

110TH CONGRESS  
2D SESSION

# S. 2815

To amend the Higher Education Act of 1965 in order to increase unsubsidized Stafford loan limits for undergraduate students, provide for a secondary market for FFEL loans, allow for the in-school deferment of PLUS loans, augment the maximum Federal Pell Grant for the lowest income students, and expand the number of students eligible to obtain loans under the lender-of-last-resort program, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

APRIL 3, 2008

Mr. KENNEDY (for himself, Mr. SANDERS, Mrs. MURRAY, Mr. DODD, Mr. REED, and Mr. LEVIN) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

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## A BILL

To amend the Higher Education Act of 1965 in order to increase unsubsidized Stafford loan limits for undergraduate students, provide for a secondary market for FFEL loans, allow for the in-school deferment of PLUS loans, augment the maximum Federal Pell Grant for the lowest income students, and expand the number of students eligible to obtain loans under the lender-of-last-resort program, and for other purposes.

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

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Strengthening Student  
3 Aid for All Act”.

4 **SEC. 2. INCREASING UNSUBSIDIZED STAFFORD LOAN LIM-**  
5 **ITS FOR UNDERGRADUATE STUDENTS.**

6 (a) AMENDMENTS.—Section 428H(d) of the Higher  
7 Education Act of 1965 (20 U.S.C. 1078–8(d)) is amend-  
8 ed—

9 (1) in paragraph (1), by striking “paragraphs  
10 (2) and (3)” and inserting “paragraphs (2) through  
11 (5)”; and

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

13 “(4) ANNUAL AND AGGREGATE LIMITS FOR UN-  
14 DERGRADUATE DEPENDENT STUDENTS.—

15 “(A) ANNUAL LIMITS.—The maximum an-  
16 nual amount of loans under this section an un-  
17 dergraduate dependent student (except an un-  
18 dergraduate dependent student whose parents  
19 are unable to borrow under section 428B or the  
20 Federal Direct PLUS Loan Program) may bor-  
21 row in any academic year (as defined in section  
22 481(a)(2)) or its equivalent shall be the sum of  
23 the amount determined under paragraph (1),  
24 plus \$1,000.

25 “(B) AGGREGATE LIMITS.—The maximum  
26 aggregate amount of loans under this section a

1 student described in subparagraph (A) may  
 2 borrow shall be \$29,500. Interest capitalized  
 3 shall not be deemed to exceed such maximum  
 4 aggregate amount.

5 “(5) ANNUAL AND AGGREGATE LIMITS FOR UN-  
 6 DERGRADUATE INDEPENDENT STUDENTS.—

7 “(A) ANNUAL LIMITS.—The maximum an-  
 8 nual amount of loans under this section an un-  
 9 dergraduate independent student, or an under-  
 10 graduate dependent student whose parents are  
 11 unable to borrow under section 428B or the  
 12 Federal Direct PLUS Loan Program, may bor-  
 13 row in any academic year (as defined in section  
 14 481(a)(2)) or its equivalent shall be the sum of  
 15 the amount determined under paragraph (1),  
 16 plus—

17 “(i) in the case of such a student at-  
 18 tending an eligible institution who has not  
 19 completed such student’s first 2 years of  
 20 undergraduate study—

21 “(I) \$6,000, if such student is  
 22 enrolled in a program whose length is  
 23 at least one academic year in length;  
 24 or

1                   “(II) if such student is enrolled  
2                   in a program of undergraduate edu-  
3                   cation which is less than one academic  
4                   year, the maximum annual loan  
5                   amount that such student may receive  
6                   may not exceed the amount that bears  
7                   the same ratio to the amount specified  
8                   in clause (i) as the length of such pro-  
9                   gram measured in semester, trimester,  
10                  quarter, or clock hours bears to one  
11                  academic year;

12                  “(ii) in the case of such a student at  
13                  an eligible institution who has successfully  
14                  completed such first and second years but  
15                  has not successfully completed the remain-  
16                  der of a program of undergraduate edu-  
17                  cation—

