

## AMENDMENT OF SECTION

*Pub. L. 116–260, div. FF, title VII, §§ 701(b), 702(a)(2), Dec. 27, 2020, 134 Stat. 3137, 3138, provided that, effective July 1, 2023, except as otherwise expressly provided, and applicable with respect to award year 2023–2024 and each subsequent award year, as determined under this chapter, this section is amended by adding at the end the following:*

*(c) Maximum aid*

*The maximum dollar amount of financial assistance provided under this part to a student shall not exceed the cost of attendance for such student.*

*See 2020 Amendment note below.*

## PRIOR PROVISIONS

A prior section 1087a, Pub. L. 89–329, title IV, § 451, as added Pub. L. 90–575, title I, § 141, Oct. 16, 1968, 82 Stat. 1031; amended Pub. L. 92–318, title I, § 136(a), (b)(1), June 23, 1972, 86 Stat. 272, authorized appropriations for cooperative education programs from the fiscal year ending June 30, 1969, through the fiscal year ending prior to July 1, 1975, prior to repeal by Pub. L. 94–482, title I, § 129(a), Oct. 12, 1976, 90 Stat. 2144, eff. 30 days after Oct. 12, 1976.

## AMENDMENTS

2020—Subsec. (c). Pub. L. 116–260 added subsec. (c).

2008—Subsec. (a). Pub. L. 110–227, in first sentence, inserted “(1)” before “to make loans” and “;” and (2) for purchasing loans under section 1087i–1 of this title” before period at end and, in second sentence, substituted “Loans made under this part shall” for “Such loans shall”.

1994—Pub. L. 103–382 designated existing provisions as subsec. (a), added heading, and added subsec. (b).

1993—Pub. L. 103–66 amended section generally, substituting provisions relating to program authority for former provisions relating to program and payment authority.

1992—Pub. L. 102–325 amended section generally, substituting provisions relating to program and payment authority for Federal direct loan demonstration program for former provisions relating to statement of purpose of income contingent direct loan demonstration project.

## EFFECTIVE DATE OF 2020 AMENDMENT

Amendment by Pub. L. 116–260 effective July 1, 2023, except as otherwise expressly provided, and applicable with respect to award year 2023–2024 and each subsequent award year, as determined under this chapter, see section 701(b) of Pub. L. 116–260, set out as a note under section 1001 of this title.

## EFFECTIVE DATE OF 1992 AMENDMENT

Amendment by Pub. L. 102–325 effective Oct. 1, 1992, see section 2 of Pub. L. 102–325, set out as a note under section 1001 of this title.

## INCOME CONTINGENT LOAN DISTRIBUTION OF FUNDS

Pub. L. 102–325, title IV, § 452, July 23, 1992, 106 Stat. 575, provided that:

“(a) IN GENERAL.—After September 30, 1992, and not later than March 31, 1992, the capital balance of the student loan fund established under part D of title IV of the Higher Education Act of 1965 [20 U.S.C. 1087a et seq.] (as such Act was in effect on the date of enactment of this Act [July 23, 1992]) shall be distributed by allowing institutions to transfer any remaining funds, including future collections and all other funds at the institution’s discretion, to such institution’s part E [20 U.S.C. 1087aa et seq.] account, part C [20 U.S.C. 1087–51 et seq.] fund, or subpart 3 of part A [20 U.S.C. 1070b et seq.] fund under the terms and conditions of the appropriate program.

“(b) CONVERSION OF EXISTING LOANS.—Institutions may, after July 1, 1992, convert all outstanding loans made under part D of title IV of the Higher Education Act of 1965 [20 U.S.C. 1087a et seq.] (as such Act was in effect on such date) to part E [20 U.S.C. 1087aa et seq.] loans, provided that such institution—

“(1) notify the borrower of such conversion;

“(2) obtain a signed part E promissory note from the borrower for the remaining amount outstanding; and

“(3) provide the borrower in writing with a description of all terms and conditions of the new loan.”

**§ 1087b. Funds for origination of direct student loans****(a) In general**

The Secretary shall provide, on the basis of the need and the eligibility of students at each participating institution, and parents of such students, for such loans, funds for student and parent loans under this part—

(1) directly to an institution of higher education that has an agreement with the Secretary under section 1087d(a) of this title to participate in the direct student loan programs under this part and that also has an agreement with the Secretary under section 1087d(b) of this title to originate loans under this part; or

(2) through an alternative originator designated by the Secretary to students (and parents of students) attending institutions of higher education that have an agreement with the Secretary under section 1087d(a) of this title but that do not have an agreement with the Secretary under section 1087d(b) of this title.

