

Union Calendar No. 186

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

**H. R. 2535**

[Report No. 105-322]

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## **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.

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OCTOBER 21, 1997

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

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 24, 1997

Mr. McKEON (for himself, Mr. GOODLING, Mr. BOEHNER, Mrs. ROUKEMA, Mr. BARRETT of Nebraska, Mr. RIGGS, Mr. GRAHAM, Mr. McINTOSH, Mr. NORWOOD, Mr. HOEKSTRA, Mr. SAM JOHNSON of Texas, Mr. GREENWOOD, Mr. PETERSON of Pennsylvania, and Mr. UPTON) introduced the following bill; which was referred to the Committee on Education and the Workforce

OCTOBER 21, 1997

Additional sponsors: Mr. BALLENGER, Mr. CASTLE, Mr. WATTS of Oklahoma, Mr. FAWELL, Mr. SOUDER, Mr. DEAL of Georgia, Mr. GOODLATTE, Mr. THUNE, Mr. WELLER, Mr. SPENCE, and Mr. BASS

OCTOBER 21, 1997

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

[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on September 24, 1997]

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## 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 pro-*  
7 *vided, whenever in this Act an amendment or repeal is ex-*  
8 *pressed in terms of an amendment to, or repeal of, a section*  
9 *or other provision, the reference shall be considered to be*  
10 *made to a section or other provision of the Higher Edu-*  
11 *cation Act of 1965 (20 U.S.C. 1001 et seq.).*

12 **SEC. 2. LOAN CONSOLIDATION PROVISIONS.**

13       (a) *DEFINITION OF LOANS ELIGIBLE FOR CONSOLIDA-*  
14 *TION.*—*Section 428C(a)(4) (20 U.S.C. 1078–3(a)(4)) is*  
15 *amended—*

16               (1) *by redesignating subparagraphs (C) and (D)*  
17 *as subparagraphs (D) and (E), respectively; and*

18               (2) *by inserting after subparagraph (B) the fol-*  
19 *lowing new subparagraph:*

20                       *“(C) made under part D of this title, except*  
21 *that loans made under such part shall be eligible*  
22 *student loans only for consolidation loans for*  
23 *which the application is received by an eligible*  
24 *lender during the period beginning on the date*

1           *of enactment of the Emergency Student Loan*  
2           *Consolidation Act of 1997 and ending on October*  
3           *1, 1998;”.*

4           **(b) TERMS OF CONSOLIDATION LOANS.**—*Section*  
5           *428C(b)(4)(C)(ii) is amended—*

6                   (1) *in subclause (I), by inserting after “consoli-*  
7                   *ation loan” the following: “for which the application*  
8                   *is received by an eligible lender before the date of en-*  
9                   *actment of the Emergency Student Loan Consolida-*  
10                   *tion Act of 1997, or on or after October 1, 1998;”;*

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

12                   (3) *by inserting “or (II)” before the semicolon at*  
13                   *the end of subclause (II);*

14                   (4) *by redesignating subclause (II) as subclause*  
15                   *(III); and*

16                   (5) *by inserting after subclause (I) the following*  
17                   *new subclause:*

18                                   *“(II) by the Secretary, in the case of a*  
19                                   *consolidation loan for which the application*  
20                                   *is received by an eligible lender on or after*  
21                                   *the date of enactment of the Emergency Stu-*  
22                                   *dent Loan Consolidation Act of 1997 and*  
23                                   *before October 1, 1998, except that the Sec-*  
24                                   *retary shall pay such interest only on that*  
25                                   *portion of the loan that repays Federal*

1           *Stafford Loans for which the student bor-*  
2           *rower received an interest subsidy under*  
3           *section 428 or Federal Direct Stafford*  
4           *Loans for which the borrower received an*  
5           *interest subsidy under section 455; or”.*

6           (c) *INTEREST RATE.*—Section 428C(c)(1) is amend-  
7 *ed—*

8           (1) *in the first sentence of subparagraph (A), by*  
9           *striking “(B) or (C)” and inserting “(B), (C), or*  
10           *(D)”;* and

11           (2) *by adding at the end the following new sub-*  
12           *paragraph:*

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

20           (d) *AMENDMENTS EFFECTIVE FOR PENDING APPLI-*  
21 *CANTS.*—*The consolidation loans authorized by the amend-*  
22 *ments made by this section shall be available notwithstand-*  
23 *ing any pending application by a student for a consolida-*  
24 *tion loan under part D of title IV of the Higher Education*  
25 *Act of 1965, upon withdrawal of such application by the*

1 *student at any time prior to receipt of such a consolidation*  
2 *loan.*

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

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

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

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

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

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

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

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

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

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

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

24 *(B) by striking the period at the end of sub-*  
25 *paragraph (D) and inserting “; and”; and*

1                   (C) by inserting after subparagraph (D) the  
2                   following new subparagraph:

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

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

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

11           and

12           (2) by inserting after clause (v) the following  
13           new clause:

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

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

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

22           (2) by striking the period at the end of subpara-  
23           graph (E) and inserting “; and”; and

24           (3) by adding at the end the following new sub-  
25           paragraph:

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

4           (d) *TOTAL INCOME*.—Section 480(a)(2) (20 U.S.C.  
5 1087vv(a)(2)) is amended—

6           (1) by striking “individual, and” and inserting  
7           “individual,”; and

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

11          (e) *OTHER FINANCIAL ASSISTANCE*.—Section 480(j) is  
12          amended by adding at the end the following new paragraph:

13          “(4) Notwithstanding paragraph (1), a tax credit  
14          taken under section 25A of the Internal Revenue Code of  
15          1986 shall not be treated as estimated financial assistance  
16          for purposes of section 471(3).”.