CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 3, 2007

Higher Education Access Act of 2007

As ordered reported by the Senate Committee on Health, Education, Labor, and Pensions on June 20, 2007; with subsequent revisions provided by the Committee through June 29, 2007

SUMMARY

The bill would amend the Higher Education Act of 1965 and make a number of changes to the federal financial assistance programs related to postsecondary education. It would reduce the government's payments to lenders and guaranty agencies, as well as modify fees for lenders, and use much of these savings to create a new mandatory grant program. It would also delay the recall of Perkins loan funds, alter student eligibility for grants and loans, and create several new mandatory grant programs for states and other organizations. CBO estimates that net effects of those changes would reduce direct spending by $926 million over the 2008-2012 period and by $5.7 billion over the 2008-2017 period. (The bill would have no impact on revenues.) A companion bill, S. 1642, also ordered reported by the Committee on Health, Education, Labor, and Pensions on June 20, 2007, contains authorizations of appropriations for several higher education programs.

This bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COSTS TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the bill is summarized in Table 1. The budgetary effects of this legislation fall within budget function 500 (education, training, employment, and social services).

TABLE 1. ESTIMATED BUDGETARY IMPACT OF THE HIGHER EDUCATION ACCESS ACT OF 2007

	By Fiscal Year, in Millions of Dollars											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-2012	2008-2017
CHANGES IN DIRECT SPENDING												
STUDENT LOANS												
Provisions Affecting Borrowers												
Estimated Budget Authority	1,070	540	570	590	612	467	322	200	70	45	3,382	4,486
Estimated Outlays	948	395	480	510	527	452	327	215	105	50	2,860	4,009
Provisions Affecting Lenders												
Estimated Budget Authority	-5,175	-3,135	-3,620	-3,970	-4,305	-4,590	-4,835	-5,080	-5,355	-5,640	-20,205	-45,705
Estimated Outlays	-3,990	-2,560	-2,970	-3,320	-3,620	-3,885	-4,115	-4,325	-4,550	-4,795	-16,460	-38,130
Provisions Affecting Guaranty Agencies												
Estimated Budget Authority	-2,470	-155	-165	-170	-180	-185	-190	-200	-210	-215	-3,140	-4,140
Estimated Outlays	-2,405	-135	-140	-145	-155	-160	-165	-170	-175	-180	-2,980	-3,830
Net Programmatic Interactions for Student Loan Changes												
Estimated Budget Authority	30	150	325	435	513	618	663	715	780	840	1,453	5,069
Estimated Outlays	22	85	250	355	443	513	583	630	670	730	1,155	4,281
Subtotal, Student Loans												
Estimated Budget Authority	-6,545	-2,600	-2,890	-3,115	-3,360	-3,690	-4,040	-4,365	-4,715	-4,970	-18,510	-40,290
Estimated Outlays	-5,425	-2,215	-2,380	-2,600	-2,805	-3,080	-3,370	-3,650	-3,950	-4,195	-15,425	-33,670
OTHER PROGRAMS												
Increases in Grant Aid to Students												
Budget Authority	2,640	3,040	3,460	3,900	4,020	10	3,200	3,200	3,200	3,200	17,060	29,870
Estimated Outlays	648	2,668	3,132	3,557	3,920	3,055	856	3,136	3,200	3,200	13,926	27,374
Other Higher Education Programs												
Budget Authority	60	60	0	0	453	0	0	0	0	0	573	573
Estimated Outlays	24	51	33	9	456	0	0	0	0	0	573	573
Subtotal, Other Programs												
Estimated Budget Authority	2,700	3,100	3,460	3,900	4,473	10	3,200	3,200	3,200	3,200	17,633	30,443
Estimated Outlays	673	2,719	3,165	3,567	4,376	3,055	856	3,136	3,200	3,200	14,499	27,946
TOTAL CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	-3,845	500	570	785	1,113	-3,680	-840	-1,165	-1,515	-1,770	-877	-9,847
Estimated Outlays	-4,752	504	785	967	1,571	-25	-2,514	-514	-750	-995	-926	-5,724
Memorandum: Student Loan Spending Under the CBO Baseline												
Estimated Budget Authority	4,575	5,248	5,825	6,011	5,800	5,738	5,681	5,586	5,480	5,389	26,859	54,733
Estimated Outlays	3,241	3,889	4,506	4,839	4,734	4,764	4,769	4,752	4,712	4,638	21,209	44,844

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted early in fiscal year 2008.

