

105TH CONGRESS  
2D SESSION

# S. 2123

To amend the Higher Education Act of 1965 to improve accountability  
and reform certain programs.

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IN THE SENATE OF THE UNITED STATES

MAY 22, 1998

Mr. SANTORUM introduced the following bill; which was read twice and  
referred to the Committee on Labor and Human Resources

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## A BILL

To amend the Higher Education Act of 1965 to improve  
accountability and reform certain programs.

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

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

4       (a) **SHORT TITLE.**—This Act may be cited as the  
5       “Federal Accountability and Institutional Reform in Edu-  
6       cation Act of 1998”.

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

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

**SEC. 2. FINDINGS.**

The Congress finds that—

(1) the Federal Government is reducing spending in all areas, including postsecondary education;

(2) reductions in postsecondary education spending fall on students, institutions, State loan guaranty agencies and lenders;

(3) the administration of postsecondary education is the responsibility of the Department of Education; and

(4) reforms should be made to postsecondary education programs—

(A) to provide greater accountability from the Department, educational institutions, lenders, guaranty agencies, servicers, and secondary markets; and

(B) to enhance institutional compliance with Department policies.

**SEC. 3. STUDENT LOAN COHORT DEFAULT MANAGEMENT REFORMS.**

(a) ADMINISTRATIVE AND FISCAL PROCEDURES.—

Section 428(c)(2)(A) (20 U.S.C. 1078(c)(2)(A)) is amended by striking “proof that reasonable attempts were

1 made” and inserting “proof that the institution was con-  
 2 tacted and other reasonable attempts were made”.

3 (b) REIMBURSEMENT.—Section 428(c)(2)(G) (20  
 4 U.S.C. 1078(c)(2)(G)) is amended by striking “certifies  
 5 to the Secretary that diligent attempts have been made”  
 6 and inserting “demonstrates to the Secretary that diligent  
 7 attempts, including contact with the institution, have been  
 8 made”.

9 (c) LIMITATION.—Section 428 (20 U.S.C. 1078) is  
 10 amended by adding at the end the following:

11 “(o) LIMITATION.—Notwithstanding any other provi-  
 12 sion of this section, the Secretary shall not reimburse or  
 13 permit any eligible lender, servicer, or guaranty agency (or  
 14 its affiliates) who previously filed a claim for reimburse-  
 15 ment on a loan to retain any proceeds from subsequent  
 16 collection of a defaulted loan to the extent that such funds,  
 17 when added to the amount of prior reimbursement under  
 18 this section, exceed 100 percent of the original principal  
 19 of the loan.”.

20 (d) NOTICE TO SECRETARY AND PAYMENT OF  
 21 LOSS.—The third sentence of section 430(a) (20 U.S.C.  
 22 1080(a)) is amended—

23 (1) by inserting “all” after “required to meet”;  
 24 and

1           (2) by inserting “the institution was contacted  
2           and other” after “submit proof that”.

3           (e) ANNUAL REPORT.—Section 430 (20 U.S.C.  
4 1080) is amended by adding at the end the following:

5           “(f) ANNUAL REPORT.—The Secretary shall report  
6 annually to Congress that lenders, servicers and guaranty  
7 agencies have demonstrated their compliance with servie-  
8 ing and due diligence requirements, under both statute  
9 and regulation. The Secretary also shall provide informa-  
10 tion on the successful practices of low-default lenders,  
11 servicers and guaranty agencies to other financial, servie-  
12 ing and guaranty institutions participating in this title to  
13 encourage duplication of successful servicing and collec-  
14 tion programs.”.

15          (f) NOTICE TO INSTITUTIONS OF CREDIT BUREAU  
16 INFORMATION.—Section 430A(e) (20 U.S.C. 1080a(e)) is  
17 amended by striking “are authorized to” and inserting  
18 “shall”.

19          (g) CIRCUMSTANCES.—Section 435(a)(2) (20 U.S.C.  
20 1085(a)(2)) is amended by adding at the end the follow-  
21 ing:

22               “(D) The circumstances referred to in subpara-  
23 graph (A)(ii) shall be uniformly applied to all eligible  
24 institutions and shall require that such an institu-  
25 tion meet the following criteria:

1 “(i) Not less than 50 percent of the stu-  
 2 dents enrolled in eligible programs qualify for  
 3 an award under subpart 1 of part A of title IV.

