

**AMENDMENT TO H.R. \_\_\_\_\_, AS  
REPORTED  
OFFERED BY M. \_\_\_\_\_**

[Redesignate section 3 as section 4, and insert after  
section 2 the following:]

1 **SEC. 3. EXPRESS AUTHORIZATION FOR LIMITED REPAY-**  
2 **MENT INCENTIVES.**

3 Section 455(b)(8)(C) of the Higher Education Act of  
4 1965 (20 U.S.C. 1087e(b)(8)(C)) is amended to read as  
5 follows:

6 “(C) EXPRESS AUTHORIZATION FOR LIM-  
7 ITED REPAYMENT INCENTIVES FOR NEW LOANS  
8 DISBURSED ON OR AFTER JULY 1, 2012.—

9 “(i) REPAYMENT INCENTIVES GEN-  
10 ERALLY PROHIBITED.—Notwithstanding  
11 any other provision of this part, the Sec-  
12 retary is prohibited from authorizing or  
13 providing any repayment incentive not ex-  
14 pressly authorized in this subparagraph or  
15 otherwise authorized under this part to en-  
16 courage on-time repayment of a loan under  
17 this part for which the first disbursement  
18 of principal is made on or after July 1,

1                   2012, including any reduction in the inter-  
2                   est or origination fee rate paid by a bor-  
3                   rower of such a loan.

4                   “(ii) EXPRESSLY AUTHORIZED REPAY-  
5                   MENT INCENTIVES.—For the purposes of  
6                   this subparagraph, the Secretary is only  
7                   expressly authorized to provide the fol-  
8                   lowing incentives:

9                   “(I) With respect to loans for  
10                  which the first disbursement of prin-  
11                  cipal is made on or after July 1,  
12                  2012, the Secretary may provide for  
13                  an interest rate reduction for a bor-  
14                  rower who agrees to have payments  
15                  on such a loan automatically electroni-  
16                  cally debited from a bank account, ex-  
17                  cept that, for any such reduction the  
18                  Secretary provides for a loan for  
19                  which the first disbursement of prin-  
20                  cipal is made on or after July 1,  
21                  2013, the interest rate shall be re-  
22                  duced by 0.25 percent.

23                  “(II) With respect to loans for  
24                  which the first disbursement of prin-  
25                  cipal is made on or after July 1,

1                   2013, the Secretary may provide for  
2                   an interest rate reduction of 0.25 per-  
3                   cent for a borrower who has made 48  
4                   on-time payments, to encourage on-  
5                   time repayment of the loan.

6                   “(iii) DEFINITION.—In this subpara-  
7                   graph, the term ‘on-time payment’ means  
8                   a payment that is received no later than 6  
9                   days after the due date.”.

