

Calendar No. 266110TH CONGRESS
1ST SESSION**S. 1762**

To provide for reconciliation pursuant to section 602 of the concurrent resolution on the budget for fiscal year 2008 (S. Con. Res. 21).

IN THE SENATE OF THE UNITED STATES

JULY 10, 2007

Mr. KENNEDY, from the Committee on Health, Education, Labor, and Pensions, reported the following original bill; which was read twice and placed on the calendar

A BILL

To provide for reconciliation pursuant to section 602 of the concurrent resolution on the budget for fiscal year 2008 (S. Con. Res. 21).

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; REFERENCES.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Higher Education Access Act of 2007”.

6 (b) REFERENCES.—Except as otherwise expressly
7 provided, whenever in this Act an amendment or repeal
8 is expressed in terms of an amendment to, or repeal of,

1 a section or other provision, the reference shall be consid-
 2 ered to be made to a section or other provision of the
 3 Higher Education Act of 1965 (20 U.S.C. 1001 et seq.).

4 **TITLE I—GRANTS TO STUDENTS**
 5 **IN ATTENDANCE AT INSTITU-**
 6 **TIONS OF HIGHER EDU-**
 7 **CATION**

8 **SEC. 101. TUITION SENSITIVITY.**

9 (a) AMENDMENT.—Section 401(b) (20 U.S.C.
 10 1070a(b)) is amended by striking paragraph (3).

11 (b) AUTHORIZATION AND APPROPRIATION OF
 12 FUNDS.—There is authorized to be appropriated, and
 13 there is appropriated, out of any money in the Treasury
 14 not otherwise appropriated, for the Department of Edu-
 15 cation to carry out the amendment made by subsection
 16 (a), \$5,000,000 for fiscal year 2008.

17 **SEC. 102. PROMISE GRANTS.**

18 (a) AMENDMENT.—Subpart 1 of part A of title IV
 19 (20 U.S.C. 1070a et seq.) is amended by adding at the
 20 end the following:

21 **“SEC. 401B. PROMISE GRANTS.**

22 **“(a) GRANTS.—**

23 **“(1) IN GENERAL.—**From amounts appro-
 24 priated under subsection (e) for a fiscal year and
 25 subject to subsection (b), the Secretary shall award

1 grants to students in the same manner as the Sec-
2 retary awards Federal Pell Grants to students under
3 section 401, except that—

4 “(A) at the beginning of each award year,
5 the Secretary shall establish a maximum and
6 minimum award level based on amounts made
7 available under subsection (e);

8 “(B) the Secretary shall only award grants
9 under this section to students eligible for a
10 Federal Pell Grant for the award year; and

11 “(C) when determining eligibility for the
12 awards under this section, the Secretary shall
13 consider only those students who submitted a
14 Free Application for Federal Student Aid or
15 other common reporting form under section 483
16 as of July 1 of the award year for which the
17 determination is made.

18 “(2) STUDENTS WITH THE GREATEST NEED.—

19 The Secretary shall ensure grants are awarded
20 under this section to students with the greatest need
21 as determined in accordance with section 471.

22 “(b) COST OF ATTENDANCE LIMITATION.—A grant
23 awarded under this section for an award year shall be
24 awarded in an amount that does not exceed—

1 “(1) the student’s cost of attendance for the
2 award year; less

3 “(2) an amount equal to the sum of—

4 “(A) the expected family contribution for
5 the student for the award year; and

6 “(B) any Federal Pell Grant award re-
7 ceived by the student for the award year.

8 “(c) SUPPLEMENT NOT SUPPLANT.—Grants award-
9 ed from funds made available under subsection (e) shall
10 be used to supplement, and not supplant, other Federal,
11 State, or institutional grant funds.

12 “(d) USE OF EXCESS FUNDS.—

13 “(1) FIFTEEN PERCENT OR LESS.—If, at the
14 end of a fiscal year, the funds available for making
15 grant payments under this section exceed the
16 amount necessary to make the grant payments re-
17 quired under this section to eligible students by 15
18 percent or less, then all of the excess funds shall re-
19 main available for making grant payments under
20 this section during the next succeeding fiscal year.

21 “(2) MORE THAN FIFTEEN PERCENT.—If, at
22 the end of a fiscal year, the funds available for mak-
23 ing grant payments under this section exceed the
24 amount necessary to make the grant payments re-
25 quired under this section to eligible students by

1 more than 15 percent, then all of such funds shall
2 remain available for making such grant payments
3 but grant payments may be made under this para-
4 graph only with respect to awards for that fiscal
5 year.

6 “(e) AUTHORIZATION AND APPROPRIATION OF
7 FUNDS.—

8 “(1) IN GENERAL.—There are authorized to be
9 appropriated, and there are appropriated, out of any
10 money in the Treasury not otherwise appropriated,
11 for the Department of Education to carry out this
12 section—

13 “(A) \$2,620,000,000 for fiscal year 2008;

14 “(B) \$3,040,000,000 for fiscal year 2009;

15 “(C) \$3,460,000,000 for fiscal year 2010;

16 “(D) \$3,900,000,000 for fiscal year 2011;

17 “(E) \$4,020,000,000 for fiscal year 2012;

18 “(F) \$10,000,000 for fiscal year 2013; and

19 “(G) \$3,200,000,000 for each of the fiscal
20 years 2014 through 2017.

21 “(2) AVAILABILITY OF FUNDS.—Funds appro-
22 priated under paragraph (1) for a fiscal year shall
23 remain available through the last day of the fiscal
24 year immediately succeeding the fiscal year for
25 which the funds are appropriated.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) shall take effect on July 1, 2008.

3 **TITLE II—STUDENT LOAN BENE-**
4 **FITS, TERMS, AND CONDI-**
5 **TIONS**

6 **SEC. 201. DEFERMENTS.**

7 (a) FISL.—Section 427(a)(2)(C)(iii) (20 U.S.C.
8 1077(a)(2)(C)(iii)) is amended by striking “3 years” and
9 inserting “6 years”.

10 (b) INTEREST SUBSIDIES.—Section 428(b)(1)(M)(iv)
11 (20 U.S.C. 1078(b)(1)(M)(iv)) is amended by striking “3
12 years” and inserting “6 years”.

13 (c) DIRECT LOANS.—Section 455(f)(2)(D) (20
14 U.S.C. 1087e(f)(2)(D)) is amended by striking “3 years”
15 and inserting “6 years”.

16 (d) PERKINS.—Section 464(c)(2)(A)(iv) (20 U.S.C.
17 1087dd(c)(2)(A)(iv)) is amended by striking “3 years”
18 and inserting “6 years”.

19 (e) EFFECTIVE DATE AND APPLICABILITY.—The
20 amendments made by this section shall take effect on July
21 1, 2008, and shall only apply with respect to the loans
22 made to a borrower of a loan under title IV of the Higher
23 Education Act of 1965 who obtained the borrower’s first
24 loan under such title prior to October 1, 2012.

1 **SEC. 202. STUDENT LOAN DEFERMENT FOR CERTAIN MEM-**
2 **BERS OF THE ARMED FORCES.**

3 (a) FEDERAL FAMILY EDUCATION LOANS.—Section
4 428(b)(1)(M)(iii) (20 U.S.C. 1078(b)(1)(M)(iii)) is
5 amended—

6 (1) in the matter preceding subclause (I), by
7 striking “not in excess of 3 years”;

8 (2) in subclause (II), by striking “; or” and in-
9 serting a comma; and

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

11 “and for the 180-day period following the
12 demobilization date for the service de-
13 scribed in subclause (I) or (II); or”.

14 (b) DIRECT LOANS.—Section 455(f)(2)(C) (20
15 U.S.C. 1087e(f)(2)(C)) is amended—

16 (1) in the matter preceding clause (i), by strik-
17 ing “not in excess of 3 years”;

18 (2) in clause (ii), by striking “; or” and insert-
19 ing a comma; and

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

21 “and for the 180-day period following the de-
22 mobilization date for the service described in
23 clause (i) or (ii); or”.

24 (c) PERKINS LOANS.—Section 464(c)(2)(A)(iii) (20
25 U.S.C. 1087dd(c)(2)(A)(iii)) is amended—

1 (1) in the matter preceding subclause (I), by
2 striking “not in excess of 3 years”;

3 (2) in subclause (II), by striking the semicolon
4 and inserting a comma; and

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

6 “and for the 180-day period following the de-
7 mobilization date for the service described in
8 subclause (I) or (II);”.

9 (d) **APPLICABILITY.**—Section 8007(f) of the Higher
10 Education Reconciliation Act of 2005 (20 U.S.C. 1078
11 note) is amended by striking “loans for which” and all
12 that follows through the period at the end and inserting
13 “all loans under title IV of the Higher Education Act of
14 1965.”.

15 (e) **EFFECTIVE DATE.**—The amendments made by
16 this section shall take effect on July 1, 2008.