18                         “(I) \$7,000; or

19                         “(II) if such student is enrolled  
20                         in a program of undergraduate edu-  
21                         cation, the remainder of which is less  
22                         than one academic year, the maximum  
23                         annual loan amount that such student  
24                         may receive may not exceed the  
25                         amount that bears the same ratio to

1 the amount specified in subclause (I)  
 2 as such remainder measured in semes-  
 3 ter, trimester, quarter, or clock hours  
 4 bears to one academic year; and

5 “(iii) in the case of such a student en-  
 6 rolled in coursework specified in sections  
 7 484(b)(3)(B) and 484(b)(4)(B), \$6,000 for  
 8 coursework necessary for enrollment in an  
 9 undergraduate degree or certificate pro-  
 10 gram.

11 “(B) AGGREGATE LIMITS.—The maximum  
 12 aggregate amount of loans under this section a  
 13 student described in subparagraph (A) may  
 14 borrow shall be \$57,500. Interest capitalized  
 15 shall not be deemed to exceed such maximum  
 16 aggregate amount.”.

17 (b) CONFORMING AMENDMENTS.—Section 428H(d)  
 18 of the Higher Education Act of 1965 (as amended by sub-  
 19 section (a)) (20 U.S.C. 1078–8(d)) is further amended—  
 20 (1) in paragraph (2)—

21 (A) in the paragraph heading, by striking  
 22 “INDEPENDENT, GRADUATE,” and inserting  
 23 “GRADUATE”;

24 (B) in the matter preceding subparagraph  
 25 (A), by striking “an independent student” and

1 all that follows through “Program)” and insert-  
 2 ing “a student who is a graduate or profes-  
 3 sional student”;

4 (C) by striking subparagraphs (A) and  
 5 (B);

6 (D) in subparagraph (D)—

7 (i) in the matter preceding clause (i),  
 8 by inserting “graduate” before “student”;

9 (ii) in clause (i), by striking “\$4,000”  
 10 and all that follows through “degree,”; and

11 (iii) in clause (ii), by striking “in the  
 12 case” and all that follows through “de-  
 13 gree,”; and

14 (E) by redesignating subparagraphs (C)  
 15 and (D) (as amended by subparagraph (D)) as  
 16 subparagraphs (A) and (B), respectively; and

17 (2) in the paragraph heading of paragraph (3),  
 18 by striking “INDEPENDENT, GRADUATE,” and insert-  
 19 ing “GRADUATE”.

20 **SEC. 3. IN-SCHOOL DEFERMENT OF PLUS LOANS.**

21 Section 428B(d)(1) of the Higher Education Act of  
 22 1965 (20 U.S.C. 1078–2(d)(1)) is amended—

23 (1) by striking “deferral during” and inserting  
 24 “deferral—

25 “(B) during”; and

1           (2) by inserting before subparagraph (B) (as  
2           added by paragraph (1)) the following:

3                   “(A) in the case of the parents of a de-  
4                   pendent student, until the student ceases to be  
5                   enrolled in an undergraduate program of study  
6                   at an institution of higher education on at least  
7                   a half-time basis; or”.

8   **SEC. 4. SECONDARY MARKET OF LAST RESORT.**

9           (a) IN GENERAL.—Part B of title IV of the Higher  
10   Education Act of 1965 (20 U.S.C. 1071 et seq.) is amend-  
11   ed by adding at the end the following:

12   **“SEC. 440B. SECONDARY MARKET OF LAST RESORT.**

13                   “(a) IN GENERAL.—Notwithstanding any other pro-  
14   vision of this Act and subject to subsections (b), (c), and  
15   (d), the Secretary—

16                   “(1) shall serve as the secondary market of last  
17   resort for loans under section 428, 428B, 428C, or  
18   428H;