4 “(ii) The institution’s student completion  
 5 rate is 60 percent or greater.

6 “(iii) The initial job placement rate of pro-  
 7 gram graduates is 60 percent or greater.”.

8 (h) CONTINUED PARTICIPATION.—Section 435(a)(2)  
 9 (20 U.S.C. 1085(a)(2)) (as amended by subsection (g))  
 10 is further amended—

11 (1) in subparagraph (A)—

12 (A) in the first sentence of the matter pre-  
 13 ceding clause (i), by striking “for the fiscal year  
 14 for which the determination is made and for the  
 15 two succeeding fiscal years” and inserting “dur-  
 16 ing the period determined under subparagraph  
 17 (E)”;

18 (B) in clause (i), by striking “or” after the  
 19 semicolon;

20 (C) in clause (ii), by striking the period  
 21 and inserting “; or”; and

22 (D) by inserting before the matter follow-  
 23 ing clause (ii) the following:

1 “(iii) the institution has less than 100  
2 borrowers in any of the 3 cohorts on which  
3 the cohort default rates are based.”; and  
4 (2) by adding at the end the following:

5 “(E) An institution that is ineligible to  
6 participate pursuant to a determination under  
7 subparagraph (A) shall be ineligible for a period  
8 beginning with the fiscal year for which the de-  
9 termination is made and ending on the earlier  
10 of—

11 “(i) the expiration of the 2 succeeding  
12 fiscal years; or

13 “(ii) the date on which the cohort de-  
14 fault rates published with respect to such  
15 institution are less than the threshold per-  
16 centage specified in subparagraph (B) for  
17 any 2 of the 3 most recent fiscal years for  
18 which data are available.

19 “(F) The Secretary shall perform a pro-  
20 gram review pursuant to section 489A with re-  
21 spect to an institution described in subpara-  
22 graph (A)(iii) within a reasonable timeframe to  
23 ensure the administrative capability and finan-  
24 cial responsibility of the institution.”.

1 (i) COHORT DEFAULT RATE.—Section 435(m) (20  
2 U.S.C. 1085(m)) is amended—

3 (1) in paragraph (1)—

4 (A) in subparagraph (A), by striking “30  
5 or more current” and inserting “100 or more  
6 current”;

7 (B) in subparagraph (B)—

8 (i) by inserting “properly” before  
9 “paid claims”; and

10 (ii) by striking “due to improper” and  
11 all that follows through the period and in-  
12 serting “as demonstrated by the evidence  
13 submitted in support of the institution’s  
14 timely appeal to the Secretary, did not  
15 meet the standards of due diligence in the  
16 collection of the loan, including attempts to  
17 locate the borrower (when the location is  
18 unknown) and contact with the borrower  
19 (when the location is known), as required  
20 under section 430.”; and

21 (C) in subparagraph (C), by striking  
22 “fewer than 30” and inserting “fewer than  
23 100”; and

24 (2) in paragraph (2)—

1 (A) by redesignating subparagraph (D) as  
 2 subparagraph (E); and

3 (B) by inserting after subparagraph (C)  
 4 the following new subparagraph:

5 “(D) Any loan for which the Secretary has  
 6 reimbursed the guaranty agency for claims on  
 7 the insurance on a defaulted loan, and the  
 8 agency has subsequently brought the loan into  
 9 current repayment under section 428(c)(6),  
 10 shall be removed from an institution’s default  
 11 rate and the institution’s rate shall be recal-  
 12 culated to reflect an accurate percentage of the  
 13 borrowers in default for the three most recent  
 14 cohorts used to determine institutional eligi-  
 15 bility under this subsection.”.

