income Contingent Repayment program by guaranteeing that borrowers will not have to pay more than 15% of their discretionary adjusted gross income in student loan repayments.

PROMOTING PUBLIC SERVICE THROUGH LOAN FORGIVENESS

This bill includes language to provide complete loan forgiveness for public sector employees after 10 years of service.

In keeping with alleviating student loan debt, the College Cost Reduction Act also includes \$5,000 in loan forgiveness for those serving the country in critical areas including first responders, law enforcement officers, firefighters, nurses, public defenders, prosecutors, early childhood educators, nurses, librarians and other public sector employees. For each year of service, \$1,000 of the borrowers' loans will be forgiven, up to a total of \$5,000.

CONTAINING COLLEGE COSTS

With college tuition skyrocketing, the bill includes several provisions to address college costs. Specifically, the legislation includes a provision to ensure that states maintain their commitments to helping students and families pay for college. States are discouraged from reducing funding for higher education as family and federal support increases.

This legislation offers incentives, in the form of additional mandatory Pell Grant funds for schools that keep their annual net tuition increases at a rate equal to, or below, the increases in the Higher Education Price Index (HEPI) for a given academic year.

The bill also includes provisions that will ensure the redesign of the existing U.S. Department of Education College Opportunity Online Locator (COOL) website, making it easier to use for parents and students while not adding burdensome reporting requirements for colleges and universities.

Additionally, the bill establishes grants called "Cooperative Education Rewards" for institutions or consortia of institutions that provide students with both academic and work experiences in order to prepare them for their future careers and to help students support themselves financially while in school.

ENSURING A HIGHLY QUALIFIED TEACHER IN EVERY CLASSROOM

H.R. 2669 makes historic investments to ensure that we place a highly qualified teacher in every classroom through the creation of TEACH grants that would provide up-front pre-paid tuition assist-

ance of \$4,000/year (with a maximum of \$16,000) for high-achieving graduate and undergraduate students who commit to teaching a high-need subject in a high-need school for four years.

This provision meets one of the goals outlined in the House Democrats Innovation Agenda introduced in the last Congress to ensure highly qualified teachers are well trained and prepared to teach in the fields of math, science, and technology.

The bill also establishes Centers of Excellence to provide funds to Minority Serving Institutions to help recruit and prepare teachers and to expand opportunities for Americans of all educational, ethnic, class, and geographic backgrounds to become highly qualified teachers.

INVESTING IN HISTORICALLY BLACK COLLEGES AND UNIVERSITIES,
HISPANIC SERVING INSTITUTIONS AND MINORITY SERVING INSTITUTIONS

H.R. 2669 makes a deliberate and landmark investment of \$500 million in HBCUs, HSIs, PBIs, TCUs, Alaska Native and Native Hawaiian institutions, and institutions serving Asian Americans and Pacific Islanders to ensure that students attending these institutions will not only enter college, but remain and graduate.

PROMOTING PUBLIC-PRIVATE PARTNERSHIPS TO PROVIDE
SCHOLARSHIPS FOR COLLEGE

This legislation establishes the College Access Challenge Grants which will leverage federal funds to increase the number of students from underserved populations who enter and complete college through matching grants to philanthropic organizations. The federal government will provide a 2 to 1 match for private and other public funds for these purposes.

IDENTIFYING INEFFICIENCIES IN THE STUDENT LOAN SUBSIDIES

The bill is fully paid for with cuts to excess lender subsidies and builds on the proposals contained in both H.R. 5 and the President's fiscal year 2008 budget.

- Four of the six offsets have already been approved by the House this year, when it overwhelmingly voted to pass the College Student Relief Act of 2007 (H.R. 5) in January.

- Four of the six offsets have been proposed in the President's fiscal year 2008 budget.

Decrease lender Special Allowance Payment (SAP) rate by 0.55 percentage point: The Special Allowance Payment is the subsidy paid to lenders over and above their cost of money. Currently, the SAP is 2.34 percentage points (234 basis points). The College Cost Reduction Act includes a 0.55 percentage point (or 55 basis point) reduction in the SAP payment.

In his FY 2008 budget, President Bush proposed decreasing the SAP rate by 50 basis points.

Lower lender insurance rates from 97% to 95%: When a student or parent defaults on a loan, the government pays the lender this share of the owed funds.

The House passed this offset as part of H.R. 5 and it was also proposed in the President's FY 2008 budget. The Education Department estimates that approximately 5% of loans default.

Eliminate “Exceptional Performer” lender status: Lenders may be designated on an annual basis as “exceptional performers” by the Secretary of Education if they are in substantial compliance with loan servicing or “due diligence” requirements. This status is nothing more than a reward to lenders for merely doing their job, rather than for engaging in any exceptional activity. Lenders designated as “exceptional performers” receive a two-percentage-point higher insurance rate.

The House passed this offset as part of H.R. 5.

Increase for-profit lender origination fees from 0.5% to 1% and eliminate fees for small and non-profit lenders: Lenders are currently charged a fee of 0.5% on all new loans to partially offset the federal cost of administering the FFEL program.

The House passed a similar offset in H.R. 5. The President proposed a similar provision in his FY 2008 budget.

Lower guaranty agency collection fees to 16%: Guaranty agencies now retain 23% of the funds they collect from defaulted loans, partly to cover the cost of collection. But guaranty agencies’ collection methods have become more efficient, thus reducing collection costs. The Education Department projects that these efficiencies will continue to increase. The Department pays only 16% of amounts collected by its private sector contractors in the Direct Loan program.

The President proposed this offset in his FY 2008 budget. A provision to lower the collection fees to 16% by 2010 was passed by the House as part of H.R. 5.

Change the guaranty account maintenance fee: Guaranty agencies are paid a fee based on the original principal amount of active loans they have guaranteed. This bill shifts this fee so that it is tied to the number of accounts lenders have—which more accurately reflects guarantors’ costs.

The President proposed this change in his FY 2008 budget request.

IV. COMMITTEE VIEWS

The Congress and the public have long recognized higher education as key to promoting economic opportunity for all Americans. In 1944, the GI Bill provided educational benefits to World War II veterans. In 1965, Congress established the foundation of the federal student aid system with the passage of the Higher Education Act. In 1972, the Pell Grant program was created to provide grants for low-income students to attend college. The Committee’s action on H.R. 2669, the College Cost Reduction Act, continues this historic trend by investing where it counts, with our nation’s students and their families.

The Committee strongly believes that federal higher education policy should focus on the holistic picture of college readiness, access, success, and completion. Therefore, policies and investments should not only be directed to ensure that students can afford college tuition, but investments—like many of those passed in H.R. 2669—should also ensure that all qualified students, regardless of their background, be prepared for college, have the appropriate information about and access to higher education and support services, and graduate to achieve their goals.

As America moves to a more knowledge-based economy, a college degree is becoming more essential than ever for basic entry-level

jobs,¹ as well as for our country to remain competitive on a global scale. The Committee believes that a college education is as important today as a high school diploma was a generation ago. Yet, students and families are faced with the challenge of paying for college. Over the past five years, tuition and fees at public colleges and universities have increased by 35 percent, and those at the private universities have increased by 11 percent.²

Furthermore, need-based grant aid and other forms of federal and state support have been unable to keep pace with the increase in college tuition prices. Currently grants only make up 48 percent of all student aid.³ Recognizing these challenges, the goal of helping every qualified student go to college should remain the focus.

Despite the growing importance of higher education, many state governments have cut funding for colleges and universities over the past decade.⁴ The failure of states to provide adequate support for higher education is compounded by the significant lack of increases in federal grant aid, resulting in students taking out larger loans to pay for college. More than two-thirds of students now borrow to pay for college, and their average debt more than doubled between 1993 and 2004.⁵

Debt, and the aversion to accumulating debt, is severely impacting a student's ability to enter, continue, and complete higher education and to make long-range decisions about jobs after college. According to the Federal Advisory Committee on Student Financial Assistance (ACSFA), limited financial aid and declining affordability is already prohibiting hundreds of thousands of college-qualified high school graduates from attending a four-year institution. Further, over 40 percent of those students will not enter post-secondary education at all.⁶

INCREASING THE PURCHASING POWER OF THE PELL GRANT SCHOLARSHIP

The Committee believes boosting the nation's investment in the Pell Grant program is essential to ensuring access and making college more affordable for students and families. Research indicates that investment in need-based grant aid is the best and most important contribution that the federal government can make to keeping the dream of a college education a reality for all Americans. However, over the last several years, the purchasing power of the Pell Grant has declined. Today, the maximum Pell Grant covers only one third of the average price of attendance at a public four-year institution compared to more than two-thirds in 1980.

The Pell Grant has recently received a significant boost of support since the beginning of the 110th Congress. In February, the Appropriations Committee, led by Chairman Obey, increased the

¹ Donna Desrochers, Higher Education's Contribution to the Knowledge Economy, Solutions for Our Future Project. Accessed June 20, 2006 at www.solutionsforourfuture.org/site/DocServer/08.Knowledge-Economy.pdf?docID=103.

² Trends in Student Aid, The College Board, 2006.

³ IBID

⁴ National Conference of State Legislatures, <http://www.ncsl.org/programs/press/2005/pr050428.htm>

⁵ National Center for Education Statistics (NCES), National Postsecondary Student Aid Study (NPSAS), 1993 and 2004 undergraduates, Data Analysis System (DAS); calculations by the Project on Student Debt.

⁶ Advisory Committee on Student Financial Assistance, "Mortgaging Our Future: How Financial Barriers to College Undercut America's Global Competitiveness," September 2006.

maximum Pell Grant by \$260, from \$4,050 to \$4,310. This increase was the first to be signed into law since 2003, when it was raised by \$50. At the beginning of June, Chairman Obey proposed an additional increase to the Pell Grant for the FY 2008 appropriations bill, which could bring the maximum Pell Grant to \$4,700.

Following suit with these investments in the Pell Grant program, the Committee believes a greater and sustainable commitment should be made to the Pell Grant through mandatory funding. To that end, H.R. 2669 increases the maximum Pell Grant scholarship by at least \$500 over the next five years, ultimately reaching a maximum scholarship of at least \$5,200. The Pell Grant increases will be phased in with \$200 for 2008 and 2009, \$300 for 2010, and \$500 for 2011 and beyond. The Pell Grant increases provided in this bill will be added to the existing maximum Pell Grant set by the Appropriations Committee.

The Committee believes it is critical not only to increase the Pell Grant maximum award but also to expand eligibility for the grants. H.R. 2669 includes changes to the needs analysis formula that is used to calculate a student's financial aid award. Specifically, the bill increases the income threshold below which families are automatically qualified for maximum aid. Under current law, this threshold is set at \$20,000. H.R. 2669 increases the threshold to \$30,000. H.R. 2669 makes other changes to the needs analysis formula as well, including reducing the amount of students' earnings that are considered in awarding financial aid, and excluding certain income from need determinations, including social security and welfare benefits.

As a result of the increase in the Pell Grant maximum and the changes to the needs analysis formula, almost 600,000 additional students will become eligible to receive a Pell Grant by 2011.

STRENGTHENING THE MIDDLE CLASS BY MAKING COLLEGE MORE
AFFORDABLE

Cutting interest rates in half

In 2006, the House Democrats issued their "Six in 06" agenda, which included several higher education proposals aimed at helping the middle class. A central principle of the agenda included cutting student loan interest rates in half. In carrying out that agenda, House Democrats, led by members of this Committee, championed the initiative on the floor of the House. On January 17, 2007, the House of Representatives overwhelmingly passed H.R. 5 the College Student Relief Act of 2007 by a roll call vote of 356–71. The legislation calls for cutting interest rates in half, to 3.4 percent, on all subsidized student loans over a five year period. This provision is included in H.R. 2669.

Once fully phased in, these interest rate cuts will save the typical borrower, with \$13,800 in need-based federal student loan debt, \$4,400 over the life of the loan. Half of the student-loan borrowers who would benefit under this legislation have family incomes between \$26,000 and \$68,000, according to the Congressional Research Service; the median family income of borrowers was \$45,000 in 2003–2004. This is well below the overall U.S. median family income of approximately \$54,000, according to the Economic Policy Institute.

Increasing loan limits and protecting student and families from unscrupulous practices in the student loan industry

While loans are not the preferred method of paying for college, they are the reality in today's world. To assist students and families pay for college, the Committee adopted increases in loan limits. In particular, H.R. 2669 increases loan limits for third and fourth year students from \$5,500 to \$7,500. Additionally, the aggregate limit increases from the current \$23,000 to \$30,500 for undergraduates and from \$65,500 to \$73,000 for graduates.

The Committee believes that these increases will not only help to finance college costs but will allow students and families to rely less on costlier private loans. Private loans have received increased scrutiny over the last six months in light of reported abuses among lenders and financial aid officers, including school officials steering students toward certain lenders in exchange for financial or other favors. The Committee has strong feelings about this issue and, as an initial step, passed H.R. 890, the Student Loan Sunshine Act on the floor of the House on May 9, 2007 by a roll call vote of 414-3. The Committee expects to further address the abuses in the student loan industry in its consideration of the reauthorization of the Higher Education Act during this Congress.

Managing student debt to keep college within reach

The Committee believes that loan limits should only be raised in tandem with options for students to manage their debt. With students borrowing at record levels, ensuring borrower protections and alternative payment options is important. According to the Project on Student Debt, "over the past decade, debt levels for graduating seniors with student loans more than doubled from \$9,250 to \$19,200 a 108% increase (58% after accounting for inflation)."⁷ H.R. 2669 builds on the existing Income Contingent Repayment Program offered in the Direct Loan program and extends this option to individuals participating in the FFEL loan program. The Income-Based Repayment proposal guarantees that borrowers will not have to pay more than 15 percent of their discretionary income in loan repayments, and allows borrowers to have their loans forgiven after 20 years of payments. Payment options such as the Income-Based Repayment proposal serve to expand rather than restrict educational and economic opportunities for graduates who would otherwise be unable to afford to work as teachers or social workers.

HELPING STUDENTS ENTER COLLEGE AND SUCCEED

Through H.R. 2669, the Committee has made a deliberate decision to invest not only in much needed federal grant aid and in interest rate reduction, but also in programs and support services that assist students to persist through in college to meet their educational goals. With this objective in mind, H.R. 2669 makes historic investments in HBCUs and MSIs; includes funding for Upward Bound; and strengthens campus-based aid programs through mandatory funding of the Perkins loan program. Additionally, the Committee believes that investments should also be made in build-

⁷Project on Student Debt "Quick Facts About Student Debt." http://projectonstudentdebt.org/files/File/Debt_Facts_and_Sources_5_4_07.pdf

ing on the successes of numerous philanthropic organizations, many of which have a proven track record in providing support services and financial assistance to help students get into and remain in college.

Making historic new investments in Historically Black Colleges and Universities, and Hispanic-Serving Institutions, Tribal Colleges, Alaska and Hawaiian Native, Predominately Black Institutions, and Asian American and Pacific Islanders

Historically Black Colleges and Universities, Hispanic-Serving Institutions, Tribal Colleges, Alaska and Hawaiian Native, Predominately Black Institutions, and institutions serving Asian American and Pacific Islanders are critical to the nation's economic and social well-being. As the growth in the nation's population increasingly reflects the diversity of the students at these institutions, the Committee believes that this mandatory funding is an investment in our future. By educating the nation's emerging majority populations, these institutions represent the vanguard of the country's potential and promise and should be appropriately supported.

According to the Institute for Higher Education Policy, approximately 2.3 million students, or about one-third of all African Americans, American Indians/Alaska Natives, and Hispanics in all higher education institutions in the United States and Puerto Rico, were enrolled at HBCUs, HSIs, TCUs, Alaska and Hawaiian Native institutions. These numbers have grown rapidly in recent years—in fact, enrollment at these institutions accelerated by 66 percent from 1995 to 2003, compared to only 20 percent at all postsecondary institutions.

The importance of these unique institutions is underscored by the fact that they provide postsecondary educational opportunities specifically tailored to students who traditionally have been denied access to adequately funded elementary and secondary schools, especially low-income, educationally disadvantaged students. Additionally, a high proportion of students attending these institutions are the first in their family to attend college. In 2003–2004, 43 percent of students attending an HBCU or HSI were first-generation students, compared to 35 percent of students enrolled at all institutions.

For far too long, little attention and only nominal investments have been directed to institutions funded under Title III and Title V of the Higher Education Act. Given the years of neglect and lack of support, the Committee believes that H.R. 2669 offers an opportunity to help these institutions carry out their missions to assist students to meet their educational goals.

Promoting persistence through support of Upward Bound

In order to successfully complete college, students need to be adequately prepared both academically and emotionally. The Upward Bound program has long provided invaluable academic and non-academic services to students who would not otherwise receive them, specifically, low-income, first-generation students. This program has a broad and significant reach; for example, in 2006, Upward Bound served nearly 60,000 students across the country. As one of the longest running programs authorized by the Higher Edu-

cation Act, many Upward Bound programs become the cornerstone of a community and each year successfully help students graduate from high school and enroll in institutions of higher education. The Committee strongly believes in the purposes and intent of the program, including the longevity and continuation of individual programs. To this end, H.R. 2669 provides funding to reinstate programs that lost their funding in the fiscal year 2007 competition so that students, and the communities in which they live, will continue to be served.

Helping students pay for college through support of the Perkins Loan Program

The Perkins Loan Program, created by Congress in 1958, started as our country's first federally supported student loan program. Throughout the history of the Perkins Loan Program, \$7.9 billion in federal contributions has been leveraged to award over \$28.8 billion in loans to students through almost 26 million aid awards making it one of the most effective public-private partnerships in the federal government.

Perkins Loans offer long-term, low-interest rate loans targeted to students with exceptional need. More than 500,000 students received a Perkins Loan last academic year to help pay for their education. Given that Perkins loans are designed to fill in the need gaps of low-and moderate-income students, the Committee believes that without mandatory funding of this program, students will be forced to borrow from high-cost alternative sources, such as private education loans.

Building support for student retention and financing of college through philanthropic participation

While government-sponsored grants and loans make up a significant part of the financing for higher education for students and families, the private sector has demonstrated a commitment to the goal of ensuring that students have financial support to attend college. A 2005 Institute for Higher Education Policy study found that at least \$3 billion per year is awarded through private scholarship programs. Further, the study found that employer-provided education assistance to employees and their dependents totals several billion dollars more.⁸

The Committee believes that the contributions of the private sector should be better recognized and supported through efforts such as the College Access Challenge Grants, established in H.R. 2669. The legislation specifically promotes partnerships with federal, state and local government entities and philanthropic organizations by establishing matching challenge grants aimed at increasing the number of first generation and low-income students to attend college.

The Committee expects that the program will spur new interest in the private sector to initiate partnerships, while rewarding those organizations that have participated in such efforts for some time. The College Access Challenge Grants are not intended or designed to supplant the federal government's role in providing financial

⁸ Institute for Higher Education Policy, "Private Scholarships Count," May 4, 2005. <http://www.ihep.org/organizations.php3?action=printContentItem&orgid=104&TypeID=906&itemID=10848&templateID=1418>

support for students to meet their educational goals. Rather, the grants are meant to supplement the efforts of the private sector and recognize it as a key partner in working to support students and families.

CONTAINING THE RISING COST OF COLLEGE TUITION

The Committee believes that the issue of rising college tuition must be addressed as part of the overall discussion on college affordability and access. While the proposals in H.R. 2669 are not a comprehensive response to the challenge of rising college costs, the Committee believes these initiatives serve as a marker to begin the discussion on this important issue. As such, the Committee intends to continue this dialogue among the major stakeholders and together develop a more comprehensive response to skyrocketing tuition at colleges and universities during the reauthorization of the Higher Education Act.

Of particular concern to the Committee is the declining support that states have provided to higher education, in particular during the recessions a few years ago.⁹ Over the last few years, higher education has had to compete for resources at the state level against other major programs including Medicaid and No Child Left Behind. With this in mind, the Committee has included a provision mandating that states maintain an adequate level of support for higher education to ensure continued funding of the state-federal partnership program LEAP (Leveraging Education Assistance Program).

Understanding the challenges that some states are facing as a result of uncontrollable circumstances, such as the closure of major economic supports in the state or a natural disaster, H.R. 2669 includes authority to the Secretary to provide an exemption for those states that find themselves in such circumstances.

While the Committee believes that states play a significant role in supporting higher education, particularly for public institutions, there is a strong belief that initiatives to curtail college costs should also include incentives to lower tuition. To this end, H.R. 2669 includes additional mandatory Pell Grant funds for schools that keep their annual net tuition increases at a rate equal to, or below, the increase in the Higher Education Price Index (HEPI) for that academic year.

The Committee is particularly interested in providing information to the public on how to best inform themselves about the costs at specific institutions. To reach this goal, H.R. 2669 ensures the redesign of the existing U.S. Department of Education College Opportunity Online Locator (COOL) website, making it easier for parents and students to use in order to compare schools, while not adding burdensome reporting requirements for colleges and universities.

ENSURING A HIGHLY QUALIFIED TEACHER IN EVERY CLASSROOM

There are not enough qualified teachers in the nation's classrooms, and an unprecedented number of teachers will retire over

⁹Dennis Jones, "State Shortfalls Projected to Continue Despite Economic Gains," National Center for Public Policy and Higher Education. February, 2006.

the next five years. Over the next decade, the nation will need to recruit 2 million new teachers into the public schools.

Unfortunately, the shortage is compounded by the fact that more than one-third of children in grades 7–12 are taught by a teacher who lacks both a college major and certification in the subject being taught. Rates for “out of field teaching”—teachers teaching in fields in which they are not certified—are especially high.

The creation of a “highly qualified teacher” definition in the No Child Left Behind Act started the dialogue on defining the qualities of a good teacher as well as ways to ensure that individuals can meet this threshold. The Committee identifies this issue as a top priority and as such offers a step in the direction of paving the way for individuals interested in teaching, to ensure they become highly qualified and then going a step further, steering them to areas of most need.

H.R. 2669 creates a new TEACH Grants program (modeled after the legislation introduced by Chairman Miller, H.R. 2204, the Teacher Excellence for All Children Act) that would provide upfront pre-paid tuition assistance of \$4,000 per year (with a maximum of \$16,000) for high-achieving graduate and undergraduate students who commit to teaching a high-need subject in a high-need school for four years. Under this program, at least 21,500 undergraduate and graduate students are expected to receive these grants over the next five years.

To further steer teacher candidates into high quality teacher education programs, the bill includes a bonus grant for students to receive up to an additional \$2,000 to attend institutions with programs that integrate both content and teacher education training into their overall program. The bonus grants are modeled after programs such as those offered in the Cal State University system, and Cal Teach, a program at U.C. Berkeley, as well as the UTEACH program at the University of Texas. All these programs have demonstrated that high caliber students can be recruited into teaching programs with a specific content focus in areas of high need.

The Committee strongly believes, while not the silver bullet solution to teacher quality, that TEACH Grants will help alleviate the challenges of ensuring a highly qualified teacher in every classroom. The issue of teacher quality will continue to be addressed in the reauthorization of the Higher Education Act when the Committee considers Title II, which covers pre-service for teacher candidates. The Committee will also consider this issue during the reauthorization of the No Child Left Behind Act, which includes in-service support for teachers already in the classroom.

ENCOURAGING AND REWARDING PUBLIC SERVICE

As noted earlier, the Committee is concerned with the growing number of individuals who do not choose to enter into lower paying professions, such as public service, because of growing debt due to student loans. Building on the Income-Based proposal mentioned above, H.R. 2669 includes loan forgiveness for individuals serving the country in professions of national need. These targeted professions include: first responders, law enforcement officers, fire-fighters, nurses, public defenders, prosecutors, early childhood educators, librarians, and other public sector employees. The legisla-

tion specifically provides for \$1,000 of loan forgiveness each year for five years—a maximum \$5,000, which constitutes just about one-third of the average graduating debt—to those students in public service professions.

To further encourage public service, the legislation includes revisions to the Direct Loan Income Contingent Repayment program. Individuals who choose public service will have the option to have their loans forgiven after 10 years if payments are made during that time period.

The Committee believes that through increased Pell Grants, programs for better debt management and loan forgiveness, students are better able to assemble a package of debt relief to ensure a brighter future with less financial burdens. Debt burdens are particularly troublesome for public servants who often earn low salaries for their work. The policies embodied in H.R. 2669 recognize the contributions and challenges of public service, and the Committee hopes to encourage participation in these careers.

CAPTURING EFFICIENCIES IN THE STUDENT LOAN PROGRAMS

In the past few years, student lenders have greatly increased their efficiencies through market-driven mechanisms; however, the government operation and subsidization of the programs have not changed. This imbalance has resulted in greater profits for lenders rather than decreased costs for the taxpayers.

The College Cost Reduction Act reduces approximately \$19 Billion over the next five years in excess subsidies paid by the federal government to lenders in order to return billions of dollars to students and families. This bill fully meets “pay-go” rules, and returns \$750 million to deficit reduction. Further, all savings are built on proposals passed by the U.S. House of Representatives through H.R. 5 and those outlined by the President in his fiscal year 2008 budget.

Under the College Cost Reduction Act, the Committee believes lenders will still yield a profit, and all savings will be returned to students with reduced interest rates on loans, increased grant aid, and lower college costs. Further, the Congressional Budget Office (CBO) estimates of the College Cost Reduction Act assume continued robust participation in both the FFEL and the Direct Loan (DL) student loan programs.

Current “borrower benefits” fail to help all students

Often lenders point to auxiliary benefits offered to students as a reward for particular repayment behavior. These “borrower benefits” vary by lender and institution. The fine print is often overlooked and for benefits, such as reduced interest rates, students frequently must make a series of on-time payments before they can reap these particular benefits.

Even one of the largest lenders has acknowledged that only a small percentage of borrowers may ever realize repayment benefits. According to the student loan company, “The bottom line is that less than 10 percent of borrowers will earn all the advertised Repayment Benefits as they will either consolidate their loans or miss

a scheduled payment sometime during the first several years of repayment.”¹⁰

The College Cost Reduction Act ensures that ALL students can benefit from efficiencies achieved in the Federal student loan program.

Further, legislative action has already limited a number of these benefits offered by lenders. For example, borrower origination fees are already scheduled to be reduced or eliminated for students by 2010—currently one of the most common benefits offered by lenders.

Students will continue to have lender choice

There are over 3,000 lenders that participate in the FFEL program. If one participating lender leaves, another will take over. Additionally, the Higher Education Act ensures access for all students by mandating that the state-designated guaranty agency will provide a loan to any student who is unable to receive a loan from a lender (sec. 428j). The bottom line is that all students will continue to have access to low-cost federally-backed student loans to pay for college.

Protecting non-profit and “small” lenders

Under current law, non-profit and small lenders are treated the same as for-profit lenders. Recognizing the unique mission of non-profit lenders, putting all their profits back into students, and the role of small lenders in communities across the country, H.R. 2669 provides for a fee reduction for these two categories of lenders. For FY 2008 alone, this translates into \$85 million in benefits to small and non-profit lenders and nearly \$500 million, or half a billion, over the next five years. The Committee believes these protections will further ensure borrower choice and an active marketplace.

