

## Subtitle G—Effective Date

### SEC. 7701. EFFECTIVE DATE.

42 USC 603 note.

Except as otherwise provided in this title, this title and the amendments made by this title shall take effect as if enacted on October 1, 2005.

## TITLE VIII—EDUCATION AND PENSION BENEFIT PROVISIONS

### Subtitle A—Higher Education Provisions

Higher Education Reconciliation Act of 2005.

#### SEC. 8001. SHORT TITLE; REFERENCE; EFFECTIVE DATE.

(a) SHORT TITLE.—This subtitle may be cited as the “Higher Education Reconciliation Act of 2005”.

20 USC 1001 note.

(b) REFERENCES.—Except as otherwise expressly provided, whenever in this subtitle an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.).

(c) EFFECTIVE DATE.—Except as otherwise provided in this subtitle or the amendments made by this subtitle, the amendments made by this subtitle shall be effective July 1, 2006.

20 USC 1002 note.

#### SEC. 8002. MODIFICATION OF 50/50 RULE.

Section 102(a)(3) (20 U.S.C. 1002(a)(3)) is amended—

(1) in subparagraph (A), by inserting “(excluding courses offered by telecommunications as defined in section 484(l)(4))” after “courses by correspondence”; and

(2) in subparagraph (B), by inserting “(excluding courses offered by telecommunications as defined in section 484(l)(4))” after “correspondence courses”.

#### SEC. 8003. ACADEMIC COMPETITIVENESS GRANTS.

Subpart 1 of part A of title IV (20 U.S.C. 1070a) is amended by adding after section 401 the following new section:

##### “SEC. 401A. ACADEMIC COMPETITIVENESS GRANTS.

20 USC 1070a–1.

“(a) ACADEMIC COMPETITIVENESS GRANT PROGRAM.—

“(1) ACADEMIC COMPETITIVENESS GRANTS AUTHORIZED.—The Secretary shall award grants, in the amounts specified in subsection (d)(1), to eligible students to assist the eligible students in paying their college education expenses.

“(2) ACADEMIC COMPETITIVENESS COUNCIL.—

“(A) ESTABLISHMENT.—There is established an Academic Competitiveness Council (referred to in this paragraph as the ‘Council’). From the funds made available under subsection (e) for fiscal year 2006, \$50,000 shall be available to the Council to carry out the duties described in subparagraph (B). The Council shall be chaired by the Secretary of Education, and the membership of the Council

shall consist of officials from Federal agencies with responsibilities for managing existing Federal programs that promote mathematics and science (or designees of such officials with significant decision-making authority).

“(B) DUTIES.—The Council shall—

“(i) identify all Federal programs with a mathematics or science focus;

“(ii) identify the target populations being served by such programs;

“(iii) determine the effectiveness of such programs;

“(iv) identify areas of overlap or duplication in such programs; and

“(v) recommend ways to efficiently integrate and coordinate such programs.

“(C) REPORT.—Not later than one year after the date of enactment of the Higher Education Reconciliation Act of 2005, the Council shall transmit a report to each committee of Congress with jurisdiction over a Federal program identified under subparagraph (B)(i), detailing the findings and recommendations under subparagraph (B), including recommendations for legislative or administrative action.

“(b) DESIGNATION.—A grant under this section—

“(1) for the first or second academic year of a program of undergraduate education shall be known as an ‘Academic Competitiveness Grant’; and

“(2) for the third or fourth academic year of a program of undergraduate education shall be known as a ‘National Science and Mathematics Access to Retain Talent Grant’ or a ‘National SMART Grant’.

“(c) DEFINITION OF ELIGIBLE STUDENT.—In this section the term ‘eligible student’ means a full-time student who, for the academic year for which the determination of eligibility is made—

“(1) is a citizen of the United States;

“(2) is eligible for a Federal Pell Grant; and

“(3) in the case of a student enrolled or accepted for enrollment in—

“(A) the first academic year of a program of undergraduate education at a two- or four-year degree-granting institution of higher education—

“(i) has successfully completed, after January 1, 2006, a rigorous secondary school program of study established by a State or local educational agency and recognized as such by the Secretary; and

“(ii) has not been previously enrolled in a program of undergraduate education;

“(B) the second academic year of a program of undergraduate education at a two- or four-year degree-granting institution of higher education—

“(i) has successfully completed, after January 1, 2005, a rigorous secondary school program of study established by a State or local educational agency and recognized as such by the Secretary; and

“(ii) has obtained a cumulative grade point average of at least 3.0 (or the equivalent as determined under regulations prescribed by the Secretary) at the end of the first academic year of such program of undergraduate education; or

“(C) the third or fourth academic year of a program of undergraduate education at a four-year degree-granting institution of higher education—

“(i) is pursuing a major in—

“(I) the physical, life, or computer sciences, mathematics, technology, or engineering (as determined by the Secretary pursuant to regulations); or

“(II) a foreign language that the Secretary, in consultation with the Director of National Intelligence, determines is critical to the national security of the United States; and

“(ii) has obtained a cumulative grade point average of at least 3.0 (or the equivalent as determined under regulations prescribed by the Secretary) in the coursework required for the major described in clause (i).

Regulations.

“(d) GRANT AWARD.—

“(1) AMOUNTS.—

“(A) The Secretary shall award a grant under this section in the amount of—

“(i) \$750 for an eligible student under subsection (c)(3)(A);

“(ii) \$1,300 for an eligible student under subsection (c)(3)(B); or

“(iii) \$4,000 for an eligible student under subsection (c)(3)(C).

“(B) Notwithstanding subparagraph (A)—

“(i) the amount of such grant, in combination with the Federal Pell Grant assistance and other student financial assistance available to such student, shall not exceed the student’s cost of attendance;

“(ii) if the amount made available under subsection (e) for any fiscal year is less than the amount required to be provided grants to all eligible students in the amounts determined under subparagraph (A) and clause (i) of this subparagraph, then the amount of the grant to each eligible student shall be ratably reduced; and

“(iii) if additional amounts are appropriated for any such fiscal year, such reduced amounts shall be increased on the same basis as they were reduced.

“(2) LIMITATIONS.—The Secretary shall not award a grant under this section—

“(A) to any student for an academic year of a program of undergraduate education described in subparagraph (A), (B), or (C) of subsection (c)(3) for which the student received credit before the date of enactment of the Higher Education Reconciliation Act of 2005; or

“(B) to any student for more than—

“(i) one academic year under subsection (c)(3)(A);

“(ii) one academic year under subsection (c)(3)(B);

or

“(iii) two academic years under subsection (c)(3)(C).

“(e) FUNDING.—

“(1) AUTHORIZATION AND APPROPRIATION OF FUNDS.—There are authorized to be appropriated, and there are appropriated,

out of any money in the Treasury not otherwise appropriated, for the Department of Education to carry out this section—

“(A) \$790,000,000 for fiscal year 2006;

“(B) \$850,000,000 for fiscal year 2007;

“(C) \$920,000,000 for fiscal year 2008;

“(D) \$960,000,000 for fiscal year 2009; and

“(E) \$1,010,000,000 for fiscal year 2010.

“(2) USE OF EXCESS FUNDS.—If, at the end of a fiscal year, the funds available for awarding grants under this section exceed the amount necessary to make such grants in the amounts authorized by subsection (d), then all of the excess funds shall remain available for awarding grants under this section during the subsequent fiscal year.

“(f) RECOGNITION OF PROGRAMS OF STUDY.—The Secretary shall recognize at least one rigorous secondary school program of study in each State under subsection (c)(3)(A) and (B) for the purpose of determining student eligibility under such subsection.

“(g) SUNSET PROVISION.—The authority to make grants under this section shall expire at the end of academic year 2010–2011.”.

**SEC. 8004. REAUTHORIZATION OF FEDERAL FAMILY EDUCATION LOAN PROGRAM.**

(a) AUTHORIZATION OF APPROPRIATIONS.—Section 421(b)(5) (20 U.S.C. 1071(b)(5)) is amended by striking “an administrative cost allowance” and inserting “a loan processing and issuance fee”.

(b) EXTENSION OF AUTHORITY.—

(1) FEDERAL INSURANCE LIMITATIONS.—Section 424(a) (20 U.S.C. 1074(a)) is amended—

(A) by striking “2004” and inserting “2012”; and

(B) by striking “2008” and inserting “2016”.