17 **SEC. 203. INCOME-BASED REPAYMENT PLANS.**

18 (a) **FFEL.**—Section 428 (as amended by sections
19 201(b) and 202(a)) (20 U.S.C. 1078) is further amend-
20 ed—

21 (1) in subsection (b)—

22 (A) in paragraph (1)—

23 (i) in subparagraph (D), by striking
24 “income contingent” and inserting “in-
25 come-based”; and

1 (ii) in subparagraph (E)(i), by strik-
2 ing “income-sensitive” and inserting “in-
3 come-based”; and

4 (B) by striking clause (iii) of paragraph
5 (9)(A) and inserting the following:

6 “(iii) an income-based repayment
7 plan, with parallel terms, conditions, and
8 benefits as the income-based repayment
9 plan described in subsections (e) and
10 (d)(1)(D) of section 455, except that—

11 “(I) the plan described in this
12 clause shall not be available to a bor-
13 rower of an excepted PLUS loan (as
14 defined in section 455(e)(10)) or of a
15 loan made under 428C that includes
16 an excepted PLUS loan;

17 “(II) in lieu of the process of ob-
18 taining Federal income tax returns
19 and information from the Internal
20 Revenue Service, as described in sec-
21 tion 455(e)(1), the borrower shall pro-
22 vide the lender with a copy of the
23 Federal income tax return and return
24 information for the borrower (and, if
25 applicable, the borrower’s spouse) for

1 the purposes described in section
2 455(e)(1), and the lender shall deter-
3 mine the repayment obligation on the
4 loan, in accordance with the proce-
5 dures developed by the Secretary;

6 “(III) in lieu of the requirements
7 of section 455(e)(3), in the case of a
8 borrower who chooses to repay a loan
9 made, insured, or guaranteed under
10 this part pursuant to income-based re-
11 payment and for whom the adjusted
12 gross income is unavailable or does
13 not reasonably reflect the borrower’s
14 current income, the borrower shall
15 provide the lender with other docu-
16 mentation of income that the Sec-
17 retary has determined is satisfactory
18 for similar borrowers of loans made
19 under part D;

20 “(IV) the Secretary shall pay any
21 interest due and not paid for under
22 the repayment schedule described in
23 section 455(e)(4) for a loan made, in-
24 sured, or guaranteed under this part
25 in the same manner as the Secretary

1 pays any such interest under section
2 455(e)(6) for a Federal Direct Staf-
3 ford Loan;

4 “(V) the Secretary shall assume
5 the obligation to repay an outstanding
6 balance of principal and interest due
7 on all loans made, insured, or guaran-
8 teed under this part (other than an
9 excepted PLUS Loan or a loan under
10 section 428C that includes an ex-
11 cepted PLUS loan), for a borrower
12 who satisfies the requirements of sub-
13 paragraphs (A) and (B) of section
14 455(e)(7), in the same manner as the
15 Secretary cancels such outstanding
16 balance under section 455(e)(7); and

17 “(VI) in lieu of the notification
18 requirements under section 455(e)(8),
19 the lender shall notify a borrower of a
20 loan made, insured, or guaranteed
21 under this part who chooses to repay
22 such loan pursuant to income-based
23 repayment of the terms and condi-
24 tions of such plan, in accordance with

1 the procedures established by the Sec-
2 retary, including notification that—

3 “(aa) the borrower shall be
4 responsible for providing the
5 lender with the information nec-
6 essary for documentation of the
7 borrower’s income, including in-
8 come information for the bor-
9 rower’s spouse (as applicable);
10 and

11 “(bb) if the borrower con-
12 siders that special circumstances
13 warrant an adjustment, as de-
14 scribed in section 455(e)(8)(B),
15 the borrower may contact the
16 lender, and the lender shall de-
17 termine whether such adjustment
18 is appropriate, in accordance
19 with the criteria established by
20 the Secretary; and”;

21 (2) in subsection (e)—

22 (A) in the subsection heading, by striking
23 “INCOME-SENSITIVE” and inserting “INCOME-
24 BASED”;

25 (B) in paragraph (1)—

1 (i) by striking “income-sensitive re-
2 payment” and inserting “income-based re-
3 payment”; and

4 (ii) by inserting “and for the public
5 service loan forgiveness program under
6 section 455(m), in accordance with section
7 428C(b)(5)” before the semicolon; and

8 (C) in paragraphs (2) and (3), by striking
9 “income-sensitive” each place the term occurs
10 and inserting “income-based”; and

11 (3) in subsection (m)—

12 (A) in the subsection heading, by striking
13 “INCOME CONTINGENT” and inserting “IN-
14 COME-BASED”;

15 (B) in paragraph (1), by striking “income
16 contingent repayment plan” and all that follows
17 through the period at the end and inserting “in-
18 come-based repayment plan as described in sub-
19 section (b)(9)(A)(iii) and section
20 455(d)(1)(D).”; and

21 (C) in the paragraph heading of paragraph
22 (2), by striking “INCOME CONTINGENT” and in-
23 serting “INCOME-BASED”.

24 (b) CONSOLIDATION LOANS.—Section 428C (20
25 U.S.C. 1078–3) is amended—

1 (1) in subsection (a)(3)(B)(i)(V), by striking
2 “for the purposes of obtaining an income contingent
3 repayment plan,” and inserting “for the purpose of
4 using the public service loan forgiveness program
5 under section 455(m),”;

6 (2) in subsection (b)(5)—

7 (A) in the first sentence, by striking “, or
8 is unable to obtain a consolidation loan with in-
9 come-sensitive repayment terms acceptable to
10 the borrower from such a lender,” and inserting
11 “, or chooses to obtain a consolidation loan for
12 the purposes of using the public service loan
13 forgiveness program offered under section
14 455(m),”; and

15 (B) in the second sentence, by striking “in-
16 come contingent repayment under part D of
17 this title” and inserting “income-based repay-
18 ment”; and

19 (3) in subsection (c)—

20 (A) in paragraph (2)(A)—

21 (i) in the first sentence, by striking
22 “of graduated or income-sensitive repay-
23 ment schedules, established by the lender
24 in accordance with the regulations of the
25 Secretary.” and inserting “of graduated

1 repayment schedules, established by the
2 lender in accordance with the regulations
3 of the Secretary, and income-based repay-
4 ment schedules, established pursuant to
5 regulations by the Secretary.”; and

6 (ii) in the second sentence, by striking
7 “Except as required” and all that follows
8 through “subsection (b)(5),” and inserting
9 “Except as required by such income-based
10 repayment schedules,”; and

11 (B) in paragraph (3)(B), by striking “in-
12 come contingent repayment offered by the Sec-
13 retary under subsection (b)(5)” and inserting
14 “income-based repayment”.

15 (c) DIRECT LOANS.—Section 455 (as amended by
16 sections 201(c) and 202(b)) (20 U.S.C. 1087e) is further
17 amended—

18 (1) in subsection (d)—

19 (A) in paragraph (1)(D)—

20 (i) by striking “income contingent re-
21 payment plan” and inserting “income-
22 based repayment plan”; and

23 (ii) by striking “a Federal Direct
24 PLUS loan” and inserting “an excepted
25 PLUS loan or any Federal Direct Consoli-

1 dation Loan that includes an excepted
2 PLUS loan (as defined in subsection
3 (e)(10))”; and

4 (B) in paragraph (5)(B), by striking “in-
5 come contingent” and inserting “income-
6 based”; and

7 (2) in subsection (e)—

8 (A) in the subsection heading, by striking
9 “INCOME CONTINGENT” and inserting “IN-
10 COME-BASED”;

11 (B) in paragraphs (1), (2), and (3), by
12 striking “income contingent” each place the
13 term appears and inserting “income-based”;

14 (C) in paragraph (4)—

15 (i) by striking “Income contingent”
16 and inserting “Income-based”; and

17 (ii) by striking “Secretary.” and in-
18 serting “Secretary, except that the month-
19 ly required payment under such schedule
20 shall not exceed 15 percent of the result
21 obtained by calculating the amount by
22 which—

23 “(A) the borrower’s adjusted gross income;
24 exceeds

1 “(B) 150 percent of the poverty line appli-
2 cable to the borrower’s family size, as deter-
3 mined under section 673(2) of the Community
4 Service Block Grant Act,
5 divided by 12.”;

6 (D) in paragraph (5), by striking “income
7 contingent” and inserting “income-based”;

8 (E) by redesignating paragraph (6) as
9 paragraph (8);

10 (F) by inserting after paragraph (5) the
11 following:

12 “(6) TREATMENT OF INTEREST.—In the case
13 of a Federal Direct Stafford Loan, any interest due
14 and not paid for under paragraph (2) shall be paid
15 by the Secretary.

16 “(7) LOAN FORGIVENESS.—The Secretary shall
17 cancel the obligation to repay an outstanding bal-
18 ance of principal and interest due on all loans made
19 under this part, or assume the obligation to repay
20 an outstanding balance of principal and interest due
21 on all loans made, insured, or guaranteed under part
22 B, (other than an excepted PLUS Loan, or any Fed-
23 eral Direct Consolidation Loan or loan under section
24 428C that includes an excepted PLUS loan) to a
25 borrower who—

1 “(A) makes the election under this sub-
2 section or under section 428(b)(9)(A)(iii); and

3 “(B) for a period of time prescribed by the
4 Secretary not to exceed 25 years (including any
5 period during which the borrower is in
6 deferment due to an economic hardship de-
7 scribed in section 435(o)), meets 1 of the fol-
8 lowing requirements with respect to each pay-
9 ment made during such period:

10 “(i) Has made the payment under this
11 subsection or section 428(b)(9)(A)(iii).

12 “(ii) Has made the payment under a
13 standard repayment plan under section
14 428(b)(9)(A)(i) or 455(d)(1)(A).

15 “(iii) Has made a payment that
16 counted toward the maximum repayment
17 period under income-sensitive repayment
18 under section 428(b)(9)(A)(iii) or income
19 contingent repayment under section
20 455(d)(1)(D), as each such section was in
21 effect on June 30, 2008.

22 “(iv) Has made a reduced payment of
23 not less than the amount required under
24 subsection (e), pursuant to a forbearance
25 agreement under section 428(c)(3)(A)(i)

1 for a borrower described in
2 428(e)(3)(A)(i)(II).”;

3 (G) in the matter preceding subparagraph
4 (A) of paragraph (8) (as redesignated by sub-
5 paragraph (E)), by striking “income contin-
6 gent” and inserting “income-based”; and

7 (H) by adding at the end the following:

8 “(9) RETURN TO STANDARD REPAYMENT.—A
9 borrower who is repaying a loan made under this
10 part pursuant to income-based repayment may
11 choose, at any time, to terminate repayment pursu-
12 ant to income-based repayment and repay such loan
13 under the standard repayment plan.

14 “(10) DEFINITION OF EXCEPTED PLUS
15 LOAN.—In this subsection, the term ‘excepted PLUS
16 loan’ means a Federal Direct PLUS loan or a loan
17 under section 428B that is made, insured, or guar-
18 anteed on behalf of a dependent student.”.

