

108TH CONGRESS  
1ST SESSION

# H. R. 3618

To ensure that all college students and their families have the tools and resources to adequately save for, finance, and repay their postsecondary and post-baccalaureate expenses.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 21, 2003

Mr. MENENDEZ (for himself, Mr. PAYNE, Mr. HINOJOSA, Mr. OWENS, Mr. CLYBURN, and Mr. FATTAH) introduced the following bill; which was referred to the Committee on Education and the Workforce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To ensure that all college students and their families have the tools and resources to adequately save for, finance, and repay their postsecondary and post-baccalaureate expenses.

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

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Higher Education Af-  
5       fordability Resource Act”.

1 **SEC. 2. HOPE SCHOLARSHIP CREDIT EXPANDED TO COVER**  
2 **EXPENSES FOR OTHER EDUCATIONAL EX-**  
3 **PENSES.**

4 (a) IN GENERAL.—Sections 25A and 6050S of the  
5 Internal Revenue Code of 1986 are each amended by  
6 striking “qualified tuition and related expenses” each  
7 place it appears and inserting “qualified higher education  
8 expenses”.

9 (b) QUALIFIED HIGHER EDUCATION EXPENSES.—  
10 Section 25A(f)(1) of such Code is amended to read as fol-  
11 lows:

12 “(1) QUALIFIED HIGHER EDUCATION EX-  
13 PENSES.—The term ‘qualified higher education ex-  
14 penses’ means the qualified higher education ex-  
15 penses (as defined by section 529(e)(3) without re-  
16 gard to subparagraph (B) thereof) required for the  
17 enrollment or attendance of—

18 “(A) the taxpayer,

19 “(B) the taxpayer’s spouse, or

20 “(C) any dependent of the taxpayer with  
21 respect to whom the taxpayer is allowed a de-  
22 duction under section 151,

23 at an eligible educational institution for courses of  
24 instruction of such individual at such institution.”.

25 (c) EFFECTIVE DATE.—The amendments made by  
26 this section shall apply to expenses paid after December

1 31, 2003 (in taxable years ending after such date), for  
2 education furnished in academic periods beginning after  
3 such date.

4 **SEC. 3. LOAN FORGIVENESS FOR PUBLIC SERVICE EM-**  
5 **PLOYEES.**

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

8 **“SEC. 428K. LOAN FORGIVENESS FOR PUBLIC SERVICE EM-**  
9 **PLOYEES.**

10 “(a) PURPOSES.—The purposes of this section are—

11 “(1) to reduce the burden of student debt, par-  
12 ticularly for Americans who dedicate their careers to  
13 meeting certain urgent national needs; and

14 “(2) to attract more excellent individuals into  
15 important public service careers.

16 “(b) LOAN FORGIVENESS.—

17 “(1) IN GENERAL.—The Secretary shall assume  
18 the obligation to repay, pursuant to subsection (c),  
19 a loan made under section 428 or 428H, a Federal  
20 Direct Stafford Loan or Federal Direct Unsub-  
21 sidized Stafford Loan, a Federal Direct Consolida-  
22 tion Loan, or a Federal Perkins Loan for any new  
23 borrower after the date of enactment of the Higher  
24 Education Amendments of 1998, who—

1           “(A) is employed full time in a qualified  
2           public service position described in paragraph  
3           (2); and

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

6           “(2) QUALIFIED PUBLIC SERVICE POSITIONS.—  
7           For purposes of this section, an individual shall be  
8           treated as employed in a qualified public service po-  
9           sition if the individual is any of the following:

10           “(A) HIGHLY QUALIFIED TEACHERS IN  
11           LOW-INCOME COMMUNITIES AND OF MATHE-  
12           MATICS, SCIENCE, AND BILINGUAL AND SPE-  
13           CIAL EDUCATION.—An individual who—

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

17           “(ii)(I) has obtained employment as a  
18           teacher for service in a public or nonprofit  
19           private elementary or secondary school  
20           which is in the school district of a local  
21           educational agency which is eligible in such  
22           year for assistance pursuant to title I of  
23           the Elementary and Secondary Education  
24           Act of 1965, and which for the purpose of  
25           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; or

“(II) has obtained employment as a full-time teacher of mathematics, science, or bilingual or special education.

