

110TH CONGRESS
1ST SESSION

S. 1720

To amend title IV of the Higher Education Act of 1965 to establish a Federal Supplemental Loan Program.

IN THE SENATE OF THE UNITED STATES

JUNE 27, 2007

Mr. BROWN (for himself and Mr. SANDERS) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

A BILL

To amend title IV of the Higher Education Act of 1965 to establish a Federal Supplemental Loan Program.

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. FEDERAL SUPPLEMENTAL LOAN PROGRAM.**

4 Title IV of the Higher Education Act of 1965 (20
5 U.S.C. 1070 et seq.) is amended by adding at the end
6 the following:

1 “(3) VARIABLE INTEREST RATE LOANS.—With
2 respect to a variable interest rate loan made under
3 this section, the applicable rate of interest shall, dur-
4 ing any 12-month period beginning on July 1 and
5 ending on June 30, be determined on the preceding
6 June 1 and be equal to—

7 “(A) the bond equivalent rate of 91-day
8 Treasury bills auctioned at the final auction
9 held prior to such June 1; plus

10 “(B) a margin determined on an annual
11 basis by the Secretary to result in the lowest
12 rate for the borrower that will result in no net
13 cost to the Federal Government over the life of
14 the loan.

15 “(d) MAXIMUM LOAN AMOUNT.—

16 “(1) IN GENERAL.—The Secretary shall make a
17 loan under this section in any amount up to the
18 maximum amount described in paragraph (2).

19 “(2) MAXIMUM AMOUNT.—For an eligible indi-
20 vidual, the maximum amount shall be calculated by
21 subtracting from the estimated cost of attendance
22 for such individual to attend the institution of higher
23 education, any amount of financial aid awarded to
24 the eligible individual and any loan amount for
25 which the individual is eligible, but does not receive

1 such amount, pursuant to the subsidized loan pro-
2 gram established under section 428 and the unsub-
3 sidized loan program established under section
4 428H.

5 “(e) COSIGNERS.—The Secretary shall offer to eligi-
6 ble individuals both fixed interest rate loans and variable
7 interest rate loans under this section with the option of
8 having a cosigner or not having a cosigner.

9 “(f) REPAYMENT.—The Secretary shall offer a bor-
10 rower of a loan made under this section the same repay-
11 ment plans the Secretary offers under section 455(d) for
12 Federal Direct Loans.

13 “(g) CONSOLIDATION.—A borrower of a loan made
14 under this section may consolidate such loan with Federal
15 Direct Loans made under part D.

16 “(h) DISCLOSURES AND COOLING OFF PERIOD.—

17 “(1) DISCLOSURES.—The Secretary shall pro-
18 vide disclosures to each borrower of a loan made
19 under this section that are not less than as protec-
20 tive as the disclosures required under the Truth in
21 Lending Act (15 U.S.C. 1601 et seq.), including
22 providing a description of the terms, fees, and an-
23 nual percentage rate with respect to the loan before
24 signing the promissory note.

1 “(2) COOLING OFF PERIOD.—With respect to
2 loans made under this section, the Secretary shall
3 provide a cooling off period for the borrower of not
4 less than 10 business days during which an indi-
5 vidual may rescind consent to borrow funds pursu-
6 ant to this section.

7 “(i) DISCRETION TO ALTER.—The Secretary may de-
8 sign or alter the loan program under this section with fea-
9 tures similar to those offered by private lenders as part
10 of loans financing postsecondary education.”.

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