19 (d) CONFORMING AMENDMENTS AND TECHNICAL
20 CORRECTIONS.—The Act (20 U.S.C. 1001 et seq.) is fur-
21 ther amended—

22 (1) in section 427(a)(2)(H) (20 U.S.C.
23 1077(a)(2)(H))—

24 (A) by striking “or income-sensitive”; and

1 (B) by inserting “or income-based repay-
2 ment schedule established pursuant to regula-
3 tions by the Secretary” before the semicolon at
4 the end; and

5 (2) in section 455(d)(1)(C) (20 U.S.C.
6 1087e(d)(1)(C)), by striking “428(b)(9)(A)(v)” and
7 inserting “428(b)(9)(A)(iv)”.

8 (e) TRANSITION PROVISION.—A student who, as of
9 June 30, 2008, elects to repay a loan under part B or
10 part D of the Higher Education Act of 1965 (20 U.S.C.
11 1071 et seq., 1087a et seq.) through an income-sensitive
12 repayment plan under section 428(b)(9)(A)(iii) of such
13 Act (20 U.S.C. 1078(b)(9)(A)(iii)) or an income contin-
14 gent repayment plan under section 455(d)(1)(D) of such
15 Act (20 U.S.C. 1087e(d)(1)(D)) (as each such section was
16 in effect on the day before the date of enactment of this
17 Act) shall have the option to continue repayment under
18 such section (as such section was in effect on such day),
19 or may elect, beginning on July 1, 2008, to use the in-
20 come-based repayment plan under section
21 428(b)(9)(A)(iii) or 455(d)(1)(D) (as applicable) of the
22 Higher Education Act of 1965, as amended by this sec-
23 tion.

24 (f) EFFECTIVE DATE AND APPLICABILITY.—The
25 amendments made by this section shall take effect on July

1 1, 2008, and shall only apply with respect to a borrower
2 of a loan under title IV of the Higher Education Act of
3 1965 who obtained the borrower's first loan under such
4 title prior to October 1, 2012.

5 **TITLE III—FEDERAL FAMILY**
6 **EDUCATION LOAN PROGRAM**

7 **SEC. 301. REDUCTION OF LENDER INSURANCE PERCENT-**
8 **AGE.**

9 (a) AMENDMENT.—Section 428(b)(1)(G) (20 U.S.C.
10 1078(b)(1)(G)) is amended—

11 (1) in the matter preceding clause (i), by strik-
12 ing “insures 98 percent” and inserting “insures 97
13 percent”;

14 (2) in clause (i), by inserting “and” after the
15 semicolon;

16 (3) by striking clause (ii); and

17 (4) by redesignating clause (iii) as clause (ii).

18 (b) EFFECTIVE DATE.—The amendment made by
19 subsection (a) shall take effect with respect to loans made
20 on or after October 1, 2007.

21 **SEC. 302. GUARANTY AGENCY COLLECTION RETENTION.**

22 Clause (ii) of section 428(c)(6)(A) (20 U.S.C.
23 1078(c)(6)(A)(ii)) is amended to read as follows:

1 “(ii) an amount equal to 24 percent of
2 such payments for use in accordance with sec-
3 tion 422B, except that—

4 “(I) beginning October 1, 2003 and
5 ending September 30, 2007, this subpara-
6 graph shall be applied by substituting ‘23
7 percent’ for ‘24 percent’; and

8 “(II) beginning October 1, 2007, this
9 subparagraph shall be applied by sub-
10 stituting ‘16 percent’ for ‘24 percent.’”.

11 **SEC. 303. ELIMINATION OF EXCEPTIONAL PERFORMER**
12 **STATUS FOR LENDERS.**

13 (a) **ELIMINATION OF STATUS.**—Part B of title IV (20
14 U.S.C. 1071 et seq.) is amended by striking section 428I
15 (20 U.S.C. 1078–9).

16 (b) **CONFORMING AMENDMENTS.**—Part B of title IV
17 is further amended—

18 (1) in section 428(c)(1) (20 U.S.C.
19 1078(c)(1))—

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

21 (B) by redesignating subparagraphs (E)
22 through (H) as subparagraphs (D) through
23 (G), respectively; and

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

4 (c) EFFECTIVE DATE.—The amendments made by
5 subsections (a) and (b) shall take effect on October 1,
6 2007, except that section 428I of the Higher Education
7 Act of 1965 (as in effect on the day before the date of
8 enactment of this Act) shall apply to eligible lenders that
9 received a designation under subsection (a) of such section
10 prior to October 1, 2007, for the remainder of the year
11 for which the designation was made.

12 **SEC. 304. DEFINITIONS.**

13 (a) AMENDMENTS.—Section 435 (20 U.S.C. 1085) is
14 amended—

15 (1) in subsection (o)(1)—

16 (A) in subparagraph (A)(ii), by striking
17 “100 percent of the poverty line for a family of
18 2” and inserting “150 percent of the poverty
19 line applicable to the borrower’s family size”;
20 and

21 (B) in subparagraph (B)(ii), by striking
22 “to a family of two” and inserting “to the bor-
23 rower’s family size”; and

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

25 “(p) ELIGIBLE NOT-FOR-PROFIT HOLDER.—

1 “(1) DEFINITION OF ELIGIBLE NOT-FOR-PROF-
2 IT HOLDER.—The term ‘eligible not-for-profit hold-
3 er’ means an eligible lender under subsection (d)
4 (except for an eligible lender described in subsection
5 (d)(1)(E)) that requests a special allowance payment
6 under section 438(b)(2)(I)(vi)(II) and that is—

7 “(A) a State of the United States, or a po-
8 litical subdivision thereof, or an authority, agen-
9 cy, or other instrumentality thereof (including
10 such entities that are eligible to issue bonds de-
11 scribed in section 1.103–1 of title 26, Code of
12 Federal Regulations, or section 144(b) of the
13 Internal Revenue Code of 1986);

14 “(B) an entity described in section
15 150(d)(2) of such Code that has not made the
16 election described in section 150(d)(3) of such
17 Code;

18 “(C) an entity described in section
19 501(c)(3) of such Code; or

20 “(D) a trustee acting as an eligible lender
21 on behalf of an entity described in subpara-
22 graph (A), (B), or (C),

23 except that no entity described in subparagraph (A),
24 (B), or (C) shall be owned or controlled in whole or
25 in part by a for-profit entity.

1 “(2) PROHIBITION.—In the case of a loan for
2 which the special allowance payment is calculated
3 under section 438(b)(2)(I)(vi)(II) and that is sold by
4 the eligible not-for-profit holder holding the loan to
5 a for-profit entity or to an entity that is not an eligi-
6 ble not-for-profit holder, the special allowance pay-
7 ment for such loan shall, beginning on the date of
8 the sale, no longer be calculated under section
9 438(b)(2)(I)(vi)(II) and shall be calculated under
10 section 438(b)(2)(I)(vi)(I) instead.

11 “(3) REGULATIONS.—Not later than 1 year
12 after the date of enactment of the Higher Education
13 Access Act of 2007, the Secretary shall promulgate
14 regulations in accordance with the provisions of this
15 subsection.”.

16 (b) APPLICABILITY.—The amendment made by sub-
17 section (a)(1) shall only apply with respect to any bor-
18 rower of a loan under title IV of the Higher Education
19 Act of 1965 who obtained the borrower’s first loan under
20 such title prior to October 1, 2012.

21 **SEC. 305. SPECIAL ALLOWANCES.**

22 (a) REDUCTION OF LENDER SPECIAL ALLOWANCE
23 PAYMENTS.—Section 438(b)(2)(I) (20 U.S.C. 1087–
24 1(b)(2)(I)) is amended—

1 (1) in clause (i), by striking “(iii), and (iv)”
2 and inserting “(iii), (iv), and (vi)”; and

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

4 “(vi) REDUCTION FOR LOANS DIS-
5 BURSED ON OR AFTER OCTOBER 1, 2007.—

6 With respect to a loan on which the appli-
7 cable interest rate is determined under sec-
8 tion 427A(l) and for which the first dis-
9 bursement of principal is made on or after
10 October 1, 2007, the special allowance pay-
11 ment computed pursuant to this subpara-
12 graph shall be computed—

13 “(I) for loans held by an eligible
14 lender not described in subclause

15 (II)—

16 “(aa) by substituting ‘1.24
17 percent’ for ‘1.74 percent’ in
18 clause (ii);

19 “(bb) by substituting ‘1.84
20 percent’ for ‘2.34 percent’ each
21 place the term appears in this
22 subparagraph;

23 “(cc) by substituting ‘1.84
24 percent’ for ‘2.64 percent’ in
25 clause (iii); and

1 “(dd) by substituting ‘2.14
2 percent’ for ‘2.64 percent’ in
3 clause (iv); and

4 “(II) for loans held by an eligible
5 not-for-profit holder—

6 “(aa) by substituting ‘1.99
7 percent’ for ‘2.34 percent’ each
8 place the term appears in this
9 subparagraph;

10 “(bb) by substituting ‘1.39
11 percent’ for ‘1.74 percent’ in
12 clause (ii);

13 “(cc) by substituting ‘1.99
14 percent’ for ‘2.64 percent’ in
15 clause (iii); and

16 “(dd) by substituting ‘2.29
17 percent’ for ‘2.64 percent’ in
18 clause (iv).”.

19 (b) INCREASED LOAN FEES FROM LENDERS.—Para-
20 graph (2) of section 438(d) (20 U.S.C. 1087–1(d)(2)) is
21 amended to read as follows:

22 “(2) AMOUNT OF LOAN FEES.—The amount of
23 the loan fee which shall be deducted under para-
24 graph (1), but which may not be collected from the
25 borrower, shall be equal to 1.0 percent of the prin-

1 cial amount of the loan with respect to any loan
 2 under this part for which the first disbursement was
 3 made on or after October 1, 2007.”.