“(B) NURSES IN LOW INCOME COMMUNITIES.—An individual who has obtained employment —

“(i)(I) in a clinical setting; or

“(II) 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)); and

“(ii) serves a low-income or needy community.

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

1 “(i) has completed a degree in social  
2 work or related field with a focus on serv-  
3 ing children and families (as determined in  
4 accordance with regulations prescribed by  
5 the Secretary); and

6 “(ii) has obtained employment in pub-  
7 lic or private child welfare services.

8 “(D) FIRST RESPONDERS IN LOW-INCOME  
9 COMMUNITIES.—An individual who, as deter-  
10 mined by the Secretary of Education by regula-  
11 tion—

12 “(i) has obtained employment as a  
13 firefighter, police officer, or emergency  
14 medical technician; and

15 “(ii) serves a low-income community.

16 “(c) LOAN REPAYMENT.—

17 “(1) IN GENERAL.—The Secretary shall assume  
18 the obligation to repay—

19 “(A) after each of the first or second years  
20 of service by an individual in a qualified public  
21 service position, 15 percent of the total amount  
22 of principal and interest of the loans described  
23 in subsection (b)(1) to such individual that are  
24 outstanding immediately preceding such first  
25 year of such service;

1           “(B) after each of the third or fourth years  
2           of such service, 20 percent of such total  
3           amount; and

4           “(C) after the fifth year of such service, 30  
5           percent of such total amount.

6           “(2) TREATMENT OF CONSOLIDATION LOANS.—

7           A loan amount for a loan made under section 428C  
8           or for a Federal Direct Consolidation Loan may be  
9           a qualified loan amount for the purposes of this sub-  
10          section only to the extent that such loan amount was  
11          used to repay a loan described in subsection (b)(1)  
12          for a borrower who meets the requirements of sub-  
13          section (b), as determined in accordance with regula-  
14          tions prescribed by the Secretary.

15          “(3) CONSTRUCTION.—Nothing in this section  
16          shall be construed to authorize the refunding of any  
17          repayment of a loan made under section 428 or  
18          428H, a Federal Direct Stafford Loan or Federal  
19          Direct Unsubsidized Stafford Loan, a Federal Direct  
20          Loan, or a Federal Perkins Loan.

21          “(4) INTEREST.—If a portion of a loan is re-  
22          paid by the Secretary under this section for any  
23          year, the proportionate amount of interest on such  
24          loan that accrues for such year shall be repaid by  
25          the Secretary.

1           “(5) INELIGIBILITY OF NATIONAL SERVICE  
2       AWARD RECIPIENTS.—No student borrower may, for  
3       the same service, receive a benefit under both this  
4       section and subtitle D of title I of the National and  
5       Community Service Act of 1990 (42 U.S.C. 12601  
6       et seq.).

7           “(6) INELIGIBILITY FOR DOUBLE BENEFITS.—  
8       No borrower may receive a reduction of loan obliga-  
9       tions under both this section and section 428J or  
10      460.

11          “(7) CONTINUED ELIGIBILITY OF TEACHERS.—  
12      Any teacher who performs service in a school that—

13               “(A) meets the requirements of subsection  
14               (b)(2)(A)(ii)(I) in any year during such service;  
15               and

16               “(B) in a subsequent year fails to meet the  
17               requirements of such subsection,

18      may continue to teach in such school and shall be  
19      eligible for loan forgiveness pursuant to subsection  
20      (b).

21          “(d) REPAYMENT TO ELIGIBLE LENDERS AND  
22      HOLDERS.—The Secretary shall pay to each eligible lend-  
23      er or holder for each fiscal year an amount equal to the  
24      aggregate amount of the lender’s or holder’s loans that



1 are subject to repayment pursuant to this section for such  
2 year.

