

**SUBSTITUTE AMENDMENT IN THE NATURE OF A  
SUBSTITUTE OFFERED BY MR. MCKEON OF  
CALIFORNIA FOR THE AMENDMENT IN THE  
NATURE OF A SUBSTITUTE  
OFFERED BY MR. GEORGE MILLER OF  
CALIFORNIA**

Strike all after the enacting clause and insert the following:

**1 SECTION 1. SHORT TITLE.**

2       This Act may be cited as the “Pell Grant Enhance-  
3 ment Act” .

**4 SEC. 2. REDUCTION OF LENDER INSURANCE PERCENTAGE.**

5       (a) AMENDMENT.—Subparagraph (G) of section  
6 428(b)(1) of the Higher Education Act of 1965 (20  
7 U.S.C. 1078(b)(1)(G)) is amended to read as follows:

8               “(G) insures 95 percent of the unpaid  
9               principal of loans insured under the program,  
10              except that—

11                       “(i) such program shall insure 100  
12                       percent of the unpaid principal of loans  
13                       made with funds advanced pursuant to sec-  
14                       tion 428(j) or 439(q); and

1           “(ii) notwithstanding the preceding  
2           provisions of this subparagraph, such pro-  
3           gram shall insure 100 percent of the un-  
4           paid principal amount of exempt claims as  
5           defined in subsection (c)(1)(G);”.

6           (b) **EFFECTIVE DATE.**—The amendment made by  
7           subsection (a) shall take effect with respect to loans made  
8           on or after October 1, 2007.

9           **SEC. 3. GUARANTEE AGENCY COLLECTION RETENTION.**

10          Clause (ii) of section 428(c)(6)(A) of the Higher  
11          Education Act of 1965 (20 U.S.C. 1078(c)(6)(A)(ii)) is  
12          amended to read as follows:

13                 “(ii) an amount equal to 24 percent of  
14                 such payments for use in accordance with  
15                 section 422B, except that—

16                         “(I) beginning October 1, 2003  
17                         and ending September 30, 2007, this  
18                         subparagraph shall be applied by sub-  
19                         stituting ‘23 percent’ for ‘24 percent’;

20                         “(II) beginning October 1, 2007  
21                         and ending September 30, 2008, this  
22                         subparagraph shall be applied by sub-  
23                         stituting ‘20 percent’ for ‘24 percent’;

24                         “(III) beginning October 1, 2008  
25                         and ending September 30, 2010, this

1           subparagraph shall be applied by sub-  
2           stituting ‘18 percent’ for ‘24 percent’;  
3           and

4                   “(IV) beginning October 1, 2010,  
5           this subparagraph shall be applied by  
6           substituting for ‘24 percent’ a per-  
7           centage determined in accordance  
8           with the regulations of the Secretary  
9           and equal to the average rate paid to  
10          collection agencies that have contracts  
11          with the Secretary.”.

12 **SEC. 4. ELIMINATION OF EXCEPTIONAL PERFORMER STA-**  
13 **TUS FOR LENDERS.**

14          (a) **ELIMINATION OF STATUS.**—Part B of title IV of  
15 the Higher Education Act of 1965 (20 U.S.C. 1071 et  
16 seq.) is amended by striking section 428I (20 U.S.C.  
17 1078–9).

18          (b) **CONFORMING AMENDMENTS.**—Part B of title IV  
19 of such Act is further amended—

20               (1) in section 428(c)(1) (20 U.S.C.  
21 1078(c)(1))—

22                   (A) by striking subparagraph (D); and

23                   (B) by redesignating subparagraphs (E)  
24 through (H) as subparagraphs (D) through  
25 (G), respectively; and

1           (2) in section 438(b)(5) (20 U.S.C. 1087–  
2           1(b)(5)), by striking the matter following subpara-  
3           graph (B).

4           (c) EFFECTIVE DATE.—The amendments made by  
5           subsections (a) and (b) shall take effect on October 1,  
6           2007.