(2) GUARANTEED LOANS.—Section 428(a)(5) (20 U.S.C. 1078(a)(5)) is amended—

(A) by striking “2004” and inserting “2012”; and

(B) by striking “2008” and inserting “2016”.

(3) CONSOLIDATION LOANS.—Section 428C(e) (20 U.S.C. 1078–3(e)) is amended by striking “2004” and inserting “2012”.

**SEC. 8005. LOAN LIMITS.**

(a) FEDERAL INSURANCE LIMITS.—Section 425(a)(1)(A) (20 U.S.C. 1075(a)(1)(A)) is amended—

(1) in clause (i)(I), by striking “\$2,625” and inserting “\$3,500”; and

(2) in clause (ii)(I), by striking “\$3,500” and inserting “\$4,500”.

(b) GUARANTEE LIMITS.—Section 428(b)(1)(A) (20 U.S.C. 1078(b)(1)(A)) is amended—

(1) in clause (i)(I), by striking “\$2,625” and inserting “\$3,500”; and

(2) in clause (ii)(I), by striking “\$3,500” and inserting “\$4,500”.

(c) FEDERAL PLUS LOANS.—Section 428B (20 U.S.C. 1078–2) is amended—

(1) in subsection (a)(1)—

(A) in the matter preceding subparagraph (A), by striking “Parents” and inserting “A graduate or professional student or the parents”;

(B) in subparagraph (A), by striking “the parents” and inserting “the graduate or professional student or the parents”; and

(C) in subparagraph (B), by striking “the parents” and inserting “the graduate or professional student or the parents”;

(2) in subsection (b), by striking “any parent” and inserting “any graduate or professional student or any parent”;

(3) in subsection (c)(2), by striking “parent” and inserting “graduate or professional student or parent”; and

(4) in subsection (d)(1), by striking “the parent” and inserting “the graduate or professional student or the parent”.

(d) UNSUBSIDIZED STAFFORD LOANS FOR GRADUATE OR PROFESSIONAL STUDENTS.—Section 428H(d)(2) (20 U.S.C. 1078–8(d)(2)) is amended—

(1) in subparagraph (C), by striking “\$10,000” and inserting “\$12,000”; and

(2) in subparagraph (D)—

(A) in clause (i), by striking “\$5,000” and inserting “\$7,000”; and

(B) in clause (ii), by striking “\$5,000” and inserting “\$7,000”.

(e) EFFECTIVE DATE OF INCREASES.—The amendments made by subsections (a), (b), and (d) shall be effective July 1, 2007.

20 USC 1075  
note.

**SEC. 8006. PLUS LOAN INTEREST RATES AND ZERO SPECIAL ALLOWANCE PAYMENT.**

(a) PLUS LOANS.—Section 427A(1)(2) (20 U.S.C. 1077a(1)(2)) is amended by striking “7.9 percent” and inserting “8.5 percent”.

(b) CONFORMING AMENDMENTS FOR SPECIAL ALLOWANCES.—

(1) AMENDMENTS.—Subparagraph (I) of section 438(b)(2) (20 U.S.C. 1087–1(b)(2)) is amended—

(A) in clause (iii), by striking “, subject to clause (v) of this subparagraph”;

(B) in clause (iv), by striking “, subject to clause (vi) of this subparagraph”; and

(C) by striking clauses (v), (vi), and (vii) and inserting the following:

“(v) RECAPTURE OF EXCESS INTEREST.—

“(I) EXCESS CREDITED.—With respect to a loan on which the applicable interest rate is determined under subsection (k) or (l) of section 427A and for which the first disbursement of principal is made on or after April 1, 2006, if the applicable interest rate for any 3-month period exceeds the special allowance support level applicable to such loan under this subparagraph for such period, then an adjustment shall be made by calculating the excess interest in the amount computed under subclause (II) of this clause, and by crediting the excess interest to the Government not less often than annually.

“(II) CALCULATION OF EXCESS.—The amount of any adjustment of interest on a loan to be made under this subsection for any quarter shall be equal to—

“(aa) the applicable interest rate minus the special allowance support level determined under this subparagraph; multiplied by

“(bb) the average daily principal balance of the loan (not including unearned interest added to principal) during such calendar quarter; divided by

“(cc) four.

“(III) SPECIAL ALLOWANCE SUPPORT LEVEL.—For purposes of this clause, the term ‘special allowance support level’ means, for any loan, a number expressed as a percentage equal to the sum of the rates determined under subclauses (I) and (III) of clause (i), and applying any substitution rules applicable to such loan under clauses (ii), (iii), and (iv) in determining such sum.”.

20 USC 1087–1  
note.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall not apply with respect to any special allowance payment made under section 438 of the Higher Education Act of 1965 (20 U.S.C. 1087–1) before April 1, 2006.

**SEC. 8007. DEFERMENT OF STUDENT LOANS FOR MILITARY SERVICE.**

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

- (1) by striking “or” at the end of clause (ii);
- (2) by redesignating clause (iii) as clause (iv); and
- (3) by inserting after clause (ii) the following new clause:
 

“(iii) not in excess of 3 years during which the borrower—

“(I) is serving on active duty during a war or other military operation or national emergency; or

“(II) is performing qualifying National Guard duty during a war or other military operation or national emergency; or”.

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

- (1) by redesignating subparagraph (C) as subparagraph (D); and
- (2) by inserting after subparagraph (B) the following new subparagraph:

“(C) not in excess of 3 years during which the borrower—

“(i) is serving on active duty during a war or other military operation or national emergency; or

“(ii) is performing qualifying National Guard duty during a war or other military operation or national emergency; or”.

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

- (1) by redesignating clauses (iii) and (iv) as clauses (iv) and (v), respectively; and
- (2) by inserting after clause (ii) the following new clause:
 

“(iii) not in excess of 3 years during which the borrower—

“(I) is serving on active duty during a war or other military operation or national emergency; or

“(II) is performing qualifying National Guard duty during a war or other military operation or national emergency;”.

(d) DEFINITIONS.—Section 481 (20 U.S.C. 1088) is amended by adding at the end the following new subsection:

“(d) DEFINITIONS FOR MILITARY DEFERMENTS.—For purposes of parts B, D, and E of this title:

“(1) ACTIVE DUTY.—The term ‘active duty’ has the meaning given such term in section 101(d)(1) of title 10, United States Code, except that such term does not include active duty for training or attendance at a service school.

“(2) MILITARY OPERATION.—The term ‘military operation’ means a contingency operation as such term is defined in section 101(a)(13) of title 10, United States Code.

“(3) NATIONAL EMERGENCY.—The term ‘national emergency’ means the national emergency by reason of certain terrorist attacks declared by the President on September 14, 2001, or subsequent national emergencies declared by the President by reason of terrorist attacks.

“(4) SERVING ON ACTIVE DUTY.—The term ‘serving on active duty during a war or other military operation or national emergency’ means service by an individual who is—

“(A) a Reserve of an Armed Force ordered to active duty under section 12301(a), 12301(g), 12302, 12304, or 12306 of title 10, United States Code, or any retired member of an Armed Force ordered to active duty under section 688 of such title, for service in connection with a war or other military operation or national emergency, regardless of the location at which such active duty service is performed; and

“(B) any other member of an Armed Force on active duty in connection with such emergency or subsequent actions or conditions who has been assigned to a duty station at a location other than the location at which such member is normally assigned.

“(5) QUALIFYING NATIONAL GUARD DUTY.—The term ‘qualifying National Guard duty during a war or other military operation or national emergency’ means service as a member of the National Guard on full-time National Guard duty (as defined in section 101(d)(5) of title 10, United States Code) under a call to active service authorized by the President or the Secretary of Defense for a period of more than 30 consecutive days under section 502(f) of title 32, United States Code, in connection with a war, other military operation, or a national emergency declared by the President and supported by Federal funds.”.

(e) RULE OF CONSTRUCTION.—Nothing in the amendments made by this section shall be construed to authorize any refunding of any repayment of a loan.

20 USC 1078  
note.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to loans for which the first disbursement is made on or after July 1, 2001.