3 “(e) APPLICATION FOR REPAYMENT.—

4 “(1) IN GENERAL.—Each eligible individual de-  
5 siring loan repayment under this section shall sub-  
6 mit a complete and accurate application to the Sec-  
7 retary at such time, in such manner, and containing  
8 such information as the Secretary may require.

9 “(2) CONDITIONS.—An eligible individual may  
10 apply for loan repayment under this section after  
11 completing each of the consecutive years of quali-  
12 fying service described in subsection (c)(1). The bor-  
13 rower may elect to receive forbearance while engaged  
14 in qualifying service described in subsection (c)(1)  
15 unless the borrower is in deferment while so en-  
16 gaged.

17 “(f) REGULATIONS.—The Secretary is authorized to  
18 prescribe such regulations as may be necessary to carry  
19 out the provisions of this section.

20 “(g) DEFINITIONS.—In this section:

21 “(1) CHILD WELFARE SERVICES.—The term  
22 ‘child welfare services’ has the meaning given the  
23 term in section 425 of the Social Security Act.

1           “(2) DEGREE.—The term ‘degree’ means an as-  
2       sociate’s or bachelor’s degree awarded by an institu-  
3       tion of higher education.

4           “(3) ELIGIBLE NURSE.—The term ‘eligible  
5       nurse’ means a nurse who meets all of the following:

6           “(A) The nurse graduated from—

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

11              “(ii) a nursing center; or

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

14           “(B) The nurse holds a valid and unre-  
15       stricted license to practice nursing in the State  
16       in which the nurse practices in a clinical set-  
17       ting.

18           “(C) The nurse holds 1 or more of the fol-  
19       lowing:

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

22               “(ii) A nursing degree from a colle-  
23               giate school of nursing (as defined in sec-  
24               tion 801 of the Public Health Service Act  
25               (42 U.S.C. 296)).

1                   “(iii) A nursing degree from an asso-  
 2                   ciate degree school of nursing (as defined  
 3                   in section 801 of the Public Health Service  
 4                   Act (42 U.S.C. 296)).

5                   “(iv) A nursing degree from a diploma  
 6                   school of nursing (as defined in section  
 7                   801 of the Public Health Service Act (42  
 8                   U.S.C. 296)).

9                   “(4) LOW-INCOME COMMUNITY.—In this sub-  
 10                  section, the term ‘low-income community’ means a  
 11                  community in which 70 percent of households earn  
 12                  less than 85 percent of the State median household  
 13                  income.

14                  “(5) YEAR.—The term ‘year’, where applied to  
 15                  service as a teacher (or service as a member of an  
 16                  accredited school of nursing (as those terms are de-  
 17                  fined in section 801 of the Public Health Service Act  
 18                  (42 U.S.C. 296))), means an academic year as de-  
 19                  fined by the Secretary.”.

20   **SEC. 4. YEAR-ROUND PELL GRANTS.**

21                  Section 401(b)(6) (20 U.S.C. 1070a(b)(6)) is amend-  
 22                  ed by striking “may allow, on a case-by-case basis,” and  
 23                  inserting “shall allow”.

1 **SEC. 5. TREATMENT OF PREPAYMENT AND SAVINGS PLANS**  
2 **UNDER STUDENT FINANCIAL AID NEEDS**  
3 **ANALYSIS.**

4 (a) DEFINITION OF ASSETS.—Subsection (f) of sec-  
5 tion 480 of the Higher Education Act of 1965 (20 U.S.C.  
6 1087vv(j)) is amended—

7 (1) in paragraph (1), by inserting “qualified  
8 education benefit (except as provided in paragraph  
9 (3)),” after “tax shelters,”; and

10 (2) by adding at the end the following new  
11 paragraphs:

12 “(3) A qualified education benefit shall not be consid-  
13 ered an asset of the student under section 475 of this part.