4 **TITLE IV—WILLIAM D. FORD**
 5 **FEDERAL DIRECT LOAN PRO-**
 6 **GRAM**

7 **SEC. 401. LOAN FORGIVENESS FOR PUBLIC SERVICE EM-**
 8 **PLOYEES.**

9 Section 455 (as amended by sections 201(c), 202(b),
 10 and 203(c)) (20 U.S.C. 1087e) is further amended by add-
 11 ing at the end the following:

12 “(m) REPAYMENT PLAN FOR PUBLIC SERVICE EM-
 13 PLOYEES.—

14 “(1) IN GENERAL.—The Secretary shall cancel
 15 the balance of interest and principal due, in accord-
 16 ance with paragraph (2), on any eligible Federal Di-
 17 rect Loan not in default for an eligible borrower
 18 who—

19 “(A) has made 120 monthly payments on
 20 the Federal Direct Loan after October 1, 2007,
 21 pursuant to any combination of—

22 “(i) payments under an income-based
 23 repayment plan under section
 24 455(d)(1)(D);

1 “(ii) payments under a standard re-
2 payment plan under section 455(d)(1)(A);

3 or

4 “(iii) monthly payments under a re-
5 payment plan under section 455(d)(1) of
6 not less than the monthly amount cal-
7 culated under section 455(d)(1)(A); and

8 “(B)(i) is employed in a public service job
9 at the time of such forgiveness; and

10 “(ii) has been employed in a public service
11 job during the period in which the borrower
12 makes each of the 120 payments described in
13 subparagraph (A).

14 “(2) LOAN CANCELLATION AMOUNT.—After the
15 conclusion of the employment period described in
16 paragraph (1), the Secretary shall cancel the obliga-
17 tion to repay, for each year during such period de-
18 scribed in paragraph (1)(B)(ii) for which the eligible
19 borrower submits documentation to the Secretary
20 that the borrower’s annual adjusted gross income or
21 annual earnings were less than or equal to \$65,000,
22 $\frac{1}{10}$ of the amount of the balance of principal and in-
23 terest due as of the time of such cancellation, on the
24 eligible Federal Direct Loans made to the borrower
25 under this part.

1 “(3) DEFINITIONS.—In this subsection:

2 “(A) ELIGIBLE BORROWER.—The term ‘el-
3 igible borrower’ means a borrower who submits
4 documentation to the Secretary that the bor-
5 rower’s annual adjusted gross income or annual
6 earnings is less than or equal to \$65,000.

7 “(B) ELIGIBLE FEDERAL DIRECT LOAN.—
8 The term ‘eligible Federal Direct Loan’ means
9 a Federal Direct Stafford Loan, Federal Direct
10 PLUS Loan, Federal Direct Unsubsidized
11 Loan, or a Federal Direct Consolidation Loan
12 if such consolidation loan was obtained by the
13 borrower under section 428C(b)(5) or in ac-
14 cordance with section 428C(a)(3)(B)(i)(V).

15 “(C) PUBLIC SERVICE JOB.—In this para-
16 graph, the term ‘public service job’ means—

17 “(i) a full-time job in public emer-
18 gency management, government, public
19 safety, public law enforcement, public
20 health, public education, public early child-
21 hood education, public child care, social
22 work in a public child or family service
23 agency, public services for individuals with
24 disabilities, public services for the elderly,
25 public interest legal services (including

1 prosecution or public defense), public li-
 2 brary sciences, public school library
 3 sciences, or other public school-based serv-
 4 ices; or

5 “(ii) teaching as a full-time faculty
 6 member at a Tribal College or University
 7 as defined in section 316(b).”.

8 **SEC. 402. UNIT COST CALCULATION FOR GUARANTY AGEN-**
 9 **CY ACCOUNT MAINTENANCE FEES.**

10 Section 458(b) (20 U.S.C. 1087h(b)) is amended—

11 (1) by striking “Account” and inserting the fol-
 12 lowing:

13 “(1) FOR FISCAL YEARS 2006 AND 2007.—For
 14 each of the fiscal years 2006 and 2007, account”;
 15 and

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

17 “(2) FOR FISCAL YEAR 2008 AND SUCCEEDING
 18 FISCAL YEARS.—

19 “(A) IN GENERAL.—For fiscal year 2008
 20 and each succeeding fiscal year, the Secretary
 21 shall calculate the account maintenance fees
 22 payable to guaranty agencies under subsection
 23 (a)(3), on a per-loan cost basis in accordance
 24 with subparagraph (B).

1 “(B) AMOUNT DETERMINATION.—To de-
2 termine the amount that shall be paid under
3 subsection (a)(3) per outstanding loan guaran-
4 teed by a guaranty agency for fiscal year 2008
5 and succeeding fiscal years, the Secretary
6 shall—

7 “(i) establish the per-loan cost basis
8 amount by dividing the total amount of ac-
9 count maintenance fees paid under sub-
10 section (a)(3) for fiscal year 2006 by the
11 number of loans under part B that were
12 outstanding for that fiscal year; and

13 “(ii) for subsequent fiscal years, ad-
14 just the amount determined under clause
15 (i) as the Secretary determines necessary
16 to account for inflation.”.

17 **TITLE V—FEDERAL PERKINS** 18 **LOANS**

19 **SEC. 501. DISTRIBUTION OF LATE COLLECTIONS.**

20 Section 466(b) (20 U.S.C. 1087ff(b)) is amended by
21 striking “March 31, 2012” and inserting “September 30,
22 2012”.

1 **TITLE VI—NEED ANALYSIS**

2 **SEC. 601. SUPPORT FOR WORKING STUDENTS.**

3 (a) **DEPENDENT STUDENTS.**—Subparagraph (D) of
4 section 475(g)(2) (20 U.S.C. 1087oo(g)(2)(D)) is amend-
5 ed to read as follows:

6 “(D) an income protection allowance of the
7 following amount (or a successor amount pre-
8 scribed by the Secretary under section 478):

9 “(i) for academic year 2009–2010,
10 \$3,750;

11 “(ii) for academic year 2010–2011,
12 \$4,500;

13 “(iii) for academic year 2011–2012,
14 \$5,250; and

15 “(iv) for academic year 2012–2013,
16 \$6,000;”.

17 (b) **INDEPENDENT STUDENTS WITHOUT DEPEND-**
18 **ENTS OTHER THAN A SPOUSE.**—Clause (iv) of section
19 476(b)(1)(A) (20 U.S.C. 1087pp(b)(1)(A)(iv)) is amended
20 to read as follows:

21 “(iv) an income protection allowance
22 of the following amount (or a successor
23 amount prescribed by the Secretary under
24 section 478):

1 “(I) for single or separated stu-
2 dents, or married students where both
3 are enrolled pursuant to subsection
4 (a)(2)—

5 “(aa) for academic year
6 2009–2010, \$7,000;

7 “(bb) for academic year
8 2010–2011, \$7,780;

9 “(cc) for academic year
10 2011–2012, \$8,550; and

11 “(dd) for academic year
12 2012–2013, \$9,330; and

13 “(II) for married students where
14 1 is enrolled pursuant to subsection
15 (a)(2)—

16 “(aa) for academic year
17 2009–2010, \$11,220;

18 “(bb) for academic year
19 2010–2011, \$12,460;

20 “(cc) for academic year
21 2011–2012, \$13,710; and

22 “(dd) for academic year
23 2012–2013, \$14,960;”.

24 (c) INDEPENDENT STUDENTS WITH DEPENDENTS
25 OTHER THAN A SPOUSE.—Paragraph (4) of section

1 477(b) (20 U.S.C. 1087qq(b)(4)) is amended to read as
 2 follows:

3 “(4) INCOME PROTECTION ALLOWANCE.—The
 4 income protection allowance is determined by the ta-
 5 bles described in subparagraphs (A) through (D) (or
 6 a successor table prescribed by the Secretary under
 7 section 478).

8 “(A) ACADEMIC YEAR 2009–2010.—For aca-
 9 demic year 2009–2010, the income protection
 10 allowance is determined by the following table:

“Income Protection Allowance

Family Size	Number in College				
	1	2	3	4	5
2	\$17,720	\$14,690			
3	22,060	19,050	\$16,020		
4	27,250	24,220	21,210	\$18,170	
5	32,150	29,120	26,100	23,070	\$20,060
6	37,600	34,570	31,570	28,520	25,520

NOTE: For each additional family member, add \$4,240.
 For each additional college student, subtract \$3,020.

11 “(B) ACADEMIC YEAR 2010–2011.—For
 12 academic year 2010–2011, the income protec-
 13 tion allowance is determined by the following
 14 table:

“Income Protection Allowance

Family Size	Number in College				
	1	2	3	4	5
2	\$19,690	\$16,330			
3	24,510	21,160	\$17,800		
4	30,280	26,910	23,560	\$20,190	
5	35,730	32,350	29,000	25,640	\$22,290

“Income Protection Allowance—Continued

Family Size	Number in College				
	1	2	3	4	5
6	41,780	38,410	35,080	31,690	28,350

NOTE: For each additional family member, add \$4,710.
For each additional college student, subtract \$3,350.

- 1 “(C) ACADEMIC YEAR 2011–2012.—For aca-
2 demic year 2011–2012, the income protection
3 allowance is determined by the following table:

“Income Protection Allowance

Family Size	Number in College				
	1	2	3	4	5
2	\$21,660	\$17,960			
3	26,960	23,280	\$19,580		
4	33,300	29,600	25,920	\$22,210	
5	39,300	35,590	31,900	28,200	\$24,520
6	45,950	42,250	38,580	34,860	31,190

NOTE: For each additional family member, add \$5,180.
For each additional college student, subtract \$3,690.