H.R. 2669 defines “small” lenders as those with portfolios that collectively comprise the lower 15% of total FFEL volume, which includes 99 percent of lenders participating in the program.

CONCLUSION

H.R. 2669 represents a historic step forward in our efforts not only to help every qualified student go to college, but to persist through their college careers, and successfully graduate. No one should be denied the opportunity to go to college simply because of the price. The Committee believes the College Cost Reduction Act will pave the way to putting the American dream back within reach of every family in our country.

¹⁰ <http://www.salliemae.com/NR/rdonlyres/6030E40E-BE7A-4268-B253-F417CFB63EB5/0/StraightTalkfromTimFitzpatrickvFINAL022007.pdf>

V. SECTION-BY-SECTION ANALYSIS

Title I—Investing in Student Aid

PART A—INCREASING THE PURCHASING POWER OF THE PELL GRANT

Section 101. Mandatory Pell Grant increases

The College Cost Reduction Act amends the Higher Education Act to include new mandatory funding for the Pell Grant. This is additional mandatory funding that is above the appropriated level.

ADDITIONAL MANDATORY PELL FUNDS

	2008–2009	2009–2010	2010–2011	2011–2012	2012 & beyond
\$200		\$200	\$300	\$500	\$500

Coupled with an appropriated maximum, in 2008–2009, the maximum Pell Grant award will be \$4,900. By 2011 the maximum Pell Grant will be at least \$5,200.

This section also includes language removing the tuition sensitivity provision which will allow low-income students at low cost institutions to fully benefit from the Pell Grant. This provision will go into effect immediately upon enactment of the College Cost Reduction Act.

A year-round Pell Grant program is established in this section. This will allow students who attend more than two semesters (or quarters or the equivalent) in a calendar year, to continue to receive a Pell Grant.

Eligibility criteria are amended to include legal permanent residents, part-time students, and students in certificate programs. Further the language in this section clarifies the definition of an academic year by giving institutions the flexibility to define academic year in order to accommodate institutional schedules.

Section 102. Support for working students

This section includes provisions that will increase students' eligibility for the Pell grant through phased-in increases in the Income Protection Allowance for all students. The protected income for unmarried independent students without dependents will be \$8,090 by 2012. For dependent students the protected income will be \$6,000 by 2012.

Section 103. Simplified needs test and automatic zero improvements

This section provides increases in the “auto-zero” from the current \$20,000 to \$30,000. This change will ensure that students in families with incomes below \$30,000 will be eligible to receive the maximum Pell grant award.

Further, this section amends the untaxed income and benefits in current law. Specifically, the legislation excludes TANF (welfare benefits), Earned Income Tax Credits, and Social Security from the income calculation in the needs analysis.

Clarifications are also made to the asset calculation in this section of the bill to ensure that 529 plans are counted as the asset of the parent for independent students.

Section 104. Definitions

This section outlines definitions for dislocated workers and means-tested federal benefits.

PART B—MAKING STUDENT LOANS MORE AFFORDABLE

Section 111. Interest rate reductions

The College Cost Reduction Act will cut interest rates in half for undergraduate students with subsidized student loans—those in most financial need—over the next five years. The plan will begin by cutting interest rates to 6.12% on July 1, 2008, and will continue to decrease rates until they reach 3.4% in 2012.

CUTTING INTEREST RATES IN HALF: PHASE-IN SCHEDULE

2008	2009	2010	2011	2012
6.12	5.44	4.76	4.08	3.40

NOTE.—All interest rate changes will take place on July 1 of that year

Section 112. Increasing loan limits and eliminating fees

The College Cost Reduction Act will increase the borrowing limits for third and fourth year students to \$7,500 and increase the aggregate borrowing limits (new levels in bold).

STUDENT LOAN LIMITS

	Subsidized	Total (subsidized & unsubsidized)
ANNUAL LIMITS		
DEPENDENT UNDERGRADUATES:		
First-Year Students	\$3,500	\$3,500
Second-Year Students	4,500	4,500
Third-Year Students	(5,500) 7,500	(5,500) 7,500
Fourth-Year+ Students	(5,500) 7,500	(5,500) 7,500
INDEPENDENT UNDERGRADUATES:		
First-Year Students	3,500	3,500
Second-Year Students	4,500	4,500
Third-Year Students	(5,500) 7,500	(10,500) 12,500
Fourth-Year+ Students	(5,500) 7,500	(10,500) 12,500
GRADUATE STUDENTS	8,500	20,500
AGGREGATE LIMITS		
DEPENDENT UNDERGRADUATES	(23,000) 30,500	(23,000) 30,500
INDEPENDENT UNDERGRADUATES	(23,000) 30,500	(46,000) 53,500
GRADUATE STUDENTS	(65,500) 73,000	(138,500) 156,000

Section 113. Reduction of Special Allowance Payments

This section decreases the lender Special Allowance Payments (SAP) rate by 0.55 percentage points (or 55 basis points) and equalizes the SAP rate for Stafford and PLUS loans.

Section 114. Elimination of exceptional performer status for lenders

This section eliminates the “exceptional performance” designation the Secretary of Education may give to lenders, loan servicers, and guaranty agencies if they are in full compliance with due diligence requirements. There are currently 18 “Exceptional Performers,” including four of the five largest lenders.

Section 115. Reduction of lender insurance percentage

Currently, lenders have an insurance rate of 97% which insures private lenders from defaulted loans. In the case of default, the government will pay the private lender this percentage of the owed funds. This section reduces this percentage to 95%.

Section 116. Guaranty agency collection retention

Currently, guaranty agencies are allowed to retain 23% of the funds they collect from defaulted loans, in part to cover the cost of collection. This section reduces the collection rate to 16%, which is consistent with the fee paid to those who serve as collection contractors for the Direct Loan program.

Section 117. Unit costs for account maintenance fees

Currently guarantors are paid a fee for administrative costs based on the original principal amount of active loans they have guaranteed. This section shifts this fee so that it is tied to the number of accounts lenders have, which more accurately reflects the guarantors' cost.

Section 118. Increased loan fees from lenders

Lenders are currently charged a fee of 0.5% on all new loans to partially offset the federal cost of administering the FFEL program. This section increases this origination fee to 1% for for-profit lenders. The fee is eliminated for non-profit lenders and small lenders, defined as those in the lower 15% of volume.

Section 119. Student loan information

This section requires lenders and guaranty agencies to provide student loan information to institutions of higher education and third-party servicers for the purposes of preventing student loan defaults.

Section 120. Market-based determination of lender returns

This section requires a study by the Secretaries of Education and Treasury with the Congressional Budget Office, the Office of Management and Budget, and the General Accounting Office to identify and select among the best mechanisms for a loan auction. Based on the information from the study, a pilot program shall be implemented by the Secretary of Education using 10% of loan volume under Part B and 20% the second year of the pilot study.

PART C—REWARDING SERVICE IN REPAYMENT

Section 131. Loan forgiveness for service in areas of national need

The College Cost Reduction Act provides \$5,000 in loan forgiveness for those serving the country in critical areas, including first responders, law enforcement officers, firefighters, nurses, public defenders, prosecutors, early childhood educators, and librarians. This section makes \$1,000 available for each year up to \$5000.

Section 132. Income-Contingent Repayment for public service employees

This section amends the current Income-Contingent Repayment program in the Direct Loan program and provides complete loan forgiveness for public sector employees after 10 years of service.

Section 133. Income-based repayment

The College Cost Reduction Act builds on the tenants of the Income Contingent Repayment program (currently not an option in the FFEL program) by guaranteeing that borrowers will not pay more than 15% of their adjusted gross income in student loan repayments. Under this section, unpaid interest and principal are capitalized.

Section 134. Definition of economic hardship

This section redefines the eligibility for economic hardship to 150% of the poverty line applicable to the borrower's family size.

Section 135. Deferrals

This section amends the appropriate parts of the law to eliminate the 3 year time restriction for deferrals.

Section 136. Maximum repayment period

This section amends the maximum repayment period in the income-contingent repayment program.

Section 137. Deferral of loan repayment following active duty

This section allows veterans who were enrolled in or left college within six months of deployment, to receive extended repayment on loan terms of up to 13 months upon return from active duty.

Section 138. Sense of the Congress

This section declares the Sense of Congress that the Secretary of Education and Treasury work together with the Government Accountability Office to develop a process to pay for loans using income tax withholdings.

PART D—SUSTAINING THE PERKINS LOAN PROGRAM

Section 141. Federal Perkins Loans

This section provides \$500 million for the Perkins Loan Federal Contribution program for fiscal years 2008–2012.

Title II—Reducing the Cost of College

Section 201. State commitment to affordable college education

This bill mandates that states maintain their own level of college financing—to ensure that they fulfill their end of the bargain to make a quality college education affordable to all students and constrain tuition hikes. Under this section, states risk losing their LEAP funds (Leveraging Educational Assistance Partnership), if they fail to meet this state maintenance of effort.

This section also provides a waiver for states that may have specified challenges in maintaining support for higher education.

Section 202. Consumer information and public accountability in higher education

The College Cost Reduction Act will redesign the existing U.S. Department of Education College Opportunity Online Locator (COOL) website (<http://nces.ed.gov/ipeds/cool>), making it easier for parents and students to use, while not imposing burdensome reporting requirements on colleges and universities.

Included on the COOL website will be user-friendly College Consumer Profiles that will give parents and students access to more information about colleges and universities than ever before. The information will include:

- “Sticker price” for a school over a three year time period;
- “Net tuition price” (average costs minus average grants) over that same time period;
- Percentage change in both over that same time period; and
- Percentage change in the Higher Education Price Index (HEPI) over that same time period.

Any school that raises its tuition at twice the rate of the HEPI will be required to provide students and parents a description of the factors necessitating the increase.

Section 203. Incentives and rewards for low tuition

This bill, through “Incentives and Rewards for Low Tuition,” will allow for additional mandatory need-based grant aid to schools that keep their annual net tuition increases at a rate equal to, or below, the increase in the Higher Education Price Index (HEPI) for that academic year and to institutions that guarantee their tuition.

Section 204. Cooperative education

This section creates Cooperative Education Rewards for institutions or consortia of institutions that provide students with both academic and work experiences to prepare them for their careers and that help students support themselves financially while in school. Grant funds will be used to increase the quality and availability of such programs and to provide outreach to underserved populations.

Title III—Ensuring a Highly Qualified Teacher in Every Classroom

PART A—TEACH GRANTS

Section 301. TEACH grants

This section creates new TEACH Grants that provide up-front pre-paid tuition assistance of \$4,000/year (with a maximum of \$16,000) for high-achieving graduate and undergraduate students who commit to teaching a high-need subject in a high-need school for four years. Bonus grants are provided to students who are enrolled in a qualified teacher education program.

PART B—CENTERS OF EXCELLENCE

Section 311. Centers of Excellence

This section establishes the Centers of Excellence which will provide funds to minority serving institutions to help recruit and prepare teachers and to increase opportunities for Americans of all educational, ethnic, class, and geographic backgrounds to become

highly qualified teachers. Funds will be used to strengthen teacher preparation programs by implementing reforms, using advanced technology, and retraining faculty. Further, the Centers of Excellence will provide programs with sustained and high-quality clinical experience that prepare teachers to close student achievement gaps.

Title IV—Leveraging Funds To Increase College Access

PART A—STRENGTHENING HISTORICALLY BLACK COLLEGES AND UNIVERSITIES AND MINORITY SERVING INSTITUTIONS

Section 401. Investment in Historically Black Colleges and Universities and other minority serving institutions

The College Cost Reduction Act provides a total \$500 million over the next five years to the following designated institutions with the following amounts:

- \$200 million to Hispanic-Serving Institutions to be distributed to the institutions in the same competitive manner as is done under Title V of the Higher Education Act, and for uses under Title V with priority to those applications that will increase the number of low-income students attaining degrees in the fields of science, technology, and math and to applications that develop model transfer articulation agreements.
- \$170 million to Historically Black Colleges and Universities to be distributed for use through some of the activities described in section 323(a) of the Higher Education Act including the purchase of laboratory equipment, the funding of instruction, the purchase of materials, and the establishment or enhancement of a teacher education program. Additionally, funds may be used in a manner consistent with the institution's comprehensive plan and designed to increase the institution's capacity to prepare students for careers in the physical and natural sciences, math, computer science, information technology, engineering, language instruction and other specified areas.
- \$30 million to Predominately Black Institutions to award 10 grants of \$600,000 annually for programs in the fields of science, technology, engineering, health education, teacher education, or programs that improve the educational outcomes of African American males.
- \$60 million to Tribal Colleges and Universities to be distributed in the manner that the funds are used under current law in section 316 of the Higher Education Act including the purchase of laboratory equipment, the funding of instruction, the purchase of materials, or the establishment or enhancement of teacher education and outreach programs.
- \$30 million to Alaska/Hawaiian Native Institutions to be distributed in the manner that the funds are used under current law in section 317 of the Higher Education Act including the purchase of laboratory equipment, the funding of instruction, the purchase of materials, and the creation of academic tutoring programs.
- \$10 million to Asian American and Pacific Islander Institutions to be distributed to institutions as defined in this section, and used in a manner that may include the purchase of laboratory equipment, the funding of instruction, the purchase of materials, and the creation of tutoring programs.

This section defines the following for the purposes of distributing funds:

Predominately Black Institutions as institutions that have an enrollment of financially needy undergraduate students; an enrollment of undergraduate students at least 40% of whom are Black; and, that has at least 1,000 undergraduate students of whom not less than 50% enrolled at the institution are low-income or first generation and registered in a BA or AA program leading to a degree.

Asian and Pacific Islander-serving institution as institutions that have an enrollment of undergraduate students that is at least 10% Asian American and Pacific Islander and has a significant enrollment of financially needy students.

PART B—COLLEGE ACCESS CHALLENGE GRANTS

Section 411. College Access Challenge Grants

This section establishes the “College Access Challenge Grants,” which leverages federal funds to increase the number of students from underserved populations who enter and complete college through matching grants to philanthropic organizations. The federal government will provide a 2 to 1 match for private and other public funds for these purposes.

The philanthropic organizations will work with states, institutions of higher education, and local education agencies and other organizations to raise funds and provide outreach and student support programs.

PART C—UPWARD BOUND

Section 412. Upward Bound

The College Cost Reduction Act restricts the Secretary’s use of funds for the purposes of evaluating and selecting participants of the Upward Bound program.

This section provides an additional \$120 million to restore Upward Bound funding to unfunded programs from the FY07 competition.

Title V—Additional Provisions

Section 501. Independent evaluation of distance education programs

This section calls for a study by the National Academy of Sciences to evaluate the quality of distance education programs as compared to campus-based education programs at institutions of higher education.

Section 502. Encouraging colleges and universities to “go green”

This section declares the Sense of the Committee on Education and Labor that there should be increased awareness of the need to use sustainable economic and environmental practices on colleges and universities.

VI. EXPLANATION OF AMENDMENTS

The Amendment in the Nature of a Substitute, as amended, is explained in the body of this report.

VII. APPLICATION OF LAW TO THE LEGISLATIVE BRANCH

Section 102(b)(3) of Public Law 104–1, the Congressional Accountability Act, requires a description of the application of this bill to the legislative branch. H.R. 2669 amends does not prevent legislative branch employees' coverage under this legislation.

VIII. UNFUNDED MANDATE STATEMENT

Section 423 of the Congressional Budget and Impoundment Control Act (as amended by Section 101(a)(2) of the Unfunded Mandates Reform Act, P.L. 104–4) requires a statement of whether the provisions of the reported bill include unfunded mandates. H.R. 2669 contains no intergovernmental or private-sector mandates as defined by the Unfunded Mandates Reform Act (UMRA).

IX. EARMARK STATEMENT

H.R. 2669 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clauses 9(d), 9(e) or 9(f) of rule XXI of the House of Representatives.

X. ROLL CALL

COMMITTEE ON EDUCATION AND LABOR

ROLL CALL: 1 BILL: H.R. 2669 DATE: 6/13/2007
 AMENDMENT NUMBER: 3 DEFEATED: 21 AYES/27 NOES
 SPONSOR/AMENDMENT: MCKEON / SUBSTITUTE TO THE MILLER SUBSTITUTE

MEMBER	AYE	NO	PRESENT	NOT VOTING
Mr. MILLER, Chairman		X		
Mr. KILDEE, Vice Chairman		X		
Mr. PAYNE		X		
Mr. ANDREWS		X		
Mr. SCOTT		X		
Ms. WOOLSEY		X		
Mr. HINOJOSA		X		
Mrs. McCARTHY		X		
Mr. TIERNEY		X		
Mr. KUCINICH		X		
Mr. WU		X		
Mr. HOLT		X		
Mrs. SUSAN DAVIS		X		
Mr. DANNY DAVIS		X		
Mr. GRIJALVA		X		
Mr. TIMOTHY BISHOP		X		
Ms. SANCHEZ		X		
Mr. SARBANES		X		
Mr. SESTAK		X		
Mr. LOEBSACK		X		
Ms. HIRONO		X		
Mr. ALTMIRE		X		
Mr. YARMUTH		X		
Mr. HARE		X		
Ms. CLARKE		X		
Mr. COURTNEY		X		
Ms. SHEA-PORTER		X		
Mr. McKEON	X			
Mr. PETRI	X			
Mr. HOEKSTRA	X			
Mr. CASTLE	X			
Mr. SOUDER	X			
Mr. EHLERS	X			
Mrs. BIGGERT	X			
Mr. PLATTS	X			
Mr. KELLER	X			
Mr. WILSON	X			
Mr. KLINE	X			
Mrs. McMORRIS RODGERS				X
Mr. MARCHANT	X			
Mr. PRICE	X			
Mr. FORTUÑO	X			
Mr. BOUSTANY	X			
Mrs. FOXX	X			
Mr. KUHL	X			
Mr. ROB BISHOP	X			
Mr. DAVID DAVIS	X			
Mr. WALBERG	X			
Mr. HELLER	X			
TOTALS	21	27		1

COMMITTEE ON EDUCATION AND LABOR

ROLL CALL: 2 BILL: H.R. 2669 DATE: 6/13/2007
 AMENDMENT NUMBER: 11 DEFEATED: 20 AYES/28 NOES
 SPONSOR/AMENDMENT: SOUDER / STRIKE PROGRAMS AND PUT INTO PELL

MEMBER	AYE	NO	PRESENT	NOT VOTING
Mr. MILLER, Chairman		X		
Mr. KILDEE, Vice Chairman		X		
Mr. PAYNE		X		
Mr. ANDREWS		X		
Mr. SCOTT		X		
Ms. WOOLSEY		X		
Mr. HINOJOSA		X		
Mrs. McCARTHY		X		
Mr. TIERNEY		X		
Mr. KUCINICH		X		
Mr. WU		X		
Mr. HOLT		X		
Mrs. SUSAN DAVIS		X		
Mr. DANNY DAVIS		X		
Mr. GRIJALVA		X		
Mr. TIMOTHY BISHOP		X		
Ms. SANCHEZ		X		
Mr. SARBANES		X		
Mr. SESTAK		X		
Mr. LOEBSACK		X		
Ms. HIRONO		X		
Mr. ALTMIRE		X		
Mr. YARMUTH		X		
Mr. HARE		X		
Ms. CLARKE		X		
Mr. COURTNEY		X		
Ms. SHEA-PORTER		X		
Mr. McKEON	X			
Mr. PETRI		X		
Mr. HOEKSTRA	X			
Mr. CASTLE	X			
Mr. SOUDER	X			
Mr. EHLERS	X			
Mrs. BIGGERT	X			
Mr. PLATTS	X			
Mr. KELLER	X			
Mr. WILSON	X			
Mr. KLINE	X			
Mrs. McMORRIS RODGERS				X
Mr. MARCHANT	X			
Mr. PRICE	X			
Mr. FORTUÑO	X			
Mr. BOUSTANY	X			
Mrs. FOXX	X			
Mr. KUHL	X			
Mr. ROB BISHOP	X			
Mr. DAVID DAVIS	X			
Mr. WALBERG	X			
Mr. HELLER	X			
TOTALS	20	28		1

COMMITTEE ON EDUCATION AND LABOR

ROLL CALL: 3 BILL: H.R. 2669 DATE: 6/13/2007
 AMENDMENT NUMBER: 13 DEFEATED: 20 AYES/27 NOES
 SPONSOR/AMENDMENT: PRICE /ELIMINATE TITLE 3 FOR DEFICIT REDUCTION

MEMBER	AYE	NO	PRESENT	NOT VOTING
Mr. MILLER, Chairman		X		
Mr. KILDEE, Vice Chairman		X		
Mr. PAYNE		X		
Mr. ANDREWS		X		
Mr. SCOTT		X		
Ms. WOOLSEY		X		
Mr. HINOJOSA		X		
Mrs. McCARTHY		X		
Mr. TIERNEY		X		
Mr. KUCINICH		X		
Mr. WU		X		
Mr. HOLT		X		
Mrs. SUSAN DAVIS		X		
Mr. DANNY DAVIS		X		
Mr. GRIJALVA		X		
Mr. TIMOTHY BISHOP		X		
Ms. SANCHEZ		X		
Mr. SARBANES		X		
Mr. SESTAK		X		
Mr. LOEBSACK		X		
Ms. HIRONO		X		
Mr. ALTMIRE		X		
Mr. YARMUTH		X		
Mr. HARE		X		
Ms. CLARKE		X		
Mr. COURTNEY		X		
Ms. SHEA-PORTER		X		
Mr. McKEON	X			
Mr. PETRI	X			
Mr. HOEKSTRA	X			
Mr. CASTLE	X			
Mr. SOUDER	X			
Mr. EHLERS	X			
Mrs. BIGGERT	X			
Mr. PLATTS	X			
Mr. KELLER	X			
Mr. WILSON	X			
Mr. KLINE	X			
Mrs. McMORRIS RODGERS				X
Mr. MARCHANT	X			
Mr. PRICE	X			
Mr. FORTUNO				X
Mr. BOUSTANY	X			
Mrs. FOXX	X			
Mr. KUHL	X			
Mr. ROB BISHOP	X			
Mr. DAVID DAVIS	X			
Mr. WALBERG	X			
Mr. HELLER	X			
TOTALS	20	27		2

COMMITTEE ON EDUCATION AND LABOR

ROLL CALL: 4 BILL: H.R. 2669 DATE: 6/13/2007
 AMENDMENT NUMBER: 14 DEFEATED: 19 AYES/27 NOES
 SPONSOR/AMENDMENT: PRICE/ELIMINATE GRANTS FOR DEFICIT REDUCTION

MEMBER	AYE	NO	PRESENT	NOT VOTING
Mr. MILLER, Chairman		X		
Mr. KILDEE, Vice Chairman		X		
Mr. PAYNE		X		
Mr. ANDREWS		X		
Mr. SCOTT		X		
Ms. WOOLSEY		X		
Mr. HINOJOSA		X		
Mrs. McCARTHY		X		
Mr. TIERNEY		X		
Mr. KUCINICH		X		
Mr. WU		X		
Mr. HOLT		X		
Mrs. SUSAN DAVIS		X		
Mr. DANNY DAVIS		X		
Mr. GRIJALVA		X		
Mr. TIMOTHY BISHOP		X		
Ms. SANCHEZ		X		
Mr. SARBANES		X		
Mr. SESTAK		X		
Mr. LOEBSACK		X		
Ms. HIRONO		X		
Mr. ALTMIRE		X		
Mr. YARMUTH		X		
Mr. HARE		X		
Ms. CLARKE		X		
Mr. COURTNEY		X		
Ms. SHEA-PORTER		X		
Mr. McKEON	X			
Mr. PETRI	X			
Mr. HOEKSTRA	X			
Mr. CASTLE	X			
Mr. SOUDER	X			
Mr. EHLERS	X			
Mrs. BIGGERT	X			
Mr. PLATTS	X			
Mr. KELLER	X			
Mr. WILSON	X			
Mr. KLINE	X			
Mrs. McMORRIS RODGERS				X
Mr. MARCHANT	X			
Mr. PRICE	X			
Mr. FORTUNO				X
Mr. BOUSTANY	X			
Mrs. FOXX				X
Mr. KUHL	X			
Mr. ROB BISHOP	X			
Mr. DAVID DAVIS	X			
Mr. WALBERG	X			
Mr. HELLER	X			
TOTALS	19	27		3

COMMITTEE ON EDUCATION AND LABOR

ROLL CALL: 5 BILL: H.R. 2669 DATE: 6/13/2007
 AMENDMENT NUMBER ADOPTED: PASSED 30 AYES/16 NOES
 SPONSOR/AMENDMENT: FAVORABLY REPORTING THE BILL TO THE HOUSE
 AS AMENDED

MEMBER	AYE	NO	PRESENT	NOT VOTING
Mr. MILLER, Chairman	X			
Mr. KILDEE, Vice Chairman	X			
Mr. PAYNE	X			
Mr. ANDREWS	X			
Mr. SCOTT	X			
Ms. WOOLSEY	X			
Mr. HINOJOSA	X			
Mrs. McCARTHY	X			
Mr. TIERNEY	X			
Mr. KUCINICH	X			
Mr. WU	X			
Mr. HOLT	X			
Mrs. SUSAN DAVIS	X			
Mr. DANNY DAVIS	X			
Mr. GRUJALVA	X			
Mr. TIMOTHY BISHOP	X			
Ms. SANCHEZ	X			
Mr. SARBANES	X			
Mr. SESTAK	X			
Mr. LOEBSACK	X			
Ms. HIRONO	X			
Mr. ALTMIRE	X			
Mr. YARMUTH	X			
Mr. HARE	X			
Ms. CLARKE	X			
Mr. COURTNEY	X			
Ms. SHEA-PORTER	X			
Mr. McKEON		X		
Mr. PETRI	X			
Mr. HOEKSTRA		X		
Mr. CASTLE				X
Mr. SOUDER		X		
Mr. EHLERS		X		
Mrs. BIGGERT		X		
Mr. PLATTS		X		
Mr. KELLER		X		
Mr. WILSON		X		
Mr. KLINE		X		
Mrs. McMORRIS RODGERS				X
Mr. MARCHANT		X		
Mr. PRICE		X		
Mr. FORTUÑO	X			
Mr. BOUSTANY		X		
Mrs. FOXX				X
Mr. KUHL		X		
Mr. ROB BISHOP		X		
Mr. DAVID DAVIS		X		
Mr. WALBERG		X		
Mr. HELLER	X			
TOTALS	30	16		3

XI. STATEMENT OF OVERSIGHT FINDINGS AND RECOMMENDATIONS
OF THE COMMITTEE

In compliance with clause 3(c)(1) of rule XIII and clause 2(b)(1) of rule X of the Rules of the House of Representatives, the Committee advises that the bill was a result of the Committee's budget reconciliation instructions.