7           **SEC. 5. REDUCTION OF LENDER SPECIAL ALLOWANCE PAY-**  
8           **MENTS.**

9           Section 438(b)(2)(I) of the Higher Education Act of  
10          1965 (20 U.S.C. 1087–1(b)(2)(I)) is amended by adding  
11          at the end the following new clauses:

12                           “(vi) REDUCTION FOR LOANS DIS-  
13                           BURSED ON OR AFTER OCTOBER 1, 2007.—  
14                           With respect to a loan on which the appli-  
15                           cable interest rate is determined under sec-  
16                           tion 427A(l) and for which the first dis-  
17                           bursement of principal is made on or after  
18                           October 1, 2007, the special allowance pay-  
19                           ment computed pursuant to this subpara-  
20                           graph shall be computed—

21   “(I) by substituting ‘2.0 percent’  
22   for ‘2.34 percent’ each place it ap-  
23   pears in this subparagraph;

1                   “(II) by substituting ‘1.4 per-  
2                   cent’ for ‘1.74 percent’ in clause (ii);  
3                   and

4                   “(III) by substituting ‘2.0 per-  
5                   cent’ for ‘2.64 percent’ each place it  
6                   appears in clauses (iii) and (iv).”.

7 **SEC. 6. UNIT COST CALCULATION FOR GUARANTY AGENCY**  
8 **ACCOUNT MAINTENANCE FEES.**

9           Section 458(b) of the Higher Education Act of 1965  
10 (20 U.S.C. 1087h(b)) is amended—

11           (1) by striking “Account” and inserting the fol-  
12           lowing:

13           “(1) FOR FISCAL YEARS 2006 AND 2007.—For  
14           each of the fiscal years 2006 and 2007, account”;  
15           and

16           (2) by adding at the end the following new  
17           paragraph:

18           “(2) FOR FISCAL YEAR 2008 AND SUCCEEDING  
19           FISCAL YEARS.—

20           “(A) UNIT COST BASIS.—For fiscal year  
21           2008 and each succeeding fiscal year, the Sec-  
22           retary shall calculate the account maintenance  
23           fees payable to guaranty agencies under sub-  
24           section (a)(3), on a per-loan cost basis in ac-  
25           cordance with subparagraph (B).

1           “(B) DETERMINATIONS.—To determine  
2           the amount that shall be paid under subsection  
3           (a)(3) per outstanding loan guaranteed by a  
4           guaranty agency for fiscal year 2008 and suc-  
5           ceeding fiscal years, the Secretary shall—

6                   “(i) establish the per-loan cost basis  
7                   amount by—

8                           “(I) dividing the total amount of  
9                           account maintenance fees paid under  
10                          subsection (a)(3) in fiscal year 2006,  
11                          by

12                                  “(II) the number of loans under  
13                                  part B that were outstanding in that  
14                                  fiscal year; and

15                                  “(ii) determine on October 1 of fiscal  
16                                  year 2008 and each subsequent fiscal year,  
17                                  and pay to each guaranty agency, an  
18                                  amount equal to the product of the number  
19                                  of loans under part B that are outstanding  
20                                  on October 1 of that fiscal year and in-  
21                                  sured by that guaranty agency multiplied  
22                                  by—

23    “(I) the amount determined  
24    under clause (i); increased by

1                   “(II) a percentage equal to the  
2                   percentage increase in the Consumer  
3                   Price Index for Wage Earners (as de-  
4                   termined by the Bureau of Labor Sta-  
5                   tistics of the Department of Labor)  
6                   between the calendar quarter ending  
7                   on June 30, 2006, and the calendar  
8                   quarter ending on the June 30 pre-  
9                   ceding such October 1 of such fiscal  
10                  year.”.

11 **SEC. 7. TUITION SENSITIVITY.**

12           (a) **ELIMINATION OF TUITION SENSITIVITY.**—Sec-  
13 tion 401(b) of the Higher Education Act of 1965 (20  
14 U.S.C. 1070a(b)) is amended—

15                   (1) by striking paragraph (3); and

16                   (2) by redesignating paragraphs (4) through  
17           (9) as paragraphs (3) through (8), respectively.