- 4 “(D) ACADEMIC YEAR 2012–2013.—For
5 academic year 2012–2013, the income protec-
6 tion allowance is determined by the following
7 table:

“Income Protection Allowance

Family Size	Number in College				
	1	2	3	4	5
2	\$23,630	\$19,590			
3	29,420	25,400	\$21,360		
4	36,330	32,300	28,280	\$24,230	
5	42,870	38,820	34,800	30,770	\$26,750
6	50,130	46,100	42,090	38,030	34,020

NOTE: For each additional family member, add \$5,660.
For each additional college student, subtract \$4,020.”

1 (d) UPDATED TABLES AND AMOUNTS.—Section
2 478(b) (20 U.S.C. 1087rr(b)) is amended—

3 (1) by striking paragraph (1) and inserting the
4 following:

5 “(1) REVISED TABLES.—

6 “(A) IN GENERAL.—For each academic
7 year after academic year 2008–2009, the Sec-
8 retary shall publish in the Federal Register a
9 revised table of income protection allowances
10 for the purpose of such sections, subject to sub-
11 paragraphs (B) and (C).

12 “(B) TABLE FOR INDEPENDENT STU-
13 DENTS.—

14 “(i) ACADEMIC YEARS 2009–2010
15 THROUGH 2012–2013.—For each of the aca-
16 demic years 2009–2010 through 2012–
17 2013, the Secretary shall not develop a re-
18 vised table of income protection allowances
19 under section 477(b)(4) and the table spec-
20 ified for such academic year under sub-
21 paragraphs (A) through (D) of such sec-
22 tion shall apply.

23 “(ii) OTHER ACADEMIC YEARS.—For
24 each academic year after academic year
25 2012–2013, the Secretary shall develop the

1 revised table of income protection allow-
2 ances by increasing each of the dollar
3 amounts contained in the table of income
4 protection allowances under section
5 477(b)(4)(D) by a percentage equal to the
6 estimated percentage increase in the Con-
7 sumer Price Index (as determined by the
8 Secretary) between December 2011 and
9 the December next preceding the beginning
10 of such academic year, and rounding the
11 result to the nearest \$10.

12 “(C) TABLE FOR PARENTS.—For each
13 academic year after academic year 2008–2009,
14 the Secretary shall develop the revised table of
15 income protection allowances under section
16 475(c)(4) by increasing each of the dollar
17 amounts contained in the table by a percentage
18 equal to the estimated percentage increase in
19 the Consumer Price Index (as determined by
20 the Secretary) between December 1992 and the
21 December next preceding the beginning of such
22 academic year, and rounding the result to the
23 nearest \$10.”; and

24 (2) in paragraph (2), by striking “shall be de-
25 veloped” and all that follows through the period at

1 the end and inserting “shall be developed for each
 2 academic year after academic year 2012–2013, by
 3 increasing each of the dollar amounts contained in
 4 such section for academic year 2012–2013 by a per-
 5 centage equal to the estimated percentage increase
 6 in the Consumer Price Index (as determined by the
 7 Secretary) between December 2011 and the Decem-
 8 ber next preceding the beginning of such academic
 9 year, and rounding the result to the nearest \$10.”.

10 (e) EFFECTIVE DATE.—The amendments made by
 11 this section shall take effect on July 1, 2009.

12 **SEC. 602. AUTOMATIC ZERO IMPROVEMENTS.**

13 (a) IN GENERAL.—Section 479(c) (20 U.S.C.
 14 1087ss(c)) is amended—

15 (1) in paragraph (1)(B), by striking “20,000”
 16 and inserting “\$30,000”; and

17 (2) in paragraph (2)(B), by striking “\$20,000”
 18 and inserting “\$30,000”.

19 (b) EFFECTIVE DATE.—The amendments made by
 20 this section shall take effect on July 1, 2009.

21 **SEC. 603. DISCRETION OF STUDENT FINANCIAL AID ADMIN-**
 22 **ISTRATORS.**

23 The third sentence of section 479A(a) (20 U.S.C.
 24 1087tt(a)) is amended—

1 (1) by inserting “or an independent student”
2 after “family member”; and

3 (2) by inserting “a change in housing status
4 that results in homelessness (as defined in section
5 103 of the McKinney-Vento Homeless Assistance
6 Act),” after “under section 487,”.

7 **SEC. 604. DEFINITIONS.**

8 (a) IN GENERAL.—Section 480 (20 U.S.C. 1087vv)
9 is amended—

10 (1) in subsection (a)(2)—

11 (A) by striking “and no portion” and in-
12 sserting “no portion”; and

13 (B) by inserting “and no distribution from
14 any qualified education benefit described in sub-
15 section (f)(3) that is not subject to Federal in-
16 come tax,” after “1986,”;

17 (2) in subsection (d)—

18 (A) by redesignating paragraphs (1), (2),
19 (3) through (6), and (7) as subparagraphs (A),
20 (B), (D) through (G), and (I), respectively, and
21 indenting appropriately;

22 (B) by striking “INDEPENDENT STU-
23 DENT.—The term” and inserting “INDE-
24 PENDENT STUDENT.—

25 “(1) DEFINITION.—The term”;

1 (C) by striking subparagraph (B) (as re-
2 designated by subparagraph (A)) and inserting
3 the following:

4 “(B) is an orphan, in foster care, or a
5 ward of the court, or was in foster care or a
6 ward of the court until the individual reached
7 the age of 18;

8 “(C) is an emancipated minor or is in legal
9 guardianship as determined by a court of com-
10 petent jurisdiction in the individual’s State of
11 legal residence;”;

12 (D) in subparagraph (G) (as redesignated
13 by subparagraph (A)), by striking “or” after
14 the semicolon;

15 (E) by inserting after subparagraph (G)
16 (as redesignated by subparagraph (A)) the fol-
17 lowing:

18 “(H) has been verified as an unaccom-
19 panied youth who is a homeless child or youth
20 (as such terms are defined in section 725 of the
21 McKinney-Vento Homeless Assistance Act) dur-
22 ing the school year in which the application is
23 submitted, by—

24 “(i) a local educational agency home-
25 less liaison, designated pursuant to section

1 722(g)(1)(J)(ii) of the McKinney-Vento
2 Homeless Assistance Act;

3 “(ii) the director of a program funded
4 under the Runaway and Homeless Youth
5 Act or a designee of the director; or

6 “(iii) the director of a program fund-
7 ed under subtitle B of title IV of the
8 McKinney-Vento Homeless Assistance Act
9 (relating to emergency shelter grants) or a
10 designee of the director; or”;

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

12 “(2) SIMPLIFYING THE DEPENDENCY OVER-
13 RIDE PROCESS.—A financial aid administrator may
14 make a determination of independence under para-
15 graph (1)(I) based upon a documented determina-
16 tion of independence that was previously made by
17 another financial aid administrator under such para-
18 graph in the same award year.”;

19 (3) in subsection (e)—

20 (A) in paragraph (3), by striking “and”
21 after the semicolon;

22 (B) in paragraph (4), by striking the pe-
23 riod at the end and inserting “; and”;

24 (C) by adding at the end the following:

25 “(5) special combat pay.”;

1 (4) in subsection (f), by striking paragraph (3)
2 and inserting the following:

3 “(3) A qualified education benefit shall be con-
4 sidered an asset of—

5 “(A) the student if the student is an inde-
6 pendent student; or

7 “(B) the parent if the student is a depend-
8 ent student, regardless of whether the owner of
9 the account is the student or the parent.”;

10 (5) in subsection (j)—

11 (A) in paragraph (2), by inserting “, or a
12 distribution that is not includable in gross in-
13 come under section 529 of such Code, under
14 another prepaid tuition plan offered by a State,
15 or under a Coverdell education savings account
16 under section 530 of such Code,” after “1986”;
17 and

18 (B) by adding at the end the following:

19 “(4) Notwithstanding paragraph (1), special combat
20 pay shall not be treated as estimated financial assistance
21 for purposes of section 471(3).”; and

22 (6) by adding at the end the following:

23 “(n) SPECIAL COMBAT PAY.—The term ‘special com-
24 bat pay’ means pay received by a member of the Armed
25 Forces because of exposure to a hazardous situation.”.

1 **SEC. 605. AUTHORIZATION AND APPROPRIATIONS.**

2 There are authorized to be appropriated, and there
 3 are appropriated, out of any money in the Treasury not
 4 otherwise appropriated, \$10,000,000 for fiscal year 2008
 5 for the Department of Education to pay the estimated in-
 6 crease in costs in the Federal Pell Grant program under
 7 section 401 of the Higher Education Act of 1965 (20
 8 U.S.C. 1070a) resulting from the amendments made by
 9 sections 603 and 604 for award year 2007–2008.

10 **TITLE VII—GENERAL PROVI-**
 11 **SIONS RELATING TO STU-**
 12 **DENT ASSISTANCE**

13 **SEC. 701. STUDENT ELIGIBILITY.**

14 (a) AMENDMENTS.—Section 484(r) (20 U.S.C.
 15 1091(r)) is amended—

16 (1) in the table in paragraph (1), by inserting
 17 “while such student is enrolled in an institution of
 18 higher education and receiving financial assistance
 19 under this title” after “of a controlled substance”
 20 each place the term appears;

21 (2) by redesignating paragraph (3) as para-
 22 graph (4); and

23 (3) by inserting after paragraph (2) the fol-
 24 lowing:

25 “(4) INTERACTION WITH FAFSA.—The Sec-
 26 retary shall not require a student to provide infor-

1 mation regarding the student’s possession or sale of
 2 a controlled substance on the Free Application for
 3 Federal Student Aid (FAFSA) or any other common
 4 financial reporting form described in section
 5 483(a).”.

6 (b) AUTHORIZATION AND APPROPRIATIONS.—There
 7 are authorized to be appropriated, and there are appro-
 8 priated, out of any money in the Treasury not otherwise
 9 appropriated, \$5,000,000 for fiscal year 2008 for the De-
 10 partment of Education to pay the estimated increase in
 11 costs in the Federal Pell Grant program under section 401
 12 of the Higher Education Act of 1965 (20 U.S.C. 1070a)
 13 resulting from the amendments made by subsection (a)
 14 for award year 2007–2008.

