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(Original Signature of Member)

110TH CONGRESS  
1ST SESSION

# H. R.

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To amend the Higher Education Act of 1965 to reduce interest rates for student borrowers.

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## IN THE HOUSE OF REPRESENTATIVES

Mr. GEORGE MILLER of California (for himself and [see ATTACHED LIST of cosponsors]) introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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# A BILL

To amend the Higher Education Act of 1965 to reduce interest rates for student borrowers.

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 “College Student Relief  
5 Act of 2007”.

6 **SEC. 2. INTEREST RATE REDUCTIONS.**

7 (a) FFEL INTEREST RATES.—

1           (1) Section 427A(*l*) of the Higher Education  
2 Act of 1965 (20 U.S.C. 1077a(*l*)) is amended by  
3 adding at the end the following new paragraph:

4           “(4) REDUCED RATES FOR UNDERGRADUATE  
5 SUBSIDIZED LOANS.—Notwithstanding subsection  
6 (h) and paragraph (1) of this subsection, with re-  
7 spect to any loan to an undergraduate student made,  
8 insured, or guaranteed under this part (other than  
9 a loan made pursuant to section 428B, 428C, or  
10 428H) for which the first disbursement is made on  
11 or after July 1, 2006, and before January 1, 2012,  
12 the applicable rate of interest shall be as follows:

13           “(A) For a loan for which the first dis-  
14 bursement is made on or after July 1, 2006,  
15 and before July 1, 2007, 6.80 percent on the  
16 unpaid principal balance of the loan.

17           “(B) For a loan for which the first dis-  
18 bursement is made on or after July 1, 2007,  
19 and before July 1, 2008, 6.12 percent on the  
20 unpaid principal balance of the loan.

21           “(C) For a loan for which the first dis-  
22 bursement is made on or after July 1, 2008,  
23 and before July 1, 2009, 5.44 percent on the  
24 unpaid principal balance of the loan.

1           “(D) For a loan for which the first dis-  
2           bursement is made on or after July 1, 2009,  
3           and before July 1, 2010, 4.76 percent on the  
4           unpaid principal balance of the loan.

5           “(E) For a loan for which the first dis-  
6           bursement is made on or after July 1, 2010,  
7           and before July 1, 2011, 4.08 percent on the  
8           unpaid principal balance of the loan.

9           “(F) For a loan for which the first dis-  
10          bursement is made on or after July 1, 2011,  
11          and before January 1, 2012, 3.40 percent on  
12          the unpaid principal balance of the loan.”.

13          (2) SPECIAL ALLOWANCE CROSS REFERENCE.—  
14          Section 438(b)(2)(I)(ii)(II) of such Act is amended  
15          by striking “section 427A(l)(1)” and inserting “sec-  
16          tion 427A(l)(1) or (l)(4)”.

17          (b) DIRECT LOAN INTEREST RATES.—Section  
18          455(b)(7) of the Higher Education Act of 1965 (20  
19          U.S.C. 1087e(b)(7)) is amended by adding at the end the  
20          following new subparagraph:

21                 “(D) REDUCED RATES FOR UNDER-  
22                 GRADUATE FDSL.—Notwithstanding the pre-  
23                 ceding paragraphs of this subsection, for Fed-  
24                 eral Direct Stafford Loans made to under-  
25                 graduate students for which the first disburse-

1           ment is made on or after July 1, 2006, and be-  
2           fore January 1, 2012, the applicable rate of in-  
3           terest shall be as follows:

4                   “(i) For a loan for which the first dis-  
5                   bursement is made on or after July 1,  
6                   2006, and before July 1, 2007, 6.80 per-  
7                   cent on the unpaid principal balance of the  
8                   loan.

9                   “(ii) For a loan for which the first  
10                  disbursement is made on or after July 1,  
11                  2007, and before July 1, 2008, 6.12 per-  
12                  cent on the unpaid principal balance of the  
13                  loan.

14                  “(iii) For a loan for which the first  
15                  disbursement is made on or after July 1,  
16                  2008, and before July 1, 2009, 5.44 per-  
17                  cent on the unpaid principal balance of the  
18                  loan.