19                   “(2) shall buy any such loan that an eligible  
20   lender wishes to sell to the Secretary, at a price  
21   equal to the sum of—

22                           “(A) the total of the outstanding principal  
23                   of such loan and any accrued, unpaid interest  
24                   due on such loan; and

1                   “(B) a premium in the amount equal to  
 2                   the cost of originating a similar loan under part  
 3                   D;

4                   “(3) shall hold and service such loan under sec-  
 5                   tion 428, 428B, 428C or 428H in the same manner  
 6                   as the Secretary holds and services similar loans  
 7                   under part D; and

8                   “(4) may not alter the terms and conditions of  
 9                   a promissory note of such loan under section 428,  
 10                  428B, 428C, or 428H except as necessary to comply  
 11                  with paragraphs (1) through (3), and shall not re-  
 12                  quire the execution of a new promissory note.

13                  “(b) REPRESENTATIVE SUBSET OF LOANS.—An eli-  
 14                  gible lender that wishes to sell to the Secretary loans  
 15                  under section 428, 428B, 428C, or 428H, that do not rep-  
 16                  resent 100 percent of all loans under such sections that  
 17                  are held by the lender, shall offer for sale to the Secretary  
 18                  a subset of the loans under such sections held by the lend-  
 19                  er that is representative (including representative with re-  
 20                  spect to risk of default) of the lender’s total portfolio of  
 21                  loans under such sections.

22                  “(c) SUNSET PROVISION.—

23                  “(1) IN GENERAL.—Except as provided in para-  
 24                  graph (2), the authority provided to the Secretary  
 25                  under subsection (a) shall expire on July 1, 2009.



1           “(2) EXTENSION.—If the Secretary determines  
 2           that economic circumstances necessitate extending  
 3           the authority provided under subsection (a) in order  
 4           to continue to ensure timely, uninterrupted access to  
 5           student loans, the Secretary may extend the sunset  
 6           provision under paragraph (1). The Secretary may  
 7           make multiple extensions under this paragraph, ex-  
 8           cept that each such extension may not be for a pe-  
 9           riod of more than 12 months.”.

10          (b) EFFECTIVE DATE.—The amendment made by  
 11          subsection (a) shall take effect on the date of enactment  
 12          of this Act.

13       **SEC. 5. NEGATIVE EXPECTED FAMILY CONTRIBUTION.**

14          (a) DEPENDENT STUDENTS.—Section 475 of the  
 15          Higher Education Act of 1965 (20 U.S.C. 1087oo) is  
 16          amended—

17               (1) in subsection (b)(3)—

18                       (A) in subparagraph (C)—

19                               (i) by striking “dividing the assess-  
 20                               ment resulting under paragraph (2)” and  
 21                               inserting “if the amount of the assessment  
 22                               resulting under paragraph (2) is a positive  
 23                               number, dividing such assessment”; and

24                               (ii) by striking the semicolon and in-  
 25                               serting a period; and

1 (B) by striking the matter following sub-  
 2 paragraph (C); and

3 (2) in subsection (g)(6), by inserting “and the  
 4 absolute value of the amount of the lowest assess-  
 5 ment of adjusted available income in the table de-  
 6 scribed in section 475(e) (or a successor table pre-  
 7 scribed by the Secretary under section 478),” after  
 8 “subsection (c)(1)”.

9 (b) INDEPENDENT STUDENTS WITHOUT DEPEND-  
 10 ENTS OTHER THAN A SPOUSE.—Section 476 of the High-  
 11 er Education Act of 1965 (20 U.S.C. 1087pp) is amend-  
 12 ed—

13 (1) in subsection (a)—

14 (A) in paragraph (2), by striking “dividing  
 15 the sum resulting under paragraph (1)” and in-  
 16 serting “if the sum resulting under paragraph  
 17 (1) is a positive number, dividing such sum”;  
 18 and

19 (B) in the matter following paragraph  
 20 (3)(B), by striking “less than zero” and insert-  
 21 ing “less than the amount of the lowest assess-  
 22 ment of adjusted available income in the table  
 23 described in section 477(d) (or a successor table  
 24 prescribed by the Secretary under section  
 25 478)”; and

1           (2) in paragraph (b)(5), by inserting before the  
 2           period at the end “, except that in no case shall the  
 3           assessed amount be less than the amount of the low-  
 4           est assessment of adjusted available income in the  
 5           table described in section 477(d) (or a successor  
 6           table prescribed by the Secretary under section  
 7           478).”.

