

105TH CONGRESS
1ST SESSION

S. 1294

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.

IN THE SENATE OF THE UNITED STATES

OCTOBER 9, 1997

Mr. JEFFORDS introduced the following bill; which was read twice and referred to the Committee on Labor and Human Resources

A BILL

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,*

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

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

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,
9 a section or other provision, the reference shall be consid-

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

3 **SEC. 2. LOAN CONSOLIDATION PROVISIONS.**

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

7 (1) by redesignating subparagraphs (C) and
 8 (D) as subparagraphs (D) and (E), respectively; and

9 (2) by inserting after subparagraph (B) the fol-
 10 lowing new subparagraph:

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

19 (b) TERMS OF CONSOLIDATION LOANS.—Section
 20 428C(b)(4)(C)(ii) is amended—

21 (1) in subclause (I), by inserting after “consoli-
 22 dation loan” the following: “for which the applica-
 23 tion is received by an eligible lender before the date
 24 of enactment of the Emergency Student Loan Con-

1 consolidation Act of 1997, or on or after October 1,
2 1998,” ;

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

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

6 (4) by redesignating subclause (II) as subclause
7 (III); and

8 (5) by inserting after subclause (I) the follow-
9 ing new subclause:

10 “(II) by the Secretary, in the case of
11 a consolidation loan for which the applica-
12 tion is received by an eligible lender on or
13 after the date of enactment of the Emer-
14 gency Student Loan Consolidation Act of
15 1997 and before October 1, 1998, except
16 that the Secretary shall pay such interest
17 only on that portion of the loan that re-
18 pays Federal Stafford Loans for which the
19 student borrower received an interest sub-
20 sidy under section 428 or Federal Direct
21 Stafford Loans for which the borrower re-
22 ceived an interest subsidy under section
23 455; or”.

24 (c) INTEREST RATE.—Section 428C(c)(1) is amend-
25 ed by adding at the end the following new subparagraph:

1 “(D) A consolidation loan for which the applica-
 2 tion is received by an eligible lender on or after the
 3 date of enactment of the Emergency Student Loan
 4 Consolidation Act of 1997 and before October 1,
 5 1998, shall bear interest at an annual rate on the
 6 unpaid principal balance of the loan that is equal to
 7 the rate specified in section 427A(f).”.

8 (d) AMENDMENTS EFFECTIVE FOR PENDING APPLI-
 9 CANTS.—The consolidation loans authorized by the
 10 amendments made by this section shall be available not-
 11 withstanding any pending application by a student for a
 12 consolidation loan under part D of title IV of the Higher
 13 Education Act of 1965, upon withdrawal of such applica-
 14 tion by the student at any time prior to receipt of such
 15 a consolidation loan.

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

17 Section 458(a)(1) (20 U.S.C. 1087h(a)(1)) is amend-
 18 ed by striking “\$532,000,000” and inserting
 19 “\$507,000,000”.

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

21 (a) FAMILY CONTRIBUTION FOR DEPENDENT STU-
 22 DENTS.—

23 (1) PARENTS’ AVAILABLE INCOME.—Section
 24 475(c)(1) is amended—

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

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

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

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

10 (2) STUDENT CONTRIBUTION FROM AVAILABLE
11 INCOME.—Section 475(g)(2) is amended—

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

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

16 (C) by inserting after subparagraph (D)
17 the following new subparagraph:

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

21 (b) FAMILY CONTRIBUTION FOR INDEPENDENT STU-
22 DENTS WITHOUT DEPENDENTS OTHER THAN A
23 SPOUSE.—Section 476(b)(1)(A) (20 U.S.C.
24 1087pp(b)(1)(A)) is amended—

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

3 (2) by inserting after clause (v) the following
4 new clause:

5 “(vi) the amount of any tax credit
6 taken under section 25A of the Internal
7 Revenue Code of 1986; and”.

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

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

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

15 (3) by adding at the end the following new sub-
16 paragraph:

17 “(F) the amount of any tax credit taken
18 under section 25A of the Internal Revenue
19 Code of 1986.”.

20 (d) TOTAL INCOME.—Section 480(a)(2) (20 U.S.C.
21 1087vv(a)(2)) is amended—

22 (1) by striking “individual, and” and inserting
23 “individual,”; and

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

4 (e) OTHER FINANCIAL ASSISTANCE.—Section 480(j)
5 is amended by adding at the end the following new para-
6 graph:
7 “(4) Notwithstanding paragraph (1), a tax credit
8 taken under section 25A of the Internal Revenue Code of
9 1986 shall not be treated as estimated financial assistance
10 for purposes of section 471(3).”.

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