20 USC 1078  
note.

**SEC. 8008. ADDITIONAL LOAN TERMS AND CONDITIONS.**

(a) **DISBURSEMENT.**—Section 428(b)(1)(N) (20 U.S.C. 1078(b)(1)(N)) is amended—

- (1) by striking “or” at the end of clause (i); and  
 (2) by striking clause (ii) and inserting the following:

“(ii) in the case of a student who is studying outside the United States in a program of study abroad that is approved for credit by the home institution at which such student is enrolled, and only after verification of the student’s enrollment by the lender or guaranty agency, are, at the request of the student, disbursed directly to the student by the means described in clause (i), unless such student requests that the check be endorsed, or the funds transfer be authorized, pursuant to an authorized power-of-attorney; or

“(iii) in the case of a student who is studying outside the United States in a program of study at an eligible foreign institution, are, at the request of the foreign institution, disbursed directly to the student, only after verification of the student’s enrollment by the lender or guaranty agency by the means described in clause (i).”

(b) **REPAYMENT PLANS: DIRECT LOANS.**—Section 455(d)(1) (20 U.S.C. 1087e(d)(1)) is amended by striking subparagraphs (A), (B), and (C) and inserting the following:

“(A) a standard repayment plan, consistent with subsection (a)(1) of this section and with section 428(b)(9)(A)(i);

“(B) a graduated repayment plan, consistent with section 428(b)(9)(A)(ii);

“(C) an extended repayment plan, consistent with section 428(b)(9)(A)(v), except that the borrower shall annually repay a minimum amount determined by the Secretary in accordance with section 428(b)(1)(L); and”

(c) **ORIGINATION FEES.**—

(1) **FFEL PROGRAM.**—Paragraph (2) of section 438(c) (20 U.S.C. 1087–1(c)) is amended—

(A) by striking the designation and heading of such paragraph and inserting the following:

“(2) **AMOUNT OF ORIGINATION FEES.**—

“(A) **IN GENERAL.**—”; and

(B) by adding at the end the following new subparagraph:

“(B) **SUBSEQUENT REDUCTIONS.**—Subparagraph (A) shall be applied to loans made under this part (other than loans made under sections 428C and 439(o))—

“(i) by substituting ‘2.0 percent’ for ‘3.0 percent’ with respect to loans for which the first disbursement of principal is made on or after July 1, 2006, and before July 1, 2007;

“(ii) by substituting ‘1.5 percent’ for ‘3.0 percent’ with respect to loans for which the first disbursement of principal is made on or after July 1, 2007, and before July 1, 2008;

“(iii) by substituting ‘1.0 percent’ for ‘3.0 percent’ with respect to loans for which the first disbursement

Applicability.



of principal is made on or after July 1, 2008, and before July 1, 2009;

“(iv) by substituting ‘0.5 percent’ for ‘3.0 percent’ with respect to loans for which the first disbursement of principal is made on or after July 1, 2009, and before July 1, 2010; and

“(v) by substituting ‘0.0 percent’ for ‘3.0 percent’ with respect to loans for which the first disbursement of principal is made on or after July 1, 2010.”.

(2) DIRECT LOAN PROGRAM.—Subsection (c) of section 455 (20 U.S.C. 1087e(c)) is amended—

(A) by striking “(c) LOAN FEE.—” and inserting the following:

“(c) LOAN FEE.—

“(1) IN GENERAL.—”; and

(B) by adding at the end the following:

“(2) SUBSEQUENT REDUCTION.—Paragraph (1) shall be applied to loans made under this part, other than Federal Direct Consolidation loans and Federal Direct PLUS loans—

Applicability.

“(A) by substituting ‘3.0 percent’ for ‘4.0 percent’ with respect to loans for which the first disbursement of principal is made on or after the date of enactment of the Higher Education Reconciliation Act of 2005, and before July 1, 2007;

“(B) by substituting ‘2.5 percent’ for ‘4.0 percent’ with respect to loans for which the first disbursement of principal is made on or after July 1, 2007, and before July 1, 2008;

“(C) by substituting ‘2.0 percent’ for ‘4.0 percent’ with respect to loans for which the first disbursement of principal is made on or after July 1, 2008, and before July 1, 2009;

“(D) by substituting ‘1.5 percent’ for ‘4.0 percent’ with respect to loans for which the first disbursement of principal is made on or after July 1, 2009, and before July 1, 2010; and

“(E) by substituting ‘1.0 percent’ for ‘4.0 percent’ with respect to loans for which the first disbursement of principal is made on or after July 1, 2010.”.

(3) CONFORMING AMENDMENT.—Section 455(b)(8)(A) (20 U.S.C. 1087e(b)(8)(A)) is amended by inserting “or origination fee” after “reductions in the interest rate”.

#### SEC. 8009. CONSOLIDATION LOAN CHANGES.

(a) CONSOLIDATION BETWEEN PROGRAMS.—Section 428C (20 U.S.C. 1078–3) is amended—

(1) in subsection (a)(3)(B)(i)—

(A) by inserting “or under section 455(g)” after “under this section” both places it appears;

(B) by inserting “under both sections” after “terminates”;

(C) by striking “and” at the end of subclause (III);

(D) by striking the period at the end of subclause (IV) and inserting “; and”; and

(E) by adding at the end the following new subclause:

“(V) an individual may obtain a subsequent consolidation loan under section 455(g) only for the purposes of

obtaining an income contingent repayment plan, and only if the loan has been submitted to the guaranty agency for default aversion.”; and

(2) in subsection (b)(5), by striking the first sentence and inserting the following: “In the event that a lender with an agreement under subsection (a)(1) of this section denies a consolidation loan application submitted to the lender by an eligible borrower under this section, or denies an application submitted to the lender by such a borrower for a consolidation loan with income-sensitive repayment terms, the Secretary shall offer any such borrower who applies for it, a Federal Direct Consolidation loan. The Secretary shall offer such a loan to a borrower who has defaulted, for the purpose of resolving the default.”.

(b) REPEAL OF IN-SCHOOL CONSOLIDATION.—

(1) DEFINITION OF REPAYMENT PERIOD.—Section 428(b)(7)(A) (20 U.S.C. 1078(b)(7)(A)) is amended by striking “shall begin—” and all that follows through “earlier date.” and inserting the following: “shall begin the day after 6 months after the date the student ceases to carry at least one-half the normal full-time academic workload (as determined by the institution).”.

(2) CONFORMING CHANGE TO ELIGIBLE BORROWER DEFINITION.—Section 428C(a)(3)(A)(ii)(I) (20 U.S.C. 1078-3(a)(3)(A)(ii)(I)) is amended by inserting “as determined under section 428(b)(7)(A)” after “repayment status”.

(c) ADDITIONAL AMENDMENTS.—Section 428C (20 U.S.C. 1078-3) is amended in subsection (a)(3), by striking subparagraph (C).

(d) CONFORMING AMENDMENTS TO DIRECT LOAN PROGRAM.—Section 455 (20 U.S.C. 1087e) is amended—

(1) in subsection (a)(1) by inserting “428C,” after “428B,”;

(2) in subsection (a)(2)—

(A) by striking “and” at the end of subparagraph (B);

(B) by redesignating subparagraph (C) as subparagraph (D); and

(C) by inserting after subparagraph (B) the following:

“(C) section 428C shall be known as ‘Federal Direct Consolidation Loans’; and ”; and

(3) in subsection (g)—

(A) by striking the second sentence; and

(B) by adding at the end the following new sentences:

“To be eligible for a consolidation loan under this part, a borrower shall meet the eligibility criteria set forth in section 428C(a)(3). The Secretary, upon application for such a loan, shall comply with the requirements applicable to a lender under section 428C(b)(1)(F).”.

#### SEC. 8010. REQUIREMENTS FOR DISBURSEMENTS OF STUDENT LOANS.

Section 428G (20 U.S.C. 1078-7) is amended—

(1) in subsection (a)(3), by adding at the end the following: “Notwithstanding section 422(d) of the Higher Education Amendments of 1998, this paragraph shall be effective beginning on the date of enactment of the Higher Education Reconciliation Act of 2005.”;

(2) in subsection (b)(1), by adding at the end the following: “Notwithstanding section 422(d) of the Higher Education Amendments of 1998, the second sentence of this paragraph

shall be effective beginning on the date of enactment of the Higher Education Reconciliation Act of 2005.”; and

(3) in subsection (e), by striking “, made to a student to cover the cost of attendance at an eligible institution outside the United States”.

