

105<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

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**H. R. 2535**

**AN ACT**

To amend the Higher Education Act of 1965 to allow the consolidation of student loans under the Federal Family Loan Program and the Direct Loan Program.

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## AN ACT

To amend the Higher Education Act of 1965 to allow the consolidation of student loans under the Federal Family Loan Program and the Direct Loan Program.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; REFERENCE.**

2 (a) SHORT TITLE.—This Act may be cited as the  
3 “Emergency Student Loan Consolidation Act of 1997”.

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

10 **SEC. 2. LOAN CONSOLIDATION PROVISIONS.**

11 (a) DEFINITION OF LOANS ELIGIBLE FOR CONSOLI-  
12 DATION.—Section 428C(a)(4) (20 U.S.C. 1078–3(a)(4))  
13 is amended—

14 (1) by redesignating subparagraphs (C) and  
15 (D) as subparagraphs (D) and (E), respectively; and

16 (2) by inserting after subparagraph (B) the fol-  
17 lowing new subparagraph:

18 “(C) made under part D of this title, ex-  
19 cept that loans made under such part shall be  
20 eligible student loans only for consolidation  
21 loans for which the application is received by an  
22 eligible lender during the period beginning on  
23 the date of enactment of the Emergency Stu-  
24 dent Loan Consolidation Act of 1997 and end-  
25 ing on October 1, 1998;”.

1 (b) TERMS OF CONSOLIDATION LOANS.—Section  
2 428C(b)(4)(C)(ii) is amended—

3 (1) in subclause (I), by inserting after “consoli-  
4 dation loan” the following: “for which the applica-  
5 tion is received by an eligible lender before the date  
6 of enactment of the Emergency Student Loan Con-  
7 solidation Act of 1997, or on or after October 1,  
8 1998,” ;

9 (2) by striking “or” at the end of subclause (I);

10 (3) by inserting “or (II)” before the semicolon  
11 at the end of subclause (II);

12 (4) by redesignating subclause (II) as subclause  
13 (III); and

14 (5) by inserting after subclause (I) the follow-  
15 ing new subclause:

16 “(II) by the Secretary, in the case of  
17 a consolidation loan for which the applica-  
18 tion is received by an eligible lender on or  
19 after the date of enactment of the Emer-  
20 gency Student Loan Consolidation Act of  
21 1997 and before October 1, 1998, except  
22 that the Secretary shall pay such interest  
23 only on that portion of the loan that re-  
24 pays Federal Stafford Loans for which the  
25 student borrower received an interest sub-

1                   sidy under section 428 or Federal Direct  
2                   Stafford Loans for which the borrower re-  
3                   ceived an interest subsidy under section  
4                   455; or”.

5           (c) NONDISCRIMINATION IN LOAN CONSOLIDA-  
6 TION.—Section 428C(b) is amended by adding at the end  
7 the following new paragraph:

8                   “(6) NONDISCRIMINATION IN LOAN CONSOLIDA-  
9           TION.—An eligible lender that makes consolidation  
10           loans under this section shall not discriminate  
11           against any borrower seeking such a loan—

12                   “(A) based on the number or type of eligi-  
13           ble student loans the borrower seeks to consoli-  
14           date;

15                   “(B) based on the type or category of in-  
16           stitution of higher education that the borrower  
17           attended;

18                   “(C) based on the interest rate that is au-  
19           thorized to be collected with respect to the con-  
20           solidation loan; or

21                   “(D) with respect to the types of repay-  
22           ment schedules offered to such borrower.”.

23           (d) INTEREST RATE.—Section 428C(c)(1) is amend-  
24 ed—

1           (1) in the first sentence of subparagraph (A),  
2           by striking “(B) or (C)” and inserting “(B), (C), or  
3           (D)”;

4           (2) by adding at the end the following new sub-  
5           paragraph:

6           “(D) A consolidation loan for which the applica-  
7           tion is received by an eligible lender on or after the  
8           date of enactment of the Emergency Student Loan  
9           Consolidation Act of 1997 and before October 1,  
10          1998, shall bear interest at an annual rate on the  
11          unpaid principal balance of the loan that is equal to  
12          the rate specified in section 427A(f), except that the  
13          eligible lender may continue to calculate interest on  
14          such a loan at the rate previously in effect and  
15          defer, until not later than April 1, 1998, the recal-  
16          culation of the interest on such a loan at the rate  
17          required by this subparagraph if the recalculation is  
18          applied retroactively to the date on which the loan  
19          is made.”.