8           (c) INDEPENDENT STUDENTS WITH DEPENDENTS  
 9           OTHER THAN A SPOUSE.—Section 477(a) of the Higher  
 10          Education Act of 1965 (20 U.S.C. 1087qq(a)) is amend-  
 11          ed—

12           (1) in paragraph (3), by striking “dividing the  
 13           assessment resulting under paragraph (2)” and in-  
 14           serting “if the amount of the assessment resulting  
 15           under paragraph (2) is a positive number, dividing  
 16           such assessment”;

17           (2) in paragraph (4)(B), by striking the semi-  
 18           colon and inserting a period; and

19           (3) by striking the matter following paragraph  
 20           (4)(B).

21           (d) ASSESSMENT SCHEDULES AND RATES.—Section  
 22          478(e)(1) of the Higher Education Act of 1965 (20 U.S.C.  
 23          1087rr(e)(1)) is amended by striking “increasing” and in-  
 24          serting “adjusting”.

25           (e) SIMPLIFIED NEEDS TESTS.—

1           (1) SIMPLIFIED NEEDS TESTS.—Section 479(c)  
 2           of the Higher Education Act of 1965 (20 U.S.C.  
 3           1087ss) is further amended—

4                   (A) in the subsection heading, by striking  
 5                   “EXPECTED”; and

6                   (B) in the matter preceding paragraph (1),  
 7                   by striking “equal to zero” and inserting “equal  
 8                   to the amount of the lowest assessment of ad-  
 9                   justed available income in the table described in  
 10                  section 477(d) (or a successor table prescribed  
 11                  by the Secretary under section 478)”.

12           (2) CONFORMING AMENDMENTS TO THE COL-  
 13           LEGE COST REDUCTION AND ACCESS ACT.—

14                   (A) AMENDMENT.—Section 602(a)(3) of  
 15                   the College Cost Reduction and Access Act  
 16                   (Public Law 110–84) is amended in the quoted  
 17                   material inserted by subparagraph (C), by  
 18                   striking “zero expected family contribution”  
 19                   and inserting “expected family contribution  
 20                   under this subsection.”.

21                   (B) EFFECTIVE DATE.—The amendment  
 22                   made by subparagraph (A) shall take effect on  
 23                   July 1, 2009, as if enacted on the date of en-  
 24                   actment of the College Cost Reduction and Ac-  
 25                   cess Act (Public Law 110–84).

1 (f) FEDERAL PELL GRANTS.—Section 401(b) of the  
 2 Higher Education Act of 1965 (20 U.S.C. 1070a(b)) is  
 3 amended by inserting after paragraph (7) the following:

4 “(8) INCREASED AMOUNT FOR STUDENTS WITH  
 5 NEGATIVE EXPECTED FAMILY CONTRIBUTION.—

6 “(A) IN GENERAL.—Notwithstanding para-  
 7 graph (2)(A) and any other provision of law and  
 8 subject to subparagraph (B) and (C), in the case of  
 9 a student whose expected family contribution is a  
 10 negative number, such student shall be eligible for a  
 11 Federal Pell Grant under this section in the amount  
 12 equal to the sum of—

13 “(i) the maximum Federal Pell Grant for  
 14 which a student shall be eligible during an  
 15 award year, as specified in the last enacted ap-  
 16 propriation Act applicable to that award year;

17 “(ii) the Federal Pell Grant increase de-  
 18 scribed in paragraph (9) applicable to that  
 19 award year; and

20 “(iii) an additional amount equal to the  
 21 absolute value of the student’s expected family  
 22 contribution.