XII. NEW BUDGET AUTHORITY AND CBO COST ESTIMATE

With respect to the requirements of clause 3(c)(2) of rule XIII of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974 and with respect to requirements of 3(c)(3) of rule XIII of the House of Representatives and section 402 of the Congressional Budget Act of 1974, the Committee has received the following estimate for H.R. 2669 from the Director of the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 25, 2007.

Hon. GEORGE MILLER,
*Chairman, Committee on Education and Labor,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2669, the College Cost Reduction Act of 2007.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Deborah Kalcevic and Justin Humphrey.

Sincerely,

PETER R. ORSZAG,
Director.

Enclosure.

H.R. 2669—College Cost Reduction Act of 2007

Summary: H.R. 2669 would amend the Higher Education Act of 1965 and make a number of changes to the federal financial assistance programs related to postsecondary education. The bill would reduce costs for some borrowers, reduce the government's payments to lenders and guaranty agencies, modify fees for lenders, and create new grant programs for postsecondary students and institutions. CBO estimates that net effects of those changes would reduce direct spending by \$1.7 billion over the 2008–2012 period and by \$0.9 billion over the 2008–2017 period.

Implementing the bill also would affect discretionary spending, primarily by increasing Pell grants. Assuming the appropriation of the necessary funds, those discretionary costs would total about \$158 billion over the 2008–2012 period.

H.R. 2669 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

Estimated Costs to the Federal Government: The estimated budgetary impact of H.R. 2669 is summarized in Table 1. The budgetary effects of this legislation fall within budget function 500 (education, training, employment, and social services).

TABLE 1.—ESTIMATED BUDGETARY IMPACT OF H.R. 2669

	By fiscal year, in millions of dollars—											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008–2012	2008–2017
CHANGES IN DIRECT SPENDING												
STUDENT LOANS												
Provisions Affecting Borrowers:												
Estimated Budget Authority	1,075	1,588	2,350	3,125	3,850	2,265	1,000	1,050	1,090	1,105	11,988	18,498
Estimated Outlays	795	1,136	1,855	2,545	3,195	2,890	905	950	990	1,010	9,526	16,271
Provisions Affecting Lenders:												
Estimated Budget Authority	–5,405	–3,165	–3,340	–3,500	–3,665	–3,830	–3,995	–4,160	–4,340	–4,530	–19,075	–39,930
Estimated Outlays	–4,105	–2,650	–2,815	–2,945	–3,085	–3,220	–3,360	–3,500	–3,655	–3,810	–15,600	–33,145
Provisions Affecting Guaranty Agencies:												
Estimated Budget Authority	–2,470	–155	–165	–170	–180	–185	–190	–200	–210	–215	–3,140	–4,140
Estimated Outlays	–2,405	–135	–140	–145	–155	–160	–165	–170	–175	–180	–2,980	–3,830
Net Programmatic Interactions for Student Loan Changes:												
Estimated Budget Authority	–65	–103	–65	–30	*	–100	–175	–190	–190	–195	–263	–1,113
Estimated Outlays	–35	–91	–55	–40	*	–55	–135	–160	–160	–165	–221	–896
GRANT PROGRAMS												
Increases in Grant Aid to Students:												
Budget Authority	915	975	1,455	2,400	2,470	2,505	2,560	2,620	2,660	2,685	8,215	21,245
Estimated Outlays	305	910	1,042	1,646	2,393	2,467	2,516	2,568	2,628	2,664	6,297	19,141
Increases in Grants to Institutions of Higher Education:												
Budget Authority	595	245	245	245	215	0	0	0	0	0	1,545	1,545
Estimated Outlays	78	388	289	300	255	195	33	9	0	0	1,309	1,545
TOTAL CHANGES IN DIRECT SPENDING:												
Estimated Budget Authority	–5,355	–615	480	2,070	2,690	655	–800	–880	–990	–1,150	–730	–3,895
Estimated Outlays	–5,368	–442	176	1,361	2,603	2,117	–206	–303	–372	–481	–1,670	–914
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Pell Grant Program: ¹												
Estimated Authorization Level ...	28,311	34,167	39,386	44,784	50,780	51,989	53,300	0	0	0	197,428	302,716
Estimated Outlays	6,795	29,150	35,302	40,577	46,115	50,950	52,279	40,482	1,066	0	157,939	302,716

TABLE 1.—ESTIMATED BUDGETARY IMPACT OF H.R. 2669—Continued

	By fiscal year, in millions of dollars—											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008–2012	2008–2017
MEMORANDUM												
Student Loan Spending Under the CBO Baseline:												
Estimated Budget Authority	4,575	5,248	5,825	6,011	5,800	5,738	5,681	5,586	5,480	5,389	26,859	54,733
Estimated Outlays	3,241	3,889	4,506	4,839	4,734	4,764	4,769	4,752	4,712	4,638	21,209	44,844

¹ Assumes the maximum award for academic years 2013–2014 and 2014–2015 is the same level (\$11,600) as that specified for academic year 2012–2013.

Note.—* = Less than \$500,000.

Basis of estimate: For this estimate, CBO assumes that H.R. 2669 will be enacted early in fiscal year 2008.

As required under the Federal Credit Reform Act of 1990, the costs of student loans are estimated on a net-present-value basis rather than the cash basis used for most other federal programs. H.R. 2669 would affect such credit estimates in several ways: by reducing interest rates charged on student loans, by reducing certain payments to private lenders of federally guaranteed loans, by decreasing payments to guaranty agencies, and by increasing certain fees paid to the government by such lenders.

In fiscal year 2006, the student aid programs provided an estimated \$16 billion in federal grant aid to over 5 million students and an estimated \$61 billion in federal loan aid or guarantees to 8 million students and parents. The current grant aid is mostly discretionary spending (i.e., from annual appropriation action); the loan aid is virtually all direct spending.

H.R. 2669 would expand loan aid to student borrowers while reducing the federal cost of providing that aid, establish new mandatory grant aid to students, and establish several other mandatory grant programs to institutions of higher education. The bill also would authorize a major increase in discretionary funding for the Pell Grant Program.

Direct spending—student loans

Provisions Affecting Borrowers. H.R. 2669 would make several changes affecting student loan borrowers. The bill would reduce interest rates and increase the borrowing limits for some borrowers, expand borrower repayment options, provide loan forgiveness for borrowers working in specified public-sector jobs, and expand eligibility by altering the determination of financial need. Combined, these changes are estimated to increase costs by \$795 million in 2008, by \$9.5 billion over the 2008–2012 period, and by \$16.3 billion over the 2008–2017 period.

Reductions in Interest Rates. Under current law, the interest rate charged borrowers for both subsidized and unsubsidized student loans is 6.8 percent for new loans disbursed after June 30, 2006. H.R. 2669 would reduce the rate for new subsidized loans in stages: for successive 12-month periods beginning in July 2008, the rates would be 6.12 percent, 5.44 percent, 4.76 percent, 4.08 percent, and 3.4 percent, respectively. Between \$30 billion and \$34 billion in new loans would be affected each year. Beginning in July 2013, for new loans, the rate would revert back to the 6.8 percent rate prescribed in current law.

For guaranteed student loans, private lenders are paid interest based on a formula; if that rate exceeds what the borrower pays, the federal government is responsible for paying the difference between the two rates. When the lender formula produces a lower rate than the borrower pays, the lender must return the difference to the government. Consequently, any reduction in the borrower's interest rate increases federal costs by either increasing the payments made to lenders or reducing the rebate lenders pay to the government. In the direct student loan program, the interest rate reductions reduce federal collections. In both cases—either through an increase in federal payments for loan guarantees or a decrease in federal collections for direct loans—the net cost of providing the

student loan assistance rises and is measured as an increase in the subsidy cost, recorded on a present-value basis at the time of loan disbursement. CBO estimates that, as a result, loan subsidy costs would rise by \$6.2 billion over the 2008–2012 period and \$8.2 billion over the 2008–2017 period (see Table 2).

Increases in Loan Limits. H.R. 2669 would increase the annual loan limits for third- and fourth-year undergraduate students, and adjust the lifetime loan limits to accommodate those increases. Under current law, the maximum loan a third- or fourth-year dependent student can borrow is \$5,500, and the lifetime limits are \$23,000 for undergraduates and \$65,500 for combined undergraduate and graduate school borrowing. For third- and fourth-year independent students, the maximum annual limit is \$10,500 and lifetime limits are \$46,000 for undergraduates and \$138,500 for combined undergraduates and graduate borrowers.

Beginning in 2008, the legislation would increase the third- and fourth-year limit to \$7,500 and the respective lifetime limits to \$30,500 and \$73,000 for dependent students. The third- and fourth-year limit would rise for independent students to \$12,500, and the respective lifetime limits would rise to \$53,500 and \$156,000. Overall, the increases in the loan limits would raise loan volume between \$1 billion and \$3 billion each year and would increase subsidy costs by \$1.4 billion over the 2008–2012 period and \$3.5 billion over the 2008–2017 period, CBO estimates.

Income-based Repayment and Economic Deferment. Beginning in October 2007 for all student loan borrowers, the current maximum three-year period for which a borrower could receive an economic hardship deferment would be eliminated. (A deferment is a repayment status during which a borrower does not have to make any payment on their student loan.) In addition, the eligibility criteria for an economic hardship deferment would be altered. Currently, borrowers are eligible for an economic hardship deferment if their income is below 100 percent of poverty for a family of two or their income is below 220 percent of poverty for a family of two and their debt payments exceed 20 percent of their income. H.R. 2669 would set the eligibility at 150 percent of poverty based on family size.

TABLE 2.—DIRECT SPENDING OUTLAY EFFECTS OF MAJOR PROVISIONS

	By fiscal year, in millions of dollars—											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008–2012	2008–2017
STUDENT LOANS												
Provisions Affecting Borrowers:												
Interest Rate Reductions—Estimated Outlays	205	665	1,205	1,780	2,370	2,020	0	0	0	0	6,225	8,245
Loan Limit Increases—Estimated Outlays	80	250	345	370	380	390	400	410	415	425	1,425	3,465
Income-Based Repayment—Estimated												
Outlays	455	130	130	135	140	150	155	160	165	170	990	1,790
Loan Forgiveness—Estimated Outlays	50	85	165	245	290	315	335	365	390	395	835	2,635
Needs Analysis—Estimated Outlays	5	6	10	15	15	15	15	15	20	20	51	136
Subtotal, Provisions Affecting Borrowers—Estimated Outlays	795	1,136	1,855	2,545	3,195	2,890	905	950	990	1,010	9,526	16,271
Provisions Affecting Lenders:												
Special Allowance Payment—Estimated Outlays	-3,110	-2,255	-2,385	-2,500	-2,620	-2,735	-2,855	-2,975	-3,105	-3,240	-12,870	-27,780
Lender Insurance—Estimated Outlays	-765	-235	-255	-265	-275	-285	-295	-310	-325	-335	-1,795	-3,345
Lender Fees—Estimated Outlays	-230	-160	-175	-180	-190	-200	-210	-215	-225	-235	-935	-2,020
Subtotal, Provisions—Affecting Lenders—Estimated Outlays	-4,105	-2,650	-2,815	-2,945	-3,085	-3,220	-3,360	-3,500	-3,655	-3,810	-15,600	-33,145
Provisions Affecting Guaranty Agencies:												
Retention of Guaranty Agency Collections—Estimated Outlays	-1,365	-135	-140	-145	-155	-160	-165	-170	-175	-180	-1,940	-2,790
Guaranty Agency Fee—Estimated Outlays	-1,040	*	*	*	*	*	*	*	*	*	-1,040	-1,040
Subtotal, Provisions—Affecting Guaranty Agencies—Estimated Outlays	-2,405	-135	-140	-145	-155	-160	-165	-170	-175	-180	-2,980	-3,830
Net Programmatic Interactions for Student Loan Changes—Estimated Outlays	-35	-91	-55	-40	*	-55	-135	-160	-160	-165	-221	-896
GRANT PROGRAMS												
Provisions Affecting Grant Aid to Students:												
Mandatory Pell Grants—Estimated Outlays	202	830	982	1,556	2,278	2,361	2,411	2,463	2,518	2,554	5,848	18,156
Other Grants—Estimated Outlays	104	80	60	90	115	107	105	105	110	110	449	985

TABLE 2.—DIRECT SPENDING OUTLAY EFFECTS OF MAJOR PROVISIONS—Continued

	By fiscal year, in millions of dollars—											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008–2012	2008–2017
Subtotal, Provisions—Affecting Grant Aid to Students—Esti- mated Outlays	305	910	1,042	1,646	2,393	2,467	2,516	2,568	2,628	2,664	6,297	19,141
Grant Aid to Institutions—Estimated Outlays	78	388	289	300	255	195	33	9	0	0	1,309	1,546
	TOTAL CHANGES IN DIRECT SPENDING											
Estimated Outlays	-5,368	-442	176	1,361	2,603	2,117	-206	-303	-372	-481	-1,670	-914

Notes.—* = Costs or savings of less than \$500,000. Components may not sum to totals because of rounding.

In addition, beginning in October 2007, the bill would establish a new income-based repayment plan available to all student loan borrowers similar to the current income-contingent repayment (ICR) plan in the direct student loan program. If borrowers' total federal student loan payments would exceed 15 percent of their calculated income, which is their adjusted gross income less an amount which is 150 percent of poverty for their family size, borrowers could elect to have their payments limited to 15 percent of their calculated income. If their payments are less than the amount due, payments would first be credited to interest, and then to principal. Any unpaid interest due on the loans would be capitalized. If, or when, borrowers are able to make 100 percent of their principal and interest payments, borrowers would return to a 10-year repayment, with some qualifications. At the end of 20 years, any unpaid principal, including any unpaid capitalized interest, would be paid by the government in case of a guaranteed loan and would be forgiven in the case of a direct loan.

Using the CBO's Long-Term (CBOLT) model, we estimated the eligible population based on the projected earnings for workers with some post-secondary schooling. CBO expects that participation in this program would be relatively low because of the required capitalization of interest and the seeming reluctance of borrowers to apply for similar relief elsewhere (for example, the low participation in the current ICR plan).

CBO estimates that extending the economic deferment combined with the new income-based repayment plan would increase federal costs by \$1.0 billion over the 2008–2012 period and \$1.8 billion over the 2008–2017 period.

Loan Forgiveness for Certain Public-Sector Jobs. The bill would create two new loan forgiveness programs for public-sector borrowers. The first, loan forgiveness for service in areas of national need, would forgive loans to new borrowers as of October 1, 2007, who are employed in certain public-sector jobs, including law enforcement, public safety, emergency management, public health, early childhood and bilingual education, nursing, social work and child welfare, public interest legal services, speech pathology, and library science.

For each year of full-time employment, a borrower would have up to \$1,000 of his or her loans forgiven, up to a lifetime maximum of \$5,000. Based on data from the Bureau of Labor Statistics and the Department of Education, CBO estimates that this provision would cost \$2.7 billion over 10 years and that approximately 115,000 borrowers each year would be eligible for some amount of forgiveness in the initial years, with the total growing over 10 years.

The second program, income-contingent repayment for public-sector employees, would provide forgiveness to borrowers who agree to repay their loans through the income-contingent repayment plan under the direct loan program beginning in October 2007. To be eligible, a borrower would have to be employed in a public-sector job for 10 years and make 120 payments on the loan. Eligible public-sector jobs include government, emergency management, public safety, law enforcement, public health, early childhood education, social work in a public child or family service agency, and public

interest legal services. Once borrowers met these criteria, they would have their remaining outstanding loan balance forgiven.

Based on data from the Census Bureau, the Survey of Income and Program Participation, the Bureau of Labor Statistics, and the Department of Education, CBO estimates that approximately 50,000 new borrowers each year would eventually be eligible for, and participate in, income-contingent loan forgiveness each year. The cost of the loan forgiveness would be covered by savings from borrowers switching from the guaranteed loan program to the income-contingent repayment plan in the direct program. As a result, CBO estimates the program would save \$70 million between 2008 and 2017.

Changes in Calculation of Needs Analysis. The bill would change the way eligibility is calculated for Pell grants and subsidized student loans; the latter is classified as mandatory spending (see the section on “Spending Subject to Appropriation” for the discretionary impact on Pell grants). Those changes include:

- Raising the level at which a student automatically qualifies to have no expected family contribution;
- Changing the definition of untaxed income and the treatment of education savings accounts;
- Expanding the discretion of financial aid officers;
- Increasing income protection allowances for dependent and independent students; and
- Changing eligibility for the simplified needs test.

Using data on applicants for federal financial assistance, CBO estimates that those provisions in total would add costs of \$51 million over the 2008–2012 period and \$136 million over the 2008–2017 period to the student loan program.

Provisions Affecting Lenders. H.R. 2669 would alter payments to lenders in the guaranteed student loan program. The quarterly payments to lenders on all new loans would be reduced, federal insurance against default would be lowered, and lenders’ origination fees would be increased. Combined, these changes would reduce costs by an estimated \$4.1 billion in 2008, \$15.6 billion over the 2008–2012 period, and \$33.1 billion over the 2008–2017 period,

Reduction of Special Allowance Payments to Lenders. Under current law, private lenders receive quarterly payments from the government when the interest rate formula used to pay lenders would provide an interest rate higher than that which would apply to borrowers. Such payments are referred to as special allowance payments. The specific lender formulas are based on the 91-day commercial paper rate plus:

- 1.74 percent for loans when borrowers are in school, in the six-month grace period after leaving school, or in a deferment period (for example, for economic hardship);
- 2.34 percent when the borrower is repaying the loan; and
- 2.64 percent when the borrower has consolidated the loan or the borrower is a parent (including graduate students participating in the parent program: GradPLUS).

Beginning in October 2007, H.R. 2669 would lower those “add-ons” by 55 basis points (or 0.55 percentage points—roughly one-half of one percent) for new student and new consolidation loans and by 85 basis points for new parent and new GradPLUS loans.

CBO projects new loan volume in the guaranteed loan program will rise from nearly \$58 billion in 2008 to \$86 billion by 2017, and that loan volume for new consolidations will range from about \$21 billion to \$28 billion a year over the same period. CBO estimates that the reduced special allowance payments would reduce federal spending by \$12.9 billion over the 2008–2012 period and \$27.8 billion over the 2008–2017 period.

Reductions in Percentage Guaranteed. The bill would reduce the percentages that lenders receive when borrowers default on their loans in two ways: lowering the insurance rate from 97 percent of unpaid principal to 95 percent and eliminating the differential treatment (99 percent insurance) accorded to lenders defined as exceptional performers. Consequently, all lenders would receive the same insurance rate (95 percent) on loans originating after September 2007. CBO estimates that those changes together would reduce outlays by \$1.8 billion over the 2008–2012 period and by \$3.3 billion over the 2008–2017 period.

The reduction in the percentage guaranteed rate from 97 percent to 95 percent would apply for loans whose first disbursement is after September 2007, including new consolidation loans. CBO estimates the two-point reduction in the insured percentage by itself would save about \$0.2 billion over the 2008–2017 period.

Under current law, exceptional performers—lenders who exceed standards for various administrative activities—are insured at 99 percent rather than 97 percent. Based on recent information from the Department of Education, CBO estimates that, in any given year, about 90 percent of outstanding principal is held by lenders with that designation. H.R. 2669 would reduce the insurance rate for those lenders from 99 percent to 95 percent on loans whose first disbursement is on or after October 2007. CBO estimates that the reduction for those lenders would save about \$3.2 billion over the 2008–2017 period.

Increased Loan Fees From Lenders. Under current law, lenders pay the federal government 0.5 percent on each new loan (including consolidations). Beginning in October 2007, H.R. 2669 would eliminate this fee on new loans for relatively small lenders and all nonprofit lenders, but increase the fee on new loans made by other lenders to 1.0 percent. CBO estimates that for about 70 percent of loans, the fee would increase by 0.5 percentage points; the remainder would see the fee eliminated. Based on its projections of loans to be disbursed over the projection period, CBO estimates that the modified fee would lower federal costs by \$2.0 billion over the 2008–2017 period.

Loan Auction. H.R. 2669 would authorize a series of activities that could introduce an auction process for student loans. Those activities would begin with a planning study of alternative market-based mechanisms for setting lenders' yields, followed by a pilot program that would test the recommended approach. That is, the government could auction the right to make federally guaranteed loans with the "winners" of such auction determined by bidding for the lowest acceptable payments by the government to such prospective lenders. Upon completion of an evaluation by the Government Accountability Office, the Secretary of Education could implement the approach for the entire student loan program. Because of the substantial uncertainties about the specific approach that would be

adopted as well as the significant discretion allowed the Secretary of Education, CBO does not have a sufficient basis upon which to estimate the budgetary effects of this provision.

Provisions Affecting Guaranty Agencies. H.R. 2669 would lower payments to guaranty agencies that administer the guaranteed student loan program on behalf of the government. The share of default collections retained by the guaranty agencies would be lowered and the method of federal payment to manage the overall portfolio would be changed. Combined, those changes would reduce costs by an estimated \$2.4 billion in 2008, \$3.0 billion over the 2008–2012 period, and \$3.8 billion over the 2008–2017 period.

Retention of Guaranty Agency Collections. Under current law, nonfederal guaranty agencies are allowed to retain 23 percent of their collections on defaulted loans. H.R. 2669 would reduce that percentage to 16 percent beginning in fiscal year 2008. CBO estimates that reducing the retention rates would save \$1.9 billion over the 2008–2012 period and \$2.8 billion over the 2008–2017 period.

Account Maintenance Fee. Guaranty agencies currently receive federal payments of up to 0.1 percent of the original principal of their outstanding insured loans to support their administrative costs. Starting in October 2007, H.R. 2669 would change the percentage fee to a fixed dollar payment per loan. Based on information provided by the Department of Education, CBO expects that the fee would be set at about \$7.50 per loan in 2008. CBO estimates that the change, on average, would reduce payments tied to outstanding loans, but would have no significant net budgetary impact with respect to future loans. The savings with respect to outstanding loans reflect the surge in consolidations in the past several years and for which are much larger than the average loan and for which the current 0.1 percent fee exceeds the fixed \$7.50 amount. Reduced costs for outstanding loans would total \$1.0 billion.

Programmatic Interactions for Student Loans. There are interactions among the numerous loan-related provisions included in H.R. 2669. For example, increasing loan volume by raising the borrowing limits would affect the overall savings from decreasing lenders' yields and the percentages of loans guaranteed. The combined effect of all the interactions is to lower costs by \$221 million over the 2008–2012 period and by \$896 million over the 2008–2017 period.

Direct spending—grant programs

Increases in Grant Aid to Students. H.R. 2669 also would create new grant programs, increase funding for the existing Pell Grant Program, and expand eligibility for the Academic Competitiveness and SMART grant programs. Combined, those changes would increase costs by \$305 million in 2008, by \$6.3 billion over the 2008–2017 period, and by \$19.1 billion over the 2008–2017 period, CBO estimates.

Mandatory Pell Grant Add-on. The bill would appropriate \$19.3 billion over the next 10 years to create a direct spending add-on to the existing discretionary Pell Grant program. The mandatory funds in H.R. 2669 would be added to the funds provided in the annual appropriation act to raise the maximum award level above

that set in such appropriation acts (currently \$4,310 for academic year 2007–2008).

CBO estimates that, along with the costs of other provisions in the bill that affect Pell grants, the additional funds provided would allow the maximum grant to be increased by approximately \$200 for academic year 2008–2009 and by additional amounts each year until the increase reached approximately \$5,200 in 2012 and beyond. Any additional amounts realized in future grants awards could vary depending on the underlying discretionary maximum award level set in annual appropriation acts. CBO estimates that the outlays associated with those increases would total \$5.8 billion over the 2008–2012 period and \$18.2 billion over the 2008–2017 period.

TEACH Grants. Beginning in academic year 2008–2009, H.R. 2669 would establish a new grant program for students who meet certain criteria and submit an agreement to teach specific high-need subjects, such as mathematics and science, for at least 4 years in schools that meet criteria for enrollment of low-income students. Each undergraduate participant would be eligible for up to \$4,000 (plus \$500 for a Bonus TEACH grant for some students) up to a maximum of \$16,000 (\$18,000 for those participating in the Bonus TEACH Program); graduate students would be eligible for up to a maximum of \$8,000 (\$10,000 for those participating in the Bonus TEACH program). CBO estimates costs for this grant program would total \$0.4 billion over the 2008–2012 period and \$0.9 billion over the 2008–2017 period.

To be eligible for a TEACH grant, a student would have to meet the following requirements:

- Maintain a grade point average of at least 3.25 and display high academic aptitude on certain admissions tests; and
- Engage in coursework and other requirements necessary to begin a career in teaching.

If the grant recipient fails to complete the service requirement, the grants would become a direct loan that the recipient would have to repay with interest.

CBO estimates that more than 25,000 students would participate in the grant program in a typical year. CBO bases this estimate on data from the Department of Education, including the Digest of Education Statistics, the Condition of Education, the Schools and Staffing Survey, Teacher Attrition and Mobility, and the National Postsecondary Student Aid Study.

Academic Competitiveness Grant and SMART Grant Programs. The bill would adjust how a student's academic year is determined and expand eligibility to part-time students for both the Academic Competitiveness and SMART grant programs. Currently, only full-time students are eligible for grants. Because funding for these programs is capped at specified amounts and the Secretary has the authority to proportionately reduce award levels to stay within the provided amounts, CBO estimates these changes would have no net impact on federal spending over the 2008–2012 or 2008–2017 periods.

Incentives and Rewards for Low Tuition. The bill would appropriate \$15 million per year for 2008 through 2012 to provide grants to institutions that increase their tuition by less than the national average. The Secretary of Education would award grants to the in-

stitutions starting with the one with the lowest tuition increase, and continuing until the funds are exhausted. The grants would be used to increase Pell grants at the institution by 25 percent. CBO estimates that outlays would increase by \$74 million over five years and by \$75 million over 10 years.

Grants to Institutions of Higher Education. H.R. 2669 would appropriate funds for the existing Federal Perkins Loan Program and create several new grant programs for institutions of higher education. Combined, these changes would cost \$1.3 billion over the 2008–2012 period and \$1.5 billion over the 2008–2017 period. Estimated outlays reflect the historical patterns of spending for higher education programs and other federal grant programs.

Federal Perkins Loan Program. The bill would appropriate \$100 million each year for fiscal years 2008 through 2012 for capital contributions to the existing Federal Perkins Loan Program. CBO estimates this provision would increase outlays by \$407 million between 2008 and 2012 and by \$500 over 10 years.

Cooperative Education Rewards Program. Under this new program, \$15 million a year for 2008 through 2012 would be available to support programs for students that provide alternating or parallel periods of academic study and of public or private employment. The grants would range from \$1,000 to \$75,000 annually, and the grants would have to be matched by the institutions. The federal share would decline in stages over five years from 85 percent to 25 percent. CBO estimates the grant program would increase outlays by \$75 million over the 2008–2017 period.

