



HOUSE MAJORITY WHIP
JAMES E. CLYBURN
THE DAILY WHIPLINE

Wednesday, January 17, 2007

House Meets At...	Last Votes Predicted At...
12:00 p.m. for Legislative Business	Around 6:00 p.m.
Unlimited "One-Minutes" per side	

ANY ANTICIPATED MEMBER ABSENCES DURING VOTES SHOULD BE REPORTED TO THE OFFICE OF THE MAJORITY WHIP AT: 226-3210

Floor Schedule and Procedure

- **Suspension bills** Today, the House will consider several bills on the Suspension calendar. Bills considered on the Suspension calendar are debatable for 40 minutes; may not be amended; and require a two-thirds vote for passage. If recorded votes are requested on any bill, they will be postponed:
 1. **H.Res. 62** – Congratulating the Grand Valley State University Lakers for winning the 2006 NCAA Division II Football National Championship (*Rep. Hoekstra – Education and Labor*)
 2. **H.R. 434** – Short Term Extension of the Small Business Administration (*Reps. Chabot / Velazquez – Small Business*)
 3. **H.Res. 58** – To honor Muhammad Ali, global humanitarian, on the occasion of his 65th birthday and to extend best wishes to him and his family (*Rep. Carson – Oversight and Government Reform*)
 4. **H.R. 57** – To repeal outdated federal law limiting the Virgin Islands' authority to assess and collect its property taxes (*Rep. Christensen – Natural Resources*)
- **H.Res. 65 – Rule providing for consideration of H.R. 5 - The College Student Relief Act of 2007** The House will consider a rule that provides for three hours of debate on H.R. 5 and a Republican motion to recommit. The Rule will be managed by Rep. Doris Matsui and will be considered in the following order:
 - One hour of debate on the Rule.
 - Republican attempt to defeat the Previous Question on the Rule. **Democrats are urged to vote YES.**
 - Adoption of the Rule - **Democrats are urged to vote Yes.**

- **H.R. 5 – The College Student Relief Act of 2007** The House will consider a bill to reduce the interest rates on student loans by fifty percent over 5 years. The bill will be managed by Education and Labor Chair George Miller and will be considered in the following order:
 - 3 hours of debate.
 - 10 minutes of debate on the Republican motion to recommit.
 - Vote on Republican motion to recommit. **Democrats are urged to vote NO.**
 - Vote on final passage of H.R. 5. **Democrats are urged to vote YES**
- **Recorded Vote on H. Con. Res. 31** At some point today, the House will take a recorded vote on the following Suspension bill debated on Tuesday:
 1. **H.Con.Res. 31** – Honoring the Mare Island Original 21ers for their efforts to increase equal employment opportunities in the military (*Rep. George Miller-Education and Labor*)

Bill Summary and Key Issues

H.R. 5 – The College Student Relief Act of 2007

- H.R. 5 is designed to make college more affordable and accessible by cutting the interest rate on subsidized student loans for undergraduates in half over the next five years – reducing the interest rate from the current 6.8 percent to 3.4 percent. This proposal targets assistance to low- and middle-income students and their families with the most financial need – those who receive subsidized student loans.
- This proposal would cut the cost of college for an approximately 5.5 million undergraduate students and their families. Once fully phased in, this bill would save the typical borrower, with \$13,800 in subsidized federal student loan debt, approximately \$4,400 over the life of their loan.
- Under the bill, the cut in half of the interest rate on subsidized loans for undergraduates would be phased in over the next five years, as follows:
 - On July 1, 2007, the interest rate on these loans would be cut from the current 6.8% to 6.12%.
 - On July 1, 2008, the interest rate on these loans would be cut from 6.12% to 5.44%.
 - On July 1, 2009, the interest rate on these loans would be cut from 5.44% to 4.76%.
 - On July 1, 2010, the interest rate on these loans would be cut from 4.76% to 4.08%.
 - On July 1, 2011, the interest rate on these loans would be cut from 4.08% to 3.4%.
- This bill meets all pay-as-you-go requirements with offsets that pay for the entire cost of reducing student loan interest rates over the next five years.
- The bill's offsets are six modest reductions in various subsidies to lenders and guaranty agencies.