23 “(B) COST OF ATTENDANCE LIMIT.—Notwith-  
 24 standing paragraph (3), in the case of a student  
 25 whose expected family contribution is a negative

1        number, the student’s Federal Pell Grant under this  
 2        subpart, as calculated under subparagraph (A), shall  
 3        not exceed the student’s cost of attendance at such  
 4        institution, and if the amount of the student’s Fed-  
 5        eral Pell Grant exceeds such cost of attendance for  
 6        that year, such amount shall be reduced accordingly.

7            “(C) FORMULA OTHERWISE UNAFFECTED.—  
 8        Except as provided in subparagraphs (A) and (B),  
 9        nothing in this paragraph shall be construed to alter  
 10       the requirements of this section, or authorize the im-  
 11       position of additional requirements, for the deter-  
 12       mination and allocation of Federal Pell Grants  
 13       under this section.”.

14    **SEC. 6. LENDER-OF-LAST-RESORT.**

15        (a) IN GENERAL.—Section 428(j) of the Higher Edu-  
 16       cation Act of 1965 (20 U.S.C. 1078(j)) is amended—

17            (1) in the first sentence of paragraph (1), by  
 18        striking “part.” and inserting “part or who attend  
 19        an institution of higher education in the State that  
 20        is designated under paragraph (4).”;

21            (2) in paragraph (2)(B), by inserting “, in the  
 22        case of students applying for loans under this sub-  
 23        section because of an inability to otherwise obtain  
 24        loans under this part,” after “lender, nor”;

25            (3) in paragraph (3)(C)—

1 (A) in the first sentence, by inserting “or  
2 designates an institution of higher education for  
3 participation in the program under this sub-  
4 section under paragraph (4),” after “under this  
5 part”; and

6 (B) in the third sentence, by inserting “or  
7 to eligible borrowers who attend an institution  
8 in the State that is designated under paragraph  
9 (4)” after “problems”; and  
10 (4) by adding at the end the following:

11 “(4) INSTITUTION-WIDE STUDENT QUALIFICA-  
12 TION.—Upon the request of an institution of higher  
13 education, the Secretary shall designate such institu-  
14 tion for participation in the lender-of-last-resort pro-  
15 gram under this paragraph in the State where the  
16 institution is located. If the Secretary designates an  
17 institution under this paragraph, the guaranty agen-  
18 cy shall make loans, in the same manner as such  
19 loans are made under paragraph (1), to students of  
20 the designated institution who are eligible to receive  
21 interest benefits paid on the students’ behalf under  
22 subsection (a) of this section, regardless of whether  
23 the students are otherwise unable to obtain loans  
24 under this part.”.

1 (b) EFFECTIVE DATE.—The amendments made by  
 2 subsection (a) shall take effect on the date of enactment  
 3 of this Act.

4 **SEC. 7. MANDATORY ADVANCES.**

5 (a) IN GENERAL.—Section 421(b) of the Higher  
 6 Education Act of 1965 (20 U.S.C. 1071(b)) is amended—

7 (1) in paragraph (4), by striking “programs,  
 8 and” and inserting “programs,”;

9 (2) in paragraph (5), by striking “agencies.”  
 10 and inserting “agencies, and”; and

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

12 “(6) there is authorized to be appropriated, and  
 13 there are appropriated, out of any money in the  
 14 Treasury not otherwise appropriated, such sums as  
 15 may be necessary for the purpose of carrying out  
 16 section 427(c)(7).”.

17 (b) EFFECTIVE DATE.—The amendments made by  
 18 subsection (a) shall take effect on the date of enactment  
 19 of this Act.

20 **SEC. 8. EFFECTIVE DATE.**

21 Except as otherwise provided, the amendments made  
 22 by this Act shall take effect on July 1, 2008.

○