

103RD CONGRESS
1ST SESSION

H. R. 29

To authorize loans for study at nonprofit institutions of higher education.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 5, 1993

Mr. SMITH of Iowa introduced the following bill; which was referred to the
Committee on Education and Labor

A BILL

To authorize loans for study at nonprofit institutions of
higher education.

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

3 FINDINGS AND DECLARATION OF POLICY

4 SEC. 2. The Congress hereby finds that the security
5 and welfare of the United States requires that this and
6 future generations of American youth be assured ample
7 opportunity for the fullest development of their intellectual
8 capacities, and that this opportunity will be jeopardized
9 unless the financial barrier against youth of college ability
10 obtaining a higher education can be overcome. It shall be
11 the policy of the United States that no high school grad-

1 uate who can secure admission to an institution of higher
2 education shall be denied an opportunity to attend such
3 institution as a result of inadequate financial resources
4 and that it is incumbent upon the Nation to take positive
5 and immediate action to meet these needs through a pro-
6 gram providing loans for young people who need financial
7 assistance for post high school education or training.

8 TITLE I—LOANS FOR COLLEGE STUDENTS

9 AGREEMENTS WITH INSTITUTIONS

10 SEC. 101. (a) The Secretary of Education is author-
11 ized to enter into an agreement with any institution of
12 higher education which desires to participate in a program
13 making financial loans to students. Such payments to in-
14 stitutions shall be made during the period beginning Octo-
15 ber 1, 1993, and ending September 30, 1999, but no such
16 loan shall cover any period after September 30, 2000.

17 (b) An agreement between the Secretary and an insti-
18 tution of higher education for making such loans shall—

19 (1) provide that funds paid to the institution
20 under this Act will be used solely to make loans to
21 students in such institution;

22 (2) provide that (A) no loan made to a recipient
23 under this Act will cover more than two academic
24 years, and (B) the amount of each such loan will be
25 determined in the case of each recipient thereof with

1 respect to each academic year in which such recipi-
2 ent receives such a loan, except that no such recipi-
3 ent shall receive more than \$6,000 under the provi-
4 sions of this Act in any academic year of under-
5 graduate enrollment; or \$8,500 in any academic year
6 of graduate enrollment;

7 (3) provide that the average loan per recipient
8 for undergraduate students shall not exceed \$4,500
9 and for graduate students shall not exceed \$6,000
10 per academic year and shall be reduced proportion-
11 ately for those students enrolled in such institution
12 on less than a full-time basis;

13 (4) provide that payments under such loan will
14 continue only during such periods as the recipient is
15 in good standing at the institution;

16 (5) provide that each recipient of such a loan
17 for the first and second academic years of under-
18 graduate study must be selected solely on the basis
19 of his being (A) capable of doing at least satisfactory
20 academic work in the course of study which he will
21 pursue in such institution, (B) in need of the
22 amount of such loan in order to pursue a course of
23 study in such institution and without reasonable ex-
24 pectation of obtaining grant assistance from any
25 other source sufficient to enable him to undertake

1 such course of study, and (C) of good character,
2 with an earnest desire to obtain an education at an
3 institution of higher education;

4 (6) provide that at the completion of the second
5 academic year, if such recipient has maintained good
6 standing during the first and second academic years
7 and would be unable to pursue a course of study in
8 such institution during the third and fourth aca-
9 demic years without such a loan, the institution in
10 which such recipient enrolls for the third academic
11 year is authorized to award an additional loan for
12 the third and fourth academic years;

13 (7) include such provisions and be supported by
14 such assurances as the Secretary may determine to
15 be necessary to assure that there will be no reduc-
16 tion of the amount of student financial assistance of-
17 fered by the institution from its own resources as a
18 result of participation in the program under this
19 Act;

20 (8) include such other provisions as the Sec-
21 retary may determine to be necessary to protect the
22 financial interest of the United States and promote
23 the purposes of this Act and as are agreed to by the
24 Secretary and the institution;

1 not result in unnecessary accumulation in the Federal stu-
2 dent loan fund of such institution established pursuant to
3 this Act. Payments allotted to such institutions for loans
4 for graduate students shall not be used to provide loans
5 for undergraduate students and payments made to provide
6 loans for undergraduate students shall not be used to pro-
7 vide loans for graduate students.

8 (b) If the amount appropriated for any fiscal year
9 is less than the aggregate of amounts authorized to be
10 paid under subsection (a) for such year, the amount au-
11 thorized to be paid under such subsection to each institu-
12 tion of higher education with which the Secretary has an
13 agreement under the Act shall be reduced in proportion
14 to the student enrollments in each institution for such year
15 so that the aggregate of such amounts does not exceed
16 the amount appropriated for such year.

17 REPAYMENTS OF LOANS

18 SEC. 103. Each year beginning with the second tax-
19 able year that a scholar who received a loan under this
20 Act is no longer a bona fide student of an accredited in-
21 stitution of higher education and working toward a degree,
22 the recipient shall pay to the Secretary a sum equal to
23 5 per centum of his personal net taxable income, as de-
24 fined or determined by section 63 of the 1986 Internal
25 Revenue Code, as amended, from sources other than pay

1 after through fiscal year 1999. Sums appropriated pursu-
2 ant to the preceding sentence for fiscal years shall remain
3 available for the award of financial assistance loans under
4 this Act until the close of the fiscal year succeeding the
5 fiscal year for which they were appropriated.

