S. 1720

To amend title IV of the Higher Education Act of 1965 to establish a Federal Supplemental Loan Program.

IN THE SENATE OF THE UNITED STATES
JUNE 27, 2007

Mr. BROWN (for himself and Mr. SANDERS) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

A BILL

To amend title IV of the Higher Education Act of 1965 to establish a Federal Supplemental Loan Program.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. FEDERAL SUPPLEMENTAL LOAN PROGRAM.

Title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.) is amended by adding at the end the following:
PART I—FEDERAL SUPPLEMENTAL LOAN PROGRAM

SEC. 499. FEDERAL SUPPLEMENTAL LOAN PROGRAM.

(a) Program Authorized.—The Secretary shall carry out a Federal Supplemental Loan Program in accordance with this section.

(b) Eligible Individuals.—An individual shall be eligible to receive a loan under this section if such individual attends an institution of higher education on a full-time basis as an undergraduate or graduate student.

(c) Fixed Interest Rate Loans and Variable Interest Rate Loans.—

(1) In general.—Beginning with academic year 2008–2009, the Secretary shall make fixed interest rate loans and variable interest rate loans to eligible individuals under this section to enable such individuals to pursue their courses of study at institutions of higher education on a full-time basis.

(2) Fixed interest rate loans.—With respect to a fixed interest rate loan made under this section, the applicable rate of interest on the principal balance of the loan shall be set by the Secretary at the lowest rate for the borrower that will result in no net cost to the Federal Government over the life of the loan.
“(3) VARIABLE INTEREST RATE LOANS.—With respect to a variable interest rate loan made under this section, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to—

“(A) the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1; plus

“(B) a margin determined on an annual basis by the Secretary to result in the lowest rate for the borrower that will result in no net cost to the Federal Government over the life of the loan.

“(d) MAXIMUM LOAN AMOUNT.—

“(1) IN GENERAL.—The Secretary shall make a loan under this section in any amount up to the maximum amount described in paragraph (2).

“(2) MAXIMUM AMOUNT.—For an eligible individual, the maximum amount shall be calculated by subtracting from the estimated cost of attendance for such individual to attend the institution of higher education, any amount of financial aid awarded to the eligible individual and any loan amount for which the individual is eligible, but does not receive
such amount, pursuant to the subsidized loan pro-
gram established under section 428 and the unsub-
sidized loan program established under section
428H.

“(e) COSIGNERS.—The Secretary shall offer to eligi-
bile individuals both fixed interest rate loans and variable
interest rate loans under this section with the option of
having a cosigner or not having a cosigner.

“(f) REPAYMENT.—The Secretary shall offer a bor-
rower of a loan made under this section the same repay-
ment plans the Secretary offers under section 455(d) for
Federal Direct Loans.

“(g) CONSOLIDATION.—A borrower of a loan made
under this section may consolidate such loan with Federal
Direct Loans made under part D.

“(h) DISCLOSURES AND COOLING OFF PERIOD.—

“(1) DISCLOSURES.—The Secretary shall pro-
vide disclosures to each borrower of a loan made
under this section that are not less than as protec-
tive as the disclosures required under the Truth in
Lending Act (15 U.S.C. 1601 et seq.), including
providing a description of the terms, fees, and an-
nual percentage rate with respect to the loan before
signing the promissory note.
“(2) COOLING OFF PERIOD.—With respect to loans made under this section, the Secretary shall provide a cooling off period for the borrower of not less than 10 business days during which an individual may rescind consent to borrow funds pursuant to this section.

“(i) DISCRETION TO ALTER.—The Secretary may design or alter the loan program under this section with features similar to those offered by private lenders as part of loans financing postsecondary education.”.