Centers of Excellence. H.R. 2669 would set up a new grant program to encourage minority institutions to create centers of excellence that would focus on implementing policies that would improve the preparation of teachers. Funding for the centers would total \$50 million for the 2008–2012 period, with a minimum grant of \$500,000 for any participating institution. CBO estimates that all of the outlays associated with those grants would occur during the 2008–2012 period.

Upward Bound. The bill would appropriate \$30 million for each of fiscal years 2008 through 2011 to provide funding to Upward Bound projects that received assistance in fiscal year 2006 but not in fiscal year 2007 and that also received a grant score above a certain level. CBO estimates that this provision would increase outlays by \$109 million over five years and \$120 million over 10 years.

Investment in Historically Black Colleges and Universities and Other Minority Serving Institutions. The bill also would create the Investment in Historically Black Colleges and Universities and Other Minority Serving Institutions to provide grants to such institutions to enhance their undergraduate programs in educating and training under-represented populations in all areas of study. For the purposes of this estimate, CBO assumes the program would expire after 2012, and thus would not result in any new budget authority after that year. H.R. 2669 would appropriate \$100 million for each of fiscal years 2008 through 2012, resulting in a total cost of \$500 million over 10 years.

College Access Challenge Grants Program. H.R. 2669 would appropriate \$300 million in fiscal year 2008 to create the College Access Challenge Grants. The funds, which would be available for obligation through fiscal year 2012, would be used to award grants

to philanthropic organizations that are members of eligible consortia to provide: (1) need-based grants, (2) school-based mentoring programs, and (3) outreach programs to encourage students to pursue higher education. CBO estimates outlays would total \$300 million over the 2008–2012 period.

Spending subject to appropriation

Implementing H.R. 2669 would also result in additional discretionary spending. The vast majority of additional discretionary spending would result from the reauthorization of, and changes to, the Pell Grant Program. Projected spending subject to appropriation is summarized in Table 3. For this estimate, CBO assumes that the necessary amounts to implement the bill will be appropriated and that spending will follow the historical pattern for the program.

H.R. 2669 would authorize the appropriation of such sums as may be necessary for the Pell Grant program through fiscal year 2013. The General Education Provisions Act would automatically extend this authorization through 2014. This estimate assumes that sufficient funds are appropriated to provide the maximum grant to all students eligible for it. On that basis, CBO estimates that the cumulative changes in H.R. 2669 would increase outlays for Pell grants by \$6.8 billion in 2008 and \$158.0 billion over the 2008–2012 period. If funding were enacted at the authorized levels, CBO estimates that 5.7 million students would receive grants in academic year 2008–2009 and 6.5 million would receive grants in 2012–2013, up from the 5.3 million that CBO estimates will receive grants in the upcoming 2007–2008 academic year.

Pell Grants. The bill would make several changes to the underlying Pell Grant program. First, it would set the authorized maximum award level at \$7,600 for academic year 2008–2009 and raise it by \$1,000 each academic year up to \$11,600 for academic year 2012–2013.

Historically, the authorized maximum award level has been replaced with a lower maximum award level during the appropriations process. The maximum award level for Pell grants for the upcoming academic year (2007–2008) was set by the Revised Continuing Appropriations Resolution, 2007 (Public Law 110–5) at \$4,310.

Effective upon enactment, the bill also would eliminate the tuition sensitivity provision, which reduces Pell awards for some students who attend low-cost postsecondary institutions. In addition, beginning in academic year 2009–2010 it would allow students who attend year-round institutions to receive multiple Pell grants in the same academic year. Assuming the appropriation of the necessary amounts, CBO estimates that these provisions would cost \$6.8 billion in 2008 and \$153.0 billion through 2012.

Other portions of the bill would make changes to the formulas for calculating who is eligible for Pell grants and how much each applicant would receive. Those changes, described below, would not take effect until the 2009–2010 academic year. CBO's estimate assumes that funding for the maximum authorized award level would be provided. If the appropriated award level is set below the authorized level, the ultimate costs would be lower.

TABLE 3.—ESTIMATED DISCRETIONARY COSTS FOR THE PELL GRANT PROGRAM UNDER H.R. 2669

	By fiscal year, in millions of dollars—					
	2007	2008	2009	2010	2011	2012
SPENDING SUBJECT TO APPROPRIATION						
Pell Grant Spending Under Current Law:						
Budget Authority	13,661	0	0	0	0	0
Estimated Outlays	13,179	10,660	281	0	0	0
Proposed Changes:						
Pell Grants:						
Estimated Authorization Level	0	28,311	33,166	37,906	42,822	48,454
Estimated Outlays	0	6,795	28,910	34,206	38,991	44,076
Income Protection Allowances:						
Estimated Authorization Level	0	0	327	714	1,084	1,420
Estimated Outlays	0	0	78	413	795	1,157
Simplified Needs Test and Automatic Zero:						
Estimated Authorization Level	0	0	330	364	403	422
Estimated Outlays	0	0	79	332	373	407
Definition and Treatment of Untaxed Income:						
Estimated Authorization Level	0	0	581	658	747	806
Estimated Outlays	0	0	139	588	678	759
Interactions:						
Estimated Authorization Level	0	0	-237	-256	-272	-322
Estimated Outlays	0	0	-57	-237	-259	-284
Total Changes:						
Estimated Authorization Level ...	0	28,311	34,167	39,386	44,784	50,780
Estimated Outlays	0	6,795	29,150	35,302	40,577	46,115
Pell Grant Spending Under H.R. 2669 ¹						
Estimated Authorization Level ²	13,661	28,311	34,167	39,386	44,784	50,780
Estimated Outlays	13,179	17,455	29,431	35,302	40,577	46,115

¹In addition to the discretionary spending for Pell grants shown in this table, H.R. 2669 also would provide a new mandatory add-on to the Pell Grant Program. Those funds would constitute direct spending, and would total \$5.8 billion over the 2008–2012 period and \$18.2 billion over the 2008–2017 period as shown in table 2 (on page 5 of this estimate).

²The Concurrent Resolution on the Budget for Fiscal Year 2006 (H. Con. Res. 95) requires that, for budget enforcement purposes, the estimate of new discretionary budget authority for the Pell Grant program include the accumulated shortfall or surplus from prior award years. The current estimated shortfall for fiscal year 2008 is \$258 million. This amount is not included in figures in the table.

Income Protection Allowances. H.R. 2669 would raise the income protection allowances for both dependent and independent students (but not for parents of dependent students). The income protection allowance is a set amount of a student's income that is not counted toward his or her expected family contribution. Under current law, these allowances are inflated by the Consumer Price Index (CPI) each year. This legislation would increase these levels for academic years 2009–2010 through 2012–2013 at rates greater than inflation and then return to CPI adjustments after academic year 2012–2013. CBO estimates that this provision would cost \$2.4 billion through 2012.

Simplified Needs Test and Automatic Zero Changes. The bill would raise the income level at which a student automatically qualifies to have no expected family contribution from \$20,000 to \$30,000, beginning in academic year 2009–2010. It also would inflate this level by the CPI for each academic year after 2009–2010. H.R. 2669 would change eligibility for the simplified needs test and expand the discretion of financial aid officers. CBO estimates that implementing these changes would cost \$1.2 billion over the 2008–2012 period.

Definitions and Treatment of Untaxed Income. The bill would eliminate certain categories of untaxed income, such as the earned income tax credit and welfare and Social Security benefits, from the calculation of total income for students and parents. It also would change the treatment of education savings accounts.

CBO estimates that these changes would cost \$2.2 billion through 2012.

Interactions. The cumulative impact of the above changes to the Pell Grant program is less than when each is measured separately from current law because their effects overlap. For example, a student may be eligible for the maximum Pell grant because of both the increased income protection allowances and the increase in the automatic zero expected family contribution level. As a result, the combined effect of these changes is \$840 million less over the 2008–2012 period than when each change is estimated separately.

Intergovernmental and private-sector impact: H.R. 2669 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The bill would authorize funding for student aid and higher education programs and increase requirements for public colleges and universities that participate in voluntary federal programs. Any costs to those institutions or to state, local, or tribal governments would result from complying with conditions for receiving federal assistance.

Estimate prepared by: Federal Costs: Deborah Kalcevic and Justin Humphrey; Impact on State, Local, and Tribal Governments: Lisa Ramirez-Branum; Impact on the Private Sector: Nabeel A. Alsalam.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

XIII. STATEMENT OF GENERAL PERFORMANCE GOALS AND OBJECTIVES

In accordance with clause 3(c) of rule XIII of the House of Representatives, the goal of H.R. 2669 is to amend the Higher Education Act consistent with the policy announced in the Committee's budget instructions to reduce the deficit by \$750,000,000 for the period of fiscal years 2007 through 2012 without reducing assistance that makes college more affordable for students. The Committee expects the Department of Education to comply with H.R. 2669 and implement the changes to the law in accordance with these stated goals.

XIV. CONSTITUTIONAL AUTHORITY STATEMENT

Under clause 3(d)(1) of rule XIII of the House of Representatives, the Committee must include a statement citing the specific powers granted to Congress in the Constitution to enact the law proposed by H.R. 2669. The Committee believes that the amendments made by this bill are within Congress' authority under Article I, section 8, clause 1 of the U.S. Constitution.

XV. COMMITTEE ESTIMATE

Clause 3(d)(2) of rule XIII of the House of Representatives requires an estimate and a comparison of the costs that would be incurred in carrying out H.R. 2669. However, clause 3(d)(3)(B) of that rule provides that this requirement does not apply when the Committee has included in its report a timely submitted cost estimate

of the bill prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act.

XVI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

HIGHER EDUCATION ACT OF 1965

* * * * *

TITLE I—GENERAL PROVISIONS

* * * * *

PART C—COST OF HIGHER EDUCATION

[SEC. 131. IMPROVEMENTS IN MARKET INFORMATION AND PUBLIC ACCOUNTABILITY IN HIGHER EDUCATION.

[(a) IMPROVED DATA COLLECTION.—

[(1) DEVELOPMENT OF UNIFORM METHODOLOGY.—The Secretary shall direct the Commissioner of Education Statistics to convene a series of forums to develop nationally consistent methodologies for reporting costs incurred by postsecondary institutions in providing postsecondary education.

[(2) REDESIGN OF DATA SYSTEMS.—On the basis of the methodologies developed pursuant to paragraph (1), the Secretary shall redesign relevant parts of the postsecondary education data systems to improve the usefulness and timeliness of the data collected by such systems.

[(3) INFORMATION TO INSTITUTIONS.—The Commissioner of Education Statistics shall—

[(A) develop a standard definition for the following data elements:

[(i) tuition and fees for a full-time undergraduate student;

[(ii) cost of attendance for a full-time undergraduate student, consistent with the provisions of section 472;

[(iii) average amount of financial assistance received by an undergraduate student who attends an institution of higher education, including—

[(I) each type of assistance or benefit described in section 428(a)(2)(C)(i) ;

[(II) fellowships; and

[(III) institutional and other assistance; and

[(iv) number of students receiving financial assistance described in each of subclauses (I), (II), and (III) of clause (iii);

[(B) not later than 90 days after the date of enactment of the Higher Education Amendments of 1998, report the definitions to each institution of higher education and within a reasonable period of time thereafter inform the

Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives of those definitions; and

[(C) collect information regarding the data elements described in subparagraph (A) with respect to at least all institutions of higher education participating in programs under title IV, beginning with the information from academic year 2000–2001 and annually thereafter.

[(b) DATA DISSEMINATION.—The Secretary shall make available the data collected pursuant to subsection (a). Such data shall be available in a form that permits the review and comparison of the data submissions of individual institutions of higher education. Such data shall be presented in a form that is easily understandable and allows parents and students to make informed decisions based on the costs for typical full-time undergraduate students.

[(c) STUDY.—

[(1) IN GENERAL.—The Commissioner of Education Statistics shall conduct a national study of expenditures at institutions of higher education. Such study shall include information with respect to—

[(A) the change in tuition and fees compared with the consumer price index and other appropriate measures of inflation;

[(B) faculty salaries and benefits;

[(C) administrative salaries, benefits and expenses;

[(D) academic support services;

[(E) research;

[(F) operations and maintenance; and

[(G) institutional expenditures for construction and technology and the potential cost of replacing instructional buildings and equipment.

[(2) EVALUATION.—The study shall include an evaluation of—

[(A) changes over time in the expenditures identified in paragraph (1);

[(B) the relationship of the expenditures identified in paragraph (1) to college costs; and

[(C) the extent to which increases in institutional financial aid and tuition discounting practices affect tuition increases, including the demographics of students receiving such discounts, the extent to which financial aid is provided to students with limited need in order to attract a student to a particular institution, and the extent to which Federal financial aid, including loan aid, has been used to offset the costs of such practices.

[(3) FINAL REPORT.—The Commissioner of Education Statistics shall submit a report regarding the findings of the study required by paragraph (1) to the appropriate committees of Congress not later than September 30, 2002.

[(4) HIGHER EDUCATION MARKET BASKET.—The Bureau of Labor Statistics, in consultation with the Commissioner of Education Statistics, shall develop a higher education market basket that identifies the items that comprise the costs of higher education. The Bureau of Labor Statistics shall provide a report on the market basket to the Committee on Labor and

Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives not later than September 30, 2002.

[(5) FINES.—In addition to actions authorized in section 487(c), the Secretary may impose a fine in an amount not to exceed \$25,000 on an institution of higher education for failing to provide the information described in paragraph (1) in a timely and accurate manner, or for failing to otherwise cooperate with the National Center for Education Statistics regarding efforts to obtain data on the cost of higher education under this section and pursuant to the program participation agreement entered into under section 487.

[(d) STUDENT AID RECIPIENT SURVEY.—(1) The Secretary shall survey student aid recipients on a regular cycle, but not less than once every 3 years—

[(A) to identify the population of students receiving Federal student aid;

[(B) to determine the income distribution and other socioeconomic characteristics of federally aided students;

[(C) to describe the combinations of aid from State, Federal, and private sources received by students from all income groups;

[(D) to describe the debt burden of loan recipients and their capacity to repay their education debts; and

[(E) to disseminate such information in both published and machine readable form.

[(2) The survey shall be representative of full-time and part-time, undergraduate, graduate, and professional and current and former students in all types of institutions, and should be designed and administered in consultation with the Congress and the post-secondary education community.]

SEC. 131. CONSUMER INFORMATION AND PUBLIC ACCOUNTABILITY IN HIGHER EDUCATION.

(a) *COLLEGE OPPORTUNITY ON-LINE (COOL) WEBSITE RE-DESIGN PROCESS.—In carrying out this section, the Commissioner of Education Statistics—*

(1) shall identify the data elements related to college costs that are of greatest importance to prospective students, enrolled students, and their families, paying particular attention to low-income, non-traditional student populations, and first-generation college students;

(2) shall convene a group of individuals with expertise in the collection and reporting of data related to institutions of higher education, the use of consumer data, and consumer marketing in general to—

(A) determine the relevance of particular data elements to prospective students, enrolled students, and families;

(B) assess the cost-effectiveness of various ways in which institutions of higher education might produce relevant data;

(C) determine the general comparability of the data across institutions of higher education; and

(D) make recommendations regarding the inclusion of specific data items and the most effective and least burden-

some methods of collecting and reporting useful data from institutions of higher education; and
 (3) shall ensure that the redesigned COOL website—

(A) uses, to the extent practicable, data elements currently provided by institutions of higher education to the Secretary;

(B) includes clear and uniform information determined to be relevant to prospective students, enrolled students, and families;

(C) provides comparable information, by ensuring that data are based on accepted criteria and common definitions;

(D) includes a sorting function that permits users to customize their search for and comparison of institutions of higher education based on the information identified through the process as prescribed in paragraph (1) as being of greatest relevance to choosing an institution of higher education.

(b) DATA COLLECTION.—

(1) DATA SYSTEM.—The Commissioner of Education Statistics shall continue to redesign the relevant parts of the Integrated Postsecondary Education Data System to include additional data as required by this section and to continue to improve the usefulness and timeliness of data collected by such System in order to inform consumers about institutions of higher education.

(2) COLLEGE CONSUMER PROFILE.—The Secretary shall continue to publish on the COOL website, for each academic year and in accordance with standard definitions developed by the Commissioner of Education Statistics (including definitions developed under section 131(a)(3)(A) as in effect on the day before the date of enactment of the College Cost Reduction Act of 2007), from at least all institutions of higher education participating in programs under title IV the following information:

(A) The tuition and fees charged for a first-time, full-time undergraduate student.

(B) The room and board charges for a first-time, full-time undergraduate student.

(C) The price of attendance for a first-time, full-time undergraduate student, consistent with the provisions of section 472.

(D) The average amount of financial assistance received by a first-year, full-time undergraduate student, including—

(i) each type of assistance or benefits described in 428(a)(2)(C)(ii);

(ii) institutional and other assistance; and

(iii) Federal loans under parts B, D, and E of title IV.

(E) The number of first-time, full-time undergraduate students receiving financial assistance described in each clause of subparagraph (D).

(F) The institutional instructional expenditure per full-time equivalent student.

(G) *Student enrollment information, including information on the number and percentage of full-time and part-time students, and the number and percentage of resident and non-resident students.*

(H) *Faculty-to-student ratios.*

(I) *Faculty information, including the total number of faculty and the percentage of faculty who are full-time employees of the institution and the percentage who are part-time.*

(J) *Completion and graduation rates of undergraduate students, identifying whether the completion or graduation rates are from a 2-year or 4-year program of instruction and, in the case of a 2-year program of instruction, the percentage of students who transfer to 4-year institutions prior or subsequent to completion or graduation.*

(K) *A link to the institution of higher education with information of interest to students including mission, accreditation, student services (including services for students with disabilities), transfer of credit policies, any articulation agreements entered into by the institution, and, if appropriate, placement rates and other measures of success in preparing students for entry into or advancement in the workforce.*

(L) *The college affordability information elements specified in subsection (c).*

(M) *Any additional information that the Secretary may require.*

(c) **COLLEGE AFFORDABILITY INFORMATION ELEMENTS.**—*The college affordability information elements required by subsection (b)(2)(L) shall include, for each institution submitting data—*

(1) *the sticker price of the institution for the 3 most recent academic years;*

(2) *the net tuition price of the institution for the 3 most recent academic years;*

(3) *the percentage change in both the sticker price and the net tuition price over the 3-year time period that is being reported;*

(4) *the percentage change in the higher education price index (as defined in section 401B(d)) over the same 3-year time period; and*

(5) *whether the institution has been placed on affordability alert status as required by subsection (d)(2).*

(d) **OUTCOMES AND ACTIONS.**—

(1) **RESPONSE FROM INSTITUTION.**—*Effective on June 30, 2008, an institution that increases its sticker price at a percentage rate for any 3-year interval ending on or after that date that exceeds two times the rate of change in the higher education price index (as defined in section 401B(d)) over the same time period shall provide a report to the Secretary, in such a form, at such time, and containing such information as the Secretary may require. Such report shall be published by the Secretary on the COOL website, and shall include—*

(A) *a description of the factors contributing to the increase in the institution's costs and in the tuition and fees charged to students; and*

(B) if determinations of tuition and fee increases are not within the exclusive control of the institution, a description of the agency or instrumentality of State government or other entity that participates in such determinations and the authority exercised by such agency, instrumentality, or entity.

(2) *CONSEQUENCES FOR 2-YEAR CONTINUATION OF FAILURE.*—If the Secretary determines that an institution that is subject to paragraph (1) has failed to reduce the subsequent increase in sticker price to equal to or below two times the rate of change in the higher education price index (as defined in section 401B(d)) for 2 consecutive academic years subsequent to the 3-year interval used under paragraph (1), the Secretary shall place the institution on affordability alert status.

(3) *EXEMPTIONS.*—Notwithstanding paragraph (2), an institution shall not be placed on affordability alert status if, for any 3-year interval for which sticker prices are computed under paragraph (1)—

(A) with respect to the class of institutions described in paragraph (5) to which the institution belongs, the sticker price of the institution is in the lowest quartile of institutions within such class, as determined by the Secretary, during the last year of such 3-year interval; or

(B) the institution has a percentage change in its sticker price computed under paragraph (1) that exceeds two times the rate of change in the higher education price index (as defined in section 401B(d)) over the same time period, but the dollar amount of the sticker price increase is less than \$500.

(4) *INFORMATION TO STATE AGENCIES.*—Any institution that reports under paragraph (1)(B) that an agency or instrumentality of State government or other entity participates in the determinations of tuition and fee increases shall, prior to submitting any information to the Secretary under this subsection, submit such information to, and request the comments and input of, such agency, instrumentality, or entity. With respect to any such institution, the Secretary shall provide a copy of any communication by the Secretary with that institution to such agency, instrumentality, or entity.

(5) *CLASSES OF INSTITUTIONS.*—For purposes of this subsection, the classes of institutions shall be those sectors used by the Integrated Postsecondary Education Data System, based on whether the institution is public, nonprofit private, or for-profit private, and whether the institution has a 4-year, 2-year, or less than 2-year program of instruction.

(6) *DATA REJECTION.*—Nothing in this subsection shall be construed as allowing the Secretary to reject the data submitted by an individual institution of higher education.

(e) *INFORMATION TO THE PUBLIC.*—The Secretary shall work with public and private entities to promote broad public awareness, particularly among middle and high school students and their families, of the information made available under this section, including by distribution to students who participate in or receive benefits from means-tested federally funded education programs and other Federal programs determined by the Secretary.

(f) *FINES.*—In addition to actions authorized in section 487(c), the Secretary may impose a fine in an amount not to exceed \$25,000 on an institution of higher education for failing to provide the information required by this section in a timely and accurate manner, or for failing to otherwise cooperate with the National Center for Education Statistics regarding efforts to obtain data under subsection (c) and pursuant to the program participation agreement entered into under section 487.

(g) *REGULATIONS.*—The Secretary is authorized to issue such regulations as may be necessary to carry out the provisions of this section.

(h) *DEFINITIONS.*—For the purposes of this section:

(1) *NET TUITION PRICE.*—The term “net tuition price” means the sticker price, minus the average grants provided to such students, for any academic year.

(2) *STICKER PRICE.*—The term “sticker price” means the average tuition and fees charged to a first-time, full-time, full-year undergraduate student by an institution of higher education for any academic year.

SEC. 132. STATE COMMITMENT TO AFFORDABLE COLLEGE EDUCATION.

(a) *MAINTENANCE OF EFFORT REQUIRED.*—No State shall reduce the total amount provided by the State for public institutions of higher education in such State for any academic year beginning on or after July 1, 2008, to an amount which is less than the average amount provided by such State to such institutions of higher education during the 5 most recent preceding academic years for which satisfactory data is available.

(b) *WAIVER.*—The Secretary may waive the requirements of this section, if the Secretary determines that such a waiver would be equitable due to exceptional or uncontrollable circumstances, such as a natural disaster or a precipitous and unforeseen decline in the financial resources of the State educational agency.

(c) *WITHHOLDING OF ALL LEAP FUNDS FOR VIOLATIONS.*—Notwithstanding any other provision of law, the Secretary of Education shall withhold from any State that violates subsection (a) (except a State that receives a waiver under subsection (b)) any amount that would otherwise be available to the State under the Leveraging Educational Assistance Partnership Program under subpart 4 of part A of title IV until such State has corrected such violation.—

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TITLE II—TEACHER QUALITY ENHANCEMENT

* * * * *

PART C—CENTERS OF EXCELLENCE

SEC. 231. DEFINITIONS

As used in this part:

(1) *ELIGIBLE INSTITUTION.*—The term “eligible institution” means—

(A) an institution of higher education that has a teacher preparation program that meets the requirements of section 203(b)(2) and that is—

- (i) a part B institution (as defined in section 322);
- (ii) a Hispanic-serving institution (as defined in section 502);
- (iii) a Tribal College or University (as defined in section 316);
- (iv) an Alaska Native-serving institution (as defined in section 317(b)); or
- (v) a Native Hawaiian-serving institution (as defined in section 317(b));

(B) a consortium of institutions described in subparagraph (A); or

(C) an institution described in subparagraph (A), or a consortium described in subparagraph (B), in partnership with any other institution of higher education, but only if the center of excellence established under section 232 is located at an institution described in subparagraph (A).

(2) **HIGHLY QUALIFIED.**—The term “highly qualified” when used with respect to an individual means that the individual is highly qualified as determined under section 9101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7801) or section 602 of the Individuals with Disabilities Education Act (20 U.S.C. 1401).

(3) **SCIENTIFICALLY BASED READING RESEARCH.**—The term “scientifically based reading research” has the meaning given such term in section 1208 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6368).

(4) **SCIENTIFICALLY BASED RESEARCH.**—The term “scientifically based research” has the meaning given such term in section 9101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7801).

SEC. 232. CENTERS OF EXCELLENCE

(a) **PROGRAM AUTHORIZED.**—From the amounts appropriated to carry out this part, the Secretary is authorized to award competitive grants to eligible institutions to establish centers of excellence.

(b) **USE OF FUNDS.**—Grants provided by the Secretary under this part shall be used to ensure that current and future teachers are highly qualified, by carrying out one or more of the following activities:

(1) Implementing reforms within teacher preparation programs to ensure that such programs are preparing teachers who are highly qualified, are able to understand scientifically based research, and are able to use advanced technology effectively in the classroom, including use for instructional techniques to improve student academic achievement, by—

- (A) retraining faculty; and
- (B) designing (or redesigning) teacher preparation programs that—

- (i) prepare teachers to close student achievement gaps, are based on rigorous academic content, scientifically based research (including scientifically based reading research), and challenging State student academic content standards; and

(ii) promote strong teaching skills.

(2) Providing sustained and high-quality preservice clinical experience, including the mentoring of prospective teachers by exemplary teachers, substantially increasing interaction between faculty at institutions of higher education and new and experienced teachers, principals, and other administrators at elementary schools or secondary schools, and providing support, including preparation time, for such interaction.

(3) Developing and implementing initiatives to promote retention of highly qualified teachers and principals, including minority teachers and principals, including programs that provide—

(A) teacher or principal mentoring from exemplary teachers or principals; or

(B) induction and support for teachers and principals during their first 3 years of employment as teachers or principals, respectively.

(4) Awarding scholarships based on financial need to help students pay the costs of tuition, room, board, and other expenses of completing a teacher preparation program.

(5) Disseminating information on effective practices for teacher preparation and successful teacher certification and licensure assessment preparation strategies.

(6) Activities authorized under sections 202, 203, and 204.

(c) APPLICATION.—Any eligible institution desiring a grant under this section shall submit an application to the Secretary at such a time, in such a manner, and accompanied by such information as the Secretary may require.

(d) MINIMUM GRANT AMOUNT.—The minimum amount of each grant under this part shall be \$500,000.

(e) LIMITATION ON ADMINISTRATIVE EXPENSES.—An eligible institution that receives a grant under this part may not use more than 2 percent of the grant funds for purposes of administering the grant.

(f) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out this part.