6 TITLE II—DEFINITIONS AND OTHER
7 PROVISIONS APPLICABLE TO ENTIRE ACT

8 DEFINITIONS

9 SEC. 201. As used in this Act—

10 (a) The term “institution of higher education” means
11 a public or other nonprofit educational institution in any
12 State which—

13 (1) admits as regular students only individuals
14 having a certificate of graduation from a high
15 school, or the recognized equivalent of such a certifi-
16 cate;

17 (2) is legally authorized within such State to
18 provide a program of education beyond high school;

19 (3) provides an educational program for which
20 it awards a degree, or provides not less than a two-
21 year program which is acceptable for full credit to-
22 ward such a degree; and

23 (4) is accredited by a nationally recognized ac-
24 crediting agency or association listed by the Sec-
25 retary pursuant to this paragraph or, if not so ac-

1 credited, is an institution whose credits are accepted,
2 on transfer, by not less than three institutions which
3 are so accredited, for credit on the same basis as if
4 transferred from an institution so accredited or is an
5 institution which the Secretary determines provides
6 an educational program at least equal to the pro-
7 gram provided by at least three accredited institu-
8 tions. For the purposes of this paragraph the Sec-
9 retary shall publish a list of nationally accrediting
10 agencies or associations which he determines to be
11 reliable authorities as to the quality of education or
12 training offered.

13 (b) The term “high school” does not include any
14 grade beyond grade 12.

15 (c) The term “nonprofit educational institution”
16 means an educational institution owned and operated by
17 one or more corporations or associations no part of the
18 net earnings of which inures, or may lawfully inure, to
19 the benefit of any private shareholder or individual.

20 (d) The term “public educational institution” does
21 not include a school or institution of any agency of the
22 United States.

23 (e) The term “State” includes, in addition to the sev-
24 eral States, the District of Columbia, the Commonwealth

1 of Puerto Rico, the Virgin Islands, Guam, and American
2 Samoa.

3 (f) the term “Secretary” means the United States
4 Secretary of Education.

5 FEDERAL ADMINISTRATION

6 SEC. 202. (a) The Secretary may delegate any of his
7 functions under this Act, except the making of regulations,
8 or determining the accrediting of institutions to any offi-
9 cer or employee of the Department of Education.

10 (b) In administering the provisions of this Act for
11 which he is responsible, the Secretary is authorized to uti-
12 lize the services and facilities of any agency of the Federal
13 Government and of any other public or nonprofit agency
14 or institution in accordance with appropriate agreements,
15 and to pay for such services either in advance or by way
16 of reimbursement, as may be agreed upon.

17 (c) The Secretary, may appoint one or more advisory
18 committees to advise and consult with the Secretary with
19 respect to the administration of any of his functions under
20 this Act. Members of any such committee, while attending
21 conferences or meetings of the committee, shall be entitled
22 to receive compensation at a rate to be fixed by the Sec-
23 retary but not to exceed \$150 per diem, and while away
24 from their homes or regular places of business they may
25 be allowed travel expenses, including per diem in lieu of

1 subsistence, as authorized by law (5 U.S.C. 5703) for per-
2 sons in the Government service employed intermittently.
3 The provisions of General Education Provisions Act shall
4 apply to members of such committees.

5 METHOD OF PAYMENT TO INSTITUTIONS

6 SEC. 203. Payments under this Act to any individual
7 or to any State or Federal agency, institution of higher
8 education, or any other organization, may be made in in-
9 stallments, and in advance or by way of reimbursement,
10 and with necessary adjustments on account of overpay-
11 ments or underpayments.

12 ADMINISTRATIVE APPROPRIATIONS AUTHORIZED

13 SEC. 204. There are hereby authorized to be appro-
14 priated for the fiscal year ending September 30, 1994, and
15 for each fiscal year thereafter through fiscal year 1999,
16 such sums as may be necessary for the cost of administer-
17 ing the provisions of this Act.

18 SEC. 205. Nothing contained in this Act shall be con-
19 strued as authorizing a department, agency, officer, or
20 employee of the United States to exercise any direction,
21 supervision, or control over, or impose any requirements
22 or condition with respect to, the personnel, curriculum,
23 methods of instruction, or administration of any edu-
24 cational institution.

1 TITLE III—NATIONAL STUDY

2 SEC. 301. (a) The Secretary shall undertake a study
3 to determine the extent to which the provisions of this Act
4 can reasonably replace various other Federal grants or as-
5 sistance programs.

6 (b) The Secretary shall submit a report of his find-
7 ings made pursuant to the study carried out under this
8 section, together with such recommendations as he may
9 deem appropriate, to the President and the Congress with-
10 in two years after the date of the enactment of this sec-
11 tion.

12 SEC. 302. This Act shall be cited as the “Federal
13 Student Loan Act”.

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