19                  “(iv) For a loan for which the first  
20                  disbursement is made on or after July 1,  
21                  2009, and before July 1, 2010, 4.76 per-  
22                  cent on the unpaid principal balance of the  
23                  loan.

24                  “(v) For a loan for which the first  
25                  disbursement is made on or after July 1,

1           2010, and before July 1, 2011, 4.08 per-  
2           cent on the unpaid principal balance of the  
3           loan.

4           “(vi) For a loan for which the first  
5           disbursement is made on or after July 1,  
6           2011, and before January 1, 2012, 3.40  
7           percent on the unpaid principal balance of  
8           the loan.”.

9   **SEC. 3. REDUCTION OF LENDER INSURANCE PERCENTAGE.**

10       (a) AMENDMENT.—Subparagraph (G) of section  
11 428(b)(1) of the Higher Education Act of 1965 (20  
12 U.S.C. 1078(b)(1)(G)) is amended to read as follows:

13           “(G) insures 95 percent of the unpaid  
14           principal of loans insured under the program,  
15           except that—

16           “(i) such program shall insure 100  
17           percent of the unpaid principal of loans  
18           made with funds advanced pursuant to sec-  
19           tion 428(j) or 439(q); and

20           “(ii) notwithstanding the preceding  
21           provisions of this subparagraph, such pro-  
22           gram shall insure 100 percent of the un-  
23           paid principal amount of exempt claims as  
24           defined in subsection (c)(1)(G);”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 subsection (a) shall take effect with respect to loans made  
3 on or after July 1, 2007.

4 **SEC. 4. GUARANTEE AGENCY COLLECTION RETENTION.**

5 Clause (ii) of section 428(c)(6)(A) of the Higher  
6 Education Act of 1965 (20 U.S.C. 1078(c)(6)(A)(ii)) is  
7 amended to read as follows:

8 “(ii) an amount equal to 24 percent of  
9 such payments for use in accordance with  
10 section 422B, except that—

11 “(I) beginning October 1, 2003  
12 and ending September 30, 2007, this  
13 subparagraph shall be applied by sub-  
14 stituting ‘23 percent’ for ‘24 percent’;

15 “(II) beginning October 1, 2007  
16 and ending September 30, 2008, this  
17 subparagraph shall be applied by sub-  
18 stituting ‘20 percent’ for ‘24 percent’;

19 “(III) beginning October 1, 2008  
20 and ending September 30, 2010, this  
21 subparagraph shall be applied by sub-  
22 stituting ‘18 percent’ for ‘24 percent’;  
23 and

24 “(IV) beginning October 1, 2010,  
25 this subparagraph shall be applied by

1 substituting for ‘24 percent’ a per-  
2 centage determined in accordance  
3 with the regulations of the Secretary  
4 and equal to the average rate paid to  
5 collection agencies that have contracts  
6 with the Secretary.’’.

7 **SEC. 5. ELIMINATION OF EXCEPTIONAL PERFORMER STA-**  
8 **TUS FOR LENDERS.**

9 (a) **ELIMINATION OF STATUS.**—Part B of title IV of  
10 the Higher Education Act of 1965 (20 U.S.C. 1071 et  
11 seq.) is amended by striking section 428I (20 U.S.C.  
12 1078–9).

13 (b) **CONFORMING AMENDMENTS.**—Part B of title IV  
14 of such Act is further amended—

15 (1) in section 428(c)(1) (20 U.S.C.  
16 1078(e)(1))—

17 (A) by striking subparagraph (D); and

18 (B) by redesignating subparagraphs (E)  
19 through (H) as subparagraphs (D) through  
20 (G), respectively; and

21 (2) in section 438(b)(5) (20 U.S.C. 1087–  
22 1(b)(5)), by striking the matter following subpara-  
23 graph (B).

24 (c) **EFFECTIVE DATE.**—The amendments made by  
25 subsections (a) and (b) shall take effect on July 1, 2007.