**SEC. 8011. SCHOOL AS LENDER.**

Paragraph (2) of section 435(d) (20 U.S.C. 1085(d)(2)) is amended to read as follows:

“(2) REQUIREMENTS FOR ELIGIBLE INSTITUTIONS.—

“(A) IN GENERAL.—To be an eligible lender under this part, an eligible institution—

“(i) shall employ at least one person whose full-time responsibilities are limited to the administration of programs of financial aid for students attending such institution;

“(ii) shall not be a home study school;

“(iii) shall not—

“(I) make a loan to any undergraduate student;

“(II) make a loan other than a loan under section 428 or 428H to a graduate or professional student; or

“(III) make a loan to a borrower who is not enrolled at that institution;

“(iv) shall award any contract for financing, servicing, or administration of loans under this title on a competitive basis;

“(v) shall offer loans that carry an origination fee or an interest rate, or both, that are less than such fee or rate authorized under the provisions of this title;

“(vi) shall not have a cohort default rate (as defined in section 435(m)) greater than 10 percent;

“(vii) shall, for any year for which the institution engages in activities as an eligible lender, provide for a compliance audit conducted in accordance with section 428(b)(1)(U)(iii)(I), and the regulations thereunder, and submit the results of such audit to the Secretary;

“(viii) shall use any proceeds from special allowance payments and interest payments from borrowers, interest subsidies received from the Department of Education, and any proceeds from the sale or other disposition of loans, for need-based grant programs; and

“(ix) shall have met the requirements of subparagraphs (A) through (F) of this paragraph as in effect on the day before the date of enactment of the Higher Education Reconciliation Act of 2005, and made loans under this part, on or before April 1, 2006.

“(B) ADMINISTRATIVE EXPENSES.—An eligible lender under subparagraph (A) shall be permitted to use a portion of the proceeds described in subparagraph (A)(viii) for reasonable and direct administrative expenses.

“(C) SUPPLEMENT, NOT SUPPLANT.—An eligible lender under subparagraph (A) shall ensure that the proceeds described in subparagraph (A)(viii) are used to supplement,

and not to supplant, non-Federal funds that would otherwise be used for need-based grant programs.”.

**SEC. 8012. REPAYMENT BY THE SECRETARY OF LOANS OF BANKRUPT, DECEASED, OR DISABLED BORROWERS; TREATMENT OF BORROWERS ATTENDING SCHOOLS THAT FAIL TO PROVIDE A REFUND, ATTENDING CLOSED SCHOOLS, OR FALSELY CERTIFIED AS ELIGIBLE TO BORROW.**

Section 437 (20 U.S.C. 1087) is amended—

(1) in the section heading, by striking “**CLOSED SCHOOLS OR FALSELY CERTIFIED AS ELIGIBLE TO BORROW**” and inserting “**SCHOOLS THAT FAIL TO PROVIDE A REFUND, ATTENDING CLOSED SCHOOLS, OR FALSELY CERTIFIED AS ELIGIBLE TO BORROW**”; and

(2) in the first sentence of subsection (c)(1), by inserting “or was falsely certified as a result of a crime of identity theft” after “falsely certified by the eligible institution”.

**SEC. 8013. ELIMINATION OF TERMINATION DATES FROM TAXPAYER-TEACHER PROTECTION ACT OF 2004.**

(a) **EXTENSION OF LIMITATIONS ON SPECIAL ALLOWANCE FOR LOANS FROM THE PROCEEDS OF TAX EXEMPT ISSUES.**—Section 438(b)(2)(B) (20 U.S.C. 1087–1(b)(2)(B)) is amended—

(1) in clause (iv), by striking “and before January 1, 2006,”;

and

(2) in clause (v)(II)—

(A) by striking “and before January 1, 2006,” each place it appears in divisions (aa) and (bb); and

(B) by striking “, and before January 1, 2006” in division (cc).

(b) **ADDITIONAL LIMITATION ON SPECIAL ALLOWANCE FOR LOANS FROM THE PROCEEDS OF TAX EXEMPT ISSUES.**—Section 438(b)(2)(B) (20 U.S.C. 1087–1(b)(2)(B)) is further amended by adding at the end thereof the following new clauses:

“(vi) Notwithstanding clauses (i), (ii), and (v), but subject to clause (vii), the quarterly rate of the special allowance shall be the rate determined under subparagraph (A), (E), (F), (G), (H), or (I) of this paragraph, as the case may be, for a holder of loans—

“(I) that were made or purchased on or after the date of enactment of the Higher Education Reconciliation Act of 2005; or

“(II) that were not earning a quarterly rate of special allowance determined under clauses (i) or (ii) of subparagraph (B) of this paragraph (20 U.S.C. 1087–1(b)(2)(b)) as of the date of enactment of the Higher Education Reconciliation Act of 2005.

“(vii) Clause (vi) shall be applied by substituting ‘December 31, 2010’ for ‘the date of enactment of the Higher Education Reconciliation Act of 2005’ in the case of a holder of loans that—

“(I) was, as of the date of enactment of the Higher Education Reconciliation Act of 2005, and during the quarter for which the special allowance is paid, a unit of State or local government or a nonprofit private entity;

“(II) was, as of such date of enactment, and during such quarter, not owned or controlled by, or under common ownership or control with, a for-profit entity; and

Applicability.

“(III) held, directly or through any subsidiary, affiliate, or trustee, a total unpaid balance of principal equal to or less than \$100,000,000 on loans for which special allowances were paid under this subparagraph in the most recent quarterly payment prior to September 30, 2005.”.

(c) ELIMINATION OF EFFECTIVE DATE LIMITATION ON HIGHER TEACHER LOAN FORGIVENESS BENEFITS.—

(1) TECHNICAL CLARIFICATION.—The matter preceding paragraph (1) of section 2 of the Taxpayer-Teacher Protection Act of 2004 (Public Law 108–409; 118 Stat. 2299) is amended by inserting “of the Higher Education Act of 1965” after “Section 438(b)(2)(B)”.

20 USC 1087–1.

(2) AMENDMENT.—Paragraph (3) of section 3(b) of the Taxpayer-Teacher Protection Act of 2004 (20 U.S.C. 1078–10 note) is amended by striking “, and before October 1, 2005”.

(3) EFFECTIVE DATES.—The amendment made by paragraph (1) shall be effective as if enacted on October 30, 2004, and the amendment made by paragraph (2) shall be effective as if enacted on October 1, 2005.

20 USC 1087–1 note.

(d) COORDINATION WITH SECOND HIGHER EDUCATION EXTENSION ACT OF 2005.—

(1) REPEAL.—Section 2 of the Second Higher Education Extension Act of 2005 is amended by striking subsections (b) and (c).

20 USC 1087–1, 1078 note.

(2) EFFECT ON AMENDMENTS.—The amendments made by subsections (a) and (c) of this section shall be effective as if the amendments made in subsections (b) and (c) of section 2 of the Second Higher Education Extension Act of 2005 had not been enacted.

Effective date.  
20 USC 1087–1 note.

(e) ADDITIONAL CHANGES TO TEACHER LOAN FORGIVENESS PROVISIONS.—

(1) FFEL PROVISIONS.—Section 428J (20 U.S.C. 1078–10) is amended—

(A) in subsection (b)(1)(B), by inserting after “1965” the following: “, or meets the requirements of subsection (g)(3)”; and

(B) in subsection (g), by adding at the end the following new paragraph:

“(3) PRIVATE SCHOOL TEACHERS.—An individual who is employed as a teacher in a private school and is exempt from State certification requirements (unless otherwise applicable under State law), may, in lieu of the requirement of subsection (b)(1)(B), have such employment treated as qualifying employment under this section if such individual is permitted to and does satisfy rigorous subject knowledge and skills tests by taking competency tests in the applicable grade levels and subject areas. For such purposes, the competency tests taken by such a private school teacher shall be recognized by 5 or more States for the purpose of fulfilling the highly qualified teacher requirements under section 9101 of the Elementary and Secondary Education Act of 1965, and the score achieved by such teacher on each test shall equal or exceed the average passing score of those 5 States.”.

