

**Summary of Provisions in the College Cost Reduction and Access Act of 2007**  
(HR2669, as amended and passed)  
FINAL

<i>Program Issue / Topic</i>	<i>Provisions</i>
<b>Special Allowance Payment (SAP)</b>	<ul style="list-style-type: none"> <li>Reduces lenders SAP by 55 basis points for Stafford loans and consolidation loans originated by for-profit lenders and 85 basis points for PLUS loans originated by for-profit lenders. (sec. 305) (effective loans disbursed on or after 10/1/07)</li> <li>Reduces the SAP by 40 basis points for Stafford loans and consolidation loans originated by not-for-profit lenders; 70 basis points for PLUS loans originated by not-for-profit lenders (Sec. 305) (effective loans disbursed on or after 10/1/07).</li> <li>Defines a not-for-profit loan holder to include a lender that is state, political subdivision, agency, an entity with not-for-profit status, or a trustee acting as an eligible lender, etc. (Clarifies that no eligible not-for-profit holder shall be owned or controlled by a for-profit entity and other clarifications.) (sec. 304) (effective upon enactment)</li> <li>Requires that the Secretary promulgate regulations implementing this provision no later than one year after the date of enactment. (Sec. 304) (effective upon enactment)</li> </ul>
<b>Exceptional Performer</b>	Eliminates exceptional performer status for lenders, which permitted certain lenders that met minimum performance standards to receive 99 percent of the unpaid principal of defaulted loans (Sec. 302) (effective 10/1/07, but current EP holders retain designation for the remainder of the year for which the designation was made)
<b>Guarantee Agency Collection Retention</b>	Reduces guaranty agency collection retention to 16% from 23% (Sec. 301) (effective 10/1/07)
<b>Lender Insurance</b>	Reduces lender insurance (the amount that the government reimburses lenders on defaulted loans) to 95% of the unpaid principal of loans in 2012. (Sec. 303) (effective loans made on or after 10/1/12)
<b>Account Maintenance Fees, Delinquency Fees, Loan Processing and Issuance Fees</b>	Decreases the account maintenance fees that ED pays to Guaranty Agencies to 0.06 percent of the original principal amount of outstanding loans, instead of calculating payments based on the number of loans made, as the original bill provided (Sec 306) (effective 10/1/07)
<b>Loan Fees - Lender</b>	Increases loan fees from lenders from 0.5% to 1% of the principal amount of the loan on all loans made on or after October 1, 2007. (Sec. 305b) (effective loans disbursed on or after 10/1/07)
<b>Student Loan Auction Pilot Program</b>	<p>Creates a pilot program for all eligible parent-only PLUS loans. The Secretary shall administer one auction for each state, to take place every two years with two winning eligible lenders. Competing lenders will make bids based on the amount of special allowance payment the lender is willing to receive from the Secretary. The winners will be the only lenders eligible to originate federal parent PLUS loans at all institutions. Secretary will guarantee loans in pilot program to 99% of the unpaid principal and interest due on loans. SAP bids must be less than CP plus 1.79%. (Sec. 701) (effective upon enactment, but pilot begins on 7/1/09)</p> <p>Notes:</p> <ul style="list-style-type: none"> <li>there are no lender loan fees on these PLUS loans,</li> <li>if there is no winning bid the Secretary can designate a lender of last resort for the state selected from eligible lenders that submit an application to the Secretary,</li> <li>the originating lender of these PLUS loans has the option of Consolidating the PLUS loans and, in some circumstances may also include PLUS loans made for dependent students and/or PLUS loans made in the Direct Loan Program,</li> <li>specific guidelines are provided for special allowance to be paid on the consolidation of these loans,</li> <li>the interest payment rebate fee does not apply to these consolidation loans.</li> </ul>
<b>College Savings Plans</b>	Corrects the legislative drafting error with regard to custodial 529 college savings plans and custodial