As required under the Federal Credit Reform Act of 1990, the costs of student loans are estimated on a net-present-value basis rather than the cash basis used for most other federal programs. The legislation would affect such credit estimates in several ways: by changing repayment terms for borrowers, by reducing certain payments to private lenders of federally guaranteed loans, by decreasing payments to guaranty agencies, and by increasing certain fees paid to the government by such lenders.

In fiscal year 2006, the student aid programs provided an estimated $16 billion in federal grant aid to over 5 million students and an estimated $61 billion in federal loan aid or guarantees to 8 million students and parents.

The bill would reduce the federal cost of providing loan aid, delay the recall of Perkins loan funds, alter student eligibility for grants and loans, establish new mandatory grant aid to students, and establish other mandatory grant programs to states and other entities. (The current discretionary grant aid programs would be reauthorized in S. 1642.)

Direct Spending - Student Loans

Provisions Affecting Borrowers. The bill would make several changes affecting student loan borrowers. It would expand borrower repayment options, provide loan forgiveness for borrowers working in specified public-sector jobs, and expand eligibility by altering the determination of financial need. Combined, these changes would increase costs by $948 million in 2008, by $2.9 billion over the 2008-2012 period, and by $4.0 billion over the 2008-2017 period, CBO estimates.

Income-based Repayment and Economic Deferment. Beginning in October 2007 for all student loan borrowers, the current maximum three-year period for which a borrower could receive an economic hardship deferment would be eliminated. (A deferment is a repayment status during which a borrower does not have to make any payment on their student loan.) In addition, the eligibility criteria for an economic hardship deferment would be altered. Currently, borrowers are eligible for an economic hardship deferment if their income is below 100 percent of poverty for a family of two or their income is below 220 percent of poverty for a family of two and their debt payments exceed 20 percent of their income. The bill would set the eligibility at either 150 percent of poverty based on family size or 220 percent of poverty for a family of two with debt payments that exceed 20 percent of their income.

TABLE 2. DIRECT SPENDING OUTLAY EFFECTS OF MAJOR PROVISIONS OF THE HIGHER EDUCATION ACCESS ACT OF 2007

	By Fiscal Year, in Millions of Dollars											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-2012	2008-2017
STUDENT LOANS												
Provisions Affecting Borrowers:												
Income-Based Repayment												
Estimated Outlays	925	390	475	495	510	430	305	190	80	25	2,795	3,825
Loan Forgiveness												
Estimated Outlays	-5	-5	-5	-5	-3	-3	-3	*	*	*	-23	-29
Needs Analysis and Military Deferment												
Estimated Outlays	28	10	10	20	20	25	25	25	25	25	88	213
Subtotal, Provisions Affecting Borrowers												
Estimated Outlays	948	395	480	510	527	452	327	215	105	50	2,860	4,009
Provisions Affecting Lenders:												
Special Allowance Payment												
Estimated Outlays	-2,935	-1,910	-2,020	-2,120	-2,220	-2,320	-2,425	-2,525	-2,635	-2,750	-11,205	-23,860
PLUS Auction												
Estimated Outlays	0	-150	-420	-645	-815	-955	-1,055	-1,140	-1,230	-1,325	-2,030	-7,735
Lender Insurance												
Estimated Outlays	-515	-110	-120	-125	-130	-135	-140	-145	-150	-160	-1,000	-1,730
Lender Fees												
Estimated Outlays	-540	-390	-410	-430	-455	-475	-495	-515	-535	-560	-2,225	-4,805
Subtotal, Provisions Affecting Lenders												
Estimated Outlays	-3,990	-2,560	-2,970	-3,320	-3,620	-3,885	-4,115	-4,325	-4,550	-4,795	-16,460	-38,130
Provisions Affecting Guaranty Agencies												
Retention of Guaranty Agency Collections												
Estimated Outlays	-1,365	-135	-140	-145	-155	-160	-165	-170	-175	-180	-1,940	-2,790
Guaranty Agency Fee												
Estimated Outlays	-1,040	*	*	*	*	*	*	*	*	*	-1,040	-1,040
Subtotal, Provisions Affecting Guaranty Agencies												
Estimated Outlays	-2,405	-135	-140	-145	-155	-160	-165	-170	-175	-180	-2,980	-3,830
Net Programmatic Interactions for Student Loan Changes												
Estimated Outlays	22	85	250	355	443	513	583	630	670	730	1,155	4,281