(2) DIRECT LOAN PROVISIONS.—Section 460 (20 U.S.C. 1087j) is amended—

(A) in subsection (b)(1)(A)(ii), by inserting after “1965” the following: “, or meets the requirements of subsection (g)(3)”; and

(B) in subsection (g), by adding at the end the following new paragraph:

“(3) PRIVATE SCHOOL TEACHERS.—An individual who is employed as a teacher in a private school and is exempt from State certification requirements (unless otherwise applicable under State law), may, in lieu of the requirement of subsection (b)(1)(A)(ii), have such employment treated as qualifying employment under this section if such individual is permitted to and does satisfy rigorous subject knowledge and skills tests by taking competency tests in the applicable grade levels and subject areas. For such purposes, the competency tests taken by such a private school teacher shall be recognized by 5 or more States for the purpose of fulfilling the highly qualified teacher requirements under section 9101 of the Elementary and Secondary Education Act of 1965, and the score achieved by such teacher on each test shall equal or exceed the average passing score of those 5 States.”.

**SEC. 8014. ADDITIONAL ADMINISTRATIVE PROVISIONS.**

(a) INSURANCE PERCENTAGE.—

(1) AMENDMENT.—Subparagraph (G) of section 428(b)(1) (20 U.S.C. 1078(b)(1)(G)) is amended to read as follows:

“(G) insures 98 percent of the unpaid principal of loans insured under the program, except that—

“(i) such program shall insure 100 percent of the unpaid principal of loans made with funds advanced pursuant to section 428(j) or 439(q);

“(ii) for any loan for which the first disbursement of principal is made on or after July 1, 2006, the preceding provisions of this subparagraph shall be applied by substituting ‘97 percent’ for ‘98 percent’; and

“(iii) notwithstanding the preceding provisions of this subparagraph, such program shall insure 100 percent of the unpaid principal amount of exempt claims as defined in subsection (c)(1)(G);”.

(2) EFFECTIVE DATE OF AMENDMENT.—The amendment made by this subsection shall apply with respect to loans for which the first disbursement of principal is made on or after July 1, 2006.

(b) FEDERAL DEFAULT FEES.—

(1) IN GENERAL.—Subparagraph (H) of section 428(b)(1) (20 U.S.C. 1078(b)(1)(H)) is amended to read as follows:

“(H) provides—

“(i) for loans for which the date of guarantee of principal is before July 1, 2006, for the collection of a single insurance premium equal to not more than 1.0 percent of the principal amount of the loan, by deduction proportionately from each installment payment of the proceeds of the loan to the borrower, and ensures that the proceeds of the premium will not be used for incentive payments to lenders; or

“(ii) for loans for which the date of guarantee of principal is on or after July 1, 2006, for the collection,

and the deposit into the Federal Student Loan Reserve Fund under section 422A of a Federal default fee of an amount equal to 1.0 percent of the principal amount of the loan, which fee shall be collected either by deduction from the proceeds of the loan or by payment from other non-Federal sources, and ensures that the proceeds of the Federal default fee will not be used for incentive payments to lenders;”.

(2) UNSUBSIDIZED LOANS.—Section 428H(h) (20 U.S.C. 1078-8(h)) is amended by adding at the end the following new sentences: “Effective for loans for which the date of guarantee of principal is on or after July 1, 2006, in lieu of the insurance premium authorized under the preceding sentence, each State or nonprofit private institution or organization having an agreement with the Secretary under section 428(b)(1) shall collect and deposit into the Federal Student Loan Reserve Fund under section 422A, a Federal default fee of an amount equal to 1.0 percent of the principal amount of the loan, which fee shall be collected either by deduction from the proceeds of the loan or by payment from other non-Federal sources. The Federal default fee shall not be used for incentive payments to lenders.”.

(3) VOLUNTARY FLEXIBLE AGREEMENTS.—Section 428A(a)(1) (20 U.S.C. 1078-1(a)(1)) is amended—

(A) by striking “or” at the end of subparagraph (A);

(B) by striking the period at the end of subparagraph

(B) and inserting “; or”; and

(C) by adding at the end the following new subparagraph:

“(C) the Federal default fee required by section 428(b)(1)(H) and the second sentence of section 428H(h).”.

(c) TREATMENT OF EXEMPT CLAIMS.—

(1) AMENDMENT.—Section 428(c)(1) (20 U.S.C. 1078(c)(1)) is amended—

(A) by redesignating subparagraph (G) as subparagraph (H), and moving such subparagraph 2 em spaces to the left; and

(B) by inserting after subparagraph (F) the following new subparagraph:

“(G)(i) Notwithstanding any other provisions of this section, in the case of exempt claims, the Secretary shall apply the provisions of—

“(I) the fourth sentence of subparagraph (A) by substituting ‘100 percent’ for ‘95 percent’;

“(II) subparagraph (B)(i) by substituting ‘100 percent’ for ‘85 percent’; and

“(III) subparagraph (B)(ii) by substituting ‘100 percent’ for ‘75 percent’.

“(ii) For purposes of clause (i) of this subparagraph, the term ‘exempt claims’ means claims with respect to loans for which it is determined that the borrower (or the student on whose behalf a parent has borrowed), without the lender’s or the institution’s knowledge at the time the loan was made, provided false or erroneous information or took actions that caused the borrower or the student to be ineligible for all or a portion of the loan or for interest benefits thereon.”.

20 USC 1078  
note.

(2) EFFECTIVE DATE OF AMENDMENTS.—The amendments made by this subsection shall apply with respect to loans for which the first disbursement of principal is made on or after July 1, 2006.

(d) CONSOLIDATION OF DEFAULTED LOANS.—Section 428(c) (20 U.S.C. 1078(c)) is further amended—

(1) in paragraph (2)(A)—

(A) by inserting “(i)” after “including”; and

(B) by inserting before the semicolon at the end the following: “and (ii) requirements establishing procedures to preclude consolidation lending from being an excessive proportion of guaranty agency recoveries on defaulted loans under this part”;

(2) in paragraph (2)(D), by striking “paragraph (6)” and inserting “paragraph (6)(A)”; and

(3) in paragraph (6)—

(A) by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively;

(B) by inserting “(A)” before “For the purpose of paragraph (2)(D),”; and

(C) by adding at the end the following new subparagraphs:

“(B) A guaranty agency shall—

“(i) on or after October 1, 2006—

“(I) not charge the borrower collection costs in an amount in excess of 18.5 percent of the outstanding principal and interest of a defaulted loan that is paid off through consolidation by the borrower under this title; and

“(II) remit to the Secretary a portion of the collection charge under subclause (I) equal to 8.5 percent of the outstanding principal and interest of such defaulted loan; and

“(ii) on and after October 1, 2009, remit to the Secretary the entire amount charged under clause (i)(I) with respect to each defaulted loan that is paid off with excess consolidation proceeds.

“(C) For purposes of subparagraph (B), the term ‘excess consolidation proceeds’ means, with respect to any guaranty agency for any Federal fiscal year beginning on or after October 1, 2009, the proceeds of consolidation of defaulted loans under this title that exceed 45 percent of the agency’s total collections on defaulted loans in such Federal fiscal year.”.

(e) DOCUMENTATION OF FORBEARANCE AGREEMENTS.—Section 428(c) (20 U.S.C. 1078(c)) is further amended—

(1) in paragraph (3)(A)(i)—

(A) by striking “in writing”; and

(B) by inserting “and documented in accordance with paragraph (10)” after “approval of the insurer”; and

(2) by adding at the end the following new paragraph:

“(10) DOCUMENTATION OF FORBEARANCE AGREEMENTS.—For the purposes of paragraph (3), the terms of forbearance agreed to by the parties shall be documented by confirming the agreement of the borrower by notice to the borrower from the lender, and by recording the terms in the borrower’s file.”.