14 “(4) For purposes of this subsection, the term ‘quali-  
15 fied education benefit’ means—

16 “(A) a program which is described in clause (i)  
17 of section 529(b)(1)(A) of the Internal Revenue  
18 Code of 1986 and which meets the requirements of  
19 section 529(b)(1)(B) of such Code;

20 “(B) a State tuition program described in  
21 clause (ii) of section 529(b)(1)(A) of the Internal  
22 Revenue Code of 1986 which meets the requirements  
23 of section 529(b)(1)(B) of such Code; and

24 “(C) a Coverdell education savings account (as  
25 defined in section 530(b)(1) of the Internal Revenue  
26 Code of 1986).”.

1 (b) DEFINITION OF OTHER FINANCIAL ASSIST-  
 2 ANCE.—Subsection (j) of section 480 of the Higher Edu-  
 3 cation Act of 1965 (20 U.S.C. 1087vv(j)) is amended—

4 (1) by striking “; TUITION PREPAYMENT  
 5 PLANS” in the heading of such subsection;

6 (2) by striking “(1) For purposes” and insert-  
 7 ing “For purposes”; and

8 (3) by striking paragraph (2).

9 (c) EFFECTIVE DATE.—The amendments made by  
 10 this section shall apply with respect to determinations of  
 11 need under part F of title IV of the Higher Education  
 12 Act of 1965 for academic years beginning on or after July  
 13 1, 2005.

14 **SEC. 6. SPECIAL TRANSITION ASSISTANCE PLANS FOR BOR-**  
 15 **ROWERS.**

16 (a) PLANS AUTHORIZED.—Section 428(b)(9) (20  
 17 U.S.C. 1078(b)(9)) is amended by adding at the end the  
 18 following new subparagraph:

19 “(C) SPECIAL TRANSITION ASSISTANCE  
 20 PLANS.—In addition to the plans required by  
 21 subparagraph (A), the lender shall provide a  
 22 borrower who has not yet completed 12 months  
 23 in the repayment period with the option to  
 24 repay a loan made under this section in accord-  
 25 ance with a special transition assistance plan.

1           The interest rate on a loan for which the bor-  
 2           rower elected a special transition assistance  
 3           plan shall be determined in accordance with  
 4           section 427A(k) or 427A(l), as applicable. If a  
 5           borrower participates in a special transition as-  
 6           sistance plan for 24 or more months, and then  
 7           repays the outstanding balance of the loan more  
 8           than 24 months prior to the last scheduled pay-  
 9           ment on the loan, the borrower shall repay the  
 10          Secretary the amount of interest that accrued  
 11          on the loan during the 24 months beginning on  
 12          the effective date of the plan.”.

13       (b) INTEREST RATES.—

14           (1) PRE-2006 LOANS.—Section 427A(k) (20  
 15       U.S.C. 1077a(k)) is amended—

16               (A) by redesignating paragraph (6) as  
 17               paragraph (7); and

18               (B) by inserting after paragraph (5) the  
 19               following new paragraph:

20           “(6) SPECIAL TRANSITION ASSISTANCE PLANS  
 21       INTEREST RATES.—

22               “(A) IN GENERAL.—Notwithstanding para-  
 23               graph (1), with respect to any loan for which  
 24               the borrower elected a special transition assist-  
 25               ance plan as provided in section 428(b)(9)(C)—

1 “(i) for 24 months beginning on the  
2 effective date of the plan the applicable  
3 rate of interest shall be 3.4 percent; and

4 “(ii) for the last 24 months of the  
5 scheduled repayment period the applicable  
6 rate of interest shall be computed for each  
7 calendar quarter beginning January 1,  
8 April 1, July 1, and October 1 of each  
9 year—

10 “(I) by determining the average  
11 of the bond equivalent rates of the  
12 quotes of the 3-month commercial  
13 paper (financial) rates in effect for  
14 each of the days in such quarter as  
15 reported by the Federal Reserve in  
16 Publication H-15 (or its successor)  
17 for such 3-month period;

18 “(II) by subtracting the applica-  
19 ble interest rates on such loans from  
20 such average bond equivalent rate;

21 “(III) by adding 2.34 percent to  
22 the resultant percent; and by dividing  
23 the resultant percent by 4.