(Continued)

TABLE 2. CONTINUED

	By Fiscal Year, in Millions of Dollars											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2008-2012	2008-2017
OTHER PROGRAMS												
Increase in Grant Aid to Students												
Promise Grants												
Estimated Outlays	629	2,668	3,132	3,557	3,920	3,055	856	3,136	3,200	3,200	13,907	27,354
Pell Grants												
Estimated Outlays	20	0	0	0	0	0	0	0	0	0	20	20
Subtotal, Increase in Grant Aid to Students												
Estimated Outlays	648	2,668	3,132	3,557	3,920	3,055	856	3,136	3,200	3,200	13,926	27,374
Other Higher Education Programs												
Estimated Outlays	24	51	33	9	456	0	0	0	0	0	573	573
TOTAL CHANGES IN DIRECT SPENDING												
Estimated Outlays	-4,752	504	785	967	1,571	-25	-2,514	-514	-750	-995	-926	-5,724

Notes: PLUS = Parent Loans for Undergraduate Students.

* = costs or savings of less than $500,000.

Components may not sum to totals because of rounding.

In addition, beginning in October 2007, the bill would establish a new income-based repayment plan available to all student loan borrowers. If borrowers' total payments for federal student loans would exceed 15 percent of their calculated income, which is their adjusted gross income less an amount which is 150 percent of poverty for their family size, borrowers could elect to have their payments limited to 15 percent of that calculated income. If their payments are less than the amount due, payments would first be credited to interest, and then to principal. For subsidized student loans, any unpaid interest due on the loans would be paid by the Secretary of Education; for unsubsidized loans, any unpaid interest due on the loans would be capitalized (i.e., added to the principal balance). If, or when, borrowers are able to make 100 percent of their principal and interest payments, borrowers would return to a 10-year repayment schedule, with some qualifications. At the end of 25 years, any unpaid principal, including any unpaid capitalized interest, would be paid by the government in case of a guaranteed loan and would be forgiven in the case of a direct loan.

Using the CBO's Long-Term (CBOLT) model, we estimated the eligible population based on the projected earnings for workers with some post-secondary schooling. CBO estimates that extending the economic deferment combined with the new income-based repayment plan would increase federal costs by $2.8 billion over the 2008-2012 period and $3.8 billion over the 2008-2017 period.

Loan Forgiveness for Certain Public-Sector Jobs. The bill would create the loan forgiveness for public service employees program, which would provide forgiveness to borrowers who repay their loans through the direct loan program beginning in October 2007. To be eligible, a borrower would have to be employed full time in a public-sector job for 10 years and make 120 payments on the loan while employed. Eligible public service jobs include government, public health, social work in a public child or family service agency, public services for the elderly, library sciences, and public interest legal services. For each year that the employees' annual salary was below $65,000, the borrower would have 10 percent of the remaining outstanding loan balance forgiven.

Based on data from the Census Bureau, the Survey of Income and Program Participation, the Bureau of Labor Statistics, and the Department of Education, CBO estimates that approximately 40,000 new borrowers each year would be eligible for, and participate in, loan forgiveness in the initial years. This total would drop each year as average salaries grew and fewer students would be eligible for substantial loan forgiveness under the $65,000 salary cap. The cost of the loan forgiveness would be covered by savings from borrowers switching from the guaranteed loan program to the direct program through the income-based repayment plan (subsidy costs for the guaranteed loan program are higher than the direct loan program). As a result, CBO estimates the program would save almost $30 million between 2008 and 2017.

Changes in Calculation of Needs Analysis. The bill would change the way eligibility is calculated for Pell grants and subsidized student loans. Those changes include:

- Raising the level at which a student automatically qualifies to have no expected family contribution;
- Changing the treatment of military combat pay and education savings accounts;
- Expanding the discretion of financial aid officers and the definition of independent students;
- Increasing income protection allowances for dependent and independent students; and

- Eliminating the requirement that students provide information regarding their possession or sale of a controlled substance on the Free Application for Federal Student Aid (FAFSA). (Under current law, students who have been convicted for the sale or possession of controlled substances while receiving financial assistance are ineligible for future federal aid.)