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	prepaid tuition plans. And explicitly exempts distribution from 529 plans, pre-paid tuition plans, and Coverdell from students needs analysis, encoding current Department of Education guidance, instead clarifies as parental asset. (Sec. 604) (effective 7/1/09)
<b>Borrower Interest Rates</b>	<p>Includes temporary phased-in cuts to the interest rates on subsidized Stafford loans to undergraduates according to the following schedule:</p> <ul style="list-style-type: none"> <li>• 6.8% for loans first disbursed on or after July 1, 2006, and before July 1, 2008</li> <li>• 6.0% for loans first disbursed on or after July 1, 2008, and before July 1, 2009</li> <li>• 5.6% for loans first disbursed on or after July 1, 2009, and before July 1, 2010</li> <li>• 4.5% for loans first disbursed on or after July 1, 2010, and before July 1, 2011</li> <li>• 3.4% for loans first disbursed on or after July 1, 2011, and before July 1, 2012</li> <li>• 6.8% for loans first disbursed on or after July 1, 2012</li> </ul> <p>(Sec. 201) (effective as noted above)</p>
<b>Student Loan Forgiveness</b>	Includes a loan forgiveness plan for public sector employees in DL after 120 monthly payments made while the borrower is employed in the described public sector jobs (entire balance of principal and interest) (Sec.401) (effective 10/1/07)
<b>Loan Consolidation</b>	Allows for re-consolidation of FFELP consolidation into DL for the purposes of obtaining income-contingent repayment or for public service loan forgiveness (Sec.203(b)(1)) (effective 7/1/08)
<b>Income Based Repayment Plan</b>	<ul style="list-style-type: none"> <li>• Introduces income-based repayment as a new repayment plan option for FFELP and FDLP loans (but not PLUS loans for dependent students or any Consolidation loan that includes such a PLUS loan). This plan is distinct and separate from the already existing DL income-contingent repayment plan. Under income-based repayment, borrowers experiencing a partial financial hardship, as defined in the report, are allowed an aggregate monthly payment amount that does not exceed 15% of the amount by which the borrower's and borrower's spouse's income exceeds 150% of the poverty line applicable to the borrower's family size, divided by 12. Borrower eligibility is determined annually. Income-based payments must be applied first to interest, then fees due, then principal. Criteria exist for when the borrower is responsible for the interest and when the Secretary will pay the interest, such that ED will pay any unpaid interest for a period not to exceed three years. The Secretary will repay or cancel any outstanding balance of principal and interest remaining after 25 years for borrowers meeting eligibility criteria. (Sec. 203) (effective 7/1/09)</li> <li>• Allows for the Secretary to repay or cancel any outstanding balance due after 25 years in times of economic hardship, defined as 150% of the poverty line applicable to the borrower's family size. (Sec. 203) (effective 7/1/09)</li> </ul>
<b>Military Deferment</b>	<ul style="list-style-type: none"> <li>• Eliminates 3 years limitation on loan deferment for active duty armed service borrowers that was created by HERA on FFELP, DL, and Perkins loans and makes the deferment available for loans made at any time under the HEA, not just certain disbursement dates. Also moves the deferment end date to 180 days after demobilization. (Sec. 202) (effective 10/1/07)</li> <li>• Creates additional loan deferment for active duty armed service borrowers who are called to active duty while in school status for 13 months beyond their return from active duty (Sec. 204) (effective 10/1/07)</li> </ul>
<b>Economic Hardship Deferment</b>	Alters economic hardship deferment to simplify determination such that the qualification is altered to be 150% of the poverty line applicable to the family's size (Sec. 304) (effective 10/1/07)
<b>Maximum Repayment Period</b>	Calculates the maximum repayment period for the income contingent repayment plan (not the new