SEC. 233. APPROPRIATIONS

There shall be available to the Secretary, from funds not otherwise appropriated, \$50,000,000 for the period beginning with fiscal year 2008 and ending with fiscal year 2012, to carry out this part beginning with academic year 2008—2009, which shall remain available until expended. The authority to carry out this part shall expire at the end of fiscal year 2012.—

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TITLE IV—STUDENT ASSISTANCE
Part A—Grants to Students in Attendance at Institutions of Higher Education

* * * * *

Subpart 1—Federal Pell Grants

SEC. 401. FEDERAL PELL GRANTS: AMOUNT AND DETERMINATIONS; APPLICATIONS.

(a) PROGRAM AUTHORITY AND METHOD OF DISTRIBUTION.—(1) For each fiscal year through ~~[[fiscal year 2004]]~~ *fiscal year 2013*, the Secretary shall pay to each eligible institution such sums as may be necessary to pay to each eligible student (defined in accordance with section 484) for each academic year during which that student is in attendance at an institution of higher education, as an undergraduate, a Federal Pell Grant in the amount for which that student is eligible, as determined pursuant to subsection (b). Not less than 85 percent of such sums shall be advanced to eligible institutions prior to the start of each payment period and shall be based upon an amount requested by the institution as needed to pay eligible students until such time as the Secretary determines and publishes in the Federal Register with an opportunity for comment, an alternative payment system that provides payments to institutions in an accurate and timely manner,, except that this sentence shall not be construed to limit the authority of the Secretary to place an institution on a reimbursement system of payment.

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

(3) Grants made under this subpart shall be known as “Federal Pell Grants”.

(b) PURPOSE AND AMOUNT OF GRANTS.—(1) * * *

~~[[2)(A) The amount of the Federal Pell Grant for a student eligible under this part shall be—~~

- ~~[[i) \$4,500 for academic year 1999–2000;~~
- ~~[[ii) \$4,800 for academic year 2000–2001;~~
- ~~[[iii) \$5,100 for academic year 2001–2002;~~
- ~~[[iv) \$5,400 for academic year 2002–2003; and~~
- ~~[[v) \$5,800 for academic year 2003–2004,~~

~~less an amount equal to the amount determined to be the expected family contribution with respect to that student for that year.]]—~~

~~(2)(A) The amount of the Federal Pell Grant for a student eligible under this part shall be—~~

- ~~(i) \$7,600 for academic year 2008–2009;~~
- ~~(ii) \$8,600 for academic year 2009–2010;~~
- ~~(iii) \$9,600 for academic year 2010–2011;~~
- ~~(iv) \$10,600 for academic year 2011–2012; and~~
- ~~(v) \$11,600 for academic year 2012–2013,~~

~~less an amount equal to the amount determined to be the expected family contribution with respect to that student for that year.~~

* * * * *

~~[[3)(A) For any academic year for which an appropriation Act provides a maximum basic grant in an amount in excess of \$2,700, the amount of a student’s basic grant shall equal \$2,700 plus—~~

- ~~[[i) one-half of the amount by which such maximum basic grant exceeds \$2,700; plus~~
- ~~[[ii) the lesser of—~~

[(I) the remaining one-half of such excess; or

[(II) the sum of the student's tuition and, if the student has dependent care expenses (as described in section 472(8)) or disability-related expenses (as described in section 472(9)), an allowance determined by the institution for such expenses.

[(B) An institution that charged only fees in lieu of tuition as of October 1, 1998, may include in the institution's determination of tuition charged, fees that would normally constitute tuition.]

[(4)] (3) No Federal Pell Grant under this subpart shall exceed the difference between the expected family contribution for a student and the cost of attendance (as defined in section 472) at the institution at which that student is in attendance. If, with respect to any student, it is determined that the amount of a Federal Pell Grant plus the amount of the expected family contribution for that student exceeds the cost of attendance for that year, the amount of the Federal Pell Grant shall be reduced until the combination of expected family contribution and the amount of the Federal Pell Grant does not exceed the cost of attendance at such institution.

[(5)] (4) No Federal Pell Grant shall be awarded to a student under this subpart if the amount of that grant for that student as determined under this subsection for any academic year is less than \$400, except that a student who is eligible for a Federal Pell Grant that is equal to or greater than \$200 but less than \$400 shall be awarded a Federal Pell Grant of \$400.

[(6)(A) The Secretary may allow, on a case-by-case basis, a student to receive 2 Pell grants during a single award year, if—

[(i) the student is enrolled full-time in an associate or baccalaureate degree program of study that is 2 years or longer at an eligible institution that is computed in credit hours; and

[(ii) the student completes course work toward completion of an associate or baccalaureate degree that exceeds the requirements for a full academic year as defined by the institution.

[(B) The Secretary shall promulgate regulations implementing this paragraph.]

(5) *YEAR-ROUND PELL GRANTS.*—*The Secretary is authorized, for students enrolled in a baccalaureate degree, associate's degree, or certificate program of study at an eligible institution, to award such students not more than two Pell grants during an award year to permit such students to accelerate progress toward their degree or certificate objectives by enrolling in courses for more than 2 semesters, or 3 quarters, or the equivalent, in a given academic year.*

[(7)] (6) Notwithstanding any other provision of this subpart, the Secretary shall allow the amount of the Federal Pell Grant to be exceeded for students participating in a program of study abroad approved for credit by the institution at which the student is enrolled when the reasonable costs of such program are greater than the cost of attendance at the student's home institution, except that the amount of such Federal Pell Grant in any fiscal year shall not exceed the grant level specified in the appropriate Appropriation Act for this subpart for such year. If the preceding sentence applies, the financial aid administrator at the home institution may use the cost of the study abroad program, rather than the home institution's cost, to determine the cost of attendance of the student.

[(8)] (7) No Federal Pell Grant shall be awarded under this subpart to any individual who is incarcerated in any Federal or State penal institution.—

(8) ADDITIONAL FUNDS.—

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

- (i) \$840,000,000 for fiscal year 2008;
- (ii) \$870,000,000 for fiscal year 2009;
- (iii) \$1,340,000,000 for fiscal year 2010;
- (iv) \$2,280,000,000 for fiscal year 2011;
- (v) \$2,350,000,000 for fiscal year 2012;
- (vi) \$2,400,000,000 for fiscal year 2013;
- (vii) \$2,450,000,000 for fiscal year 2014;
- (viii) \$2,510,000,000 for fiscal year 2015;
- (ix) \$2,550,000,000 for fiscal year 2016; and
- (x) \$2,570,000,000 for fiscal year 2017.

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

- (i) \$200 for each of the award years 2008—2009 and 2009—2010;
- (ii) \$300 for award year 2010—2011; and
- (iii) \$500 for award year 2011—2012 and each subsequent award year.

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

* * * * *

SEC. 401A. ACADEMIC COMPETITIVENESS GRANTS.

(a) * * *

* * * * *

(c) DEFINITION OF ELIGIBLE STUDENT.—In this section the term “eligible student” means a [full-time] student who, for the academic year for which the determination of eligibility is made—

[(1) is a citizen of the United States;]—

(1) is an eligible student under section 484, including being enrolled or accepted for enrollment in a degree, certificate, or other eligible program leading to a recognized educational credential at an institution of higher education;

* * * * *

(3) in the case of a student enrolled or accepted for enrollment in—

(A) the first academic year of a program of undergraduate education at a two- or four-year degree-granting institution of higher education—

(i) * * *

(ii) has not been previously enrolled in a program of undergraduate education, *except as part of a secondary school program of study*;

* * * * *

(d) GRANT AWARD.—

(1) * * *

* * * * *

(3) *ADJUSTMENT FOR LESS THAN FULL-TIME ENROLLMENT.*—A grant awarded under this section to an eligible student who attends an eligible institution on a less than full-time (but at least half-time or more) basis shall be reduced in the same proportion as would a Federal Pell Grant pursuant to section 401(b)(2)(B).

* * * * *

(g) *DETERMINATION OF ACADEMIC YEAR.*—Notwithstanding section 481(a)(2), for the purpose of determining eligibility for a grant under this section, a student shall be considered to be enrolled or accepted for enrollment in the first, second, third, or fourth academic year of a program of undergraduate education based on the student's class standing, as determined by the institution of higher education at which the student is enrolled or accepted for enrollment.—

[(g)] (h) *SUNSET PROVISION.*—The authority to make grants under this section shall expire at the end of academic year 2010–2011.—

SEC. 401B. INCENTIVES AND REWARDS FOR LOW TUITION.

(a) *REWARDS FOR LOW TUITION.*—For an institution of higher education that, for academic year 2008–2009 or any succeeding academic year, has an annual net tuition price increase (expressed as a percentage) for the most recent academic year for which satisfactory data is available that is equal to or less than the percentage change in the higher education price index for such academic year, the Secretary shall provide such institution an amount sufficient to provide a 25 percent increase under subpart 1 of part A of title IV to each Pell Grant recipient attending such institution for the next award year beginning after the date of such determination. Each such institution shall distribute any amounts received under this subsection among such Pell Grant recipients by increasing the amount of their Pell Grant awards by 25 percent.

(b) *REWARDS FOR GUARANTEED TUITION.*—

(1) *BONUS.*—For each institution of higher education that the Secretary of Education determines complies with the requirements of paragraph (2) or (3) of this subsection, the Secretary shall provide to such institution a bonus amount equal to 25 percent of the aggregate amount of aid received by students at the institution under section 401(a). Such institution shall award the bonus amount to the Pell Grant recipients who were in attendance at the institution during the award year that such institution satisfied the eligibility criteria for maintaining

low tuition and fees. Each such student shall receive an amount that equals 25 percent of their total Pell Grant award for such award year, except that no student shall receive an amount under this section that would cause the amount of total financial aid received by such student to exceed the cost of attendance of the institution. If there are additional funds remaining after all eligible students have been paid from the bonus amount, the institution shall award all excess funds first to remaining Pell Grant recipients who were not in attendance at the institution during such award year, and then to other eligible students under this title in attendance at such institution in the form of need-based aid.

(2) 4-YEAR INSTITUTIONS.—An institution of higher education that provides a program of instruction for which it awards a bachelor's degree complies with the requirements of this paragraph if such institution guarantees that for any academic year beginning on or after July 1, 2008, and for each of the 4 succeeding continuous academic years, the net tuition price charged to an undergraduate student will not exceed—

(A) the amount that the student was charged for an academic year at the time he or she first enrolled in the institution of higher education, plus

(B) the product of the percentage increase in the higher education price index for the prior academic year, or the most recent prior academic year for which data is available, multiplied by the amount determined under subparagraph (A).

(3) LESS-THAN 4-YEAR INSTITUTIONS.—An institution of higher education that does not provide a program of instruction for which it awards a bachelor's degree complies with the requirements of this paragraph if such institution guarantees that for any academic year (or the equivalent) beginning on or after July 1, 2008, and for each of the 1.5 succeeding continuous academic years, the net tuition price charged to an undergraduate student will not exceed—

(A) the amount that the student was charged for an academic year at the time he or she first enrolled in the institution of higher education, plus

(B) the product of the percentage increase in the higher education price index for the prior academic year, or the most recent prior academic year for which data is available, multiplied by the amount determined under subparagraph (A).

(c) MAINTAINING AFFORDABLE TUITION.—For any institution of higher education whose increase in the annual net tuition price (expressed as a percentage), for the most recent academic year for which satisfactory data is available, is greater than the percentage increase in the higher education price index for such academic year, the Secretary shall require such institution to submit to the Secretary the following information, within 6 months of such determination:

(1) a detailed report on the exact causes for the net tuition price increase that outlines revenues and expenditures; and

(2) cost containment strategies to lower net tuition prices.

(d) *PRIORITY.*—In awarding incentives and rewards under this section, the Secretary shall give priority to institutions of higher education with the lowest annual net tuition price increase (expressed as a percentage) for the most recent academic year for which satisfactory data is available, when compared with other institutions of higher education with annual net tuition price increases that are equal to or less than the percentage change in the higher education price index for such academic year.

(e) *DEFINITIONS.*—

(1) *NET TUITION PRICE.*—The term “net tuition price” has the same meaning as provided in section 131(k).

(2) *HIGHER EDUCATION PRICE INDEX.*—The term “higher education price index” means a statistical measure of change over time in the prices of a fixed market basket of goods and services purchased by colleges and universities through current fund educational and general expenditures (excluding expenditures for research), as developed by the Bureau of Labor Statistics.

(f) *FUNDING.*—There shall be available to the Secretary to carry out this section, from funds not otherwise appropriated, \$15,000,000 for each of the fiscal years 2008 through 2012.

(g) *SUNSET.*—The authority to carry out this section shall expire at the end of fiscal year 2012.—

Subpart 2—Federal Early Outreach and Student Services Programs

CHAPTER 1—FEDERAL TRIO PROGRAMS

* * * * *

SEC. 402C. UPWARD BOUND.

(a) * * *

* * * * *

(f) *ABSOLUTE PRIORITY PROHIBITED IN UPWARD BOUND PROGRAM.*—Except as otherwise expressly provided by amendment to this section, the Secretary shall not implement or enforce, and shall rescind, the absolute priority for Upward Bound Program participant selection and evaluation published by the Department of Education in the Federal Register on September 22, 2006 (71 Fed. Reg. 55447 et seq.).

(g) *ADDITIONAL FUNDS.*—

(1) *AUTHORIZATION AND APPROPRIATION.*—There are authorized to be appropriated, and there are appropriated to the Secretary, from funds not otherwise appropriated, \$30,000,000 for each of the fiscal years 2008 through 2011 to carry out paragraph (2), except that any amounts that remain unexpended for such purpose for each of such fiscal years may be available for technical assistance and administration costs for the Upward Bound program.

(2) *USE OF FUNDS.*—The amounts made available by paragraph (1) shall be available to provide assistance to all Upward Bound projects that received assistance in fiscal year 2006 but that did not receive assistance in fiscal year 2007 (other than

new applicants) with a grant score above 70. Such assistance shall be made available in the form of 4-year grants.—

* * * * *

Subpart 9—TEACH Grants

SEC. 420L. PROGRAM ESTABLISHED.

(a) PROGRAM AUTHORITY.—

(1) PAYMENTS REQUIRED.—The Secretary shall pay to each eligible institution such sums as may be necessary to pay to each eligible student (defined in accordance with section 484) who files an application and agreement in accordance with section 420M, and who qualifies—

(A) under paragraph (2) of section 420M(a), a TEACH Grant in the amount of \$4,000 for each academic year during which that student is in attendance at the institution; and

(B) under paragraphs (2) and (3) of section 420M(a), a Bonus TEACH Grant in the amount of \$500 (in addition to the amount of the TEACH Grant under subparagraph (A)) for each academic year during which that student so qualifies.

(2) REFERENCE.—Grants made under—

(A) paragraph (1)(A) shall be known as “Teacher Education Assistance for College and Higher Education Grants” or “TEACH Grants”; and

(B) paragraph (1)(B) shall be known as Bonus TEACH Grants.

(b) PAYMENT METHODOLOGY.—

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

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

(3) DISTRIBUTION OF GRANTS TO STUDENTS.—Payments under this subpart shall be made, in accordance with regulations promulgated by the Secretary for such purpose, in such manner as will best accomplish the purposes of this subpart. Any disbursement allowed to be made by crediting the student’s account shall be limited to tuition and fees and, in the case of institutionally-owned housing, room and board. The student may elect

to have the institution provide other such goods and services by crediting the student's account.

(c) **REDUCTIONS IN AMOUNT.**—

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

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

(d) **PERIOD OF ELIGIBILITY FOR GRANTS.**—

(1) **UNDERGRADUATE STUDENTS.**—The period during which an undergraduate student may receive grants under this subpart shall be the period required for the completion of the first undergraduate baccalaureate course of study being pursued by that student at the institution at which the student is in attendance except that—

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

(B) the total amount that a student may receive under this subpart for undergraduate study shall not exceed \$16,000 with respect to a student who receives only TEACH Grants, and \$18,000 with respect to a student who receives TEACH Grants and Bonus TEACH Grants.

(2) **GRADUATE STUDENTS.**—The period during which a graduate student may receive grants under this subpart shall be the period required for the completion of a master's degree course of study being pursued by that student at the institution at which the student is in attendance, except that the total amount that a student may receive under this subpart for graduate study shall not exceed \$8,000 with respect to a student who receives only TEACH Grants, and \$10,000 with respect to a student who receives TEACH Grants and Bonus TEACH Grants.

(3) **REMEDIAL COURSE; STUDY ABROAD.**—Nothing in this section shall exclude from eligibility courses of study which are noncredit or remedial in nature (including courses in English language acquisition) which are determined by the institution to be necessary to help the student be prepared for the pursuit

of a first undergraduate baccalaureate degree or certificate or, in the case of courses in English language instruction, to be necessary to enable the student to utilize already existing knowledge, training, or skills. Nothing in this section shall exclude from eligibility programs of study abroad that are approved for credit by the home institution at which the student is enrolled.

SEC. 420M. ELIGIBILITY; APPLICATIONS.

(a) **APPLICATIONS; DEMONSTRATION OF ELIGIBILITY.**—

(1) **FILING REQUIRED.**—The Secretary shall from time to time set dates by which students shall file applications for grants under this subpart. Each student desiring a grant under this subpart for any year shall file an application containing such information and assurances as the Secretary may deem necessary to enable the Secretary to carry out the functions and responsibilities of this subpart.

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

(A) if the applicant is an enrolled student—

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

(ii) the student—

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

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

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

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

(i) the applicant is a teacher or a retiree from another occupation with expertise in a field in which there is a shortage of teachers, such as math, science, special education, English language acquisition, or another high-need subject; or

(ii) the applicant is or was a teacher who is using high-quality alternative certification routes, such as Teach for America, to get certified.

(3) **DEMONSTRATION OF BONUS TEACH GRANT ELIGIBILITY.**—Each application submitted under paragraph (1) for a Bonus TEACH Grant shall contain such information as is necessary to demonstrate that the applicant is—

(A) eligible for, and has applied for, a TEACH Grant; and

(B) a student enrolled in a qualified teacher preparation program, as defined in section 420N.

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

(1) the applicant will—

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

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

(C) with respect to an applicant for—

(i) TEACH Grants, teach in any of the following fields: mathematics, science, a foreign language, bilingual education, or special education, or as a reading specialist, or another field documented as high-need by the Federal Government, State government, or local education agency and approved by the Secretary; or

(ii) TEACH Grants and Bonus TEACH Grants, teach mathematics, science, or a science-related field;

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

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

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

(c) **REPAYMENT FOR FAILURE TO COMPLETE SERVICE.**—In the event that any recipient of a grant under this subpart fails or refuses to comply with the service obligation in the agreement under subsection (b), the sum of the amounts of any TEACH Grants and Bonus TEACH Grants received by such recipient shall be treated as a Direct Loan under part D of title IV, and shall be subject to repayment, together with interest thereon accruing after the period of service, in accordance with terms and conditions specified by the Secretary in regulations under this subpart.

SEC. 420N. DEFINITIONS.

For the purposes of this subpart:

(1) **ELIGIBLE INSTITUTION.**—The term “eligible institution” means an institution of higher education as defined in section 102.

(2) **QUALIFIED TEACHER PREPARATION PROGRAM.**—The term “qualified teacher preparation program” means a program for students and teachers described in subparagraph (A) or (B) of section 420M(a)(2) (referred to jointly in this paragraph as “teacher candidates”) that—

(A) recruits and prepares teacher candidates who major in science, technology fields, special education, foreign language, engineering, or mathematics disciplines to become certified as elementary and secondary teachers in those dis-

ciplines, special education teachers, or teachers of English Language Learners, with the goals of improving teacher knowledge and effectiveness and increasing elementary and secondary student academic achievement;

(B) is implemented by an institution of higher education in partnership with high-need local educational agencies;

(C) offers a baccalaureate degree with a concurrent teacher certification to teacher candidates;

(D) is implemented in coordination with the faculty of the relevant departments of the institution of higher education;

(E) utilizes experienced teachers who have a demonstrated record of success in teaching underserved students to instruct teacher candidates in the disciplines described in subparagraph (A);

(F) provides teacher candidates with—

(i) support services, including mentoring by experienced teachers who have a demonstrated record of success in teaching underserved students;

(ii) exposure to, and field experience in, the classroom within the first year of entering the qualified teacher preparation program; and

(iii) other related support practices while the teacher candidates are participating in the program, and after such candidates graduate from the institution of higher education and are employed as teachers;

(G) participates in partnerships which include the institution of higher education and local educational agencies and charter districts to provide opportunities for teacher candidate field work;

(H) focuses on increasing the number of teachers in the disciplines described in subparagraph (A); and

(I) encourages individuals from underrepresented populations to enter into the teaching profession.

SEC. 4200. PROGRAM PERIOD AND FUNDING.

There shall be available to the Secretary to carry out this subpart, from funds not otherwise appropriated, such sums as may be necessary to provide TEACH Grants and Bonus TEACH Grants in accordance with this subpart to each eligible applicant.—

Part B—Federal Family Education Loan Program

* * * * *

SEC. 425. LIMITATIONS ON INDIVIDUAL FEDERALLY INSURED LOANS AND ON FEDERAL LOAN INSURANCE.

(a) ANNUAL AND AGGREGATE LIMITS.—

(1) ANNUAL LIMITS.—(A) The total of loans made to a student in any academic year or its equivalent (as determined by the Secretary) which may be covered by Federal loan insurance under this part may not exceed—

(i) * * *

* * * * *

(iii) in the case of a student at an eligible institution who has successfully completed the first and second years

of a program of undergraduate education but has not successfully completed the remainder of such program—

(I) ~~【\$5,500】~~ \$7,500; or

* * * * *

(2) AGGREGATE LIMITS.—(A) The aggregate insured unpaid principal amount for all such insured loans made to any student shall not at any time exceed—

(i) ~~【\$23,000】~~ \$30,500, in the case of any student who has not successfully completed a program of undergraduate education, excluding loans made under section 428A or 428B; and

(ii) ~~【\$65,500】~~ \$73,000, in the case of any graduate or professional student (as defined by regulations of the Secretary) and (I) including any loans which are insured by the Secretary under this section, or by a guaranty agency, made to such student before the student became a graduate or professional student), but (II) excluding loans made under section 428A or 428B, except that the Secretary may increase the limit applicable to students who are pursuing programs which the Secretary determines are exceptionally expensive.

* * * * *

SEC. 427. ELIGIBILITY OF STUDENT BORROWERS AND TERMS OF FEDERALLY INSURED STUDENT LOANS.

(a) LIST OF REQUIREMENTS.—Except as provided in section 428C, a loan by an eligible lender shall be insurable by the Secretary under the provisions of this part only if—

(1) * * *

(2) evidenced by a note or other written agreement which—

(A) * * *

* * * * *

(C) provides that periodic installments of principal need not be paid, but interest shall accrue and be paid, during any period—

(i) * * *

* * * * *

(iii) ~~【not in excess of 3 years】~~ for any reason which the lender determines, in accordance with regulations prescribed by the Secretary under section 435(o), has caused or will cause the borrower to have an economic hardship;

* * * * *

SEC. 427A. APPLICABLE INTEREST RATES.

(a) * * *

* * * * *

(1) INTEREST RATES FOR NEW LOANS ON OR AFTER JULY 1, 2006.—

(1) * * *

* * * * *

(4) REDUCED RATES FOR UNDERGRADUATE SUBSIDIZED LOANS.—Notwithstanding subsection (h) and paragraph (1) of

this subsection, with respect to any loan to an undergraduate student made, insured, or guaranteed under this part (other than a loan made pursuant to section 428B, 428C, or 428H) for which the first disbursement is made on or after July 1, 2006, and before July 1, 2013, the applicable rate of interest shall be as follows:

(A) For a loan for which the first disbursement is made on or after July 1, 2006, and before July 1, 2008, 6.80 percent on the unpaid principal balance of the loan.

(B) For a loan for which the first disbursement is made on or after July 1, 2008, and before July 1, 2009, 6.12 percent on the unpaid principal balance of the loan.

(C) For a loan for which the first disbursement is made on or after July 1, 2009, and before July 1, 2010, 5.44 percent on the unpaid principal balance of the loan.

(D) For a loan for which the first disbursement is made on or after July 1, 2010, and before July 1, 2011, 4.76 percent on the unpaid principal balance of the loan.

(E) For a loan for which the first disbursement is made on or after July 1, 2011, and before July 1, 2012, 4.08 percent on the unpaid principal balance of the loan.

(F) For a loan for which the first disbursement is made on or after July 1, 2012 and before July 1, 2013, 3.40 percent on the unpaid principal balance of the loan.—

* * * * *

SEC. 428. FEDERAL PAYMENTS TO REDUCE STUDENT INTEREST COSTS.

(a) * * *

(b) **INSURANCE PROGRAM AGREEMENTS TO QUALIFY LOANS FOR INTEREST SUBSIDIES.—**

(1) **REQUIREMENTS OF INSURANCE PROGRAM.—**Any State or any nonprofit private institution or organization may enter into an agreement with the Secretary for the purpose of entitling students who receive loans which are insured under a student loan insurance program of that State, institution, or organization to have made on their behalf the payments provided for in subsection (a) if the Secretary determines that the student loan insurance program—

(A) authorizes the insurance in any academic year, as defined in section 481(a)(2), or its equivalent (as determined under regulations of the Secretary) for any student who is carrying at an eligible institution or in a program of study abroad approved for credit by the eligible home institution at which such student is enrolled at least one-half the normal full-time academic workload (as determined by the institution) in any amount up to a maximum of—

(i) * * *

* * * * *

(iii) in the case of a student at an eligible institution who has successfully completed the first and second years of a program of undergraduate education but has not successfully completed the remainder of such program—

(I) ~~[\$5,500]~~ \$7,500; or

* * * * *

(B) provides that the aggregate insured unpaid principal amount for all such insured loans made to any student shall be any amount up to a maximum of—

(i) ~~[\$23,000]~~ \$30,500, in the case of any student who has not successfully completed a program of undergraduate education, excluding loans made under section 428A or 428B; and

(ii) ~~[\$65,500]~~ \$73,000, in the case of any graduate or professional student (as defined by regulations of the Secretary), and (I) including any loans which are insured by the Secretary under this section, or by a guaranty agency, made to such student before the student became a graduate or professional student, but (II) excluding loans made under section 428A or 428B,

* * * * *

~~[(G) insures 98 percent of the unpaid principal of loans insured under the program, except that—~~

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

~~[(ii) for any loan for which the first disbursement of principal is made on or after July 1, 2006, the preceding provisions of this subparagraph shall be applied by substituting “97 percent” for “98 percent”; and~~

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

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

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

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

* * * * *

(M) provides that periodic installments of principal need not be paid, but interest shall accrue and be paid by the Secretary, during any period—

(i) * * *

* * * * *

(iv) ~~[not in excess of 3 years]~~ for any reason which the lender determines, in accordance with regulations prescribed by the Secretary under section 435(o), has caused or will cause the borrower to have an economic hardship;

* * * * *

(1) AUTHORITY TO ENTER INTO AGREEMENTS.—(A) * * *

* * * * *

[(D)] Reimbursements of losses made by the Secretary on loans submitted for claim by an eligible lender, servicer, or guaranty agency designated for exceptional performance under section 428I shall not be subject to additional review by the Secretary or repurchase by the guaranty agency for any reason other than a determination by the Secretary that the eligible lender, servicer, or guaranty agency engaged in fraud or other purposeful misconduct in obtaining designation for exceptional performance.