Using data on applicants for federal financial assistance, CBO estimates that those provisions in total would add costs of $63 million over the 2008-2012 period and $188 million over the 2008-2017 period to the student loan program.

Extension of Military Deferment. Beginning in July 2008, the bill would eliminate the current cap of 36 months on the deferment of student loans for borrowers serving in the armed forces (including the national guard) who are on active duty in a combat zone. It would also provide for 180 days of additional deferment for those borrowers after their demobilization. CBO estimates this provision would cost $25 million over the 2008-2012 period. (That amount is included along with the above costs regarding needs analysis in Table 2.)

Provisions Affecting Lenders. The bill would alter payments to lenders in the guaranteed student loan program. The quarterly payments to lenders on all new loans would be reduced, federal insurance against default would be lowered, lenders' origination fees would be increased, and a new auction for the right to originate Parent Loans for Undergraduate Students (PLUS) loans would be established. Summing these individual changes would reduce total costs by an estimated $4.0 billion in 2008, $16.5 billion over the 2008-2012 period, and $38.1 billion over the 2008-2017 period. However, several of those changes interact with one another such that the total savings would be reduced; those interactions are discussed in a later section.

Reduction of Special Allowance Payments to Lenders. Under current law, private lenders receive quarterly payments from the government when the interest rate formula used to pay lenders would result in an interest rate higher than the one that would apply to borrowers. Such payments are referred to as special allowance payments. The specific lender formulas are based on the 91-day commercial paper (CP) rate plus:

- 1.74 percent for loans when borrowers are in school, in the six-month grace period after leaving school, or in a deferment period (for example, for economic hardship);

- 2.34 percent when the borrower is repaying the loan; and

- 2.64 percent when the borrower has consolidated the loan or the borrower is a parent (including graduate students participating in the parent program: GradPLUS).

Beginning in October 2007 for loans held by for-profit lenders, the bill would lower those "add-ons" by 50 basis points (or 0.50 percentage points—roughly one-half of 1 percent) for new student and new consolidation loans and by 80 basis points for new parent and new GradPLUS loans. For loans held by non-profit lenders, the legislation would lower these add-ons by 35 basis points for new student and new consolidation loans and by 65 basis points for new parent and new GradPLUS loans.

CBO projects that new loan volume in the guaranteed loan program will rise—under both current law and this bill—from nearly $58 billion in 2008 to $86 billion by 2017, and that loan volume for new consolidations will range from about $21 billion to $28 billion a year over the same period. CBO estimates that about a quarter of loan volume each year will be held by nonprofit lenders. Based on its projections of loans to be disbursed, CBO estimates that the reduced special allowance payments would reduce federal spending by $11.2 billion over the 2008-2012 period and $23.9 billion over the 2008-2017 period.

Reductions in Percentage Guaranteed. Under current law, exceptional performers—lenders who exceed standards for various administrative activities—are insured at 99 percent rather than 97 percent. Based on recent information from the Department of Education, CBO estimates that, in any given year, about 90 percent of outstanding principal is held by lenders with that designation. The bill would reduce the insurance rate for those lenders from 99 percent to 97 percent on all outstanding loans after the agency's current 12-month designation is complete. CBO estimates that the reduction for those lenders would save about $1.7 billion over the 2008-2017 period.

Increased Loan Fees From Lenders. Under current law, lenders pay the federal government 0.5 percent on each new loan (including consolidations). Beginning in October 2007, the fee on new loans would be increased to 1.0 percent. Based on its projections of loans to be disbursed over the projection period, CBO estimates that the modified fee would reduce federal costs by $4.8 billion over the 2008-2017 period.

Loan Auction. The legislation would introduce competitive bidding into the guaranteed parent loan program. Beginning in July 2009, all guaranteed parent loans made to parents on behalf of dependent students for whom they have not previously borrowed would be made by lenders who won the rights to make those loans through competitive auctions. Two winning lenders in each state who bid the smallest add-ons to the three-month CP rate used to calculate special allowance payments (SAP) would have the right to make loans for two years. The right would apply to all new borrowers applying for loans for a two-year period following the auction. At the end of that two-year period, the auction of the right would be repeated.