15 **TITLE VIII—MISCELLANEOUS**

16 **SEC. 801. COMPETITIVE LOAN AUCTION PILOT PROGRAM.**

17 Title IV (20 U.S.C. 1070 et seq.) is further amended
 18 by adding at the end the following:

19 **“PART I—COMPETITIVE LOAN AUCTION PILOT** 20 **PROGRAM; STATE GRANT PROGRAM**

21 **“SEC. 499. COMPETITIVE LOAN AUCTION PILOT PROGRAM.**

22 “(a) DEFINITIONS.—In this section:

23 “(1) ELIGIBLE FEDERAL PLUS LOAN.—The
 24 term ‘eligible Federal PLUS Loan’ means a loan de-

1 scribed in section 428B made to a parent of a de-
2 pendent student.

3 “(2) ELIGIBLE LENDER.—The term ‘eligible
4 lender’ has the meaning given the term in section
5 435.

6 “(b) PILOT PROGRAM.—The Secretary shall carry
7 out a pilot program under which the Secretary establishes
8 a mechanism for an auction of eligible Federal PLUS
9 Loans in accordance with this subsection. The pilot pro-
10 gram shall meet the following requirements:

11 “(1) PLANNING AND IMPLEMENTATION.—Dur-
12 ing the period beginning on the date of enactment
13 of this section and ending on June 30, 2009, the
14 Secretary shall plan and implement the pilot pro-
15 gram under this subsection.

16 “(2) ORIGINATION AND DISBURSEMENT; APPLI-
17 CABILITY OF SECTION 428B.—Beginning on July 1,
18 2009, the Secretary shall arrange for the origination
19 and disbursement of all eligible Federal PLUS
20 Loans in accordance with the provisions of this sub-
21 section and the provisions of section 428B that are
22 not inconsistent with this subsection.

23 “(3) LOAN ORIGINATION MECHANISM.—The
24 Secretary shall establish a loan origination auction
25 mechanism that meets the following requirements:

1 “(A) AUCTION.—The Secretary admin-
2 isters an auction under this paragraph for each
3 State under which eligible lenders compete to
4 originate eligible Federal PLUS Loans under
5 this paragraph at all institutions of higher edu-
6 cation within the State.

7 “(B) PREQUALIFICATION PROCESS.—The
8 Secretary establishes a prequalification process
9 for eligible lenders desiring to participate in an
10 auction under this paragraph that contains, at
11 a minimum—

12 “(i) a set of borrower benefits and
13 servicing requirements each eligible lender
14 shall meet in order to participate in such
15 an auction; and

16 “(ii) an assessment of each such eligi-
17 ble lender’s capacity, including capital ca-
18 pacity, to participate effectively.

19 “(C) TIMING AND ORIGINATION.—Each
20 State auction takes place every 2 years, and the
21 eligible lenders with the winning bids for the
22 State are the only eligible lenders permitted to
23 originate eligible Federal PLUS Loans made
24 under this paragraph for the cohort of students
25 at the institutions of higher education within

1 the State until the students graduate from or
2 leave the institutions of higher education.

3 “(D) BIDS.—Each eligible lender’s bid
4 consists of the amount of the special allowance
5 payment (including the recapture of excess in-
6 terest) the eligible lender proposes to accept
7 from the Secretary with respect to the eligible
8 Federal PLUS Loans made under this para-
9 graph in lieu of the amount determined under
10 section 438(b)(2)(I).

11 “(E) MAXIMUM BID.—The maximum bid
12 allowable under this paragraph shall not exceed
13 the amount of the special allowance payable on
14 eligible Federal PLUS Loans made under this
15 paragraph computed under section 438(b)(2)(I)
16 (other than clauses (ii), (iii), (iv), and (vi) of
17 such section), except that for purposes of the
18 computation under this subparagraph, section
19 438(b)(2)(I)(i)(III) shall be applied by sub-
20 stituting ‘1.74 percent’ for ‘2.34 percent’.

21 “(F) WINNING BIDS.—The winning bids
22 for each State auction shall be the 2 bids con-
23 taining the lowest and the second lowest pro-
24 posed special allowance payments, subject to
25 subparagraph (E).

1 “(G) AGREEMENT WITH SECRETARY.—

2 Each eligible lender having a winning bid under
3 subparagraph (F) enters into an agreement
4 with the Secretary under which the eligible
5 lender—

6 “(i) agrees to originate eligible Fed-
7 eral PLUS Loans under this paragraph to
8 each borrower who—

9 “(I) seeks an eligible Federal
10 PLUS Loan under this paragraph to
11 enable a dependent student to attend
12 an institution of higher education
13 within the State;

14 “(II) is eligible for an eligible
15 Federal PLUS Loan; and

16 “(III) elects to borrow from the
17 eligible lender; and

18 “(ii) agrees to accept a special allow-
19 ance payment (including the recapture of
20 excess interest) from the Secretary with re-
21 spect to the eligible Federal PLUS Loans
22 originated under clause (i) in the amount
23 proposed in the second lowest winning bid
24 described in subparagraph (F) for the ap-
25 plicable State auction.

1 “(H) SEALED BIDS; CONFIDENTIALITY.—
2 All bids are sealed and the Secretary keeps the
3 bids confidential, including following the an-
4 nouncement of the winning bids.

5 “(I) ELIGIBLE LENDER OF LAST RE-
6 SORT.—

7 “(i) IN GENERAL.—In the event that
8 there is no winning bid under subpara-
9 graph (F), the students at the institutions
10 of higher education within the State that
11 was the subject of the auction shall be
12 served by an eligible lender of last resort,
13 as determined by the Secretary.

14 “(ii) DETERMINATION OF ELIGIBLE
15 LENDER OF LAST RESORT.—Prior to the
16 start of any auction under this paragraph,
17 eligible lenders that desire to serve as an
18 eligible lender of last resort shall submit
19 an application to the Secretary at such
20 time and in such manner as the Secretary
21 may determine. Such application shall in-
22 clude an assurance that the eligible lender
23 will meet the prequalification requirements
24 described in subparagraph (B).

1 “(iii) GEOGRAPHIC LOCATION.—The
2 Secretary shall identify an eligible lender
3 of last resort for each State.

4 “(iv) NOTIFICATION TIMING.—The
5 Secretary shall not identify any eligible
6 lender of last resort until after the an-
7 nouncement of all the winning bids for a
8 State auction for any year.

9 “(J) GUARANTEE AGAINST LOSSES.—The
10 Secretary guarantees the eligible Federal PLUS
11 Loans made under this paragraph against
12 losses resulting from the default of a parent
13 borrower in an amount equal to 99 percent of
14 the unpaid principal and interest due on the
15 loan.

16 “(K) LOAN FEES.—The Secretary shall
17 not collect a loan fee under section 438(d) with
18 respect to an eligible Federal Plus Loan origi-
19 nated under this paragraph.

20 “(L) CONSOLIDATION.—

21 “(i) IN GENERAL.—An eligible lender
22 who is permitted to originate eligible Fed-
23 eral PLUS Loans for a borrower under
24 this paragraph shall have the option to
25 consolidate such loans into 1 loan.

1 “(ii) NOTIFICATION.—In the event a
2 borrower with eligible Federal PLUS
3 Loans made under this paragraph wishes
4 to consolidate the loans, the borrower shall
5 notify the eligible lender who originated
6 the loans under this paragraph.

7 “(iii) LIMITATION ON ELIGIBLE LEND-
8 ER OPTION TO CONSOLIDATE.—The option
9 described in clause (i) shall not apply if—

10 “(I) the borrower includes in the
11 notification in clause (ii) verification
12 of consolidation terms and conditions
13 offered by an eligible lender other
14 than the eligible lender described in
15 clause (i); and

16 “(II) not later than 10 days after
17 receiving such notification from the
18 borrower, the eligible lender described
19 in clause (i) does not agree to match
20 such terms and conditions, or provide
21 more favorable terms and conditions
22 to such borrower than the offered
23 terms and conditions described in sub-
24 clause (I).

1 “(iv) CONSOLIDATION OF ADDITIONAL
2 LOANS.—If a borrower has a Federal Di-
3 rect PLUS Loan or a loan made on behalf
4 of a dependent student under section 428B
5 and seeks to consolidate such loan with an
6 eligible Federal PLUS Loan made under
7 this paragraph, then the eligible lender
8 that originated the borrower’s loan under
9 this paragraph may include in the consoli-
10 dation under this subparagraph a Federal
11 Direct PLUS Loan or a loan made on be-
12 half of a dependent student under section
13 428B, but only if—

14 “(I) in the case of a Federal Di-
15 rect PLUS Loan, the eligible lender
16 agrees, not later than 10 days after
17 the borrower requests such consolida-
18 tion from the lender, to match the
19 consolidation terms and conditions
20 that would otherwise be available to
21 the borrower if the borrower consoli-
22 dated such loans in the loan program
23 under part D; or

24 “(II) in the case of a loan made
25 on behalf of a dependent student

1 under section 428B, the eligible lender
2 agrees, not later than 10 days after
3 the borrower requests such consolida-
4 tion from the lender, to match the
5 consolidation terms and conditions of-
6 fered by an eligible lender other than
7 the eligible lender that originated the
8 borrower's loans under this para-
9 graph.

10 “(v) SPECIAL ALLOWANCE ON CON-
11 SOLIDATION LOANS THAT INCLUDE LOANS
12 MADE UNDER THIS PARAGRAPH.—The ap-
13 plicable special allowance payment for
14 loans consolidated under this paragraph
15 shall be equal to the lesser of—

16 “(I) the weighted average of the
17 special allowance payment on such
18 loans, except that such weighted aver-
19 age shall exclude the special allowance
20 payment for any Federal Direct
21 PLUS Loan included in the consolida-
22 tion; or

23 “(II) the result of—

24 “(aa) the average of the
25 bond equivalent rates of the

1 quotes of the 3-month commer-
2 cial paper (financial) rates in ef-
3 fect for each of the days in such
4 quarter as reported by the Fed-
5 eral Reserve in Publication H-15
6 (or its successor) for such 3-
7 month period; plus

8 “(bb) 1.59 percent.