16 (j) INACCURACIES AND EXCEPTIONS.—Section  
 17 435(m)(1) (20 U.S.C. 1085(m)(1)) is amended by adding  
 18 at the end the following:

19 “(D) The Secretary, after consultation  
 20 with the institution for which the cohort default  
 21 rate is calculated, shall correct any inaccuracies  
 22 in the data generated by the Department. The  
 23 Secretary shall confirm with the institution the  
 24 last date of attendance for all students, and ac-  
 25 cept and apply the institution’s determination



as to the correct last date of attendance prior to the calculation of the cohort default rate. No cohort default rate shall be published until the Secretary assures the accuracy of the cohort default rates. The institution for which the cohort default rate is calculated shall have an opportunity to appeal the cohort default rate based on inaccuracies, inadequate loan servicing, mitigating circumstances, and exceptions.

“(E) No cohort default rate shall be calculated for any institution that meets any 1 of the following criteria:

“(i) Three or fewer loans entered into default during the repayment period covered by the cohort default rate.

“(ii) The institution no longer participates in the loan program under this part or part D.”.

(k) PUBLICATION DATE.—Section 435(m)(4) (20 U.S.C. 1085(m)(4)) is amended by adding at the end the following:

“(D) The Secretary shall publish the report described in subparagraph (C) by September 30 of each year.”.

1 **SEC. 4. LIMITED INJUNCTIVE RELIEF.**

2       Section 432(a)(2) (20 U.S.C. 1082(a)(2)) is amended  
 3 by striking “Secretary’s control and” and inserting “Sec-  
 4 retary’s control, except that, notwithstanding the provi-  
 5 sions of this paragraph, any district court of the United  
 6 States, in reviewing any final determination of the Sec-  
 7 retary concerning eligibility for, or the terms of participa-  
 8 tion in, any loan or grant program under this title, may  
 9 enter any order that would be appropriate under sections  
 10 705 and 706 of title 5, United States Code, and”.

11 **SEC. 5. EXPANDED REVIEW OF LOAN SERVICING AND COL-**  
 12 **LECTION RECORDS.**

13       The matter following subparagraph (C) of section  
 14 435(a)(3) (20 U.S.C. 1085(a)(3)) is amended by inserting  
 15 after “loan servicers” the following “, or at the request  
 16 of the institution, a complete copy of the records,”.

17 **SEC. 6. REPAYMENT TERMS.**

18       (a) INSURED LOANS.—Section 427 (20 U.S.C. 1077)  
 19 is amended—

20               (1) in subsection (a)(2)—

21                       (A) in subparagraph (B), in the matter  
 22 preceding clause (i), by striking “over a period”  
 23 through “nor more than 10 years” and insert-  
 24 ing “in accordance with the repayment plan se-  
 25 lected under subsection (d),”;

1 (B) in the matter following clause (iii) of  
 2 subparagraph (C), by striking “the 10-year pe-  
 3 riod described in subparagraph (B);” and in-  
 4 serting “the length of the repayment period  
 5 under a repayment plan described in subsection  
 6 (d);”;

7 (C) by striking subparagraph (F);

8 (D) by redesignating subparagraphs (G),  
 9 (H), and (I) as subparagraphs (F), (G), and  
 10 (H), respectively; and

11 (E) in subparagraph (G) (as redesignated  
 12 by subparagraph (D)), by striking “the option”  
 13 through the end of the subparagraph and in-  
 14 serting “the repayment options described in  
 15 subsection (d); and”;

16 (2) in subsection (c), by striking “in subsection  
 17 (a)(2)(H),” and inserting the following: “by a repay-  
 18 ment plan selected by the borrower under subpara-  
 19 graph (C) or (D) of subsection (d)(1),”; and

20 (3) by adding after subsection (c) the following  
 21 new subsection:

22 “(d) REPAYMENT PLANS.—

23 “(1) DESIGN AND SELECTION.—In accordance  
 24 with regulations of the Secretary, the lender shall  
 25 offer a borrower of a loan made under this part the

1 plans described in this subsection for repayment of  
2 such loan, including principal and interest thereon.  
3 No plan may require a borrower to repay a loan in  
4 less than 5 years. The borrower may choose from—

5 “(A) a standard repayment plan, with a  
6 fixed annual repayment amount paid over a  
7 fixed period of time, not to exceed 10 years;

8 “(B) an extended repayment plan, with a  
9 fixed annual repayment amount paid over an  
10 extended period of time, not to exceed 30 years,  
11 except that the borrower shall repay annually a  
12 minimum amount determined in accordance  
13 with subsection (c);