[(E)] (D) Notwithstanding any other provisions of this section, in the case of a loan made pursuant to a lender-of-last-resort program, the Secretary shall apply the provisions of—

(i) * * *

* * * * *

[(F)] (E) Notwithstanding any other provisions of this section, in the case of an outstanding loan transferred to a guaranty agency from another guaranty agency pursuant to a plan approved by the Secretary in response to the insolvency of the latter such guarantee agency, the Secretary shall apply the provision of—

(i) * * *

* * * * *

[(G)] (F)(i) Notwithstanding any other provisions of this section, in the case of exempt claims, the Secretary shall apply the provisions of—

(I) * * *

* * * * *

[(H)] (G) Notwithstanding any other provision of this section, the Secretary shall exclude a loan made pursuant to a lender-of-last-resort program when making reimbursement payment calculations under subparagraphs (B) and (C).

* * * * *

(6) SECRETARY'S EQUITABLE SHARE.—(A) For the purpose of paragraph (2)(D), the Secretary's equitable share of payments made by the borrower shall be that portion of the payments remaining after the guaranty agency with which the Secretary has an agreement under this subsection has deducted from such payments—

(i) * * *

[(ii)] an amount equal to 24 percent of such payments for use in accordance with section 422B, except that, beginning on October 1, 2003, this subparagraph shall be applied by substituting "23 percent" for "24 percent".

(ii) an amount equal to 23 percent of such payments for use in accordance with section 422B, except that beginning October 1, 2007, this subparagraph shall be applied by substituting "16 percent" for "23 percent".

* * * * *

(k) INFORMATION ON DEFAULTS.—

(1) * * *

* * * * *

(4) *STUDENT LOAN INFORMATION.*—

(A) *Notwithstanding any other provision of law or regulation, a lender, secondary market, holder, or guaranty agency shall provide, free of charge and in a timely and effective manner, any student loan information maintained by that entity that is requested by an institution of higher education or any third-party servicer (as defined in section 481(c)) working on behalf of that institution to prevent student loan defaults.*

(B) *An institution and any third-party servicer obtaining access to information under subparagraph (A) shall safeguard that information in order to prevent potential abuses of that information, including identity theft.*

(C) *Any third party servicer that obtains information under this paragraph—*

(i) shall only use the information in a manner directly related to the default prevention work the servicer is performing on behalf of the institution of higher education; and

(ii) shall be subject to any regulations established by the Secretary pursuant to section 432 concerning the misuse of such information, including any penalties for such misuse.

* * * * *

[SEC. 428I. SPECIAL INSURANCE AND REINSURANCE RULES.

[(a) DESIGNATION OF LENDERS, SERVICERS, AND GUARANTY AGENCIES.—

[(1) AUTHORITY.—Whenever the Secretary determines that an eligible lender, servicer, or guaranty agency has a compliance performance rating that equals or exceeds 97 percent, the Secretary shall designate the eligible lender, servicer, or guaranty agency, as the case may be, for exceptional performance. The Secretary shall notify each appropriate guaranty agency of the eligible lenders and servicers designated under this section.

[(2) COMPLIANCE PERFORMANCE RATING.—For purposes of paragraph (1), a compliance performance rating is determined with respect to compliance with due diligence in the collection of loans under this part for each year for which the determination is made. Such rating is equal to the percent of all due diligence requirements applicable to each loan, on average, as established by the Secretary by regulation, with respect to—

[(A) loans serviced during the period by the eligible lender or servicer; or

[(B) loans on which loan collection was attempted by the guaranty agency.

[(b) PAYMENT TO LENDERS AND SERVICERS.—

[(1) 99 PERCENT PAYMENT RULE.—Each guaranty agency shall pay each eligible lender or servicer (as agent for an eligible lender) designated under subsection (a) 99 percent of the unpaid principal and interest of all loans for which claims are submitted for payment by that eligible lender or servicer for the one-year period following the receipt by the guaranty agen-

cy of the notification of designation under this section or until the guaranty agency receives notice from the Secretary that the designation of the lender or servicer under subsection (a) has been revoked.

[(2) REVOCATION AUTHORITY.—The Secretary shall revoke the designation of a lender or servicer under subsection (a) if any quarterly audit required under subsection (c)(5) is not received by the Secretary by the date established by the Secretary or if the audit indicates the lender or servicer failed to maintain 97 percent or higher compliance with program regulations, as reflected in the performance of not less than 97 percent of all due diligence requirements applicable to each loan, on average, as established by the Secretary for the purpose of this section, for 2 consecutive months or 90 percent for 1 month.

[(3) DOCUMENTATION.—Nothing in this section shall restrict or limit the authority of guaranty agencies to require the submission of claims documentation evidencing servicing performed on loans, except that the guaranty agency may not require greater documentation than that required for lenders and servicers not designated under subsection (a).

[(4) PAYMENTS TO GUARANTY AGENCIES.—The Secretary shall pay to each guaranty agency designated under subsection (a) the appropriate percentage under this subsection for the 1-year period following the receipt by the guaranty agency of the notification of designation under subsection (a).

[(c) SUPERVISION OF DESIGNATED LENDERS AND SERVICERS.—

[(1) AUDITS FOR LENDERS AND SERVICERS.—Each eligible lender or servicer desiring a designation under subsection (a) shall have a financial and compliance audit of the loan portfolio of such eligible lender or servicer conducted annually by a qualified independent organization from a list of qualified organizations promulgated by the Secretary in accordance with standards established by the Comptroller General and the Secretary. The standards shall measure the lender's or servicer's compliance with the due diligence standards and shall include a defined statistical sampling technique designed to measure the performance rating of the eligible lender or servicer for the purpose of this section. Each eligible lender or servicer shall submit the audit required by this section to the Secretary and to each appropriate guaranty agency.

[(2) ADDITIONAL INFORMATION ON LENDERS AND SERVICERS.—Each appropriate guaranty agency shall provide the Secretary with such other information in its possession regarding an eligible lender or servicer desiring designation as may relate to the Secretary's determination under subsection (a), including but not limited to any information suggesting that the application of a lender or servicer for designation under subsection (a) should not be approved.

[(3) SECRETARY'S DETERMINATIONS.—The Secretary shall make the determination under subsection (a) based upon the audits submitted under this section, such other information as provided by any guaranty agency under paragraph (2), and any information in the possession of the Secretary or submitted by any other agency or office of the Federal Government. If the

results of the audit are not persuasively rebutted by such other information, the Secretary shall inform the eligible lender or servicer and the appropriate guaranty agency that its application for designation as an exceptional lender or servicer has been approved.

[(4) COST OF AUDIT.—Each eligible lender or servicer shall pay for all the costs of the audits required under this section.

[(5) COMPLIANCE AUDIT.—In order to maintain its status as an exceptional eligible lender or servicer, the lender or servicer shall undergo a quarterly compliance audit at the end of each quarter (other than the quarter in which status as an exceptional lender or servicer is established through a financial and compliance audit, as described in subsection (c)(1)), and submit the results of such audit to the Secretary and such appropriate guaranty agency. The compliance audit will review compliance with due diligence requirements for the period since the last audit.

[(6) LOSS OF DESIGNATION.—If the audit performed pursuant to paragraph (5) fails to meet the standards for designation as an exceptional lender or servicer under subsection (a)(1), the lender or servicer shall lose its designation as an exceptional lender or servicer. A lender or servicer receiving a compliance audit not meeting the standard for designation as an exceptional lender or servicer may reapply for designation under subsection (a) at any time.

[(7) DUE DILIGENCE STANDARDS.—Due diligence standards used for determining compliance under paragraph (5) shall be promulgated by the Secretary after consultation with lenders, guaranty agencies and servicers and shall consist of a list of specific elements for the Federal regulations selected to provide an indication of systems degradation.

[(8) ADDITIONAL REVOCATION AUTHORITY.—Notwithstanding any other provision of this section, designation under subsection (a) may be revoked at any time by the Secretary if the Secretary determines that the eligible lender or servicer has failed to maintain an overall level of regulatory compliance consistent with the audit submitted by the eligible lender or servicer under this section or if the Secretary believes the lender or servicer may have engaged in fraud in securing designation under subsection (a) or is failing to service loans in accordance with program regulations.

[(d) SUPERVISION OF DESIGNATED GUARANTY AGENCIES.—

[(1) AUDIT OF GUARANTY AGENCIES.—Each guaranty agency desiring a designation under subsection (a) shall have a financial and compliance audit of the defaulted loan portfolio of such guaranty agency conducted annually by a qualified independent organization or person from a list of qualified organizations or persons promulgated by the Secretary in accordance with standards established by the Comptroller General and the Secretary. The standards shall include defined statistical sampling techniques designed to measure the performance rating of the guaranty agency for the purpose of this section. Each guaranty agency shall submit the audit required by this paragraph to the Secretary.

[(2) QUARTERLY SAMPLE AUDITS.—The Secretary may require quarterly sample audits as a means of determining continued qualification of the guaranty agency for designation as an exceptional guaranty agency.

[(3) SECRETARY'S DETERMINATIONS.—The Secretary shall make the determination under subsection (a) based upon the audits submitted under this section and other information in his possession. If the results of the audit are not persuasively rebutted by such other information, the Secretary shall inform the guaranty agency that its application for designation as an exceptional guaranty agency has been approved.

[(4) COSTS OF AUDITS.—Each guaranty agency shall pay for all of the costs of the audits regulated by this section.

[(5) REVOCATION FOR FRAUD.—The Secretary may revoke the designation of a guaranty agency under subsection (a) at any time if the Secretary has reason to believe the guaranty agency secured its designation under subsection (a) through fraud or fails to comply with applicable regulations.

[(6) REVOCATION BASED ON PERFORMANCE.—Designation as an exceptional guaranty agency may be revoked at any time by the Secretary upon 30 days notice and an opportunity for a hearing before the Secretary upon a finding by the Secretary that the guaranty agency has failed to maintain an acceptable overall level of regulatory compliance.

[(e) SPECIAL RULE.—Reimbursements made by the Secretary on loans submitted for claim by an eligible lender or loan servicer designated for exceptional performance under this section shall not be subject to additional review by the Secretary or repurchase by the guaranty agency for any reason other than a determination by the Secretary that the eligible lender, loan servicer, or guaranty agency engaged in fraud or other purposeful misconduct in obtaining designation for exceptional performance.

[(f) LIMITATION.—Nothing in this section shall be construed to affect the processing of claims on student loans of eligible lenders not subject to this paragraph.

[(g) CLAIMS.—A lender, servicer, or guaranty agency designated under subsection (a) failing to service loans or otherwise comply with applicable program regulations shall be considered in violation of section 3729 of title 31, United States Code, .

[(h) EVALUATION.—Not later than 3 years after the date of enactment of this Act, the Comptroller General shall submit to the Chairman of the Senate Labor and Human Resources Committee and the House Committee on Education and Labor, an evaluation of the provisions of this section including, but not limited to, the following:

[(1) The effectiveness of due diligence performed by lenders and servicers receiving designation as exceptional lenders or servicers from the perspective of securing maximum collections from borrowers.

[(2) A quantification of the dollar volume of claims that were paid to exceptional lenders and servicers that would not have been paid under applicable program provisions prior to the enactment of this section.

[(3) An assessment of the impact of this section on the financial condition of guaranty agencies.

[(4) An assessment of the savings to lenders, servicers, and guaranty agencies resulting from designation as exceptional performance.

[(5) An identification of specific administration steps that lenders, servicers, and guaranty agencies do not have to perform as a result of designation as exceptional lenders, servicers, or guaranty agencies.

[(6) A recommendation for program modifications applicable to all program participants based on the findings of the evaluation.

[(7) A recommendation for modifications to this section and whether the program should be continued.

[(i) TERMINATION.—After receipt of the study authorized in subsection (h), the Secretary may terminate such program if he determines such termination to be in the fiscal interest of the United States.

[(j) DEFINITIONS.—For the purpose of this section—

[(1) the term “due diligence requirements” means the activities required to be performed by lenders on delinquent loans pursuant to regulations issued by the Secretary;

[(2) the term “eligible loan” means a loan made, insured or guaranteed under part B of title IV;

[(3) the term “servicer” means an entity servicing and collecting student loans which—

[(A) has substantial experience in servicing and collecting consumer loans or student loans;

[(B) has an independent financial audit annually which is furnished to the Secretary and any other parties designated by the Secretary;

[(C) has business systems which are capable of meeting the requirements of part B of title IV;

[(D) has adequate personnel who are knowledgeable about the student loan programs authorized by part B of title IV; and

[(E) does not have any owner, majority shareholder, director, or officer of the entity who has been convicted of a felony.]

* * * * *

[SEC. 428K. LOAN FORGIVENESS FOR CHILD CARE PROVIDERS.

[(a) PURPOSE.—It is the purpose of this section—

[(1) to bring more highly trained individuals into the early child care profession; and

[(2) to keep more highly trained child care providers in the early child care field for longer periods of time.

[(b) DEFINITIONS.—In this section:

[(1) CHILD CARE FACILITY.—The term “child care facility” means a facility, including a home, that—

[(A) provides child care services; and

[(B) meets applicable State or local government licensing, certification, approval, or registration requirements, if any.

[(2) CHILD CARE SERVICES.—The term “child care services” means activities and services provided for the education and

care of children from birth through age 5 by an individual who has a degree in early childhood education.

[(3) DEGREE.—The term “degree” means an associate’s or bachelor’s degree awarded by an institution of higher education.

[(4) EARLY CHILDHOOD EDUCATION.—The term “early childhood education” means education in the areas of early child education, child care, or any other educational area related to child care that the Secretary determines appropriate.

[(5) INSTITUTION OF HIGHER EDUCATION.—Notwithstanding section 102, the term “institution of higher education” has the meaning given the term in section 101.

[(c) DEMONSTRATION PROGRAM.—

[(1) IN GENERAL.—The Secretary may carry out a demonstration program of assuming the obligation to repay, pursuant to subsection (d), a loan made, insured, or guaranteed under this part or part D (excluding loans made under sections 428B and 428C or comparable loans made under part D) for any new borrower after the date of enactment of the Higher Education Amendments of 1998, who—

[(A) completes a degree in early childhood education;

[(B) obtains employment in a child care facility; and

[(C) has worked full time for the 2 consecutive years preceding the year for which the determination is made as a child care provider in a low-income community.

[(2) LOW-INCOME COMMUNITY.—For the purposes of this subsection, the term “low-income community” means a community in which 70 percent of households within the community earn less than 85 percent of the State median household income.

[(3) AWARD BASIS; PRIORITY.—

[(A) AWARD BASIS.—Subject to subparagraph (B), loan repayment under this section shall be on a first-come, first-served basis and subject to the availability of appropriations.

[(B) PRIORITY.—The Secretary shall give priority in providing loan repayment under this section for a fiscal year to student borrowers who received loan repayment under this section for the preceding fiscal year.

[(4) REGULATIONS.—The Secretary is authorized to prescribe such regulations as may be necessary to carry out the provisions of this section.

[(d) LOAN REPAYMENT.—

[(1) IN GENERAL.—The Secretary shall assume the obligation to repay—

[(A) after the second consecutive year of employment described in subparagraphs (B) and (C) of subsection (c)(1), 20 percent of the total amount of all loans made after date of enactment of the Higher Education Amendments of 1998, to a student under this part or part D;

[(B) after the third consecutive year of such employment, 20 percent of the total amount of all such loans; and

[(C) after each of the fourth and fifth consecutive years of such employment, 30 percent of the total amount of all such loans.

[(2) CONSTRUCTION.—Nothing in this section shall be construed to authorize the refunding of any repayment of a loan made under this part or part D.

[(3) INTEREST.—If a portion of a loan is repaid by the Secretary under this section for any year, the proportionate amount of interest on such loan which accrues for such year shall be repaid by the Secretary.

[(4) SPECIAL RULE.—In the case where a student borrower who is not participating in loan repayment pursuant to this section returns to an institution of higher education after graduation from an institution of higher education for the purpose of obtaining a degree in early childhood education, the Secretary is authorized to assume the obligation to repay the total amount of loans made under this part or part D incurred for a maximum of two academic years in returning to an institution of higher education for the purpose of obtaining a degree in early childhood education. Such loans shall only be repaid for borrowers who qualify for loan repayment pursuant to the provisions of this section, and shall be repaid in accordance with the provisions of paragraph (1).

[(5) INELIGIBILITY OF NATIONAL SERVICE AWARD RECIPIENTS.—No student borrower may, for the same volunteer service, receive a benefit under both this section and subtitle D of title I of the National and Community Service Act of 1990 (42 U.S.C. 12601 et seq.).

[(e) REPAYMENT TO ELIGIBLE LENDERS.—The Secretary shall pay to each eligible lender or holder for each fiscal year an amount equal to the aggregate amount of loans which are subject to repayment pursuant to this section for such year.

[(f) APPLICATION FOR REPAYMENT.—

[(1) IN GENERAL.—Each eligible individual desiring loan repayment under this section shall submit a complete and accurate application to the Secretary at such time, in such manner, and containing such information as the Secretary may require.

[(2) CONDITIONS.—An eligible individual may apply for loan repayment under this section after completing each year of qualifying employment. The borrower shall receive forbearance while engaged in qualifying employment unless the borrower is in deferment while so engaged.

[(g) EVALUATION.—

[(1) IN GENERAL.—The Secretary shall conduct, by grant or contract, an independent national evaluation of the impact of the demonstration program assisted under this section on the field of early childhood education.

[(2) COMPETITIVE BASIS.—The grant or contract described in subsection (b) shall be awarded on a competitive basis.

[(3) CONTENTS.—The evaluation described in this subsection shall—

[(A) determine the number of individuals who were encouraged by the demonstration program assisted under this section to pursue early childhood education;

[(B) determine the number of individuals who remain employed in a child care facility as a result of participation in the program;

[(C) identify the barriers to the effectiveness of the program;

[(D) assess the cost-effectiveness of the program in improving the quality of—

[(i) early childhood education; and

[(ii) child care services;

[(E) identify the reasons why participants in the program have chosen to take part in the program;

[(F) identify the number of individuals participating in the program who received an associate's degree and the number of such individuals who received a bachelor's degree; and

[(G) identify the number of years each individual participates in the program.

[(4) INTERIM AND FINAL EVALUATION REPORTS.—The Secretary shall prepare and submit to the President and the Congress such interim reports regarding the evaluation described in this subsection as the Secretary deems appropriate, and shall prepare and so submit a final report regarding the evaluation by January 1, 2002.

[(h) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section \$10,000,000 for fiscal year 1999, and such sums as may be necessary for each of the 4 succeeding fiscal years.]—

SEC. 428K. LOAN FORGIVENESS FOR SERVICE IN AREAS OF NATIONAL NEED.

(a) PROGRAM AUTHORIZED.—

(1) LOAN FORGIVENESS AUTHORIZED.—*The Secretary shall forgive, in accordance with this section, the student loan obligation of a borrower in the amount specified in subsection (c), for any new borrower after the date of enactment of the College Cost Reduction Act of 2007, who—*

(A) is employed full-time in an area of national need described in subsection (b); and

(B) is not in default on a loan for which the borrower seeks forgiveness.

(2) METHOD OF LOAN FORGIVENESS.—*To provide loan forgiveness under paragraph (1), the Secretary is authorized to carry out a program—*

(A) through the holder of the loan, to assume the obligation to repay a qualified loan amount for a loan made, insured, or guaranteed under this part; and

(B) to cancel a qualified loan amount for a loan made under part D of this title.

(3) REGULATIONS.—*The Secretary is authorized to issue such regulations as may be necessary to carry out the provisions of this section.*

(b) AREAS OF NATIONAL NEED.—*For purposes of this section, an individual shall be treated as employed in an area of national need if the individual is employed full-time as any of the following:*

(1) EARLY CHILDHOOD EDUCATORS.—*An individual who is employed as an early childhood educator in an eligible preschool program or eligible early childhood education program in a low-income community, and who is involved directly in the*

care, development, and education of infants, toddlers, or young children age 5 and under.

(2) *NURSES.*—An individual who is employed—

(A) as a nurse in a clinical setting; or

(B) as a member of the nursing faculty at an accredited school of nursing (as those terms are defined in section 801 of the Public Health Service Act (42 U.S.C. 296)).

(3) *FOREIGN LANGUAGE SPECIALISTS.*—An individual who has obtained a baccalaureate degree in a critical foreign language and is employed—

(A) in an elementary or secondary school as a teacher of a critical foreign language; or

(B) in an agency of the United States Government in a position that regularly requires the use of such critical foreign language.

(4) *LIBRARIANS.*—An individual who is employed as a librarian in—

(A) a public library that serves a geographic area within which the public schools have a combined average of 30 percent or more of their total student enrollments composed of children counted under section 1113(a)(5) of the Elementary and Secondary Education Act of 1965; or

(B) an elementary or secondary school which is in the school district of a local educational agency which is eligible in such year for assistance pursuant to title I of the Elementary and Secondary Education Act of 1965, and which for the purpose of this paragraph and for that year has been determined by the Secretary (pursuant to regulations and after consultation with the State educational agency of the State in which the school is located) to be a school in which the enrollment of children counted under section 1113(a)(5) of the Elementary and Secondary Education Act of 1965 exceeds 30 percent of the total enrollment of that school.

(5) *HIGHLY QUALIFIED TEACHERS: BILINGUAL EDUCATION AND LOW-INCOME COMMUNITIES.*—An individual who—

(A) is highly qualified as such term is defined in section 9101 of the Elementary and Secondary Education Act of 1965; and

(B)(i) is employed as a full-time teacher of bilingual education; or

(ii) is employed as a teacher in a public or nonprofit private elementary or secondary school which is in the school district of a local educational agency which is eligible in such year for assistance pursuant to title I of the Elementary and Secondary Education Act of 1965, and which for the purpose of this paragraph and for that year has been determined by the Secretary (pursuant to regulations and after consultation with the State educational agency of the State in which the school is located) to be a school in which the enrollment of children counted under section 1113(a)(5) of the Elementary and Secondary Education Act of 1965 exceeds 40 percent of the total enrollment of that school.

(6) *CHILD WELFARE WORKERS.*—An individual who—

(A) has obtained a degree in social work or a related field with a focus on serving children and families; and

(B) is employed in public or private child welfare services.

(7) **SPEECH-LANGUAGE PATHOLOGISTS.**—An individual who is a speech-language pathologist, who is employed in an eligible preschool program or an elementary or secondary school, and who has, at a minimum, a graduate degree in speech-language pathology, or communication sciences and disorders.

(8) **NATIONAL SERVICE.**—An individual who is engaged as a participant in a project under the National and Community Service Act of 1990 (as such terms are defined in section 101 of such Act (42 U.S.C. 12511)).

(9) **PUBLIC SECTOR EMPLOYEES.**—An individual who is employed in public safety (including as a first responder, firefighter, police officer, or other law enforcement or public safety officer), emergency management (including as an emergency medical technician), public health, or public interest legal services (including prosecution or public defense).

(c) **QUALIFIED LOAN AMOUNT.**—At the end of each school, academic, or calendar year of full-time employment in an area of national need described in subsection (b), not to exceed 5 years, the Secretary shall forgive not more than \$1,000 of the student loan obligation of a borrower that is outstanding after the completion of each such school, academic, or calendar year of employment, as appropriate, not to exceed \$5,000 in the aggregate for any borrower.

(d) **CONSTRUCTION.**—Nothing in this section shall be construed to authorize the refunding of any repayment of a loan.

(e) **SEGAL AMERICORPS EDUCATION AWARD AND NATIONAL SERVICE AWARD RECIPIENTS.**—A student borrower who qualifies for the maximum education award under subtitle D of title I of the National and Community Service Act of 1990 (42 U.S.C. 12601 et seq.) shall receive under this section the amount, if any, by which the maximum benefit available under this section exceeds the maximum education award available under such subtitle.

(f) **INELIGIBILITY FOR DOUBLE BENEFITS.**—No borrower may receive a reduction of loan obligations under both this section and section 428J or 460.

(g) **DEFINITIONS.**—In this section:

(1) **CRITICAL FOREIGN LANGUAGE.**—The term “critical foreign language” includes the languages of Arabic, Korean, Japanese, Chinese, Pashto, Persian-Farsi, Serbian-Croatian, Russian, Portuguese, and any other language identified by the Secretary of Education, in consultation with the Defense Language Institute, the Foreign Service Institute, and the National Security Education Program, as a critical foreign language need.

(2) **EARLY CHILDHOOD EDUCATOR.**—The term “early childhood educator” means an early childhood educator who works directly with children in an eligible preschool program or eligible early childhood education program who has completed a baccalaureate or advanced degree in early childhood development, early childhood education, or in a field related to early childhood education.

(3) **ELIGIBLE PRESCHOOL PROGRAM.**—The term “eligible preschool program” means a program that provides for the care,

development, and education of infants, toddlers, or young children age 5 and under, meets any applicable State or local government licensing, certification, approval, and registration requirements, and is operated by—

- (A) a public or private school that is supported, sponsored, supervised, or administered by a local educational agency;
- (B) a Head Start agency serving as a grantee designated under the Head Start Act (42 U.S.C. 9831 et seq.);
- (C) a nonprofit or community based organization; or
- (D) a child care program, including a home.

(4) *ELIGIBLE EARLY CHILDHOOD EDUCATION PROGRAM.*—The term “eligible early childhood education program” means—

- (A) a family child care program, center-based child care program, State prekindergarten program, school program, or other out-of-home early childhood development care program, that—
 - (i) is licensed or regulated by the State; and
 - (ii) serves 2 or more unrelated children who are not old enough to attend kindergarten;
- (B) a Head Start Program carried out under the Head Start Act (42 U.S.C. 9831 et seq.); or
- (C) an Early Head Start Program carried out under section 645A of the Head Start Act (42 U.S.C. 9840a).

(5) *LOW-INCOME COMMUNITY.*—In this subsection, the term “low-income community” means a community in which 70 percent of households earn less than 85 percent of the State median household income.

(6) *NURSE.*—The term “nurse” means a nurse who meets all of the following:

- (A) The nurse graduated from—
 - (i) an accredited school of nursing (as those terms are defined in section 801 of the Public Health Service Act (42 U.S.C. 296));
 - (ii) a nursing center; or
 - (iii) an academic health center that provides nurse training.

(B) The nurse holds a valid and unrestricted license to practice nursing in the State in which the nurse practices in a clinical setting.

(C) The nurse holds one or more of the following:

- (i) A graduate degree in nursing, or an equivalent degree.
- (ii) A nursing degree from a collegiate school of nursing (as defined in section 801 of the Public Health Service Act (42 U.S.C. 296)).
- (iii) A nursing degree from an associate degree school of nursing (as defined in section 801 of the Public Health Service Act (42 U.S.C. 296)).
- (iv) A nursing degree from a diploma school of nursing (as defined in section 801 of the Public Health Service Act (42 U.S.C. 296)).