(f) VOLUNTARY FLEXIBLE AGREEMENTS.—Section 428A(a) (20 U.S.C. 1078–1(a)) is further amended—



- (1) in paragraph (1)(B), by striking “unless the Secretary” and all that follows through “designated guarantor”;
- (2) by striking paragraph (2);
- (3) by redesignating paragraph (3) as paragraph (2); and
- (4) by striking paragraph (4).
- (g) FRAUD; REPAYMENT REQUIRED.—Section 428B(a)(1) (20 U.S.C. 1078-2(a)(1)) is further amended—
- (1) by striking “and” at the end of subparagraph (A);
- (2) by redesignating subparagraph (B) as subparagraph (C); and
- (3) by inserting after subparagraph (A) the following new subparagraph:
- “(B) in the case of a graduate or professional student or parent who has been convicted of, or has pled nolo contendere or guilty to, a crime involving fraud in obtaining funds under this title, such graduate or professional student or parent has completed the repayment of such funds to the Secretary, or to the holder in the case of a loan under this title obtained by fraud; and”.
- (h) DEFAULT REDUCTION PROGRAM.—Section 428F(a)(1) (20 U.S.C. 1078-6(a)(1)) is amended—
- (1) in subparagraph (A), by striking “consecutive payments for 12 months” and inserting “9 payments made within 20 days of the due date during 10 consecutive months”;
- (2) by redesignating subparagraph (C) as subparagraph (D); and
- (3) by inserting after subparagraph (B) the following new subparagraph:
- “(C) A guaranty agency may charge the borrower and retain collection costs in an amount not to exceed 18.5 percent of the outstanding principal and interest at the time of sale of a loan rehabilitated under subparagraph (A).”.
- (i) EXCEPTIONAL PERFORMANCE INSURANCE RATE.—Section 428I(b)(1) (20 U.S.C. 1078-9(b)(1)) is amended—
- (1) in the heading, by striking “100 PERCENT” and inserting “99 PERCENT”; and
- (2) by striking “100 percent of the unpaid” and inserting “99 percent of the unpaid”.
- (j) UNIFORM ADMINISTRATIVE AND CLAIMS PROCEDURE.—Section 432(l)(1)(H) (20 U.S.C. 1082(l)(1)(H)) is amended by inserting “and anticipated graduation date” after “status change”.
- (1) Section 428(a)(3)(A)(v) (20 U.S.C. 1078(a)(3)(A)(v)) is amended—
- (A) by striking “or” at the end of subclause (I);
- (B) by striking the period at the end of subclause (II) and inserting “; or”; and
- (C) by adding after subclause (II) the following new subclause:
- “(III) in the case of a loan disbursed through an escrow agent, 3 days before the first disbursement of the loan.”.
- (2) Section 428(c)(1)(A) (20 U.S.C. 1078(c)(1)(A)) is amended by striking “45 days” in the last sentence and inserting “30 days”.
- (3) Section 428(i)(1) (20 U.S.C. 1078(i)(1)) is amended by striking “21 days” in the third sentence and inserting “10 days”.

**SEC. 8015. FUNDS FOR ADMINISTRATIVE EXPENSES.**

20 USC 1087h.

Section 458 is amended to read as follows:

**“SEC. 458. FUNDS FOR ADMINISTRATIVE EXPENSES.****“(a) ADMINISTRATIVE EXPENSES.—****“(1) MANDATORY FUNDS FOR FISCAL YEAR 2006.—**For fiscal year 2006, there shall be available to the Secretary, from funds not otherwise appropriated, funds to be obligated for—**“(A) administrative costs under this part and part B, including the costs of the direct student loan programs under this part; and****“(B) account maintenance fees payable to guaranty agencies under part B and calculated in accordance with subsections (b) and (c),**

not to exceed (from such funds not otherwise appropriated) \$820,000,000 in fiscal year 2006.

**“(2) AUTHORIZATION FOR ADMINISTRATIVE COSTS BEGINNING IN FISCAL YEARS 2007 THROUGH 2011.—**For each of the fiscal years 2007 through 2011, there are authorized to be appropriated such sums as may be necessary for administrative costs under this part and part B, including the costs of the direct student loan programs under this part.**“(3) CONTINUING MANDATORY FUNDS FOR ACCOUNT MAINTENANCE FEES.—**For each of the fiscal years 2007 through 2011, there shall be available to the Secretary, from funds not otherwise appropriated, funds to be obligated for account maintenance fees payable to guaranty agencies under part B and calculated in accordance with subsection (b).**“(4) ACCOUNT MAINTENANCE FEES.—**Account maintenance fees under paragraph (3) shall be paid quarterly and deposited in the Agency Operating Fund established under section 422B.**“(5) CARRYOVER.—**The Secretary may carry over funds made available under this section to a subsequent fiscal year.**“(b) CALCULATION BASIS.—**Account maintenance fees payable to guaranty agencies under subsection (a)(3) shall not exceed the basis of 0.10 percent of the original principal amount of outstanding loans on which insurance was issued under part B.**“(c) BUDGET JUSTIFICATION.—**No funds may be expended under this section unless the Secretary includes in the Department of Education’s annual budget justification to Congress a detailed description of the specific activities for which the funds made available by this section have been used in the prior and current years (if applicable), the activities and costs planned for the budget year, and the projection of activities and costs for each remaining year for which administrative expenses under this section are made available.”.**SEC. 8016. COST OF ATTENDANCE.**

Section 472 (20 U.S.C. 10871l) is amended—

(1) by striking paragraph (4) and inserting the following:  
**“(4) for less than half-time students (as determined by the institution), tuition and fees and an allowance for only—****“(A) books, supplies, and transportation (as determined by the institution);****“(B) dependent care expenses (determined in accordance with paragraph (8)); and**

“(C) room and board costs (determined in accordance with paragraph (3)), except that a student may receive an allowance for such costs under this subparagraph for not more than 3 semesters or the equivalent, of which not more than 2 semesters or the equivalent may be consecutive;”;

(2) in paragraph (11), by striking “and” after the semicolon;

(3) in paragraph (12), by striking the period and inserting “; and”; and

(4) by adding at the end the following:

“(13) at the option of the institution, for a student in a program requiring professional licensure or certification, the one-time cost of obtaining the first professional credentials (as determined by the institution).”.

**SEC. 8017. FAMILY CONTRIBUTION.**

(a) FAMILY CONTRIBUTION FOR DEPENDENT STUDENTS.—

(1) AMENDMENTS.—Section 475 (20 U.S.C. 1087oo) is amended—

(A) in subsection (g)(2)(D), by striking “\$2,200” and inserting “\$3,000”; and

(B) in subsection (h), by striking “35” and inserting “20”.

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall apply with respect to determinations of need for periods of enrollment beginning on or after July 1, 2007.

20 USC 1087oo  
note.

(b) FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS WITHOUT DEPENDENTS OTHER THAN A SPOUSE.—

(1) AMENDMENTS.—Section 476 (20 U.S.C. 1087pp) is amended—

(A) in subsection (b)(1)(A)(iv)—

(i) in subclause (I), by striking “\$5,000” and inserting “\$6,050”;

(ii) in subclause (II), by striking “\$5,000” and inserting “\$6,050”; and

(iii) in subclause (III), by striking “\$8,000” and inserting “\$9,700”; and

(B) in subsection (c)(4), by striking “35” and inserting “20”.

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall apply with respect to determinations of need for periods of enrollment beginning on or after July 1, 2007.

20 USC 1087pp  
note.

(c) FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS WITH DEPENDENTS OTHER THAN A SPOUSE.—

(1) AMENDMENT.—Section 477(c)(4) (20 U.S.C. 1087qq(c)(4)) is amended by striking “12” and inserting “7”.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply with respect to determinations of need for periods of enrollment beginning on or after July 1, 2007.

20 USC 1087gg  
note.

(d) REGULATIONS; UPDATED TABLES.—Section 478(b) (20 U.S.C. 1087rr(b)) is amended—

(1) in paragraph (1), by adding at the end the following: “For the 2007–2008 academic year, the Secretary shall revise the tables in accordance with this paragraph, except that the Secretary shall increase the amounts contained in the table in section 477(b)(4) by a percentage equal to the greater of the estimated percentage increase in the Consumer Price Index

(as determined under the preceding sentence) or 5 percent.”; and

(2) in paragraph (2)—

(A) by striking “2000–2001” and inserting “2007–2008”;

and

(B) by striking “1999” and inserting “2006”.

(e) EMPLOYMENT EXPENSE ALLOWANCE.—Section 478(h) (20 U.S.C. 1087rr(h)) is amended—

(1) by striking “476(b)(4)(B),”; and

(2) by striking “meals away from home, apparel and upkeep, transportation, and housekeeping services” and inserting “food away from home, apparel, transportation, and household furnishings and operations”.