14 “(C) a graduated repayment plan, with an-  
15 nual repayment amounts established at 2 or  
16 more graduated levels and paid over an ex-  
17 tended period of time, not to exceed 30 years,  
18 except that the borrower’s scheduled payments  
19 shall not be less than 50 percent, nor more  
20 than 150 percent, of what the amortized pay-  
21 ment on the amount owed would be if the loan  
22 were repaid under the standard repayment  
23 plan; and

24 “(D) an income-sensitive repayment plan,  
25 with income-sensitive repayment amounts paid

1 over a fixed period of time prescribed by the  
 2 Secretary, not to exceed 25 years, at the end of  
 3 which any remaining obligation of the borrower  
 4 shall be discharged under section 437(e).

5 “(2) LENDER SELECTION OF OPTION IF BOR-  
 6 ROWER DOES NOT SELECT.—If a borrower of a loan  
 7 made under this part does not select a repayment  
 8 plan described in paragraph (1), the lender shall  
 9 provide the borrower with a repayment plan de-  
 10 scribed in paragraph (1)(A).

11 “(3) CHANGES IN SELECTIONS.—The borrower  
 12 of a loan made under this part may change the bor-  
 13 rower’s selection of a repayment plan under para-  
 14 graph (1), or the lender’s selection of a plan for the  
 15 borrower under paragraph (2), as the case may be,  
 16 under such conditions as may be prescribed by the  
 17 Secretary in regulation.

18 “(4) ACCELERATION PERMITTED.—Under any  
 19 of the plans described in this subsection, the bor-  
 20 rower shall be entitled to accelerate, without penalty,  
 21 repayment on the borrower’s loans under this part.”.

22 (b) GUARANTEED LOANS.—Section 428(b) (20  
 23 U.S.C. 1078) is amended—

24 (1) in paragraph (1)—

(A) in subparagraph (D), by striking clauses (i) and (ii) and the clause designation “(iii)”;

(B) in subparagraph (E)—

(i) in clause (i)—

(I) by striking “or section 428A,” and inserting “or section 428H,”; and

(II) by striking “the option” through the end of the clause and inserting “the repayment options described in paragraph (9); and”; and

(ii) in clause (ii)—

(I) by striking “over a period” through “nor more than 10 years” and inserting “in accordance with the repayment plan selected under paragraph (9), and”; and

(II) by striking “of this subsection”; and

(C) in subparagraph (L)(i), by inserting after the clause designation the following: “except as otherwise provided by a repayment plan selected by the borrower under clause (iii) or (iv) of paragraph (9)(A),”; and

1           (2) by adding after paragraph (8) the following  
2       new paragraph:

3           “(9) REPAYMENT PLANS.—

4                   “(A) DESIGN AND SELECTION.—In accord-  
5       ance with regulations of the Secretary, the lend-  
6       er shall offer a borrower of a loan made under  
7       this part the plans described in this subpara-  
8       graph for repayment of such loan, including  
9       principal and interest thereon. No plan may re-  
10      quire a borrower to repay a loan in less than  
11      5 years. The borrower may choose from—

12                   “(i) a standard repayment plan, with  
13           a fixed annual repayment amount paid  
14           over a fixed period of time, not to exceed  
15           10 years;

16                   “(ii) an extended repayment plan,  
17           with a fixed annual repayment amount  
18           paid over an extended period of time, not  
19           to exceed 30 years, except that the bor-  
20           rower shall repay annually a minimum  
21           amount determined in accordance with  
22           paragraph (2)(L);

23                   “(iii) a graduated repayment plan,  
24           with annual repayment amounts estab-  
25           lished at 2 or more graduated levels and

1           paid over an extended period of time, not  
2           to exceed 30 years, except that the borrow-  
3           er's scheduled payments shall not be less  
4           than 50 percent, nor more than 150 per-  
5           cent, of what the amortized payment on  
6           the amount owed would be if the loan were  
7           repaid under the standard repayment plan;  
8           and

9           “(iv) an income-sensitive repayment  
10          plan, with income-sensitive repayment  
11          amounts paid over a fixed period of time  
12          prescribed by the Secretary, not to exceed  
13          25 years, at the end of which any remain-  
14          ing obligation of the borrower shall be dis-  
15          charged under section 437(e).