(7) *SPEECH-LANGUAGE PATHOLOGIST.*—The term “speech-language pathologist” means a speech-language pathologist who—

(A) has received, at a minimum, a graduate degree in speech-language pathology or communication sciences and disorders from an institution of higher education accredited by an agency or association recognized by the Secretary pursuant to section 496(a) of this Act; and

(B) provides speech-language pathology services under section 1861(l)(1) of the Social Security Act (42 U.S.C. 1395x(l)(1), or meets or exceeds the qualifications for a qualified speech-language pathologist under subsection (l)(3) of such section (42 U.S.C. 1395x(l)(3)).

(h) PROGRAM FUNDING.—There shall be available to the Secretary to carry out this section, from funds not otherwise appropriated, such sums as may be necessary to provide loan forgiveness in accordance with this section to each eligible individual.—

* * * * *

SEC. 435. DEFINITIONS FOR STUDENT LOAN INSURANCE PROGRAM.

As used in this part:

(a) * * *

* * * * *

(o) ECONOMIC HARDSHIP.—

(1) IN GENERAL.—For purposes of this part and part E, a borrower shall be considered to have an economic hardship if—

(A) such borrower is working full-time and is earning an amount which does not exceed the greater of—

(i) * * *

(ii) an amount equal to [100 percent of the poverty line for a family of 2] 150 percent of the poverty line applicable to the borrower's family size as determined in accordance with section 673(2) of the Community Service Block Grant Act; or

[(B) such borrower is working full-time and has a Federal educational debt burden that equals or exceeds 20 percent of such borrower's adjusted gross income, and the difference between such borrower's adjusted gross income minus such burden is less than 220 percent of the greater of—

[(i) the annual earnings of an individual earning the minimum wage under section 6 of the Fair Labor Standards Act of 1938; or

[(ii) the income official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Community Services Block Grant Act) applicable to a family of two; or]

[(C)] (B) such borrower meets such other criteria as are established by the Secretary by regulation in accordance with paragraph (2).

(2) CONSIDERATIONS.—In establishing criteria for purposes of paragraph [(1)(C)] (1)(B), the Secretary shall consider the borrower's income and debt-to-income ratio as primary factors.

* * * * *

SEC. 438. SPECIAL ALLOWANCES.

(a) * * *

(b) COMPUTATION AND PAYMENT.—

(1) * * *

(2) RATE OF SPECIAL ALLOWANCE.—(A) * * *

* * * * *

(I) LOANS DISBURSED ON OR AFTER JANUARY 1, 2000.—

(i) IN GENERAL.—Notwithstanding subparagraphs (G) and (H), but subject to paragraph (4) and [clauses (ii), (iii), and (iv)] *the following clauses* of this subparagraph, and except as provided in subparagraph (B), the special allowance paid pursuant to this subsection on loans for which the first disbursement is made on or after January 1, 2000, shall be computed—

(I) * * *

* * * * *

(ii) IN SCHOOL AND GRACE PERIOD.—In the case of any loan—

(I) * * *

(II) for which the first disbursement is made on or after July 1, 2006, and for which the applicable rate of interest is described in [section 427A(l)(1)] *section 427A(l)(1) or (l)(4)*, but only with respect to (aa) periods prior to the beginning of the repayment period of the loan; or (bb) during the periods in which principal need not be paid (whether or not such principal is in fact paid) by reason of a provision described in section 427(a)(2)(C) or 428(b)(1)(M);

* * * * *

(v) RECAPTURE OF EXCESS INTEREST.—

(I) * * *

* * * * *

(III) SPECIAL ALLOWANCE SUPPORT LEVEL.—For purposes of this clause, the term “special allowance support level” means, for any loan, a number expressed as a percentage equal to the sum of the rates determined under subclauses (I) and (III) of clause (i), and applying any substitution rules applicable to such loan under [clauses (ii), (iii), and (iv)] *clauses (ii), (iii), (iv), and (vi)* in determining such sum.—

(vi) REDUCTION FOR LOANS ON OR AFTER OCTOBER 1, 2007.—*With respect to a loan on which the applicable interest rate is determined under section 427A(l), the percentage to be added under clause (i)(III) in computing the special allowance payment pursuant to this subparagraph shall be the following:*

(I) IN GENERAL AND PLUS LOANS.—*1.79 percent in the case of a loan described in clause (i) or (iii) for which the first disbursement of principal is made on or after October 1, 2007.*

(II) IN SCHOOL AND GRACE PERIOD.—*1.19 percent in the case of a loan described in clause (ii)(II) for which the first disbursement of principal is made on or after October 1, 2007.*

(III) CONSOLIDATION LOANS.—2.09 percent in the case of a loan described in clause (iv) for which the first disbursement of principal is made on or after October 1, 2007.—

* * * * *

(5) DEFINITION OF ELIGIBLE LOAN.—As used in this section, the term “eligible loan” means a loan—

(A) * * *

【As used in this section, the term “eligible loan” includes all loans subject to section 428I.】

* * * * *

(d) LOAN FEES FROM LENDERS.—

(1) * * *

【(2) AMOUNT OF LOAN FEES.—With respect to any loan under this part for which the first disbursement was made on or after October 1, 1993, the amount of the loan fee which shall be deducted under paragraph (1) shall be equal to 0.50 percent of the principal amount of the loan.】—

(2) AMOUNT OF LOAN FEES.—

(A) AMOUNT.—*The amount of the loan fee which shall be deducted under paragraph (1), but which may not be collected from the borrower, shall be equal to—*

(i) *except as provided in clauses (ii) and (iii), 0.50 percent of the principal amount of the loan with respect to any loan under this part for which the first disbursement was made on or after October 1, 1993;*

(ii) *1.0 percent of the principal amount of the loan with respect to any loan under this part for which the first disbursement was made on or after October 1, 2007, that is held by any holder other than a holder described in subclause (I) or (II) of clause (iii); and*

(iii) *0.0 percent of the principal amount of the loan with respect to any loan under this part for which the first disbursement was made on or after October 1, 2007, that is held by—*

(I) *any holder that, together with its affiliated holders, is designated by the Secretary as a small lender under subparagraph (B); or*

(II) *any holder that—*

(aa) *is a unit of State or local government or a nonprofit private entity; and*

(bb) *is not owned in whole or in part by, or controlled or operated by, or otherwise affiliated with, a for-profit entity.*

(B) DESIGNATION OF SMALL LENDERS.—*In determining which holders of eligible loans qualify as small lenders for purposes of subparagraph (A)(iii)(I), the Secretary shall, using the most recently available data with respect to the total principal amount of eligible loans held by holders—*

(i) *rank all holders of eligible loans (combined with their affiliated holders) in descending order by total principal amount of eligible loans held;*

(ii) *calculate the total principal amount of eligible loans held by all holders; and*

(iii) identify the subset of consecutively ranked holders under clause (i), starting with the lowest ranked holder, that together hold a total principal amount of such loans equal to 15 percent of the total amount calculated under clause (ii), but excluding the holder, if any, whose holdings when added cause the total holdings of the subset to equal but not exceed such 15 percent of such total amount calculated; and

(iv) designate as small lenders any holder identified as a member of the subset under clause (iii).—

* * * * *

**PART D—WILLIAM D. FORD FEDERAL DIRECT
LOAN PROGRAM**

* * * * *

SEC. 455. TERMS AND CONDITIONS OF LOANS.

(a) * * *

(b) INTEREST RATE.—

(1) * * *

* * * * *

(7) INTEREST RATE PROVISION FOR NEW LOANS ON OR AFTER JULY 1, 2006.—

(A) * * *

* * * * *

(D) REDUCED RATES FOR UNDERGRADUATE FDSL.—Notwithstanding the preceding paragraphs of this subsection, for Federal Direct Stafford Loans made to undergraduate students for which the first disbursement is made on or after July 1, 2006, and before July 1, 2013, the applicable rate of interest shall be as follows:

(i) For a loan for which the first disbursement is made on or after July 1, 2006, and before July 1, 2008, 6.80 percent on the unpaid principal balance of the loan.

(ii) For a loan for which the first disbursement is made on or after July 1, 2008, and before July 1, 2009, 6.12 percent on the unpaid principal balance of the loan.

(iii) For a loan for which the first disbursement is made on or after July 1, 2009, and before July 1, 2010, 5.44 percent on the unpaid principal balance of the loan.

(iv) For a loan for which the first disbursement is made on or after July 1, 2010, and before July 1, 2011, 4.76 percent on the unpaid principal balance of the loan.

(v) For a loan for which the first disbursement is made on or after July 1, 2011, and before July 1, 2012, 4.08 percent on the unpaid principal balance of the loan.

(vi) For a loan for which the first disbursement is made on or after July 1, 2012, and before July 1, 2013,

3.40 percent on the unpaid principal balance of the loan.—

* * * * *

(d) REPAYMENT PLANS.—

(1) DESIGN AND SELECTION.—Consistent with criteria established by the Secretary, the 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 shall be entitled to accelerate, without penalty, repayment on the borrower’s loans under this part. The borrower may choose—

(A) * * *

* * * * *

(C) an extended repayment plan, consistent with section [428(b)(9)(A)(v)] 428(b)(9)(A)(iv), except that the borrower shall annually repay a minimum amount determined by the Secretary in accordance with section 428(b)(1)(L); and

(D) an income contingent repayment plan, with varying annual repayment amounts based on the income of the borrower, paid over an extended period of time prescribed by the Secretary, not to exceed 25 years, except that the plan described in this subparagraph shall not be available to the borrower of a Federal Direct PLUS loan *made on behalf of a dependent student*.

* * * * *

(e) INCOME CONTINGENT REPAYMENT.—

(1) * * *

* * * * *

(7) REPAYMENT PLAN FOR PUBLIC SECTOR EMPLOYEES.—

(A) *IN GENERAL*.—The Secretary shall forgive the balance due on any loan made under this part or section 428C(b)(5) for a borrower—

(i) who has made 120 payments on such loan pursuant to income-contingent repayment; and

(ii) who is employed, and was employed for the 10-year period in which the borrower made the 120 payments described in clause (i), in a public sector job.

(B) *PUBLIC SECTOR JOB*.—In this paragraph, the term “public sector job” means a full-time job in emergency management, government, public safety, law enforcement, public health, education (including early childhood education), social work in a public child or family service agency, or public interest legal services (including prosecution or public defense).

(8) *RETURN TO STANDARD REPAYMENT*.—A borrower who is repaying a loan made under this part pursuant to income-contingent repayment may choose, at any time, to terminate repayment pursuant to income-contingent repayment and repay such loan under the standard repayment plan.

(9) *MAXIMUM REPAYMENT PERIOD*.—In calculating the extended period of time for which an income-contingent repayment plan under this subsection may be in effect for a borrower,

the Secretary shall include all time periods during which a borrower of loans under part B, part D, or part E—

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

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

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

(iii) makes payments under a standard repayment plan described in section 428(b)(9)(A)(i) or subsection (d)(1)(A).—

(f) DEFERMENT.—

(1) * * *

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

(A) * * *

* * * * *

(D) **[not in excess of 3 years]** during which the Secretary determines, in accordance with regulations prescribed under section 435(o), that the borrower has experienced or will experience an economic hardship.

* * * * *

SEC. 458. FUNDS FOR ADMINISTRATIVE EXPENSES.

(a) * * *

(b) CALCULATION BASIS.—[Account]

(1) FOR FISCAL YEARS 2006 AND 2007.—For fiscal years 2006 and 2007, account maintenance fees payable to guaranty agencies under subsection (a)(3) shall be calculated on the basis of 0.10 percent of the original principal amount of outstanding loans on which insurance was issued under part B.—

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

(A) UNIT COST BASIS.—For fiscal year 2008 and each succeeding fiscal year, the Secretary shall calculate the account maintenance fees payable to guaranty agencies under subsection (a)(3), on a per-loan cost basis in accordance with subparagraph (B) of this paragraph.

(B) DETERMINATIONS.—To determine the amount that shall be paid under subsection (a)(3) per outstanding loan guaranteed by a guaranty agency for fiscal year 2008 and succeeding fiscal years, the Secretary shall—

(i) establish the per-loan cost basis amount by—

(I) dividing the total amount of account maintenance fees paid under subsection (a)(3) in fiscal year 2006, by

(II) the number of loans under part B that were outstanding in that fiscal year; and

(ii) determine on October 1 of fiscal year 2008 and each subsequent fiscal year, and pay to each guaranty agency, an amount equal to the product of the number of loans under part B that are outstanding on October 1 of that fiscal year and insured by that guaranty agency, multiplied by—

(I) the amount determined under clause (i); increased by

(II) a percentage equal to the percentage increase in the GDP price index (as determined by the Bureau of Labor Statistics of the Department of Labor) between the calendar quarter ending on June 30, 2006, and the calendar quarter ending on the June 30 preceding such October 1 of such fiscal year.—

* * * * *

Part E—Federal Perkins Loans

SEC. 461. APPROPRIATIONS AUTHORIZED.

(a) * * *

(b) AUTHORIZATION OF APPROPRIATIONS.—(1) * * *

* * * * *

(3) In addition to any amounts appropriated pursuant to paragraph (1) or (2) of this subsection, there shall be available to the Secretary for contributions to student loan funds established under part E, from funds not otherwise appropriated, \$100,000,000 for each of the fiscal years 2008 through 2012. The sum of the amount made available under this subsection for any such fiscal year, plus the amount so appropriated for such fiscal year, shall, for purposes of allocations under section 462, be treated as the amount appropriated pursuant to section 461(b) for such fiscal year.

(4) The authority to make contributions to student loan funds under this part shall expire at the end of fiscal year 2012.—

* * * * *

SEC. 464. TERMS OF LOANS.

(a) * * *

* * * * *

(c) CONTENTS OF LOAN AGREEMENT.—(1) * * *

(2)(A) No repayment of principal of, or interest on, any loan from a student loan fund assisted under this part shall be required during any period—

(i) * * *

* * * * *

(iv) **[not in excess of 3 years]** for any reason which the lender determines, in accordance with regulations prescribed by the Secretary under section 435(o), has caused or will cause the borrower to have an economic hardship; or

* * * * *

PART F—NEED ANALYSIS

* * * * *

SEC. 475. FAMILY CONTRIBUTION FOR DEPENDENT STUDENTS.

(a) * * *

* * * * *

(g) STUDENT CONTRIBUTION FROM AVAILABLE INCOME.—

(1) * * *

(2) ADJUSTMENT TO STUDENT INCOME.—The adjustment to student income is equal to the sum of—

(A) * * *

* * * * *

[(D) an income protection allowance of \$2,200 (or a successor amount prescribed by the Secretary under section 478);]

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

- (i) for the 2009—2010 academic year, \$3,750;
- (ii) for the 2010—2011 academic year, \$4,500;
- (iii) for the 2011—2012 academic year, \$5,250; and
- (iv) for the 2012—2013 academic year, \$6,000;—

* * * * *

SEC. 476. FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS WITHOUT DEPENDENTS OTHER THAN A SPOUSE.

(a) * * *

(b) FAMILY'S CONTRIBUTION FROM AVAILABLE INCOME.—

(1) IN GENERAL.—The family's contribution from income is determined by—

(A) deducting from total income (as defined in section 480)—

(i) * * *

* * * * *

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

- [(I) \$5,000 for single students;
- [(II) \$5,000 for married students where both are enrolled pursuant to subsection (a)(2); and
- [(III) \$8,000 for married students where one is enrolled pursuant to subsection (a)(2);]

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

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

- (aa) for the 2009—2010 academic year, \$6,690;
- (bb) for the 2010—2011 academic year, \$7,160;
- (cc) for the 2011—2012 academic year, \$7,630; and
- (dd) for the 2012—2013 academic year, \$8,090; and

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

- (aa) for the 2009—2010 academic year, \$10,720;
- (bb) for the 2010—2011 academic year, \$11,470;

(cc) for the 2011—2012 academic year,
 \$12,220; and
 (dd) for the 2012—2013 academic year,
 \$12,960;—

* * * * *

SEC. 478. REGULATIONS; UPDATED TABLES.

(a) * * *

(b) INCOME PROTECTION ALLOWANCE.—

(1) REVISED TABLES.—

(A) *IN GENERAL.*—For each academic year after academic year 1993–1994, the Secretary shall publish in the Federal Register a revised table of income protection allowances for the purpose of sections 475(c)(4) and 477(b)(4). Such revised table shall be developed by increasing each of the dollar amounts contained in the table in each such section by a percentage equal to the estimated percentage increase in the Consumer Price Index (as determined by the Secretary) between December 1992 and the December next preceding the beginning of such academic year, and rounding the result to the nearest \$10. **【For the 2007–2008】**

(B) *SPECIAL RULE FOR 2007–2008 ACADEMIC YEAR.*—For the 2007–2008 academic year, the Secretary shall revise the tables in accordance with this paragraph, except that the Secretary shall increase the amounts contained in the table in section 477(b)(4) by a percentage equal to the greater of the estimated percentage increase in the Consumer Price Index (as determined under the **【preceding sentence】** *subparagraph (A)*) or 5 percent.—

(C) *SPECIAL RULE FOR 2009—2010 THROUGH 2012—2013 ACADEMIC YEARS.*—For the 2009—2010 academic year, and for each of the 3 succeeding academic years, the Secretary shall revise the tables in accordance with this paragraph, except that, for the table in section 477(b)(4), the Secretary shall revise such table by increasing the amounts contained in such table for the preceding academic year by 10 percent.—

(2) REVISED AMOUNTS.—For each academic year after academic year 2007–2008, the Secretary shall publish in the Federal Register revised income protection allowances for the purpose of sections 475(g)(2)(D) and 476(b)(1)(A)(iv). Such revised allowances **【shall be developed by increasing each of the dollar amounts contained in such section by a percentage equal to the estimated percentage increase in the Consumer Price Index (as determined by the Secretary) between December 2006 and the December next preceding the beginning of such academic year, and rounding the result to the nearest \$10.】 shall be developed—**

(A) *for academic year 2008–2009, by increasing each of the dollar amounts contained in such section as such section was in effect on the day before the date of enactment of the College Cost Reduction Act of 2007 by a percentage equal to the estimated percentage increase in the Consumer Price Index (as defined in section 478(f)) between December 2006 and the December next preceding the beginning of*

such academic year, and rounding the result to the nearest \$10; and

(B) for each academic year after 2012–2013, by increasing each of the dollar amounts contained in such section for academic year 2012–2013 by a percentage equal to the estimated percentage increase in the Consumer Price Index (as defined in section 478(f)) between December 2011 and the December next preceding the beginning of such academic year, and rounding the result to the nearest \$10.

* * * * *

SEC. 479. SIMPLIFIED NEEDS TESTS.

(a) * * *

(b) SIMPLIFIED NEEDS TEST.—

(1) ELIGIBILITY.—An applicant is eligible to file a simplified form containing the elements required by paragraph (2) if—

(A) in the case of an applicant who is a dependent student—

(i) the student’s parents—

(I) * * *

(II) certify that the parents are not required to file a Federal income tax return; **[or]**—

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

[(III)] (IV) received, or the student received, benefits at some time during the previous **[12-month] 24-month** period under a means-tested Federal benefit program as defined under subsection (d); and

* * * * *

(B) in the case of an applicant who is an independent student—

(i) the student (and the student’s spouse, if any)—

(I) * * *

(II) certifies that the student (and the student’s spouse, if any) is not required to file a Federal income tax return; **[or]**—

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

[(III)] (IV) received benefits at some time during the previous **[12-month] 24-month** period under a means-tested Federal benefit program as defined under subsection (d); and

* * * * *

(c) ZERO EXPECTED FAMILY CONTRIBUTION.—The Secretary shall consider an applicant to have an expected family contribution equal to zero if—

(1) in the case of a dependent student—

(A) the student’s parents—

(i) file, or are eligible to file, a form described in subsection (b)(3);

(ii) certify that the parents are not required to file a Federal income tax return; **[or]**—

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

[(iii)] (iv) received, or the student received, benefits at some time during the previous **[12-month] 24-**

- month* period under a means-tested Federal benefit program as defined under subsection (d); and
- (B) the sum of the adjusted gross income of the parents is less than or equal to **[\$20,000]** *\$30,000*; or
- (2) in the case of an independent student with dependents other than a spouse—
- (A) the student (and the student's spouse, if any)—
- (i) files, or is eligible to file, a form described in subsection (b)(3);
- (ii) certifies that the student (and the student's spouse, if any) is not required to file a Federal income tax return; **[or]**—
- (iii) *is a dislocated worker*; or—
- [(iii)]** (iv) received benefits at some time during the previous **[12-month]** *24-month* period under a means-tested Federal benefit program as defined under subsection (d); and
- (B) the sum of the adjusted gross income of the student and spouse (if appropriate) is less than or equal to **[\$20,000]** *\$30,000*.

An individual is not required to qualify or file for the earned income credit in order to be eligible under this subsection. *The Secretary shall annually adjust the income level necessary to qualify an applicant for the zero expected family contribution. The income level shall be adjusted according to increases in the Consumer Price Index, as defined in section 478(f).*

[(d)] DEFINITION OF MEANS-TESTED FEDERAL BENEFIT PROGRAM.—In this section, the term

(d) DEFINITIONS.—*In this section:*

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

(2) MEANS-TESTED FEDERAL BENEFIT PROGRAM.—*The term “means-tested Federal benefit program” means a mandatory spending program of the Federal Government, other than a program under this title, in which eligibility for the program's benefits, or the amount of such benefits, are determined on the basis of income or resources of the individual or family seeking the benefit, and may include such programs as—*

[(1)] (A) the supplemental security income program under title XVI of the Social Security Act (42 U.S.C. 1381 et seq.);

[(2)] (B) the food stamp program under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.);

[(3)] (C) the free and reduced price school lunch program established under the Richard B. Russell National School Lunch Act (42 U.S.C. 1751 et seq.);

[(4)] (D) the program of block grants for States for temporary assistance for needy families established under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.);

[(5)] (E) the special supplemental nutrition program for women, infants, and children established by section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786); and

[(6)] (F) other programs identified by the Secretary.

SEC. 479A. DISCRETION OF STUDENT FINANCIAL AID ADMINISTRATORS.

(a) IN GENERAL.—Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances. However, this authority shall not be construed to permit aid administrators to deviate from the contributions expected in the absence of special circumstances. Special circumstances may include tuition expenses at an elementary or secondary school, medical or dental expenses not covered by insurance, unusually high child care costs, recent unemployment of a family member, *a family member who is a dislocated worker (as defined in section 101 of the Workforce Investment Act of 1998 (29 U.S.C. 2801))*, the number of parents enrolled at least half-time in a degree, certificate, or other program leading to a recognized educational credential at an institution with a program participation agreement under section 487, or other changes in a family's income, a family's assets, or a student's status. Special circumstances shall be conditions that differentiate an individual student from a class of students rather than conditions that exist across a class of students. Adequate documentation for such adjustments shall substantiate such special circumstances of individual students. In addition, nothing in this title shall be interpreted as limiting the authority of the student financial aid administrator in such cases to request and use supplementary information about the financial status or personal circumstances of eligible applicants in selecting recipients and determining the amount of awards under this title. No student or parent shall be charged a fee for collecting, processing, or delivering such supplementary information.

* * * * *

SEC. 480. DEFINITIONS.

As used in this part:

(a) TOTAL INCOME.—(1) * * *

(2) No portion of any student financial assistance received from any program by an individual, no portion of a national service educational award or post-service benefit received by an individual under title I of the National and Community Service Act of 1990 (42 U.S.C. 12571 et seq.), **and no portion** *no portion* of any tax credit taken under section 25A of the Internal Revenue Code of 1986, *and no distribution from any qualified education benefit described in subsection (f)(3) that is not subject to Federal income tax*, shall be included as income or assets in the computation of expected family contribution for any program funded in whole or in part under this Act.

[(b) UNTAXED INCOME AND BENEFITS.—The term “untaxed income and benefits” means—

[(1) child support received;

[(2) welfare benefits, including assistance under a State program funded under part A of title IV of the Social Security Act and aid to dependent children;

[(3) workman's compensation;

[(4) veterans' benefits such as death pension, dependency, and indemnity compensation, but excluding veterans' education benefits as defined in subsection (c);

[(5) interest on tax-free bonds;

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

[(7) cash support or any money paid on the student's behalf, except, for dependent students, funds provided by the student's parents;

[(8) the amount of earned income credit claimed for Federal income tax purposes;

[(9) untaxed portion of pensions;

[(10) credit for Federal tax on special fuels;

[(11) the amount of foreign income excluded for purposes of Federal income taxes;

[(12) untaxed social security benefits;

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

[(14) any other untaxed income and benefits, such as Black Lung Benefits, Refugee Assistance, railroad retirement benefits, or Job Training Partnership Act noneducational benefits or benefits received through participation in employment and training activities under title I of the Workforce Investment Act of 1998.]—

(b) *UNTAXED INCOME AND BENEFITS.*—

(1) *The term "untaxed income and benefits" means—*

(A) child support received;

(B) workman's compensation;

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

(D) interest on tax-free bonds;

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

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

(G) untaxed portion of pensions;

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

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

(2) *The term "untaxed income and benefits" shall not include the amount of additional child tax credit claimed for Federal income tax purposes.—*

* * * * *

(f) ASSETS.—(1) * * *

* * * * *

(3) A qualified education benefit [shall not be considered an asset of a student for purposes of section 475] shall be considered an asset of the parent for purposes of section 475.—

(4) A qualified education benefit shall be considered an asset of the student for purposes of section 476 and 477.—

[(4)] (5) In determining the value of assets in a determination of need under this title (other than for subpart 4 of part A), the value of a qualified education benefit shall be—

(A) * * *

* * * * *

[(5)] (6) In this subsection:

(A) * * *

* * * * *

(j) OTHER FINANCIAL ASSISTANCE.—(1) * * *

(2) Notwithstanding paragraph (1), a tax credit taken under section 25A of the Internal Revenue Code of 1986, or a distribution that is not includable in gross income under section 529 of such Code, under another prepaid tuition plan offered by a State, or under a Coverdell education savings account under section 530 of such Code, shall not be treated as estimated financial assistance for purposes of section 471(3).

* * * * *

Part G—General Provisions Relating to Student Assistance Programs

* * * * *

SEC. 484C. DEFERRAL OF LOAN REPAYMENT FOLLOWING ACTIVE DUTY.

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

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

- (1) does not include active duty for training or attendance at a service school; but
- (2) includes, in the case of members of the National Guard, active State duty.

* * * * *

SEC. 493C. INCOME-BASED REPAYMENT.