9 “(vi) INTEREST PAYMENT REBATE
10 FEE.—Any loan under section 428C con-
11 solidated under this paragraph shall not be
12 subject to the interest payment rebate fee
13 under section 428C(f).

14 “(c) COLLEGE ACCESS PARTNERSHIP GRANT PRO-
15 GRAM.—

16 “(1) PURPOSE.—It is the purpose of this sub-
17 section to make payments to States to assist the
18 States in carrying out the activities and services de-
19 scribed in paragraph (7) in order to increase access
20 to higher education for students in the State.

21 “(2) AUTHORIZATION AND APPROPRIATIONS.—
22 There are authorized to be appropriated, and there
23 are appropriated, \$25,000,000 for each of the fiscal
24 years 2008 and 2009 to carry out this subsection.

25 “(3) PROGRAM AUTHORIZED.—

1 “(A) GRANTS AUTHORIZED.—From
2 amounts appropriated under paragraph (2), the
3 Secretary shall award grants, from allotments
4 under paragraph (4), to States having applica-
5 tions approved under paragraph (5), to enable
6 the State to pay the Federal share of the costs
7 of carrying out the activities and services de-
8 scribed in paragraph (7).

9 “(B) FEDERAL SHARE; NON-FEDERAL
10 SHARE.—

11 “(i) FEDERAL SHARE.—The amount
12 of the Federal share under this subsection
13 for a fiscal year shall be equal to $\frac{2}{3}$ of the
14 costs of the activities and services de-
15 scribed in paragraph (7).

16 “(ii) NON-FEDERAL SHARE.—The
17 amount of the non-Federal share under
18 this subsection shall be equal to $\frac{1}{3}$ of the
19 costs of the activities and services de-
20 scribed in paragraph (7). The non-Federal
21 share may be in cash or in-kind, and may
22 be provided from a combination of State
23 resources and contributions from private
24 organizations in the State.

1 “(C) REDUCTION FOR FAILURE TO PAY
2 NON-FEDERAL SHARE.—If a State fails to pro-
3 vide the full non-Federal share required under
4 this paragraph, the Secretary shall reduce the
5 amount of the grant payment under this sub-
6 section proportionately.

7 “(D) TEMPORARY INELIGIBILITY FOR SUB-
8 SEQUENT PAYMENTS.—

9 “(i) IN GENERAL.—The Secretary
10 shall determine a State to be temporarily
11 ineligible to receive a grant payment under
12 this subsection for a fiscal year if—

13 “(I) the State fails to submit an
14 annual report pursuant to paragraph
15 (9) for the preceding fiscal year; or

16 “(II) the Secretary determines,
17 based on information in such annual
18 report, that the State is not effectively
19 meeting the conditions described
20 under paragraph (8) and the goals of
21 the application under paragraph (5).

22 “(ii) REINSTATEMENT.—If the Sec-
23 retary determines a State is ineligible
24 under clause (i), the Secretary may enter
25 into an agreement with the State setting

1 forth the terms and conditions under which
2 the State may regain eligibility to receive
3 payments under this subsection.

4 “(4) DETERMINATION OF ALLOTMENT.—

5 “(A) AMOUNT OF ALLOTMENT.—Subject
6 to subparagraph (B), in making grant pay-
7 ments to States under this subsection, the allot-
8 ment to each State for a fiscal year shall be
9 equal to the sum of—

10 “(i) the amount that bears the same
11 relation to 50 percent of the amount ap-
12 propriated under paragraph (2) for such
13 fiscal year as the number of residents in
14 the State aged 5 through 17 who are living
15 below the poverty line applicable to the
16 resident’s family size (as determined under
17 section 673(2) of the Community Service
18 Block Grant Act) bears to the total num-
19 ber of such residents in all States; and

20 “(ii) the amount that bears the same
21 relation to 50 percent of the amount ap-
22 propriated under paragraph (2) for such
23 fiscal year as the number of residents in
24 the State aged 15 through 44 who are liv-
25 ing below the poverty line applicable to the

1 individual's family size (as determined
2 under section 673(2) of the Community
3 Service Block Grant Act) bears to the total
4 number of such residents in all States.

5 “(B) MINIMUM AMOUNT.—No State shall
6 receive an allotment under this subsection for a
7 fiscal year in an amount that is less than $\frac{1}{2}$ of
8 1 percent of the total amount appropriated
9 under paragraph (2) for such fiscal year.

10 “(5) SUBMISSION AND CONTENTS OF APPLICA-
11 TION.—

12 “(A) IN GENERAL.—For each fiscal year
13 for which a State desires a grant payment
14 under paragraph (3), the State agency with ju-
15 risdiction over higher education, or another
16 agency designated by the Governor of the State
17 to administer the program under this sub-
18 section, shall submit an application to the Sec-
19 retary at such time, in such manner, and con-
20 taining the information described in subpara-
21 graph (B).

22 “(B) APPLICATION.—An application sub-
23 mitted under subparagraph (A) shall include
24 the following:

1 “(i) A description of the State’s ca-
2 pacity to administer the grant under this
3 subsection and report annually to the Sec-
4 retary on the activities and services de-
5 scribed in paragraph (7).

6 “(ii) A description of the State’s plan
7 for using the grant funds to meet the re-
8 quirements of paragraphs (7) and (8), in-
9 cluding plans for how the State will make
10 special efforts to provide such benefits to
11 students in the State that are underrep-
12 resented in postsecondary education.

13 “(iii) A description of how the State
14 will provide or coordinate the non-Federal
15 share from State and private funds, if ap-
16 plicable.

17 “(iv) A description of the existing
18 structure that the State has in place to ad-
19 minister the activities and services under
20 paragraph (7) or the plan to develop such
21 administrative capacity.

22 “(6) PAYMENT TO ELIGIBLE NONPROFIT ORGA-
23 NIZATIONS.—A State receiving a payment under this
24 subsection may elect to make a payment to 1 or
25 more eligible nonprofit organizations, including an

1 eligible not-for-profit holder (as defined in section
2 438(p)), or a partnership of such organizations, in
3 the State in order to carry out activities or services
4 described in paragraph (7), if the eligible nonprofit
5 organization or partnership—

6 “(A) was in existence on the day before the
7 date of enactment of the Higher Education Ac-
8 cess Act of 2007; and

9 “(B) as of the day of such payment, is
10 participating in activities and services related to
11 increasing access to higher education, such as
12 those activities and services described in para-
13 graph (7).

14 “(7) ALLOWABLE USES.—

15 “(A) IN GENERAL.—Subject to subpara-
16 graph (C), a State may use a grant payment
17 under this subsection only for the following ac-
18 tivities and services, pursuant to the conditions
19 under paragraph (8):

20 “(i) Information for students and
21 families regarding—

22 “(I) the benefits of a postsec-
23 ondary education;

24 “(II) postsecondary education op-
25 portunities;

1 “(III) planning for postsecondary
2 education; and

3 “(IV) career preparation.

4 “(ii) Information on financing options
5 for postsecondary education and activities
6 that promote financial literacy and debt
7 management among students and families.

8 “(iii) Outreach activities for students
9 who may be at risk of not enrolling in or
10 completing postsecondary education.

11 “(iv) Assistance in completion of the
12 Free Application for Federal Student Aid
13 or other common financial reporting form
14 under section 483(a).

15 “(v) Need-based grant aid for stu-
16 dents.

17 “(vi) Professional development for
18 guidance counselors at middle schools and
19 secondary schools, and financial aid admin-
20 istrators and college admissions counselors
21 at institutions of higher education, to im-
22 prove such individuals’ capacity to assist
23 students and parents with—

24 “(I) understanding—

1 “(aa) entrance requirements
2 for admission to institutions of
3 higher education; and

4 “(bb) State eligibility re-
5 quirements for Academic Com-
6 petitiveness Grants or National
7 SMART Grants under section
8 401A, and other financial assist-
9 ance that is dependent upon a
10 student’s coursework;

11 “(II) applying to institutions of
12 higher education;

13 “(III) applying for Federal stu-
14 dent financial assistance and other
15 State, local, and private student fi-
16 nancial assistance and scholarships;

17 “(IV) activities that increase stu-
18 dents’ ability to successfully complete
19 the coursework required for a postsec-
20 ondary degree, including activities
21 such as tutoring or mentoring; and

22 “(V) activities to improve sec-
23 ondary school students’ preparedness
24 for postsecondary entrance examina-
25 tions.

1 “(vii) Student loan cancellation or re-
2 payment (as applicable), or interest rate
3 reductions, for borrowers who are em-
4 ployed in a high-need geographical area or
5 a high-need profession in the State, as de-
6 termined by the State.

7 “(B) PROHIBITED USES.—Funds made
8 available under this subsection shall not be used
9 to promote any lender’s loans.

10 “(C) USE OF FUNDS FOR ADMINISTRATIVE
11 PURPOSES.—A State may use not more than 2
12 percent of the total amount of the Federal
13 share and non-Federal share provided under
14 this subsection for administrative purposes re-
15 lating to the grant under this subsection.

16 “(8) SPECIAL CONDITIONS.—

17 “(A) AVAILABILITY TO STUDENTS AND
18 FAMILIES.—A State receiving a grant payment
19 under this subsection shall—

20 “(i) make the activities and services
21 described in clauses (i) through (vi) of
22 paragraph (7)(A) that are funded under
23 the payment available to all qualifying stu-
24 dents and families in the State;

1 “(ii) allow students and families to
2 participate in the activities and services
3 without regard to—

4 “(I) the postsecondary institution
5 in which the student enrolls;

6 “(II) the type of student loan the
7 student receives;

8 “(III) the servicer of such loan;

9 or

10 “(IV) the student’s academic per-
11 formance;

12 “(iii) not charge any student or par-
13 ent a fee or additional charge to partici-
14 pate in the activities or services; and

15 “(iv) in the case of an activity pro-
16 viding grant aid, not require a student to
17 meet any condition other than eligibility
18 for Federal financial assistance under this
19 title, except as provided for in the loan
20 cancellation or repayment or interest rate
21 reductions described in paragraph
22 (7)(A)(vii).