16          “(B) LENDER SELECTION OF OPTION IF  
17          BORROWER DOES NOT SELECT.—If a borrower  
18          of a loan made under this part does not select  
19          a repayment plan described in subparagraph  
20          (A), the lender shall provide the borrower with  
21          a repayment plan described in subparagraph  
22          (A)(i).

23          “(C) CHANGES IN SELECTIONS.—The bor-  
24          rower of a loan made under this part may  
25          change the borrower's selection of a repayment



1 plan under subparagraph (A), or the lender's  
 2 selection of a plan for the borrower under sub-  
 3 paragraph (B), as the case may be, under such  
 4 conditions as may be prescribed by the Sec-  
 5 retary in regulation.

6 “(D) ACCELERATION PERMITTED.—Under  
 7 any of the plans described in this paragraph,  
 8 the borrower shall be entitled to accelerate,  
 9 without penalty, repayment on the borrower's  
 10 loans under this part.

11 “(E) COMPARABLE FFEL AND DIRECT  
 12 LOAN REPAYMENT PLANS.—The Secretary shall  
 13 ensure that the repayment plans offered to bor-  
 14 rowers under this part are comparable, to the  
 15 extent practicable and not otherwise provided in  
 16 statute, to the repayment plans offered under  
 17 part D.”.

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

20 (1) in subsection (b)(3)(F), by striking “alter-  
 21 native”; and

22 (2) in subsection (c), by amending paragraph  
 23 (2) to read as follows:

24 “(2) REPAYMENT PLANS.—

1           “(A) DESIGN AND SELECTION.—In accord-  
2           ance with regulations of the Secretary, the lend-  
3           er shall offer a borrower of a loan made under  
4           this section the plans described in this para-  
5           graph for repayment of such loan, including  
6           principal and interest thereon. No plan may re-  
7           quire a borrower to repay a loan in less than  
8           5 years. The borrower may choose from—

9                   “(i) a standard repayment plan, with  
10                  a fixed annual repayment amount paid  
11                  over a fixed period of time, not to exceed  
12                  10 years;

13                  “(ii) an extended repayment plan,  
14                  with a fixed annual repayment amount  
15                  paid over an extended period of time, not  
16                  to exceed 30 years, except that the bor-  
17                  rower shall repay annually a minimum  
18                  amount determined in accordance with  
19                  paragraph (3);

20                  “(iii) a graduated repayment plan,  
21                  with annual repayment amounts estab-  
22                  lished at 2 or more graduated levels and  
23                  paid over an extended period of time, not  
24                  to exceed 30 years, except that the borrow-  
25                  er’s scheduled payments shall not be less

1           than 50 percent, nor more than 150 per-  
 2           cent, of what the amortized payment on  
 3           the amount owed would be if the loan were  
 4           repaid under the standard repayment plan;  
 5           and

6           “(iv) an income-sensitive repayment  
 7           plan, with income-sensitive repayment  
 8           amounts paid over a fixed period of time  
 9           prescribed by the Secretary, not to exceed  
 10          25 years, at the end of which any remain-  
 11          ing obligation of the borrower shall be dis-  
 12          charged under section 437(e).

13          “(B) LENDER SELECTION OF OPTION IF  
 14          BORROWER DOES NOT SELECT.—If a borrower  
 15          of a loan made under this section does not se-  
 16          lect a repayment plan described in subpara-  
 17          graph (A), the lender shall provide the borrower  
 18          with a repayment plan described in subpara-  
 19          graph (A)(i).

20          “(C) CHANGES IN SELECTIONS.—The bor-  
 21          rower of a loan made under this section may  
 22          change the borrower’s selection of a repayment  
 23          plan under subparagraph (A), or the lender’s  
 24          selection of a plan for the borrower under sub-  
 25          paragraph (B), as the case may be, under such

1 conditions as may be prescribed by the Sec-  
 2 retary in regulation.”.