(a) **DEFINITIONS.**—*In this section:*

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

(2) **PARTIAL FINANCIAL HARDSHIP.**—*The term “partial financial hardship”, when used with respect to a borrower, means that for such borrower—*

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

(B) *15 percent of the result obtained by calculating the amount by which—*

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

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

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

(1) *a borrower of any loan made, insured, or guaranteed under part B or D (other than an excepted PLUS loan) who has a partial financial hardship may elect, during any period the borrower has the partial financial hardship, to have the borrower’s aggregate monthly payment for all such loans not exceed the result described in subsection (a)(2)(B) divided by 12;*

(2) *the holder of such a loan shall apply the borrower’s monthly payment under this subsection first toward interest due on the loan and then toward the principal of the loan;*

(3) *any interest due and not paid under paragraph (2) shall be capitalized;*

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

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

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

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

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

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

(A) is in deferment due to an economic hardship described in section 435(o) for a period of time prescribed by the Secretary, not to exceed 20 years; or

(B)(i) makes the election to participate in income-based repayment under paragraph (1); and

(ii) for a period of time prescribed by the Secretary, not to exceed 20 years (including any period during which the borrower is in deferment due to an economic hardship described in section 435(o)), meets 1 or more of the following requirements:

(I) has made reduced monthly payments under paragraph (1);

(II) has made monthly payments of not less than the monthly amount calculated under section 428(b)(9)(A)(i) or 455(d)(1)(A) when the borrower first made the election described in this subsection;

(III) has made payments under a standard repayment plan under section 428(b)(9)(A)(i) or 455(d)(1)(A);

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

(8) a borrower who is repaying a loan made under this part pursuant to income-based repayment may elect, at any time, to terminate repayment pursuant to income-based repayment and repay such loan under the standard repayment plan.—

* * * * *

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

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

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

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

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

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

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

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

(6) an Asian and Pacific Islander-serving institution (as defined in subsection (c)).

(b) **NEW INVESTMENT OF FUNDS.**—

(1) **IN GENERAL.**—There shall be available to the Secretary to carry out this section, from funds not otherwise appropriated, \$100,000,000 for each of the fiscal years 2008 through 2012. The authority to carry out this section shall expire at the end of fiscal year 2012.

(2) ALLOCATION AND ALLOTMENT.—

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

(i) 40 percent shall be available for allocation under subparagraph (B);

(ii) 40 percent shall be available for allocation under subparagraph (C); and

(iii) 20 percent shall be available for allocation under subparagraph (D).

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

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

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

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

(i) \$34,000,000 shall be available to eligible institutions described in subsection (a)(1) and shall be made available as grants under section 323 and allotted among such institutions under section 324, treating such amount, plus the amount appropriated for such fiscal year in a regular or supplemental appropriation Act to carry out part B of title III, as the amount appropriated to carry out part B of title III for purposes of allotments under section 324, for use by such institutions with a priority for—

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

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

(ii) \$6,000,000 shall be available to eligible institutions described in subsection (a)(5) and shall be available for a competitive grant program to award 10 grants of \$600,000 annually for programs in the following areas: science, technology, engineering, or mathematics (STEM); health education; internationalization or globalization; teacher preparation; or improving educational outcomes of African American males.

(D) *ALLOCATION AND ALLOTMENT TO OTHER MINORITY-SERVING INSTITUTIONS.*—From the amount made available

for allocation under this subparagraph by subparagraph (A)(iii) for any fiscal year (in this subparagraph referred to as the “allocable amount”)—

(i) 60 percent of the allocable amount for such fiscal year shall be available to eligible institutions described in subsection (a)(3) and shall be made available as grants under section 316, treating such 60 percent of the allocable amount as part of the amount appropriated for such fiscal year in a regular or supplemental appropriation Act to carry out such section, and using such 60 percent for purposes described in subsection (c) of such section;

(ii) 30 percent of the allocable amount for such fiscal year shall be available to eligible institutions described in subsection (a)(4) and shall be made available as grants under section 317, treating such 30 percent of the allocable amount as part of the amount appropriated for such fiscal year in a regular or supplemental appropriation Act to carry out such section and using such 60 percent for purposes described in subsection (a) of such section; and

(iii) 10 percent of the allocable amount for such fiscal year shall be available to eligible institutions described in subsection (a)(6) for activities described in section 311(c).

(c) **DEFINITIONS.**—

(1) **PREDOMINANTLY BLACK INSTITUTION.**—The term “Predominantly Black institution” means an institution of higher education that—

(A) has an enrollment of needy undergraduate students as required and defined by paragraph (2);

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

(C) has an enrollment of undergraduate students—

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

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

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

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

(D) is legally authorized to provide, and provides within the State, an educational program for which the institution

of higher education awards a bachelors degree, or in the case of a junior or community college, an associate's degree;

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

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

(2) **ENROLLMENT OF NEEDY STUDENTS.**—The term “enrollment of needy students” means the enrollment at an eligible institution with respect to which not less than 50 percent of the undergraduate students enrolled in an academic program leading to a degree—

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

(B) come from families that receive benefits under a means-tested Federal benefits program (as defined in paragraph (4));

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

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

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

or

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

(3) **LOW-INCOME INDIVIDUAL.**—The term “low-income individual” has the meaning given such term in section 402A(g).

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

(5) **ASIAN AMERICAN AND PACIFIC ISLANDER-SERVING INSTITUTION.**—The term “Asian American and Pacific Islander-serving institution” means an institution of higher education that—

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

(B) at the time of application, has an enrollment of undergraduate students that is at least 10 percent Asian American and Pacific Islander students from subgroups with low levels of college degree attainment.

(6) **ASIAN AMERICAN.**—The term “Asian American” has the meaning given the term “Asian” in the Office of Management

and Budget's Standards for Maintaining, Collecting, and Presenting Federal Data on Race and Ethnicity as published on October 30, 1997 (62 Fed. Reg. 58789).

(7) **PACIFIC ISLANDER.**—The term “Pacific Islander” has the meaning given the term “Native Hawaiian” or “Other Pacific Islander” in such Standards for Maintaining, Collecting, and Presenting Federal Data on Race and Ethnicity.

(8) **LOW LEVELS OF COLLEGE DEGREE ATTAINMENT.**—The term “low levels of college degree attainment” mean college degree attainment that is less than 20 percent for adults ages 25 through 29 as reported by the National Center for Educational Statistics.

(d) **TERMINATION OF AUTHORITY.**—The authority to carry out this section expires at the end of fiscal year 2012.—

* * * * *

TITLE VIII—COOPERATIVE EDUCATION REWARDS FOR INSTITUTIONS THAT RESTRAIN TUITION INCREASES

SEC. 801. DEFINITION OF COOPERATIVE EDUCATION.

For the purpose of this title the term “cooperative education” means the provision of alternating or parallel periods of academic study and public or private employment in order to give students work experiences related to their academic or occupational objectives and an opportunity to earn the funds necessary for continuing and completing their education.

SEC. 802. AUTHORIZATION OF APPROPRIATIONS; RESERVATIONS.

(a) **APPROPRIATIONS.**—There shall be available to the Secretary to carry out this title from funds not otherwise appropriated \$15,000,000 for each of the fiscal years 2008 through 2012.

(b) **RESERVATIONS.**—Of the amount appropriated for each such fiscal year—

(1) not less than 50 percent shall be available for carrying out grants to institutions of higher education and combinations of such institutions described in section 803(a)(1)(A) for cooperative education under section 803;

(2) not less than 25 percent shall be available for carrying out grants to institutions of higher education described in section 803(a)(1)(B) for cooperative education under section 803;

(3) not more than 11 percent shall be available for demonstration projects under paragraph (1) of section 804(a);

(4) not more than 11 percent shall be available for training and resource centers under paragraph (2) of section 804(a); and

(5) not more than 3 percent shall be available for research under paragraph (3) of section 804(a).

(c) **AVAILABILITY OF APPROPRIATIONS.**—Appropriations under this title shall not be available for the payment of compensation of students for employment by employers under arrangements pursuant to this title.

(d) **SUNSET.**—The authority to carry out this title shall expire at the end of fiscal year 2012.

SEC. 803. GRANTS FOR COOPERATIVE EDUCATION.**(a) GRANTS AUTHORIZED.—****(1) IN GENERAL.—***The Secretary is authorized—*

(A) from the amount available under section 802(b)(1) in each fiscal year and in accordance with the provisions of this title, to make grants to institutions of higher education or combinations of such institutions that have not previously received a grant under this paragraph to pay the Federal share of the cost of planning, establishing, expanding, or carrying out programs of cooperative education by such institutions or combinations of institutions; and

(B) from the amount available under section 802(b)(2) in each fiscal year and in accordance with the provisions of this title, to make grants to institutions of higher education that are operating an existing cooperative education program (as determined by the Secretary) to pay the cost of planning, establishing, expanding, or carrying out programs of cooperative education by such institutions.

(2) PROGRAM REQUIREMENT.—*Cooperative education programs assisted under this section shall provide alternating or parallel periods of academic study and of public or private employment, giving students work experience related to their academic or occupational objectives and the opportunity to earn the funds necessary for continuing and completing their education.*

(3) AMOUNT OF GRANTS.—

(A) The amount of each grant awarded pursuant to paragraph (1)(A) to any institution of higher education or combination of such institutions in any fiscal year shall not exceed \$500,000.

(B)(i) Except as provided in clauses (ii) and (iii), the Secretary shall award grants in each fiscal year to each institution of higher education described in paragraph (1)(B) that has an application approved under subsection (b) in an amount which bears the same ratio to the amount reserved pursuant to section 802(b)(2) for such fiscal year as the number of unduplicated students placed in cooperative education jobs during the preceding fiscal year (other than cooperative education jobs under section 804 and as determined by the Secretary) by such institution of higher education bears to the total number of all such students placed in such jobs during the preceding fiscal year by all such institutions.

(ii) No institution of higher education shall receive a grant pursuant to paragraph (1)(B) in any fiscal year in an amount which exceeds 25 percent of such institution's cooperative education program's personnel and operating budget for the preceding fiscal year.

(iii) The minimum annual grant amount which an institution of higher education is eligible to receive under paragraph (1)(B) is \$1,000 and the maximum annual grant amount is \$75,000.

(4) LIMITATION.—*The Secretary shall not award grants pursuant to paragraphs (1)(A) and (1)(B) to the same institution of higher education or combination of such institution in any one fiscal year.*

(5) *USES.*—Grants under paragraph (1)(B) shall be used exclusively—

(A) to expand the quality and participation of a cooperative education program;

(B) for outreach in new curricular areas; and

(C) for outreach to potential participants including underrepresented and nontraditional populations.

(b) *APPLICATIONS.*—Each institution of higher education or combination of such institutions desiring to receive a grant under this section shall submit an application to the Secretary at such time and in such manner as the Secretary shall prescribe. Each such application shall—

(1) set forth the program or activities for which a grant is authorized under this section;

(2) specify each portion of such program or activities which will be performed by a nonprofit organization or institution other than the applicant, and the compensation to be paid for such performance;

(3) provide that the applicant will expend during such fiscal year for the purpose of such program or activities not less than the amount expended for such purpose during the previous fiscal year;

(4) describe the plans which the applicant will carry out to assure, and contain a formal statement of the institution's commitment which assures, that the applicant will continue the cooperative education program beyond the 5-year period of Federal assistance described in subsection (c)(1) at a level which is not less than the total amount expended for such program during the first year such program was assisted under this section;

(5) provide that, in the case of an institution of higher education that provides a 2-year program which is acceptable for full credit toward a bachelor's degree, the cooperative education program will be available to students who are certificate or associate degree candidates and who carry at least one-half the normal full-time academic workload;

(6) provide that the applicant will—

(A) for each fiscal year for which the applicant receives a grant, make such reports with respect to the impact of the cooperative education program in the previous fiscal year as may be essential to ensure that the applicant is complying with the provisions of this section, including—

(i) the number of unduplicated student applicants in the cooperative education program;

(ii) the number of unduplicated students placed in cooperative education jobs;

(iii) the number of employers who have hired cooperative education students;

(iv) the average income for students derived from working in cooperative education jobs; and

(v) the increase or decrease in the number of unduplicated students placed in cooperative education jobs in each fiscal year compared to the previous fiscal year; and

(B) keep such records as are essential to ensure that the applicant is complying with the provisions of this title, in-

cluding the notation of cooperative education employment on the student's transcript;

(7) describe the extent to which programs in the academic discipline for which the application is made have had a favorable reception by public and private sector employers;

(8) describe the extent to which the institution is committed to extending cooperative education on an institution-wide basis for all students who can benefit;

(9) describe the plans that the applicant will carry out to evaluate the applicant's cooperative education program at the end of the grant period;

(10) provide for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of, and accounting for, Federal funds paid to the applicant under this title;

(11) demonstrate a commitment to serving all underserved populations; and

(12) include such other information as is essential to carry out the provisions of this title.

(c) **DURATION OF GRANTS; FEDERAL SHARE.**—

(1) **DURATION OF GRANTS.**—No individual institution of higher education may receive, individually or as a participant in a combination of such institutions—

(A) a grant pursuant to subsection (a)(1)(A) for more than 5 fiscal years; or

(B) a grant pursuant to subsection (a)(1)(B) for more than 5 fiscal years.

(2) **FEDERAL SHARE.**—The Federal share of a grant under section 803(a)(1)(A) may not exceed—

(A) 85 percent of the cost of carrying out the program or activities described in the application in the first year the applicant receives a grant under this section;

(B) 70 percent of such cost in the second such year;

(C) 55 percent of such cost in the third such year;

(D) 40 percent of such cost in the fourth such year; and

(E) 25 percent of such cost in the fifth such year.

(3) **SPECIAL RULE.**—Any provision of law to the contrary notwithstanding, the Secretary shall not waive the provisions of this subsection.

(d) **MAINTENANCE OF EFFORT.**—If the Secretary determines that a recipient of funds under this section has failed to maintain the fiscal effort described in subsection (b)(3), then the Secretary may elect not to make grant payments under this section to such recipient.

SEC. 804. DEMONSTRATION AND INNOVATION PROJECTS; TRAINING AND RESOURCE CENTERS; AND RESEARCH.

(a) **AUTHORIZATION.**—The Secretary is authorized, in accordance with the provisions of this section, to make grants and enter into contracts—

(1) from the amounts available in each fiscal year under section 802(b)(3), for the conduct of demonstration projects designed to demonstrate or determine the feasibility or value of innovative methods of cooperative education ;

(2) from the amounts available in each fiscal year under section 802(b)(4), for the conduct of training and resource centers designed to—

(A) train personnel in the field of cooperative education;
 (B) improve materials used in cooperative education programs if such improvement is conducted in conjunction with other activities described in this paragraph;

(C) furnish technical assistance to institutions of higher education to increase the potential of the institution to continue to conduct a cooperative education program without Federal assistance;

(D) encourage model cooperative education programs which furnish education and training in occupations in which there is a national need;

(E) support partnerships under which an institution carrying out a comprehensive cooperative education program joins with one or more institutions of higher education in order to—

(i) assist the institutions other than the comprehensive cooperative education institution to develop and expand an existing program of cooperative education;
 or

(ii) establish and improve or expand comprehensive cooperative education programs; and

(F) encourage model cooperative education programs in the fields of science and mathematics for women and minorities who are underrepresented in such fields; and

(3) from the amounts available in each fiscal year under section 802(b)(5), for the conduct of research relating to cooperative education.

(b) ADMINISTRATIVE PROVISION.—

(1) IN GENERAL.—To carry out this section, the Secretary may—

(A) make grants to or contracts with institutions of higher education, or combinations of such institutions; and

(B) make grants to or contracts with other public or private nonprofit agencies or organizations, whenever such grants or contracts will make an especially significant contribution to attaining the objectives of this section.

(2) LIMITATION.—

(A) The Secretary may not use more than 3 percent of the amount appropriated to carry out this section in each fiscal year to make grants or enter into contracts described in paragraph (1)(A).

(B) The Secretary may use not more than 3 percent of the amount appropriated to carry out this section in each fiscal year to make grants or enter into contracts described in paragraph (1)(B).

(c) SUPPLEMENT NOT SUPPLANT.—A recipient of a grant or contract under this section may use the funds provided only to supplement and, to the extent possible, increase the level of funds that would, in the absence of such funds, be made available from non-Federal sources to carry out the activities supported by such grant or contract, and in no case to supplant such funds from non-Federal sources.

XVII. COMMITTEE CORRESPONDENCE

None.

MINORITY VIEWS

Republican Members of the Committee on Education and Labor are committed to ensuring that every child in America is afforded the highest quality education possible. We also remain committed to the principle of a balanced budget without raising taxes. A balanced budget can be obtained by supporting pro-growth economic policies, restraining excessive entitlement spending, and ensuring programs are working as efficiently as possible—Committee Republicans have supported all of these proposals.

While Committee Republicans appreciated the ability to contribute and improve the final bill, we strongly disagree with the abuse of the reconciliation process, the level of cuts that were included in the final bill and the significant amount of new entitlement spending that is not focused on increasing access to higher education for low-income students. In addition, we strongly object to the shift in focus of entitlement spending away from individuals to institutions of higher education that have failed to control excessive tuition increases thereby causing the most harm to the exact students this bill should be supporting.

THE ABUSE OF THE RECONCILIATION PROCESS

Committee Republicans reject the idea that the reconciliation process should be used to overhaul the student loan programs in a manner that could not pass under regular order and that results in an unprecedented expansion of entitlement spending coupled with minimal deficit reduction. Under Republican leadership, the Committee established a strong record on matters of deficit reduction. In the Fiscal Year (FY) 2006 budget, the then-Education & the Workforce Committee was tasked with finding more than \$12 billion in budget savings over five years—the second highest total of any House Committee. Not only did we find those savings through slashing costly subsidies to student loan lenders, but we also found nearly eight billion dollars in additional savings, which we translated into new and expanded benefits for ALL college students. In short, reconciliation served its deficit reduction purpose—and then some. The reconciliation bill in this Congress only produced \$750 million for deficit reduction.

The Committee, under the reconciliation process in the 109th Congress, made \$20 billion worth of changes to the student loan programs that eliminated wasteful federal subsidies and reduced the potential for fraud and abuse in the programs. For example, the Committee permanently prohibited the creation of new loans through certain tax-exempt bonds issued from 1980–1993 that guarantee a 9.5 percent yield to lenders. The Committee also increased risk sharing on the part of private lenders in the Federal Family Education Loan (FFEL) program by decreasing the percentage that a lender will receive when a borrower defaults on a stu-

dent loan. Finally, the Committee supported a provision in the Deficit Reduction Act (DRA) that moved the administrative portion of the section 458 account from a mandatory spending account to a discretionary spending account.

The billions in savings to the American taxpayer were achieved at the same time the Committee expanded benefits for ALL students and made changes that ensured students would be able to pay for their college education. Building upon the President's FY 2006 budget request the Committee, under Republican leadership, expanded loan limits for first year, second year, and graduate students. For the first time ever, graduate students would be able to access Federal PLUS loans, which permit borrowers to borrow up to the cost of attendance. In addition, the Committee reduced fees paid by students from up to four percent to just one percent over the five year period.

While making it clear that decisions over school curricula are best made by State and local authorities, the Committee also included a program to provide additional grant funds to Pell-eligible, high achieving college students. The Academic Competitiveness Grant (ACG) program provides first year college students who completed a rigorous high school curriculum at a public or private high school an extra \$750 in grant aid; second year college students who completed a rigorous high school curriculum at a public or private high school receive \$1,300 in additional grant aid. The National Science and Mathematics Access to Retain Talent (SMART) Grants of up to \$4,000 go to third and fourth year students who are majoring in math, science, or certain foreign languages.

Finally, the Deficit Reduction Act included a provision to make permanent provisions included in the Taxpayer-Teacher Protection Act of 2004 that would more than triple the amount of student loan forgiveness available to highly qualified math, science, and special education teachers. The increase from \$5,000 to \$17,500 in loan forgiveness for these qualified educators was based on a proposal from President Bush's FY 2005 budget request.

The changes made last Congress resulted in more financial aid being available to students today than at any time in history.

In sum, under Republican leadership, the Committee used the reconciliation process for the purpose it was intended—to reduce the federal deficit. Unfortunately, the Committee, under Democrat leadership, has subverted the original intent of the reconciliation process and abused the process to shield the billions of new entitlement spending included in the bill. This point is made clear by the fact that the Committee on Education and Labor was the only Committee given a reconciliation instruction in the Budget Resolution. In fact, during the budget debate in the Senate, Budget Committee Chairman Conrad called the House instruction a “stalking-horse for a significant expansion of spending.” The reconciliation process has been clearly abused here. The process was meant for deficit reduction, not as a backdoor way to spend billions of dollars on new programs.

NEW ENTITLEMENT SPENDING

The Democrat-led student loan bill, the College Cost Reduction Act, finds \$19 billion in savings within higher education programs

over the next five years. In the last Congress, two-thirds of our budget reconciliation savings went towards deficit reduction and one-third went toward increasing student benefits like higher loan limits, more grant aid for low-income, high-achieving students, and loan forgiveness for high-demand teachers. And while this bill does some of the same, it also targets new aid toward those who already have graduated and to institutions of higher education. These are examples of misplaced priorities; student aid is intended to go to students.

The bill then spends almost all of the \$19 billion on new entitlement spending, including nine new entitlement programs, most of which does not even further the goals of college access and persistence.

For example, the bill spends less than one-third of the savings on the Pell Grant program. Instead, the money is spent on assisting those who have already taken advantage of government subsidies and graduated from college and new programs aimed at institutions rather than students. In contrast, the defeated Republican substitute would have spent \$12 billion on increasing the Pell Grant. Assuming the House stands behind the maximum Pell Grant award included in the Labor/HHS/Education Appropriations bill, this infusion of funds would increase the maximum Pell Grant to \$5,050 in the 2008–2009 academic year and raise it to \$5,450 by the 2012–2013 academic year. The Republican substitute would have increased the Pell Grant without creating a maze of new rules and regulations for students, parents, and institutions to navigate.

The most expensive provision in the bill reduces interest rates for a subsection of borrowers—individuals that received subsidized loans for their undergraduate education. The interest rate is slowly phased down to 3.4 percent for a five year period. The 3.4 percent is only in effect for one year before it jumps back up to 6.8 percent. Democrats claim that a typical borrower would save \$4,400 over the life of the loan due to the interest rate cut. It is impossible for a borrower to save that much under this bill. In order to save the full \$4,400, the 3.4 percent rate must stay in effect for years at a time—and they must consolidate their loans and stretch out repayment over 15 years. In reality, a college freshman in the fall of 2012—when the rate is at 3.4 percent—would only end up saving \$6.42 per month once he or she begins repaying the student loan. Worse yet, these new benefits would not be aimed at a single college student. By definition, they are intended for those already have graduated from college. Republicans, in contrast, believe benefits should be aimed squarely at those attending or hoping to attend college.

The bill also establishes another repayment program for borrowers, costing almost \$1 billion to U.S. taxpayers. This proposal caps a borrower's monthly repayment amount at 15 percent of the borrower's discretionary income. The student loan programs already have four different repayment options and the ability to enter into deferment or forbearance during times of financial distress. Borrowers are able to switch between plans to ensure that they are repaying their loans in a manner that suits their current financial situation. A new repayment plan will only add confusion and complication to an already complex program.

Finally, the bill spends over \$1.6 billion of new entitlement spending in providing aid to institutions without the accountability provided by the annual appropriations process. This represents a major policy shift in how mandatory funds are spent. The federal government historically reserves entitlement funding streams for programs that provide a direct benefit to an individual—such as a Social Security check, Medicare benefit, or a student loan. These benefits are portable and can be used by the individual wherever they live or to purchase services. The creation of new entitlement spending to an institution of higher education takes the spending of taxpayer dollars outside the purview and oversight conducted by the Appropriations Committee and a steady flow of funds goes to institutions regardless of the need or the quality of the program that is being funded. The country's debt is already fueled primarily by the skyrocketing growth in entitlement spending. If this growth in spending continues, it will be more difficult for future generations to continue to enjoy the same standard of living that we enjoy today.

LEVEL OF CUTS

The reconciliation bill voted on in Committee threatens the stability of the Federal Family Education Loan (FFEL) program. Just last Congress, the Committee cut approximately \$20 billion from the student loan program in the DRA. Just two short years later, the Committee, under Democrat leadership, is cutting an additional \$19 billion from the FFEL program. The Committee took this action without even allowing enough time to pass to analyze the impact of the changes that took place in the DRA. Not one hearing has taken place on the impact of the DRA from last Congress or on the impact of additional cuts proposed in this legislation. In addition, the bill was only introduced one day prior to the markup, leaving very little time for Members and others to understand the true impact of the cuts.

Republicans believe that the private-market student loan program can withstand the level of the cuts included in the DRA, even though that substantial reduction in subsidies paid to student loan providers participating in the FFEL program could lead to some reduced access to loans. However, additional cuts to student loan providers should have been more carefully studied if the Committee intended to ensure a viable FFEL program for students and institutions of higher education across the country who count on the FFEL program for their student loans.

A more reasonable alternative would have been to accept the Republican substitute. This bill would have trimmed the subsidies provided to student loan providers in the FFEL program while maintaining the stability of the program, thereby ensuring that competition between the FFEL program and the government-run Direct Loan program continues in the future. Specifically, the Republican substitute would have adopted the same cut to lender insurance rates, saved the federal government \$11 billion through lower special allowance payments, and saved \$2.8 billion through restructuring the manner in which guaranty agencies are reimbursed for their administrative and collection activities.

One additional area that provides several Republicans with some concern is the amendment offered during the markup to require a study of market mechanisms that could then be used to determine lender returns when making student loans. The study would specifically look at the use of auctions and provide for a test of the most promising models. The Department of Education did a market mechanisms study several years ago with the Government Accountability Office and others which did not find auctions to be a workable mechanism for administering the student loan program. While another look at the issue may shed new light on the subject, we should not assume that a new study will necessarily result in a different determination. An auction system may further complicate the federal student loan programs, particularly for institutions. In addition, under an auction system students lose their right to choose a lender, something Republicans have been fighting to protect in many of the proposals that have been introduced in the past. If students have no right to pick their lender, competition in the student loan program and the benefits that competition brings are lost altogether.

CONCLUSION

Committee Republicans appreciated the inclusive nature of the process that went into developing this bill and hope that the Committee can work together as this legislation moves to the House Floor. However, Republicans continue to have major concerns about the use of the reconciliation process to legislate significant cuts to the FFEL program and extravagant new entitlement spending. Had this legislation taken a more reasonable approach to reducing subsidies and spending more of the money saved on actual students, rather than college graduates and institutions, there may well have been a different result. The cuts made in this bill threaten the stability of the FFEL program, a program that has been successful, competitive and is the program of choice for almost 80 percent of student loan borrowers in this country. Committee Republicans fear that this bill, if left unchanged, will force smaller lenders out of the business, reduce competition, and eliminate student benefits. Students should be the main focus of the student aid proposals the Committee puts forward, but in the end, they will lose if this bill is passed in its current form. It is our hope that serving students and ensuring the stability of both of the student loan programs is the goal of the bill as it moves to the House Floor.

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144

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