24 “(B) EXCEPTION.—The interest rate on a  
25 loan for which the borrower elected a special

1 transition assistance plan for the period begin-  
2 ning the first day of the last 24 months of the  
3 scheduled repayment period until the beginning  
4 of the first calendar quarter thereafter will be  
5 computed using the average of the bond equiva-  
6 lent rates of the quotes of the 3-month commer-  
7 cial paper (financial) rates in effect for the  
8 quarter ending the previous March 31, June 30,  
9 September 30, or December 31.”.

10 (2) POST-2006 LOANS.—Section 427A(l) (20  
11 U.S.C. 1077a(l)) is amended by adding at the end  
12 the following new paragraph:

13 “(4) SPECIAL TRANSITION ASSISTANCE PLANS  
14 INTEREST RATES.—

15 “(A) IN GENERAL.—Notwithstanding para-  
16 graph (1), with respect to any loan for which  
17 the borrower elected a special transition assist-  
18 ance plan as provided in section 428(b)(9)(C)—

19 “(i) for 24 months beginning on the  
20 effective date of the plan the applicable  
21 rate of interest shall be 3.4 percent; and

22 “(ii) for the last 24 months of the  
23 scheduled repayment period the applicable  
24 rate of interest shall be computed for each  
25 calendar quarter beginning January 1,



1 April 1, July 1, and October 1 of each  
2 year—

3 “(I) by determining the average  
4 of the bond equivalent rates of the  
5 quotes of the 3-month commercial  
6 paper (financial) rates in effect for  
7 each of the days in such quarter as  
8 reported by the Federal Reserve in  
9 Publication H-15 (or its successor)  
10 for such 3-month period;

11 “(II) by subtracting the applica-  
12 ble interest rates on such loans from  
13 such average bond equivalent rate;

14 “(III) by adding 2.34 percent to  
15 the resultant percent; and by dividing  
16 the resultant percent by 4.

17 “(B) EXCEPTION.—The interest rate on a  
18 loan for which the borrower elected a special  
19 transition assistance plan for the period begin-  
20 ning the first day of the last 24 months of the  
21 scheduled repayment period until the beginning  
22 of the first calendar quarter thereafter will be  
23 computed using the average of the bond equiva-  
24 lent rates of the quotes of the 3-month commer-  
25 cial paper (financial) rates in effect for the

1 quarter ending the previous March 31, June 30,  
2 September 30, or December 31.”.

3 (c) ADDITIONAL CONFORMING AMENDMENTS.—

4 (1) Section 427(a)(2)(H) (20 U.S.C.  
5 1077(a)(2)(H)) is amended by inserting after “regu-  
6 lations of the Secretary” the following: “or in ac-  
7 cordance with a special transition assistance plan as  
8 provided in section 428(b)(9)(C)”.

9 (2) Section 428(b)(1)(E)(i) (20 U.S.C.  
10 1078(b)(1)(E)(i)) is amended by inserting after  
11 “regulations of the Secretary” the following: “or in  
12 accordance with a special transition assistance plan  
13 as provided in section 428(b)(9)(C)”.

14 (3) Section 428(b)(1)(L)(i) (20 U.S.C.  
15 1078(b)(1)(L)(i)) is amended by inserting before “,  
16 be less than \$600” the following: “or the borrower  
17 is in the first 24 months after the borrower elected  
18 a special transition assistance plan as provided in  
19 section 428(b)(9)(C)”.

20 (4) Section 428C(a)(4)(A) (20 U.S.C. 1078–  
21 3(a)(4)(A)) is amended by inserting before the semi-  
22 colon the following: “except a loan for which the bor-  
23 rower elected a special transition assistance plan as  
24 provided in section 428(b)(9)(C)”.

1           (5) Section 428J(e)(1) (20 U.S.C. 1078–  
 2           10(e)(1)) is amended by adding at the end the fol-  
 3           lowing new sentence: “A loan for which the borrower  
 4           elected a special transition assistance plan as pro-  
 5           vided in section 428(b)(9)(C) is not eligible for re-  
 6           payment under this section.”.