- Five of the six offsets in the bill were proposed in President Bush's FY 2006 budget; passed by the GOP-controlled House or GOP-controlled Senate during Budget Reconciliation in 2006 but not included in the final bill; or adopted by a GOP-controlled committee but not included in final bill. To achieve offsets, the bill:
 - **Lowers lender insurance rate from 97% to 95% (in President Bush's FY 2006 budget).** Lender insurance rates are the rates at which the government insures private lenders from defaulted loans. In the case of default, the government will pay the private lender this percentage of the owed funds. One of the offsets in the bill simply lowers the lender insurance rate from 97% to 95% -- as proposed by President Bush in his FY 2006 budget.
 - **Eliminates "exceptional performance" lender status (passed by GOP-controlled Senate in 2006).** Under current law, lenders determined "exceptional" by the Secretary of Education are eligible to receive federal payments increasing their lender insurance rate from 97% to 99% for a 12-month period at a time. There are currently 18 Exceptional Performers, including four of the five largest lenders (Sallie Mae, Citibank, Nelnet, and Wells Fargo). The bill eliminates "exceptional performance" lender status because it has been increasingly seen as a reward to lenders for merely doing their job, rather than for any "exceptional activity" – which is also why it was included in the Senate budget reconciliation bill in 2006.
 - **Increases from 0.5% to 1.0% lender origination fees (passed by GOP-controlled House in 2006).** Lenders are currently charged a fee of 0.5% on all new loans to partially offset the federal cost of administering the student loan program. This provision, which was included in the House-passed budget reconciliation bill in 2006, would increase this fee to 1%.
 - **Lowers guaranty agency collection fees from 23% to 20% next year and to 16% by 2010 (adopted by GOP-controlled Education & Workforce Committee in 2006).** Currently, guaranty agencies are allowed to retain 23% of the funds they collect from defaulted loans, in part to cover the cost of collection. However, guaranty agencies have become more efficient in their collection methods – therefore reducing collection costs – and the Education Department projects that these efficiencies will increase in the future. This provision lowers collection fees from 23% to 20% next year and to 16% by FY 2010. President Bush proposed to lower the collection fee to 20% in his FY 2006 budget. In addition, the provision to lower the collection fee to 16% by 2010 was included in the Education & the Workforce Committee-passed Reconciliation bill in 2006.
 - **Increases annual fee on consolidation loans for certain lenders (passed by GOP-controlled House in 2006).** Lenders are currently charged an annual fee of 1.05% for all consolidation loans. This provision increases the annual fee to 1.30% -- but only for lenders with 90% or more of their holdings in consolidation loans. This provision was included in the House-passed budget reconciliation bill in 2006.
 - **Slightly reduces the lender SAP (Special Allowance Payment) rate by 0.1% for certain large lenders – exempting 99% of the banks in the student loan program from the reduction.** Lenders are guaranteed a statutorily-based rate regardless of what a student pays, called the Special

Allowance Payment (SAP). For loans in repayment, this equals 2.34 percentage points above the prevailing cost of money. This provision makes a very small reduction in the SAP rate for certain large lenders – reducing it by 0.1% (or 10 basis points). For a loan currently in repayment, a 10 basis point reduction will reduce this lender subsidy by only 4%. The provision exempts the lowest 10% of cumulative volume in the student loan market. Any lender that falls below the 10% threshold will not see any change in their SAP. This exemption leaves only 32 banks that would be affected by the SAP changes and protects over 3,000 banks – 99% of the banks in the program – from the SAP reduction.

NOTE: According to the Statement of Administration Policy issued on January 16, 2007, the Administration opposes this bill's attempt to make college education more accessible and affordable for all Americans.

Quote of the Day

"Now is the time to open the doors of opportunity to all of God's children." Dr. Martin Luther King, Jr.