

112TH CONGRESS
1ST SESSION

H. R. 3624

To authorize the Secretary of Education to enter into voluntary, flexible agreements with certain guaranty agencies to provide delinquency prevention and default aversion services for borrowers and potential borrowers of Federal Direct Loans under the Higher Education Act of 1965, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 8, 2011

Mr. MICHAUD introduced the following bill; which was referred to the
Committee on Education and the Workforce

A BILL

To authorize the Secretary of Education to enter into voluntary, flexible agreements with certain guaranty agencies to provide delinquency prevention and default aversion services for borrowers and potential borrowers of Federal Direct Loans under the Higher Education Act of 1965, 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,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Student Loan Default
5 Prevention Act”.

1 **SEC. 2. VOLUNTARY, FLEXIBLE AGREEMENTS.**

2 (a) IN GENERAL.—Section 428A of the Higher Edu-
3 cation Act of 1965 (20 U.S.C. 1078–1) is amended—

4 (1) by redesignating subsection (d) as sub-
5 section (e); and

6 (2) by inserting after subsection (c), the fol-
7 lowing:

8 “(d) SUPPLEMENTAL STUDENT LOAN SERVICES.—

9 “(1) IN GENERAL.—Not later than 9 months
10 after the date of enactment of the Student Loan De-
11 fault Prevention Act and notwithstanding any other
12 provision of this part, the Secretary shall, upon the
13 request of an eligible guaranty agency, enter into a
14 voluntary, flexible agreement with the guarantee
15 agency, or revise the voluntary, flexible agreement
16 previously entered into with the guarantee agency
17 under this section, to provide for the services de-
18 scribed in paragraph (3) for borrowers (including
19 potential borrowers, if applicable) of loans made
20 under this part or part D.

21 “(2) ELIGIBILITY.—For the purposes of this
22 subsection, an eligible guaranty agency is a guaranty
23 agency that has extensive and relevant experience
24 and demonstrated effectiveness in providing the
25 services described in paragraph (3).

26 “(3) SERVICES.—

1 “(A) IN GENERAL.—The services described
2 in this paragraph for borrowers (including po-
3 tential borrowers, if applicable) of loans made
4 under this part or part D may include—

5 “(i) delinquency prevention and de-
6 fault aversion activities;

7 “(ii) collection of defaulted loans;

8 “(iii) monitoring of institutions par-
9 ticipating in the program under part D;

10 “(iv) training of financial aid officials;

11 and

12 “(v) informational outreach to schools
13 and students in support of access to higher
14 education and financial literacy.

15 “(B) EXISTING LOCAL SERVICES.—In car-
16 rying out the services described in subpara-
17 graph (A), an eligible guarantee agency shall
18 provide localized services directly or through
19 partnerships with other eligible guarantee agen-
20 cies to assist borrowers and institutions of high-
21 er education.

22 “(4) REASONABLE FEES.—An agreement en-
23 tered into or revised under this subsection shall in-
24 clude a provision regarding the fees that the Sec-
25 retary shall pay to an eligible guarantee agency for

1 carrying out services under the agreement. The de-
2 termination of such fees shall be cost neutral and
3 take into account savings resulting from the provi-
4 sion of such services as reasonably projected by the
5 Secretary.

6 “(5) PUBLIC NOTICE.—The Secretary shall
7 publish in the Federal Register a notice to all guar-
8 anty agencies that sets forth—

9 “(A) an invitation for the guaranty agen-
10 cies to enter into or revise agreements under
11 this subsection; and

12 “(B) the criteria that the Secretary will
13 use for selecting the guaranty agencies with
14 which the Secretary will enter into, or revise,
15 agreements under this subsection.

16 “(6) AGREEMENT NOTICE.—The Secretary
17 shall notify the members of the authorizing commit-
18 tees not later than 30 days prior to concluding an
19 agreement under this subsection.

20 “(7) PUBLIC AVAILABILITY.—The text of any
21 voluntary flexible agreements entered into or revised
22 under this subsection shall be readily available to the
23 public.”.

24 (b) CONFORMING AMENDMENT.—Section 456 of the
25 Higher Education Act of 1965 (20 U.S.C. 1087f) is

1 amended by inserting “or section 428A(d)” after “sections
2 428(b)) and (c)”.

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