

108TH CONGRESS
1ST SESSION

S. 1742

To amend title IV of the Higher Education Act of 1965 to provide for variable interest rates on student loans.

IN THE SENATE OF THE UNITED STATES

OCTOBER 16, 2003

Mr. CAMPBELL 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 provide for variable interest rates on student loans.

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.**

4 This Act may be cited as the “Higher Education
5 Loan Plan Act of 2003”.

6 **SEC. 2. INTEREST RATES ON STUDENT LOANS.**

7 (a) INTEREST RATE CHANGES.—Section 427A of the
8 Higher Education Act of 1965 (20 U.S.C. 1077a) is
9 amended by striking subsections (k) and (l) and inserting
10 the following:

1 “(k) INTEREST RATES FOR NEW LOANS ON OR
2 AFTER OCTOBER 1, 1998, AND BEFORE THE DATE OF
3 ENACTMENT OF THE HIGHER EDUCATION LOAN PLAN
4 ACT OF 2003.—

5 “(1) IN GENERAL.—Notwithstanding subsection
6 (h) and subject to paragraph (2), with respect to
7 any loan made, insured, or guaranteed under this
8 part (other than a loan made pursuant to section
9 428B or 428C) for which the first disbursement is
10 made on or after October 1, 1998, and before the
11 date of enactment of the Higher Education Loan
12 Plan Act of 2003, the applicable rate of interest
13 shall, during any 12-month period beginning on July
14 1 and ending on June 30, be determined on the pre-
15 ceding June 1 and be equal to—

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

19 “(B) 2.3 percent,
20 except that such rate shall not exceed 8.25 percent.

21 “(2) IN SCHOOL AND GRACE PERIOD RULES.—
22 Notwithstanding subsection (h), with respect to any
23 loan under this part (other than a loan made pursu-
24 ant to section 428B or 428C) for which the first dis-
25 bursement is made on or after October 1, 1998, and

1 before the date of enactment of the Higher Edu-
 2 cation Loan Plan Act of 2003, the applicable rate of
 3 interest for interest which accrues—

4 “(A) prior to the beginning of the repay-
 5 ment period of the loan; or

6 “(B) during the period in which principal
 7 need not be paid (whether or not such principal
 8 is in fact paid) by reason of a provision de-
 9 scribed in section 427(a)(2)(C) or
 10 428(b)(1)(M),

11 shall be determined under paragraph (1) by sub-
 12 stituting ‘1.7 percent’ for ‘2.3 percent’.

13 “(3) PLUS LOANS.—Notwithstanding sub-
 14 section (h), with respect to any loan under section
 15 428B for which the first disbursement is made on or
 16 after October 1, 1998, and before the date of enact-
 17 ment of the Higher Education Loan Plan Act of
 18 2003, the applicable rate of interest shall be deter-
 19 mined under paragraph (1)—

20 “(A) by substituting ‘3.1 percent’ for ‘2.3
 21 percent’; and

22 “(B) by substituting ‘9.0 percent’ for ‘8.25
 23 percent’.

24 “(4) CONSOLIDATION LOANS.—With respect to
 25 any consolidation loan under section 428C for which

1 the application is received by an eligible lender on or
2 after October 1, 1998, and before the date of enact-
3 ment of the Higher Education Loan Plan Act of
4 2003, the applicable rate of interest shall be at an
5 annual rate on the unpaid principal balance of the
6 loan that is equal to the lesser of—

7 “(A) the weighted average of the interest
8 rates on the loans consolidated, rounded to the
9 nearest higher one-eighth of 1 percent; or

10 “(B) 8.25 percent.

11 “(5) CONSULTATION.—The Secretary shall de-
12 termine the applicable rate of interest under this
13 subsection after consultation with the Secretary of
14 the Treasury and shall publish such rate in the Fed-
15 eral Register as soon as practicable after the date of
16 determination.

17 “(1) INTEREST RATES FOR NEW LOANS ON OR
18 AFTER THE DATE OF ENACTMENT OF THE HIGHER EDU-
19 CATION LOAN PLAN ACT OF 2003.—

20 “(1) IN GENERAL.—Notwithstanding subsection
21 (h) and subject to paragraph (2), with respect to
22 any loan made, insured, or guaranteed under this
23 part (other than a loan made pursuant to section
24 428B or 428C) for which the first disbursement is
25 made on or after the date of enactment of the High-

1 er Education Loan Plan Act of 2003, the applicable
2 rate of interest shall, during any 12-month period
3 beginning on July 1 and ending on June 30, be de-
4 termined on the preceding June 1 and be equal to—

5 “(A) the bond equivalent rate of 91-day

6 Treasury bills auctioned at the final auction
7 held prior to such June 1; plus

8 “(B) 2.3 percent,

9 except that such rate shall not exceed 7.75 percent.

10 “(2) IN SCHOOL AND GRACE PERIOD RULES.—

11 Notwithstanding subsection (h), with respect to any
12 loan under this part (other than a loan made pursu-
13 ant to section 428B or 428C) for which the first dis-
14 bursement is made on or after the date of enactment
15 of the Higher Education Loan Plan Act of 2003, the
16 applicable rate of interest for interest which ac-
17 crues—

18 “(A) prior to the beginning of the repay-
19 ment period of the loan; or

20 “(B) during the period in which principal
21 need not be paid (whether or not such principal
22 is in fact paid) by reason of a provision de-
23 scribed in section 427(a)(2)(C) or
24 428(b)(1)(M),

1 shall be determined under paragraph (1) by sub-
2 stituting ‘1.7 percent’ for ‘2.3 percent’.

3 “(3) PLUS LOANS.—Notwithstanding sub-
4 section (h), with respect to any loan under section
5 428B for which the first disbursement is made on or
6 after the date of enactment of the Higher Education
7 Loan Plan Act of 2003, the applicable rate of inter-
8 est shall be determined under paragraph (1)—

9 “(A) by substituting ‘3.1 percent’ for ‘2.3
10 percent’; and

11 “(B) by substituting ‘8.5 percent’ for ‘7.75
12 percent’.

13 “(4) CONSOLIDATION LOANS.—With respect to
14 any consolidation loan under section 428C for which
15 the application is received by an eligible lender on or
16 after the date of enactment of the Higher Education
17 Loan Plan Act of 2003, the applicable rate of inter-
18 est shall, during any 12-month period beginning on
19 July 1 and ending on June 30, be determined on the
20 preceding June 1 and be equal to—

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

24 “(B) 2.3 percent,

1 except that such rate shall not exceed 7.75 per-
2 cent.”.

3 (b) SPECIAL ALLOWANCE CONFORMING CHANGES.—

4 Section 438(b)(2) of the Higher Education Act of 1965
5 (20 U.S.C. 1087–1(b)(2)) is amended by striking “July
6 1, 2006” each place it appears in clauses (ii), (v), and
7 (vii) of subparagraph (I), including in the headings of such
8 clauses, and inserting “the date of enactment of the High-
9 er Education Loan Plan Act of 2003”.

10 (c) ADDITIONAL CONFORMING AMENDMENTS.—Sec-

11 tion 428C(c)(1) of the Higher Education Act of 1965 (20
12 U.S.C. 1078–3(c)(1)) is amended by striking “July 1,
13 2006” each place it appears and inserting “the date of
14 enactment of the Higher Education Loan Plan Act of
15 2003”.

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