

Union Calendar No. 417

104TH CONGRESS
2^D SESSION

H. R. 3863

[Report No. 104-775]

To amend the Higher Education Act of 1965 to permit lenders under the unsubsidized Federal Family Education Loan program to pay origination fees on behalf of borrowers.

IN THE HOUSE OF REPRESENTATIVES

JULY 22, 1996

Mr. GOODLING (for himself, Mr. GREENWOOD, Mr. MCKEON, Mr. FATTAH, Mr. FAWELL, Mr. CLINGER, and Mr. GEKAS) introduced the following bill; which was referred to the Committee on Economic and Educational Opportunities

SEPTEMBER 5, 1996

Additional sponsors: Mr. KNOLLENBERG, Mr. FOX of Pennsylvania, Mr. ENGLISH of Pennsylvania, Mr. MCHUGH, Mr. WELDON of Pennsylvania, Mr. BORSKI, Mr. ZIMMER, Mr. ROHRABACHER, Mr. EWING, Mr. WATTS of Oklahoma, Ms. GREENE of Utah, Mr. PALLONE, Mr. GREEN of Texas, Mr. HOLDEN, Mr. FLAKE, Mr. EHLERS, Mr. KANJORSKI, Mr. EVANS, Mr. KENNEDY of Massachusetts, Mr. GUNDERSON, Mr. MASCARA, Mr. ACKERMAN, Mr. DELLUMS, and Mr. UPTON

SEPTEMBER 5, 1996

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in *italic*]

A BILL

To amend the Higher Education Act of 1965 to permit

lenders under the unsubsidized Federal Family Education Loan program to pay origination fees on behalf of borrowers.

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 “Student Debt Reduc-

5 tion Act of 1996”.

6 **SEC. 2. UNSUBSIDIZED STUDENT LOANS.**

7 (a) AMENDMENT.—Paragraph (1) of section 428H(f)

8 of the Higher Education Act of 1965 (20 U.S.C. 1078–

9 8(f)(1)) is amended to read as follows:

10 “(1) AMOUNT OF ORIGINATION FEE.—Except

11 as provided in paragraph (5), an origination fee

12 shall be paid to the Secretary with respect to each

13 loan under this section in the amount of 3.0 percent

14 of the principal amount of the loan. Each lender

15 under this section is authorized to charge the bor-

16 rower for such origination fee, *provided that the*

17 *lender assesses the same fee to all student borrowers.*

18 Any such fee charged to the borrower shall be de-

19 ducted proportionately from each installment pay-

20 ment of the proceeds of the loan prior to payment

21 to the borrower.”.

22 (b) CONFORMING AMENDMENTS.—~~Section 428H~~

23 *Section 428H(f)* of such Act is further amended—

1 (1) in paragraph (3), by striking “the origina-
2 tion fee” and inserting “any origination fee that is
3 charged to the borrower”; ~~and~~

4 (2) in paragraph (4), by striking “origination
5 fees authorized to be collected from borrowers” and
6 inserting “origination fees required under paragraph
7 (1)”; *and*

8 (3) *by adding at the end the following new para-*
9 *graph:*

10 “(6) *EXCEPTION.—Notwithstanding paragraph*
11 *(1), a lender may assess a lesser origination fee for*
12 *a borrower demonstrating greater financial need as*
13 *determined by such borrower’s adjusted gross family*
14 *income.”.*

15 (c) *REPORT ON COMPETITIVE ALLOCATION.—Within*
16 *60 days after the date of enactment of this Act, the Sec-*
17 *retary of Education shall submit to each House of the Con-*
18 *gress a legislative proposal that would permit the Secretary*
19 *to allocate the right to make subsidized and unsubsidized*
20 *student loans on the basis of competitive bidding. Such pro-*
21 *posal shall include provision to ensure that any payments*
22 *received from such competitive bidding are equally allocated*
23 *to deficit reduction and to pro rata reduction of origination*
24 *fees in both guaranteed and direct student loans.*

1 **SEC. 3. STUDY OF LOAN FEES.**

2 (a) *STUDY REQUIRED.*—*The Secretary of Education*
3 *shall conduct a statistical analysis of the subsidized and*
4 *unsubsidized student loan programs under part B of title*
5 *IV of the Higher Education Act of 1965 to gather data on*
6 *lenders' use of loan fees and to determine if there are any*
7 *anomalies that would indicate any institutional, pro-*
8 *grammatic or socioeconomic discrimination in the assessing*
9 *or waiving such fees.*

10 (b) *REPORT.*—*The Secretary of Education shall sub-*
11 *mit to each House of the Congress a report on the study*
12 *required by subsection (a) within 2 years after the date of*
13 *enactment of this Act.*

14 (c) *STATISTICAL CHARACTERISTICS TO BE STUD-*
15 *IED.*—*In conducting the study required by subsection (a),*
16 *the Secretary of Education shall compare recipients of loans*
17 *on the basis of income, residence location, type and location*
18 *of higher education, program of instruction and type of*
19 *lender.*

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