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 REPAYMENT INCENTIVES.

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

“(C) EXPRESS AUTHORIZATION FOR LIMITED REPAYMENT INCENTIVES FOR NEW LOANS DISBURSED ON OR AFTER JULY 1, 2012.—

“(i) REPAYMENT INCENTIVES GENERALLY PROHIBITED.—Notwithstanding any other provision of this part, the Secretary is prohibited from authorizing or providing any repayment incentive not expressly authorized in this subparagraph or otherwise authorized under this part to encourage on-time repayment of a loan under this part for which the first disbursement of principal is made on or after July 1,
2012, including any reduction in the interest or origination fee rate paid by a borrower of such a loan.

“(ii) EXPRESSLY AUTHORIZED REPAYMENT INCENTIVES.—For the purposes of this subparagraph, the Secretary is only expressly authorized to provide the following incentives:

“(I) With respect to loans for which the first disbursement of principal is made on or after July 1, 2012, the Secretary may provide for an interest rate reduction for a borrower who agrees to have payments on such a loan automatically electronically debited from a bank account, except that, for any such reduction the Secretary provides for a loan for which the first disbursement of principal is made on or after July 1, 2013, the interest rate shall be reduced by 0.25 percent.

“(II) With respect to loans for which the first disbursement of principal is made on or after July 1,
2013, the Secretary may provide for an interest rate reduction of 0.25 percent for a borrower who has made 48 on-time payments, to encourage on-time repayment of the loan.

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