**SEC. 8018. SIMPLIFIED NEED TEST AND AUTOMATIC ZERO IMPROVEMENTS.**

(a) AMENDMENTS.—Section 479 (20 U.S.C. 1087ss) is amended—

(1) in subsection (b)—

(A) in paragraph (1)—

(i) in subparagraph (A), by striking clause (i) and inserting the following:

“(i) the student’s parents—

“(I) file, or are eligible to file, a form described in paragraph (3);

“(II) certify that the parents are not required to file a Federal income tax return; or

“(III) received, or the student received, benefits at some time during the previous 12-month period under a means-tested Federal benefit program as defined under subsection (d); and”;

(ii) in subparagraph (B), by striking clause (i) and

inserting the following:

“(i) the student (and the student’s spouse, if any)—

“(I) files, or is eligible to file, a form described in paragraph (3);

“(II) certifies that the student (and the student’s spouse, if any) is not required to file a Federal income tax return; or

“(III) received benefits at some time during the previous 12-month period under a means-tested Federal benefit program as defined under subsection (d); and”;

(B) in the matter preceding subparagraph (A) of paragraph (3), by striking “A student or family files a form described in this subsection, or subsection (c), as the case maybe, if the student or family, respectively, files” and inserting “In the case of an independent student, the student, or in the case of a dependent student, the family, files a form described in this subsection, or subsection (c), as the case may be, if the student or family, as appropriate, files”;

(2) in subsection (c)—

(A) in paragraph (1)—

(i) by striking subparagraph (A) and inserting the following:

“(A) the student’s parents—

“(i) file, or are eligible to file, a form described in subsection (b)(3);

“(ii) certify that the parents are not required to file a Federal income tax return; or

“(iii) received, or the student received, benefits at some time during the previous 12-month period under a means-tested Federal benefit program as defined under subsection (d); and”; and

(ii) by striking subparagraph (B) and inserting the following:

“(B) the sum of the adjusted gross income of the parents is less than or equal to \$20,000; or”; and

(B) in paragraph (2)—

(i) by striking subparagraph (A) and inserting the following:

“(A) the student (and the student’s spouse, if any)—

“(i) files, or is eligible to file, a form described in subsection (b)(3);

“(ii) certifies that the student (and the student’s spouse, if any) is not required to file a Federal income tax return; or

“(iii) received benefits at some time during the previous 12-month period under a means-tested Federal benefit program as defined under subsection (d); and”; and

(ii) by striking subparagraph (B) and inserting the following:

“(B) the sum of the adjusted gross income of the student and spouse (if appropriate) is less than or equal to \$20,000.”; and

(3) by adding at the end the following:

“(d) DEFINITION OF MEANS-TESTED FEDERAL BENEFIT PROGRAM.—In this section, the term ‘means-tested Federal benefit program’ means a mandatory spending program of the Federal Government, other than a program under this title, in which eligibility for the program’s benefits, or the amount of such benefits, are determined on the basis of income or resources of the individual or family seeking the benefit, and may include such programs as—

“(1) the supplemental security income program under title XVI of the Social Security Act (42 U.S.C. 1381 et seq.);

“(2) the food stamp program under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.);

“(3) the free and reduced price school lunch program established under the Richard B. Russell National School Lunch Act (42 U.S.C. 1751 et seq.);

“(4) the program of block grants for States for temporary assistance for needy families established under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.);

“(5) the special supplemental nutrition program for women, infants, and children established by section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786); and

“(6) other programs identified by the Secretary.”.

(b) EVALUATION OF SIMPLIFIED NEEDS TEST.—

(1) ELIGIBILITY GUIDELINES.—The Secretary of Education shall regularly evaluate the impact of the eligibility guidelines in subsections (b)(1)(A)(i), (b)(1)(B)(i), (c)(1)(A), and (c)(2)(A)

20 USC 1087ss  
note.

of section 479 of the Higher Education Act of 1965 (20 U.S.C. 1087ss(b)(1)(A)(i), (b)(1)(B)(i), (c)(1)(A), and (c)(2)(A)).

(2) MEANS-TESTED FEDERAL BENEFIT PROGRAM.—For each 3-year period, the Secretary of Education shall evaluate the impact of including the receipt of benefits by a student or parent under a means-tested Federal benefit program (as defined in section 479(d) of the Higher Education Act of 1965 (20 U.S.C. 1087ss(d)) as a factor in determining eligibility under subsections (b) and (c) of section 479 of the Higher Education Act of 1965 (20 U.S.C. 1087ss(b) and (c)).

**SEC. 8019. ADDITIONAL NEED ANALYSIS AMENDMENTS.**

(a) TREATING ACTIVE DUTY MEMBERS OF THE ARMED FORCES AS INDEPENDENT STUDENTS.—Section 480(d)(3) (20 U.S.C. 1087vv(d)(3)) is amended by inserting before the semicolon at the end the following: “or is currently serving on active duty in the Armed Forces for other than training purposes”.

(b) DEFINITION OF ASSETS.—Section 480(f)(1) (20 U.S.C. 1087vv(f)(1)) is amended by inserting “qualified education benefits (except as provided in paragraph (3)),” after “tax shelters,”.

(c) TREATMENT OF FAMILY OWNERSHIP OF SMALL BUSINESSES.—Section 480(f)(2) (20 U.S.C. 1087vv(f)(2)) is amended—

(1) in subparagraph (A), by striking “or”;

(2) in subparagraph (B), by striking the period at the end and inserting “; or”; and

(3) by adding at the end the following new subparagraph:

“(C) a small business with not more than 100 full-time or full-time equivalent employees (or any part of such a small business) that is owned and controlled by the family.”.

(d) ADDITIONAL DEFINITIONS.—Section 480(f) is further amended by adding at the end the following new paragraphs:

“(3) A qualified education benefit shall not be considered an asset of a student for purposes of section 475.

“(4) In determining the value of assets in a determination of need under this title (other than for subpart 4 of part A), the value of a qualified education benefit shall be—

“(A) the refund value of any tuition credits or certificates purchased under a qualified education benefit; and

“(B) in the case of a program in which contributions are made to an account that is established for the purpose of meeting the qualified higher education expenses of the designated beneficiary of the account, the current balance of such account.

“(5) In this subsection:

“(A) The term ‘qualified education benefit’ means—

“(i) a qualified tuition program (as defined in section 529(b)(1)(A) of the Internal Revenue Code of 1986) or other prepaid tuition plan offered by a State; and

“(ii) a Coverdell education savings account (as defined in section 530(b)(1) of the Internal Revenue Code of 1986).

“(B) The term ‘qualified higher education expenses’ has the meaning given the term in section 529(e) of the Internal Revenue Code of 1986.”.

(e) DESIGNATED ASSISTANCE.—Section 480(j) (20 U.S.C. 1087vv(j)) is amended—

(1) in the subsection heading, by striking “; TUITION PREPAYMENT PLANS”;

(2) by striking paragraph (2);  
(3) by redesignating paragraph (3) as paragraph (2); and  
(4) by adding at the end the following new paragraph:  
“(3) Notwithstanding paragraph (1) and section 472, assistance not received under this title may be excluded from both estimated financial assistance and cost of attendance, if that assistance is provided by a State and is designated by such State to offset a specific component of the cost of attendance. If that assistance is excluded from either estimated financial assistance or cost of attendance, it shall be excluded from both.”.

**SEC. 8020. GENERAL PROVISIONS.**

(a) **ACADEMIC YEAR.**—Paragraph (2) of section 481(a) (20 U.S.C. 1088(a)) is amended to read as follows:

“(2)(A) For the purpose of any program under this title, the term ‘academic year’ shall—

“(i) require a minimum of 30 weeks of instructional time for a course of study that measures its program length in credit hours; or

“(ii) require a minimum of 26 weeks of instructional time for a course of study that measures its program length in clock hours; and

“(iii) require an undergraduate course of study to contain an amount of instructional time whereby a full-time student is expected to complete at least—

“(I) 24 semester or trimester hours or 36 quarter credit hours in a course of study that measures its program length in credit hours; or

“(II) 900 clock hours in a course of study that measures its program length in clock hours.

“(B) The Secretary may reduce such minimum of 30 weeks to not less than 26 weeks for good cause, as determined by the Secretary on a case-by-case basis, in the case of an institution of higher education that provides a 2-year or 4-year program of instruction for which the institution awards an associate or baccalaureate degree.”.

(b) **DISTANCE EDUCATION: ELIGIBLE PROGRAM.**—Section 481(b) (20 U.S.C. 1088(b)) is amended by adding at the end the following new paragraphs:

“(3) An otherwise eligible program that is offered in whole or in part through telecommunications is eligible for the purposes of this title if the program is offered by an institution, other than a foreign institution, that has been evaluated and determined (before or after the date of enactment of the Higher Education Reconciliation Act of 2005) to have the capability to effectively deliver distance education programs by an accrediting agency or association that—

“(A) is recognized by the Secretary under subpart 2 of part H; and

“(B) has evaluation of distance education programs within the scope of its recognition, as described in section 496(n)(3).