Bids above CP plus 1.74 percent would not be accepted for regular loans, and the yield on consolidation loans would be capped at CP plus 1.59 percent. Lenders would pay no origination fees on any loan they made and the government would provide insurance in case of default at 99 percent. In addition, consolidation loans would not be subject to the current interest rebate fee (1.05 percent). Borrowers wishing to take a consolidation loan could choose among any eligible lenders, but the lender who made the original loan would have the option of matching the terms made by other lenders.

CBO projects the add-on for the winning bids under the assumption that winning lenders must earn a competitive return on capital after all other expenses. The projection is derived from CBO's estimates of lender capital costs (including compensation for risk), administrative costs, marketing expenses, and taxes. CBO expects lenders to borrow at rates near the CP rate. Based on these estimates, CBO expects the average yield across the auctions would be approximately CP plus 0.60 percent. We estimate savings of $2.0 billion over the 2008-2012 period and $7.7 billion over the 2008-2017 period. (Because the loans under the auctions would not be subject to the overall SAP changes discussed earlier, savings from those changes would be reduced. Those interactions are discussed later in the estimate.)

Provisions Affecting Guaranty Agencies. The Senate bill would lower payments to guaranty agencies that administer the guaranteed student loan program on behalf of the government. The share of default collections retained by the guaranty agencies would be lowered and the method of federal payment to manage the overall portfolio would be changed. Combined, those changes would reduce costs by an estimated $2.4 billion in 2008, $3.0 billion over the 2008-2012 period, and $3.8 billion over the 2008-2017 period.

Retention of Guaranty Agency Collections. Under current law, nonfederal guaranty agencies are allowed to retain 23 percent of their collections on defaulted loans. The bill would reduce that percentage to 16 percent beginning in fiscal year 2008. CBO estimates that reducing the retention rates would save $1.9 billion over the 2008-2012 period and $2.8 billion over the 2008-2017 period.

Account Maintenance Fee. Guaranty agencies currently receive federal payments of up to 0.1 percent of the original principal of their outstanding insured loans to support their administrative costs. Starting in October 2007, the bill would change the percentage fee to a fixed dollar payment per loan. Based on information provided by the Department of Education, CBO expects that the fee would be set at about $7.50 per loan in 2008. CBO estimates that the change, on average, would reduce payments tied to outstanding loans, but would have no significant net budgetary impact with respect to future loans. The savings for outstanding loans reflect the surge in consolidations in the past several years. Such loans are much larger than the average student loans; also, the current 0.1 percent fee for consolidation loans exceeds the fixed $7.50 amount. We estimate that reduced costs for outstanding loans would total $1.0 billion, which would be recorded in 2008.

Programmatic Interactions for Student Loans. There are interactions among the numerous loan-related provisions included in the Senate bill. For example, establishing an auction to determine lender yields would affect the some of the loans that would be affected by decreasing lenders' yields. The combined effect of all the interactions is to increase costs by $1.2 billion over the 2008-2012 period and by $4.3 billion over the 2008-2017 period.

Direct Spending - Other Programs

Increases in Grant Aid to Students. The Senate legislation would create a new grant program to increase funding for the existing Pell Grant program and appropriate funds to cover the costs of certain changes to the Pell Grant program for academic year 2007-2008. Combined, those changes would increase costs by $648 million in 2008, by $13.9 billion over the 2008-2012 period, and by $27.4 billion over the 2008-2017 period, CBO estimates.

Promise Grants. The bill would appropriate $29.9 billion over the next 10 years to create Promise Grants, a supplemental grant program designed to increase awards under the existing discretionary Pell Grant program. The mandatory funds would be awarded in the same manner as Pell grants and added to the funding level in the annual appropriations act to raise the maximum award level above that set in the appropriations act (currently $4,310 for academic year 2007-2008).

To be eligible for a Promise Grant, a student would have to be eligible for the underlying Pell Grant program at the appropriated maximum award level, and submit a FAFSA by July 1 of the award year.