3 (d) DIRECT LOANS.—Section 455(d) (20 U.S.C.  
 4 1087e) is amended—

5 (1) in paragraph (1)—

6 (A) in subparagraph (B), by inserting after  
 7 “an extended period of time,” the following:  
 8 “not to exceed 30 years,”;

9 (B) in subparagraph (C), by striking “a  
 10 fixed or extended period of time,” and inserting  
 11 the following: “an extended period of time, not  
 12 to exceed 30 years,”; and

13 (C) in subparagraph (D), by inserting “at  
 14 the end of which any remaining obligation of  
 15 the borrower shall be discharged,” after “25  
 16 years,”; and

17 (2) in paragraph (2), by striking “subpara-  
 18 graph (A), (B), or (C) of paragraph (1).” and in-  
 19 serting “paragraph (1)(A).”.

20 (e) DISCHARGE OF INCOME-SENSITIVE BORROWER  
 21 OBLIGATIONS.—Section 437 (20 U.S.C. 1087) is amended  
 22 by adding at the end the following new subsection:

23 “(e) PAYMENT AFTER 25 YEARS ON INCOME-SEN-  
 24 SITIVE LOANS.—The Secretary shall discharge a borrow-  
 25 er’s liability by repaying to the holder of a loan that is

1 subject to an income-sensitive repayment plan the amount  
 2 of the principal and interest that remains unpaid after the  
 3 borrower has completed 25 years of payment in accord-  
 4 ance with the plan.”.

5 **SEC. 7. NEGATIVE AMORTIZATION WAIVER.**

6 Section 437A(b) (20 U.S.C. 1087–0(b)) is amended  
 7 by adding at the end the following new paragraph:

8 “(3) NEGATIVE AMORTIZATION WAIVER.—No  
 9 loan shall be considered in default for any purpose  
 10 under this paragraph if the borrower is making reg-  
 11 ularly scheduled payments towards the repayment of  
 12 the borrower’s loan obligation in the amount re-  
 13 quired by the borrower’s repayment plan, even if  
 14 those payments are not sufficient to pay the interest  
 15 accruing on a monthly or quarterly basis.”.

16 **SEC. 8. EQUITY IN LOAN CONSOLIDATION.**

17 Section 428C (20 U.S.C. 1078–3) is amended—

18 (1) in subsection (a)(3)—

19 (A) in subparagraph (A), by inserting “in  
 20 an in-school period,” after “for a consolidation  
 21 loan is”; and

22 (B) in subparagraph (B), by amending  
 23 clause (i) to read as follows: “(i) Eligible stu-  
 24 dent loans received by the eligible borrower may  
 25 be added to a consolidation loan during the

1 180-day period following the making of such  
2 consolidation loan.”;

3 (2) in subsection (b)(4)(C), by amending clause  
4 (ii) to read as follows:

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

7 “(I) by the Secretary, in the case of  
8 a consolidation loan made before October  
9 1, 1998, that consolidated only Federal  
10 Stafford Loans for which the student bor-  
11 rower received an interest subsidy under  
12 section 428;

13 “(II) by the Secretary, in the case of  
14 a consolidation loan made on or after Oc-  
15 tober 1, 1998, except that the Secretary  
16 shall pay such interest only on that portion  
17 of the loan that repays Federal Stafford  
18 Loans for which the student borrower re-  
19 ceived an interest subsidy under section  
20 428; and

21 “(III) by the borrower, or capitalized,  
22 in the case of a consolidation loan, or por-  
23 tion thereof, other than one described in  
24 subclause (I) or (II);”; and

25 (3) in subsection (c)—

1 (A) in paragraph (1)—

2 (i) in subparagraph (A), by striking  
3 “subparagraph (B), (C), or (D).” and in-  
4 serting “subparagraph (B), (C), (D), (E),  
5 or (F), and subject to subparagraph (G).”;  
6 and

7 (ii) by adding after subparagraph (D)  
8 the following new subparagraphs:

9 “(E) A consolidation loan made on or after Oc-  
10 tober 1, 1998, that repays loans made under section  
11 428 or 428H, or a combination thereof, shall bear  
12 interest at an annual rate on the unpaid principal  
13 balance of the loan that is equal to—

14 “(i) the rate specified in section 427A(g),  
15 in the case of a borrower in an in-school or  
16 grace period; or

17 “(ii) the rate specified in section  
18 427A(h)(1) in all other cases.