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	income based repayment plan) by including the time in which the borrower is not in default, is in deferment as a result of economic hardship, and makes required monthly payments under a repayment plan. (Sec. 205) (effective 10/1/07)
<b>Pell Grant</b>	<ul style="list-style-type: none"> <li>• Provides an additional \$490 to the Pell Grant maximum award for years 2008/09 and 2009/10, a \$690 increase for award years 2010/11 and 2011/12, and a \$1,090 increase for 2012/13 over current levels (Sec. 102) (effective 10/1/07)</li> <li>•</li> <li>• Provides incremental mandatory funds for the increased Pell Grant, including \$2 billion in FY08 and increasing to \$4.9 billion in FY2017. (Sec. 102) (effective 10/1/07)</li> <li>•</li> <li>• Eliminates the tuition sensitivity requirement and provides \$11 million for FY08 to implement. (Sec. 101) (effective award years after 7/1/07)</li> </ul>
<b>TRIO Programs</b>	Provides \$57 million for Upward Bound projects that did not receive assistance in FY07. Grants would be awarded to any projects that did not receive assistance in fiscal year 2007 with a grant score above 70 for a 4-year period. (Sec.103) (effective 10/1/07)
<b>Need Analysis</b>	<ul style="list-style-type: none"> <li>• Increases the income protection allowance for dependent students to \$3,750 for AY2009-10; to \$4,500 for AY2010-2011; to \$5,250 for AY2011-12; and to \$6,000 for AY2012-13. For each AY after 2012-13, the Secretary will develop an annual table based on a percentage equal to the estimated percentage increase in the CPI between December 2011 and December of the next AY (Sec.601) (effective 7/1/09)</li> <li>• Increase the income protection allowance for independent students without dependents other than a spouse to \$7,000 for AY2009-10; to \$7,780 for AY2010-11; to \$8,550 for AY2011-12; to \$9,330 for AY2012-13 (Sec. 601) (effective 7/1/09)</li> <li>• Increases the income protection allowance for married students when one is enrolled to \$11,220 for AY2009-10; to \$12,460 for AY2010-11; to \$13,710 for AY2011-12; to \$14,960 for AY2012-13. (Sec. 601) (effective 7/1/09)</li> <li>• Increases the income protection allowance for independent students with dependents other than a spouse according to an annual table outlined by the Secretary (designed to provide incremental increases depending on the family size). For each AY after 2008-09, the Secretary will develop an annual table for parents based on a percentage equal to the estimated percentage increase in the CPI between December 1992 and December of the next AY (Sec.601) (effective 7/1/09)</li> <li>• Increases threshold for “auto-zero” Expected Family Contribution to \$30,000 (starting July 1, 2009). (Sec. 602) (effective 7/1/09)</li> <li>• Expands the special circumstances in which student financial aid administrators may make adjustments on a case-by-case basis to include recent unemployment of a family member and a change in housing status that results in homelessness. (Sec. 603) (7/1/09)</li> <li>• Expands the definition of an independent student to include individuals in foster care or those who were in foster care until the age of 18; emancipated minors or individuals in legal guardianships as determined by the court; and individuals who have been verified as an unaccompanied young person who is a homeless child. (Sec. 604) (7/1/09)</li> </ul>
<b>State Maintenance of Effort in Funding for Public Higher Education Institutions</b>	Establishes a College Access Partnership Grant Program that would inform underserved students about financial aid and encourage both participation and persistence in postsecondary education, while promoting coordination among federal, state, and local government agencies. The federal share of the matching grant is 2/3 and the state share is 1/3. Provides \$66 million annually for FY08 and FY09. (Sec. 801) (effective upon enactment for FY08 and FY09)

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<b>Miscellaneous</b>	<ul style="list-style-type: none"><li>• New TEACH Grants created for \$4,000 per student per AY for students in teaching programs with \$16,000 cap and other restrictions (sec. 104) (effective 7/1/08)</li><li>• HBCU and minority-serving institutional grants in the amount of \$255 million for FY08 and FY09 (sec. 802) (effective 10/1/07)</li></ul>