If the appropriations act were to continue to set the maximum award level at $4,310, CBO estimates that, along with the costs of other provisions in the bill that affect Pell grants, the additional funds provided would allow the maximum grant to be increased to approximately $5,100 for academic year 2008-2009 and by additional amounts each year until the increase reached approximately $5,400 in 2012. These amounts could vary depending on the underlying discretionary maximum award level set in annual appropriation acts. Funding for academic year 2013-2014 would provide a very minimal increase to Pell grants before returning to more significant increases for academic years 2014-2015 through 2017-2018.

CBO estimates that the outlays associated with those increases would total $13.9 billion over the 2008-2012 period and $27.4 billion over the 2008-2017 period. (This bill does not reauthorize the discretionary Pell Grant program.)

Pell Grants. The bill would make changes to the way eligibility is calculated for Pell grants, effective for academic year 2007-2008, including:

- Changing the treatment of military combat pay and education savings accounts;

- Eliminating the tuition sensitivity provision, which reduces Pell awards for some students who attend low-cost institutions;

- Expanding the discretion of financial aid officers and the definition of independent students; and

- Eliminating the requirement that students provide information regarding their possession or sale of a controlled substance on the FAFSA. (Under current law, students who have been convicted for the sale or possession of controlled substances while receiving financial assistance are ineligible for future federal aid.)

These changes would increase the costs of the Pell Grant program for academic year 2007-2008 above the funding level provided in the most recent appropriations act. The bill would appropriate $20 million to pay for the estimated additional costs of these changes. The costs of these changes to Pell grants for future years are not included because the program is not authorized beyond the 2007-2008 academic year.

Other Higher Education Programs. The bill would delay the recall of the Perkins Loan Revolving Funds and create three new grant programs for institutions of higher education. Combined, these programs would cost $573 million over the 2008-2012 period. Estimated outlays reflect the historical patterns of spending for higher education programs and other federal grant programs.

Perkins Loan Revolving Funds. Under current law, schools participating in the Perkins Loan program are required to return to the government the federal share of any balances they hold beginning on March 31, 2012. The bill would delay that date until October 2012.

Based on data from the Department of Education, CBO estimates that the delay that would result from enacting the bill would reduce federal receipts by approximately $453 million in 2012.

Financial Literacy Grant Program. The bill would appropriate $10 million in each of fiscal years 2008 and 2009 to award grants to organizations to develop programs to increase the financial literacy of college students. Topics for instruction would include debt management, loan terms and conditions, calculation of interest rates, and saving for future health care and retirement costs. CBO estimates that this provision would increase outlays by $20 million over the 2008-2012 period.

Secondary School Graduation and College Enrollment Program. The legislation would appropriate $25 million in each of fiscal years 2008 and 2009 to award grants to consortia of nonprofit organizations, institutions of higher education, and local educational agencies to promote high school graduation and college enrollment. CBO estimates that this provision would increase outlays by $50 million over the 2008-2012 period.

College Access Partnership Grant Program. The bill would appropriate $25 million in each of fiscal years 2008 and 2009 to make payments to states to conduct activities such as: (1) informing students and families about the benefits of and financing options for higher education, (2) providing outreach activities to at-risk students, (3) assisting students with completing the FAFSA, and (4) providing need-based student aid. CBO estimates that this provision would increase outlays by $50 million over the 2008-2012 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

This bill contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The bill would provide funding for student aid programs and modify certain requirements for public colleges and universities that participate in voluntary federal programs. Those changes generally would benefit those institutions and state, local, and tribal governments. Any costs they incur would result from complying with conditions for receiving federal assistance.

PREVIOUS CBO ESTIMATE

On June 25, 2007, CBO transmitted a cost estimate for H.R. 2669, the College Cost Reduction Act of 2007, as ordered reported by the House Committee on Education and Labor on June 13, 2003. H.R. 2669 would decrease overall direct spending by $744 million more than the Senate bill over the 2008-2012 period, but the Senate bill would achieve $4.8 billion more in savings over the 2008-2017 period.

Similar to the Senate bill, H.R. 2669 would reduce direct spending by changing provisions related to lenders and guaranty agencies. However, it would increase spending for borrowers' benefits by $12.3 billion more than the Senate legislation, while providing $7.3 billion less in mandatory grant aid and funding for other higher education programs over the 2008-2017 period. The Senate bill also provides for an auction of PLUS loans while H.R. 2669 authorizes a pilot program that would test a recommended auction approach. Finally, H.R. 2669 includes a significant authorization of appropriations for the Pell Grant program.

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