20          (e) AMENDMENTS EFFECTIVE FOR PENDING APPLI-  
21          CANTS.—The consolidation loans authorized by the  
22          amendments made by this section shall be available not-  
23          withstanding any pending application by a student for a  
24          consolidation loan under part D of title IV of the Higher  
25          Education Act of 1965, upon withdrawal of such applica-

1 tion by the student at any time prior to receipt of such  
2 a consolidation loan.

3 **SEC. 3. ADMINISTRATIVE EXPENSE REDUCTIONS.**

4 Section 458(a)(1) (20 U.S.C. 1087h(a)(1)) is amend-  
5 ed by striking “\$532,000,000” and inserting  
6 “\$507,000,000”.

7 **SEC. 4. TREATMENT OF TAX BENEFITS.**

8 (a) FAMILY CONTRIBUTION FOR DEPENDENT STU-  
9 DENTS.—

10 (1) PARENTS’ AVAILABLE INCOME.—Section  
11 475(c)(1) is amended—

12 (A) by striking “and” at the end of sub-  
13 paragraph (D);

14 (B) by striking the period at the end of  
15 subparagraph (E) and inserting “; and”; and

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

18 “(F) the amount of any tax credit taken  
19 by the parents under section 25A of the Inter-  
20 nal Revenue Code of 1986.”.

21 (2) STUDENT CONTRIBUTION FROM AVAILABLE  
22 INCOME.—Section 475(g)(2) is amended—

23 (A) by striking “and” at the end of sub-  
24 paragraph (C);

1 (B) by striking the period at the end of  
2 subparagraph (D) and inserting “; and”; and

3 (C) by inserting after subparagraph (D)  
4 the following new subparagraph:

5 “(E) the amount of any tax credit taken  
6 by the student under section 25A of the Inter-  
7 nal Revenue Code of 1986.”.

8 (b) FAMILY CONTRIBUTION FOR INDEPENDENT STU-  
9 DENTS WITHOUT DEPENDENTS OTHER THAN A  
10 SPOUSE.—Section 476(b)(1)(A) (20 U.S.C.  
11 1087pp(b)(1)(A)) is amended—

12 (1) by striking “and” at the end of clause (iv);  
13 and

14 (2) by inserting after clause (v) the following  
15 new clause:

16 “(vi) the amount of any tax credit  
17 taken under section 25A of the Internal  
18 Revenue Code of 1986; and”.

19 (c) FAMILY CONTRIBUTION FOR INDEPENDENT STU-  
20 DENTS WITH DEPENDENTS OTHER THAN A SPOUSE.—  
21 Section 477(b)(1) (20 U.S.C. 1087qq(b)(1)) is amended—

22 (1) by striking “and” at the end of subpara-  
23 graph (D);

24 (2) by striking the period at the end of sub-  
25 paragraph (E) and inserting “; and”; and

1           (3) by adding at the end the following new sub-  
2 paragraph:

3                   “(F) the amount of any tax credit taken  
4           under section 25A of the Internal Revenue  
5           Code of 1986.”.

6           (d) TOTAL INCOME.—Section 480(a)(2) (20 U.S.C.  
7 1087vv(a)(2)) is amended—

8                   (1) by striking “individual, and” and inserting  
9           “individual,”; and

10                   (2) by inserting “and no portion of any tax  
11           credit taken under section 25A of the Internal Reve-  
12           nue Code of 1986,” before “shall be included”.

13           (e) OTHER FINANCIAL ASSISTANCE.—Section 480(j)  
14 is amended by adding at the end the following new para-  
15 graph:

16                   “(4) Notwithstanding paragraph (1), a tax credit  
17           taken under section 25A of the Internal Revenue Code of  
18           1986 shall not be treated as estimated financial assistance  
19           for purposes of section 471(3).”.

          Passed the House of Representatives October 21,  
1997.

Attest:

*Clerk.*