1 **SEC. 6. REDUCTION OF LENDER SPECIAL ALLOWANCE PAY-**  
2 **MENTS.**

3 Section 438(b)(2)(I) of the Higher Education Act of  
4 1965 (20 U.S.C. 1087–1(b)(2)(I)) is amended by adding  
5 at the end the following new clauses:

6 “(vi) REDUCTION FOR LOANS DIS-  
7 BURSED ON OR AFTER JULY 1, 2007.—With  
8 respect to a loan on which the applicable  
9 interest rate is determined under section  
10 427A(l) and for which the first disburse-  
11 ment of principal is made on or after July  
12 1, 2007, the special allowance payment  
13 computed pursuant to this subparagraph  
14 shall be computed—

15 “(I) by substituting ‘2.24 per-  
16 cent’ for ‘2.34 percent’ each place it  
17 appears in this subparagraph;

18 “(II) by substituting ‘1.64 per-  
19 cent’ for ‘1.74 percent’ in clause (ii);  
20 and

21 “(III) by substituting ‘2.54 per-  
22 cent’ for ‘2.64 percent’ each place it  
23 appears in clauses (iii) and (iv).

24 “(vii) SMALLER LENDER EXEMP-  
25 TION.—Clause (vi) shall not apply to the  
26 calculation of the special allowance pay-



1                   ment with respect to any 3-month period  
2                   for any holder of eligible loans that, to-  
3                   gether with its affiliated holders, is des-  
4                   ignated by the Secretary as a small lender.

5                   “(viii) DESIGNATION OF SMALL LEND-  
6                   ERS.—In determining which holders of eli-  
7                   gible loans qualify for the exemption pro-  
8                   vided under clause (vii), the Secretary  
9                   shall, using the most recently available  
10                  data with respect to the total principal  
11                  amount of eligible loans held by holders—

12                  “(I) rank all holders of eligible  
13                  loans in descending order by total  
14                  principal amount of eligible loans  
15                  held;

16                  “(II) calculate the total principal  
17                  amount of eligible loans held by all  
18                  holders; and

19                  “(III) identify the subset of con-  
20                  secutively ranked holders under sub-  
21                  clause (I), starting with the lowest  
22                  ranked holder, that together hold a  
23                  total principal amount of such loans  
24                  equal to 10 percent of the total  
25                  amount calculated under subclause

1 (II), but excluding the holder, if any,  
2 whose holdings when added cause the  
3 total holdings of the subset to both  
4 equal and then exceed such 10 per-  
5 cent of such total amount calculated;  
6 and

7 “(IV) designate as small lenders  
8 any holder identified as a member of  
9 the subset under subclause (III).”.

10 **SEC. 7. INCREASED LOAN FEES FROM LENDERS.**

11 Paragraph (2) of section 438(d) of the Higher Edu-  
12 cation Act of 1965 (20 U.S.C. 1087–1(d)(2)) is amended  
13 to read as follows:

14 “(2) AMOUNT OF LOAN FEES.—The amount of  
15 the loan fee which shall be deducted under para-  
16 graph (1), but which may not be collected from the  
17 borrower, shall be equal to—

18 “(A) 0.50 percent of the principal amount  
19 of the loan with respect to any loan under this  
20 part for which the first disbursement was made  
21 on or after October 1, 1993, and before July 1,  
22 2007; and

23 “(B) 1.0 percent of the principal amount  
24 of the loan with respect to any loan under this

1 part for which the first disbursement was made  
2 on or after July 1, 2007.”.

3 **SEC. 8. INTEREST PAYMENT REBATE FEE.**

4 Section 428C(f)(2) of the Higher Education Act of  
5 1965 (20 U.S.C. 1078–2(f)(2)) is amended—

6 (1) by striking “SPECIAL RULE—” and insert-  
7 ing “SPECIAL RULES—(A)”; and

8 (2) by adding at the end the following new sub-  
9 paragraph:

10 “(B) For consolidation loans based on applica-  
11 tions received on or after July 1, 2007, if 90 percent  
12 or more of the total principal and accrued unpaid in-  
13 terest outstanding on the loans held, directly or indi-  
14 rectly, by any holder is comprised of principal and  
15 accrued unpaid interest owed on consolidation loans,  
16 the rebate described in paragraph (1) for such hold-  
17 er shall be equal to 1.30 percent of the principal  
18 plus accrued unpaid interest on such loans.”.