23 “(B) PRIORITY.—A State receiving a grant
24 payment under this subsection shall, in carrying
25 out any activity or service described in para-

1 graph (7)(A) with the grant funds, prioritize
2 students and families who are living below the
3 poverty line applicable to the individual's family
4 size (as determined under section 673(2) of the
5 Community Service Block Grant Act).

6 “(C) DISCLOSURES.—

7 “(i) ORGANIZATIONAL DISCLO-
8 SURES.—In the case of a State that has
9 chosen to make a payment to an eligible
10 not-for-profit holder in the State in accord-
11 ance with paragraph (6), the holder shall
12 clearly and prominently indicate the name
13 of the holder and the nature of its work in
14 connection with any of the activities car-
15 ried out, or any information or services
16 provided, with such funds.

17 “(ii) INFORMATIONAL DISCLO-
18 SURES.—Any information about financing
19 options for higher education provided
20 through an activity or service funded under
21 this subsection shall—

22 “(I) include information to stu-
23 dents and the students' parents of the
24 availability of Federal, State, local, in-

1 stitutional, and other grants and loans
2 for postsecondary education; and

3 “(II) present information on fi-
4 nancial assistance for postsecondary
5 education that is not provided under
6 this title in a manner that is clearly
7 distinct from information on student
8 financial assistance under this title.

9 “(D) COORDINATION.—A State receiving a
10 grant payment under this subsection shall at-
11 tempt to coordinate the activities carried out
12 with the payment with any existing activities
13 that are similar to such activities, and with any
14 other entities that support the existing activities
15 in the State.

16 “(9) REPORT.—A State receiving a payment
17 under this subsection shall prepare and submit an
18 annual report to the Secretary on the program
19 under this subsection and on the implementation of
20 the activities and services described in paragraph
21 (7). The report shall include—

22 “(A) each activity or service that was pro-
23 vided to students and families over the course
24 of the year;

1 “(B) the cost of providing each activity or
2 service;

3 “(C) the number, and percentage, if fea-
4 sible and applicable, of students who received
5 each activity or service; and

6 “(D) the total contributions from private
7 organizations included in the State’s non-Fed-
8 eral share for the fiscal year.

9 “(10) SUNSET.—The authority provided to
10 carry out this subsection shall expire on September
11 30, 2009.

12 “(d) FINANCIAL LITERACY PROGRAM ESTAB-
13 LISHED.—

14 “(1) DEFINITION OF ELIGIBLE ENTITY.—In
15 this subsection, the term ‘eligible entity’ means a
16 nonprofit or for-profit organization, or a consortium
17 of such organizations, with a demonstrated record of
18 effectiveness in providing financial literacy services
19 to students at the secondary and postsecondary
20 level.

21 “(2) PROGRAM ESTABLISHED.—From amounts
22 appropriated under paragraph (6), the Secretary
23 shall award grants to eligible entities to enable the
24 eligible entities to increase the financial literacy of
25 students who are enrolled or will enroll in an institu-

1 tion of higher education, including providing instruc-
2 tion to students on topics such as the understanding
3 of loan terms and conditions, the calculation of in-
4 terest rates, refinancing of debt, debt management,
5 and future savings for education, health care and
6 long-term care, and retirement.

7 “(3) GRANT PERIOD; RENEWABILITY.—Each
8 grant under this subsection shall be awarded for one
9 5-year period, and may not be renewed.

10 “(4) MATCHING REQUIREMENTS.—Each eligible
11 entity that receives a grant under this subsection
12 shall provide, from non-Federal sources, an amount
13 (which may be provided in cash or in kind) to carry
14 out the activities supported by the grant equal to
15 100 percent of the amount received under the grant.

16 “(5) APPLICATIONS.—An eligible entity desiring
17 a grant under this subsection shall submit an appli-
18 cation to the Secretary at such time, in such man-
19 ner, and containing such information as the Sec-
20 retary may reasonably require. Such application
21 shall include the following:

22 “(A) A detailed description of the eligible
23 entity’s plans for providing financial literacy ac-
24 tivities and the students and schools the grant
25 will target.

1 “(B) The eligible entity’s plan for using
2 the matching grant funds, including how the
3 funds will be used to provide financial literacy
4 programs to students.

5 “(C) A plan to ensure the viability of the
6 work of the eligible entity beyond the grant pe-
7 riod.

8 “(D) A detailed description of the activities
9 that carry out this subsection and that are con-
10 ducted by the eligible entity at the time of the
11 application, and how the matching grant funds
12 will assist the eligible entity with expanding and
13 enhancing such activities.

14 “(E) A description of the strategies that
15 will be used to target activities under the grant
16 to students in secondary school and enrolled in
17 institutions of higher education who are histori-
18 cally underrepresented in institutions of higher
19 education and who may benefit from the activi-
20 ties of the eligible entity.

21 “(6) AUTHORIZATION AND APPROPRIATIONS.—
22 There are authorized to be appropriated, and there
23 are appropriated, \$10,000,000 for each of the fiscal
24 years 2008 and 2009 to carry out this subsection.

1 “(e) SECONDARY SCHOOL GRADUATION AND COL-
2 LEGE ENROLLMENT PROGRAM.—

3 “(1) DEFINITIONS.—In this subsection:

4 “(A) ELIGIBLE LOCAL EDUCATIONAL
5 AGENCY.—

6 “(i) IN GENERAL.—The term ‘eligible
7 local educational agency’ means a local
8 educational agency with a secondary school
9 graduation rate of 70 percent or less—

10 “(I) in the aggregate; or

11 “(II) applicable to 2 or more sub-
12 groups of secondary school students
13 served by the local educational agency
14 that are described in clause (ii).

15 “(ii) SUBGROUPS.—A subgroup re-
16 ferred to in clause (i)(II) is—

17 “(I) a subgroup of economically
18 disadvantaged students; or

19 “(II) a subgroup of students
20 from a major racial or ethnic group.

21 “(B) ELIGIBLE ENTITY.—The term ‘eligi-
22 ble entity’ means a consortium of a nonprofit
23 organization and an institution of higher edu-
24 cation with a demonstrated record of effective-

1 ness in raising secondary school graduation
2 rates and postsecondary enrollment rates.

3 “(2) PROGRAM ESTABLISHED.—From amounts
4 appropriated under paragraph (7), the Secretary
5 shall award grants to eligible entities to enable the
6 eligible entities to carry out activities that—

7 “(A) create models of excellence for aca-
8 demically rigorous secondary schools, including
9 early college secondary schools;

10 “(B) increase secondary school graduation
11 rates;

12 “(C) raise the rate of students who enroll
13 in an institution of higher education;

14 “(D) improve instruction and access to
15 supports for struggling secondary school stu-
16 dents;

17 “(E) create, implement, and utilize early
18 warning systems to help identify students at
19 risk of dropping out of secondary school; and

20 “(F) improve communication between par-
21 ents, students, and schools concerning require-
22 ments for secondary school graduation, postsec-
23 ondary education enrollment, and financial as-
24 sistance available for attending postsecondary
25 education.

1 “(3) USE OF FUNDS.—An eligible entity that
2 receives a grant under this subsection shall use the
3 funds—

4 “(A) to implement a college-preparatory
5 curriculum for all students in a secondary
6 school served by the eligible local educational
7 agency that is, at a minimum, aligned with a
8 rigorous secondary school program of study;

9 “(B) to implement accelerated academic
10 catch-up programs, for students who enter sec-
11 ondary school not meeting the proficient levels
12 of student academic achievement on the State
13 academic assessments for mathematics, reading
14 or language arts, or science under section
15 1111(b)(3) of the Elementary and Secondary
16 Education Act of 1965, that enable such stu-
17 dents to meet the proficient levels of achieve-
18 ment and remain on track to graduate from
19 secondary school on time with a regular sec-
20 ondary school diploma;

21 “(C) to implement an early warning sys-
22 tem to quickly identify students at risk of drop-
23 ping out of secondary school, including systems
24 that track student absenteeism; and

1 “(D) to implement a comprehensive post-
2 secondary education guidance program that—

3 “(i) will ensure that all students are
4 regularly notified throughout the students’
5 time in secondary school of secondary
6 school graduation requirements and post-
7 secondary education entrance require-
8 ments; and

9 “(ii) provides guidance and assistance
10 to students in applying to an institution of
11 higher education and in applying for Fed-
12 eral financial assistance and other State,
13 local, and private financial assistance and
14 scholarships.

15 “(4) GRANT PERIOD; RENEWABILITY.—Each
16 grant under this subsection shall be awarded for one
17 5-year period, and may not be renewed.

18 “(5) MATCHING REQUIREMENTS.—Each eligible
19 entity that receives a grant under this subsection
20 shall provide, from non-Federal sources, an amount
21 (which may be provided in cash or in-kind) to carry
22 out the activities supported by the grant equal to
23 100 percent of the amount received under the grant.

24 “(6) APPLICATIONS.—An eligible entity desiring
25 a grant under this subsection shall submit an appli-

1 cation to the Secretary at such time, in such man-
2 ner, and containing such information as the Sec-
3 retary may reasonably require.

4 “(7) AUTHORIZATION AND APPROPRIATIONS.—
5 There are authorized to be appropriated, and there
6 are appropriated, \$25,000,000 for each of the fiscal
7 years 2008 and 2009 to carry out this subsection.”.

Calendar No. 266

110TH CONGRESS
1ST Session

S. 1762

A BILL

To provide for reconciliation pursuant to section 602 of the concurrent resolution on the budget for fiscal year 2008 (S. Con. Res. 21).

JULY 10, 2007

Read twice and placed on the calendar