19 “(F) A consolidation loan made on or after Oc-  
20 tober 1, 1998, that repays loans made under section  
21 428B shall bear interest at an annual rate on the  
22 unpaid principal balance of the loan that is equal to  
23 the rate specified in section 427A(h)(2).

24 “(G) Notwithstanding any other provision of  
25 this section, the Secretary may prescribe in regula-

1       tion such procedures as may be necessary to ensure  
2       that—

3               “(i) a borrower of a consolidation loan that  
4               repays a combination of loans eligible to be con-  
5               solidated under this section, shall continue to  
6               receive, after consolidation, any interest subsidy  
7               benefits associated with a loan, without extend-  
8               ing such benefits to any other loans consoli-  
9               dated that do not have interest subsidy benefits;

10              “(ii) in the case of a consolidation loan  
11              that repays a combination of loans described in  
12              subparagraphs (E) and (F), the interest rate on  
13              such consolidation loan shall be calculated in a  
14              manner that reflects the interest rate applicable  
15              to loans made under each such subparagraph;  
16              and

17              “(iii) in the case of a consolidation loan  
18              that repays a loan eligible to be consolidated  
19              under this section other than those described in  
20              subparagraphs (E) and (F), the interest rate  
21              applicable to such other loan shall be the inter-  
22              est rate described in subparagraph (E) if such  
23              other loan is considered by the Secretary to be  
24              subsidized, and the interest rate described in



1           subparagraph (F) if such other loan is consid-  
 2           ered by the Secretary to be unsubsidized.”; and

3           (B) in paragraph (4)—

4           (i) by striking “Repayment of” and  
 5           inserting “(A) Except as provided in sub-  
 6           paragraph (B), repayment of”; and

7           (ii) by adding after subparagraph (A)  
 8           (as redesignated by clause (i)) the follow-  
 9           ing new subparagraph:

10          “(B) In the case of a consolidation loan that re-  
 11          pays a loan made under this part for which the bor-  
 12          rower is in an in-school period at the time the con-  
 13          solidation application is received, the repayment pe-  
 14          riod for such consolidation loan shall commence  
 15          after the completion of a grace period, as described  
 16          in section 428(b)(7)(A)(i).”.

17 **SEC. 9. LIAISON FOR PROPRIETARY INSTITUTIONS OF**  
 18 **HIGHER EDUCATION.**

19          Title II of the Department of Education Organization  
 20          Act (20 U.S.C. 3411 et seq.) is amended by adding at  
 21          the end the following:

22 **“SEC. 219. LIAISON FOR PROPRIETARY INSTITUTIONS OF**  
 23 **HIGHER EDUCATION.**

24          “(a) ESTABLISHMENT.—There shall be in the De-  
 25          partment a Liaison for Proprietary Institutions of Higher

1 Education, who shall be an officer of the Department ap-  
 2 pointed by the Secretary.

3 “(b) APPOINTMENT.—The Secretary shall appoint,  
 4 not later than 6 months after the date of enactment of  
 5 the Federal Accountability and Institutional Reform in  
 6 Education Act of 1998 a Liaison for Proprietary Institu-  
 7 tions of Higher Education who shall be a person who—

8 “(1) has attained a certificate or degree from a  
 9 proprietary institution of higher education; or

10 “(2) has been employed in a proprietary institu-  
 11 tion setting for not less than 5 years.

12 “(c) DUTIES.—The Liaison for Proprietary Institu-  
 13 tions of Higher Education shall—

14 “(1) serve as the principal advisor to the Sec-  
 15 retary on matters affecting proprietary institutions  
 16 of higher education;

17 “(2) provide guidance to programs within the  
 18 Department that involve functions affecting propri-  
 19 etary institutions of higher education; and

20 “(3) work with the Federal Interagency Com-  
 21 mittee on Education to improve the coordination  
 22 of—

23 “(A) the outreach programs in the numer-  
 24 ous Federal departments and agencies that ad-  
 25 minister education and job training programs;

- 1                   “(B) collaborative business and education  
2                   partnerships; and  
3                   “(C) education programs located in, and  
4                   involving, rural areas.”.