“(4) For purposes of this title, the term ‘eligible program’ includes an instructional program that, in lieu of credit hours or clock hours as the measure of student learning, utilizes direct assessment of student learning, or recognizes the direct assessment of student learning by others, if such assessment is consistent with the accreditation of the institution or program utilizing the

results of the assessment. In the case of a program being determined eligible for the first time under this paragraph, such determination shall be made by the Secretary before such program is considered to be an eligible program.”.

(c) CORRESPONDENCE COURSES.—Section 484(l)(1) (20 U.S.C. 1091(l)(1)) is amended—

(1) in subparagraph (A)—

(A) by striking “for a program of study of 1 year or longer”; and

(B) by striking “unless the total” and all that follows through “courses at the institution”; and

(2) by amending subparagraph (B) to read as follows:

“(B) EXCEPTION.—Subparagraph (A) shall not apply to an institution or school described in section 3(3)(C) of the Carl D. Perkins Vocational and Technical Education Act of 1998.”.

#### SEC. 8021. STUDENT ELIGIBILITY.

(a) FRAUD: REPAYMENT REQUIRED.—Section 484(a) (20 U.S.C. 1091(a)) is amended—

(1) by striking the period at the end of paragraph (5) and inserting “; and”; and

(2) by adding at the end the following new paragraph:

“(6) if the student has been convicted of, or has pled nolo contendere or guilty to, a crime involving fraud in obtaining funds under this title, have completed the repayment of such funds to the Secretary, or to the holder in the case of a loan under this title obtained by fraud.”.

(b) VERIFICATION OF INCOME DATE.—Paragraph (1) of section 484(q) (20 U.S.C. 1091(q)) is amended to read as follows:

“(1) CONFIRMATION WITH IRS.—The Secretary of Education, in cooperation with the Secretary of the Treasury, is authorized to confirm with the Internal Revenue Service the information specified in section 6103(l)(13) of the Internal Revenue Code of 1986 reported by applicants (including parents) under this title on their Federal income tax returns for the purpose of verifying the information reported by applicants on student financial aid applications.”.

(c) SUSPENSION OF ELIGIBILITY FOR DRUG OFFENSES.—Section 484(r)(1) (20 U.S.C. 1091(r)(1)) is amended by striking everything preceding the table and inserting the following:

“(1) IN GENERAL.—A student who is convicted of any offense under any Federal or State law involving the possession or sale of a controlled substance for conduct that occurred during a period of enrollment for which the student was receiving any grant, loan, or work assistance under this title shall not be eligible to receive any grant, loan, or work assistance under this title from the date of that conviction for the period of time specified in the following table:”.

#### SEC. 8022. INSTITUTIONAL REFUNDS.

Section 484B (20 U.S.C. 1091b) is amended—

(1) in the matter preceding clause (i) of subsection (a)(2)(A), by striking “a leave of” and inserting “1 or more leaves of”;

(2) in subsection (a)(3)(B)(ii), by inserting “(as determined in accordance with subsection (d))” after “student has completed”;



(3) in subsection (a)(3)(C)(i), by striking “grant or loan assistance under this title” and inserting “grant assistance under subparts 1 and 3 of part A, or loan assistance under parts B, D, and E,”;

(4) in subsection (a)(4), by amending subparagraph (A) to read as follows:

“(A) IN GENERAL.—After determining the eligibility of the student for a late disbursement or post-withdrawal disbursement (as required in regulations prescribed by the Secretary), the institution of higher education shall contact the borrower and obtain confirmation that the loan funds are still required by the borrower. In making such contact, the institution shall explain to the borrower the borrower’s obligation to repay the funds following any such disbursement. The institution shall document in the borrower’s file the result of such contact and the final determination made concerning such disbursement.”;

(5) in subsection (b)(1), by inserting “not later than 45 days from the determination of withdrawal” after “return”;

(6) in subsection (b)(2), by amending subparagraph (C) to read as follows:

“(C) GRANT OVERPAYMENT REQUIREMENTS.—

“(i) IN GENERAL.—Notwithstanding subparagraphs (A) and (B), a student shall only be required to return grant assistance in the amount (if any) by which—

“(I) the amount to be returned by the student (as determined under subparagraphs (A) and (B)), exceeds

“(II) 50 percent of the total grant assistance received by the student under this title for the payment period or period of enrollment.

“(ii) MINIMUM.—A student shall not be required to return amounts of \$50 or less.”;

(7) in subsection (d), by striking “(a)(3)(B)(i)” and inserting “(a)(3)(B)”;

(8) in subsection (d)(2), by striking “clock hours—” and all that follows through the period and inserting “clock hours scheduled to be completed by the student in that period as of the day the student withdrew.”.

**SEC. 8023. COLLEGE ACCESS INITIATIVE.**

Part G is further amended by inserting after section 485C (20 U.S.C. 1092c) the following new section:

**“SEC. 485D. COLLEGE ACCESS INITIATIVE.**

20 USC 1092e.

“(a) STATE-BY-STATE INFORMATION.—The Secretary shall direct each guaranty agency with which the Secretary has an agreement under section 428(c) to provide to the Secretary the information necessary for the development of Internet web links and access for students and families to a comprehensive listing of the postsecondary education opportunities, programs, publications, Internet web sites, and other services available in the States for which such agency serves as the designated guarantor.

“(b) GUARANTY AGENCY ACTIVITIES.—

“(1) PLAN AND ACTIVITY REQUIRED.—Each guaranty agency with which the Secretary has an agreement under section 428(c) shall develop a plan, and undertake the activity necessary, to gather the information required under subsection (a) and

Public information.

to make such information available to the public and to the Secretary in a form and manner as prescribed by the Secretary.

“(2) **ACTIVITIES.**—Each guaranty agency shall undertake such activities as are necessary to promote access to postsecondary education for students through providing information on college planning, career preparation, and paying for college. The guaranty agency shall publicize such information and coordinate such activities with other entities that either provide or distribute such information in the States for which such guaranty agency serves as the designated guarantor.

“(3) **FUNDING.**—The activities required by this section may be funded from the guaranty agency’s Operating Fund established pursuant to section 422B and, to the extent funds remain, from earnings on the restricted account established pursuant to section 422(h)(4).

“(4) **RULE OF CONSTRUCTION.**—Nothing in this subsection shall be construed to require a guaranty agency to duplicate any efforts under way on the date of enactment of the Higher Education Reconciliation Act of 2005 that meet the requirements of this section.

“(c) **ACCESS TO INFORMATION.**—

“(1) **SECRETARY’S RESPONSIBILITY.**—The Secretary shall ensure the availability of the information provided, by the guaranty agencies in accordance with this section, to students, parents, and other interested individuals, through Internet web links or other methods prescribed by the Secretary.

“(2) **GUARANTY AGENCY RESPONSIBILITY.**—The guaranty agencies shall ensure that the information required by this section is available without charge in printed format for students and parents requesting such information.

“(3) **PUBLICITY.**—Not later than 270 days after the date of enactment of the Higher Education Reconciliation Act of 2005, the Secretary and guaranty agencies shall publicize the availability of the information required by this section, with special emphasis on ensuring that populations that are traditionally underrepresented in postsecondary education are made aware of the availability of such information.”.

Deadline.

**SEC. 8024. WAGE GARNISHMENT REQUIREMENT.**

Section 488A(a)(1) (20 U.S.C. 1095a(a)(1)) is amended by striking “10 percent” and inserting “15 percent”.

## **Subtitle B—Pensions**

**SEC. 8101. INCREASES IN PBGC PREMIUMS.**

(a) **FLAT-RATE PREMIUMS.**—

(1) **SINGLE-EMPLOYER PLANS.**—

(A) **IN GENERAL.**—Clause (i) of section 4006(a)(3)(A) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(A)) is amended by striking “\$19” and inserting “\$30”.

(B) **ADJUSTMENT FOR INFLATION.**—Section 4006(a)(3) of such Act (29 U.S.C. 1306(a)(3)) is amended by adding at the end the following new subparagraph:

“(F) For each plan year beginning in a calendar year after 2006, there shall be substituted for the premium rate specified