7 **SEC. 7. SUPPORT FOR ACADEMIC CREDIT TRANSFERS.**

8           Subpart 2 of part A of title IV of the Higher Edu-  
 9           cation Act of 1965 is amended—

10           (1) by redesignating section 407E as section  
 11           406E; and

12           (2) by inserting after chapter 3 (20 U.S.C.  
 13           1070a–31 et seq.) the following new chapter:

14           **“CHAPTER 4—SUPPORT FOR ACADEMIC**  
 15                               **CREDIT TRANSFERS**

16           **“SEC. 407A. PURPOSE.**

17           “‘It is the purpose of this chapter to enhance opportu-  
 18           nities of students to transfer between institutions in order  
 19           to complete bachelor’s degrees by supporting the develop-  
 20           ment and implementation of articulation and guaranteed  
 21           transfer agreements.

22           **“SEC. 407B. ACTIVITIES.**

23           “(a) GRANTS AUTHORIZED.—From the amounts ap-  
 24           propriated under section 407C, the Secretary shall award  
 25           grants to a partnership that includes two or more institu-

1 tions of higher education, at least one of which offers a  
2 baccalaureate or postbaccalaureate degree.

3 “(b) USE OF FUNDS.—Grants awarded under this  
4 part shall be used for—

5 “(1) the development of policies to promote the  
6 transfer of academic credits between institutions and  
7 expanding articulation and guaranteed transfer  
8 agreements;

9 “(2) support services to students participating  
10 in the program, such as tutoring, mentoring, and  
11 academic and personal counseling, as well as any  
12 service that facilitates the transition of students be-  
13 tween the partner institutions;

14 “(3) academic program enhancements at the  
15 community or technical college that result in increas-  
16 ing the quality of the program offered and the num-  
17 ber of student participants in the dual degree pro-  
18 gram offered in conjunction with a baccalaureate de-  
19 gree granting institution; and

20 “(4) programs to identify barriers that inhibit  
21 student transfers.

22 “(c) APPLICATIONS.—Any partnership that desires to  
23 obtain a grant under this section shall submit to the Sec-  
24 retary an application at such time, in such manner, and

1 containing such information or assurances as the Sec-  
 2 retary may require.

3 “(d) REGULATIONS.—The Secretary shall prescribe  
 4 such regulations as may be necessary to carry out this  
 5 section.

6 **“SEC. 407C. AUTHORIZATION OF APPROPRIATIONS.**

7 “There are authorized to be appropriated  
 8 \$70,000,000 to carry out this chapter for fiscal year 2004  
 9 and such sums as may be necessary for each of the 3 suc-  
 10 ceeding fiscal years.”.

11 **SEC. 8. FINANCIAL AID ADMINISTRATOR DISCRETION.**

12 Section 479A(a) (20 U.S.C. 1087tt(a)) is amended—

13 (1) by inserting “as described in paragraph  
 14 (1)” after “on the basis of adequate documenta-  
 15 tion”; and

16 (2) by inserting “on a case-by-case basis to”  
 17 after “on a case-by-case basis to the cost of attend-  
 18 ance or”.

19 **SEC. 9. PREVENTION OF EXCESSIVE DEBT.**

20 Section 479A(c) (20 U.S.C. 1087tt(c)) is amended—

21 (1) by inserting “or on a program, class-year,  
 22 or institution-wide basis” after “On a case-by-case  
 23 basis”; and

24 (2) by adding at the end the following new sen-  
 25 tences: “An institution may not refuse to certify, or

1       reduce the amount certified for, a loan under part  
2       B in order to require the student to borrow a loan  
3       under part D if the student has remaining loan eligi-  
4       bility under part B. An institution that refuses or  
5       reduces a certification under this subsection may  
6       subsequently certify or increase the amount certified,  
7       subject to the remaining loan eligibility of the stu-  
8       dent borrower.”.

○