18           (b) **EFFECTIVE DATE.**—The amendments made by  
19 subsection (a) shall take effect on July 1, 2008.

20 **SEC. 8. MANDATORY PELL GRANT INCREASES.**

21           (a) **EXTENSION OF AUTHORITY.**—Section 401(a) (20  
22 U.S.C. 1070a(a)) is amended by striking “fiscal year  
23 2004” and inserting “fiscal year 2017”.

1 (b) FUNDING FOR INCREASES.—Section 401(b) (20  
2 U.S.C. 1070a(b)) is amended by adding at the end the  
3 following new paragraph:

4 “(9) ADDITIONAL FUNDS.—

5 “(A) IN GENERAL.—For an academic year,  
6 there are authorized to be appropriated, and  
7 there are appropriated, such sums as may be  
8 necessary to carry out subparagraph (B) of this  
9 paragraph (in addition to any other amounts  
10 appropriated to carry out this section and out  
11 of any money in the Treasury not otherwise ap-  
12 propriated) the following amounts:

13 “(i) \$1,454,000,000 for fiscal year  
14 2008;

15 “(ii) \$1,915,000,000 for fiscal year  
16 2009;

17 “(iii) \$2,380,000,000 for fiscal year  
18 2010;

19 “(iv) \$2,845,000,000 for fiscal year  
20 2011;

21 “(v) \$3,386,000,000 for fiscal year  
22 2012;

23 “(vi) \$3,407,000,000 for fiscal year  
24 2013;

1 “(vii) \$3,443,000,000 for fiscal year  
2 2014;

3 “(viii) \$3,474,000,000 for fiscal year  
4 2015;

5 “(ix) \$3,502,000,000 for fiscal year  
6 2016; and

7 “(x) \$3,526,000,000 for fiscal year  
8 2017.

9 “(B) INCREASE IN FEDERAL PELL  
10 GRANTS.—The amounts made available pursu-  
11 ant to subparagraph (A) of this paragraph shall  
12 be used to increase the amount of the maximum  
13 Pell Grant for which a student shall be eligible  
14 during an award year, as specified in the last  
15 enacted appropriation Act applicable to that  
16 award year, by—

17 “(i) \$350 for award year 2008–2009;

18 “(ii) \$450 for award year 2009–2010;

19 “(iii) \$550 for award year 2010–  
20 2011;

21 “(iv) \$650 for award year 2011–2012;

22 and

23 “(v) \$750 for each of the award years  
24 2012–2013 through 2017–2018.”.

1 (c) AUTHORIZED MAXIMUMS.—Section 401(b)(2)(A)  
2 (20 U.S.C. 1070a(b)(2)(A)) is amended to read as follows:

3 “(2)(A) The amount of the Federal Pell Grant  
4 for a student eligible under this part shall be for  
5 each of the award years 2008–2009 through 2016–  
6 2017, the sum of—

7 “(i) the amount appropriated in the  
8 applicable appropriation Act for the max-  
9 imum Federal Pell Grant for that award  
10 year; and

11 “(ii) the amount specified in sub-  
12 section (a)(2)(B) for that award year;

13 less an amount equal to the amount determined  
14 to be the expected family contribution with re-  
15 spect to that student for that year.”.

16 **SEC. 9. PLUS LOAN INTEREST RATES.**

17 Paragraph (2) of section 427A(l) of the Higher Edu-  
18 cation Act of 1965 (20 U.S.C. 1077a(l)(2)) is amended  
19 to read as follows:

20 “(2) PLUS LOANS.—Notwithstanding sub-  
21 section (h), with respect to any loan under section  
22 428B, the applicable rate of interest—

23 “(A) shall be 8.5 percent on the unpaid  
24 principal balance of any such loan for which the

1 first disbursement is made on or after July 1,  
2 2006, and before July 1, 2008; and

3 “(B) shall be 7.9 percent on the unpaid  
4 principal balance of any such loan for which the  
5 first disbursement is made on or after July 1,  
6 2008.”.