**(b) No entitlement to participate or originate**

No institution of higher education shall have a right to participate in the programs authorized by this part, to originate loans, or to perform any program function under this part. Nothing in this subsection shall be construed so as to limit the entitlement of an eligible student attending a participating institution (or the eligible parent of such student) to borrow under this part.

**(c) Delivery of loan funds**

Loan funds shall be paid and delivered to an institution by the Secretary prior to the beginning of the payment period established by the Secretary in a manner that is consistent with payment and delivery of Federal Pell Grants under subpart 1 of part A of this subchapter.

**(d) Institutions outside the United States**

Loan funds for students (and parents of students) attending institutions outside the United States shall be disbursed through a financial institution located or operating in the United States and designated by the Secretary to serve as the agent of such institutions with respect to the receipt of the disbursements of such loan funds and the transfer of such funds to such institutions. To be eligible to receive funds under this part, an institution outside the United States shall make arrangements with the agent designated by the Secretary under this subsection to receive funds under this part.

(Pub. L. 89–329, title IV, § 452, as added Pub. L. 99–498, title IV, § 404, Oct. 17, 1986, 100 Stat. 1437;

amended Pub. L. 102-325, title IV, §451, July 23, 1992, 106 Stat. 569; Pub. L. 103-66, title IV, §4021, Aug. 10, 1993, 107 Stat. 341; Pub. L. 105-33, title VI, §6102, Aug. 5, 1997, 111 Stat. 652; Pub. L. 105-244, title IV, §401(g)(5), Oct. 7, 1998, 112 Stat. 1652; Pub. L. 111-152, title II, §2209(a), Mar. 30, 2010, 124 Stat. 1077.)

#### PRIOR PROVISIONS

A prior section 1087b, Pub. L. 89-329, title IV, §452, as added Pub. L. 90-575, title I, §141, Oct. 16, 1968, 82 Stat. 1031, authorized grants for programs of cooperative education, prior to repeal by Pub. L. 94-482, title I, §129(a), Oct. 12, 1976, 90 Stat. 2144, eff. 30 days after Oct. 12, 1976.

#### AMENDMENTS

- 2010—Subsec. (d), Pub. L. 111-152 added subsec. (d).  
 1998—Subsec. (c), Pub. L. 105-244 substituted “Federal Pell Grants” for “basic grants”.  
 1997—Subsecs. (b) to (d), Pub. L. 105-33 redesignated subsecs. (c) and (d) as (b) and (c), respectively, and struck out former subsec. (b) which required the Secretary to pay fees to institutions of higher education and alternative loan originators to assist in meeting the cost of loan origination.  
 1993—Pub. L. 103-66 amended section generally, substituting provisions relating to funds for origination of direct student loans for former provisions relating to payment rules.  
 1992—Pub. L. 102-325 amended section generally, substituting provisions relating to payment rules for former provisions authorizing demonstration projects.

#### EFFECTIVE DATE OF 1998 AMENDMENT

Amendment by Pub. L. 105-244 effective Oct. 1, 1998, except as otherwise provided in Pub. L. 105-244, see section 3 of Pub. L. 105-244, set out as a note under section 1001 of this title.

#### EFFECTIVE DATE OF 1992 AMENDMENT

Amendment by Pub. L. 102-325 effective Oct. 1, 1992, see section 2 of Pub. L. 102-325, set out as a note under section 1001 of this title.

### § 1087c. Selection of institutions for participation and origination

#### (a) General authority

The Secretary shall enter into agreements pursuant to section 1087d(a) of this title with institutions of higher education to participate in the direct student loan program under this part, and agreements pursuant to section 1087d(b) of this title with institutions of higher education, or consortia thereof, to originate loans in such program, for academic years beginning on or after July 1, 1994. Alternative origination services, through which an entity other than the participating institution at which the student is in attendance originates the loan, shall be provided by the Secretary, through 1 or more contracts under section 1087f(b) of this title or such other means as the Secretary may provide, for students attending participating institutions that do not originate direct student loans under this part. Such agreements for the academic year 1994-1995 shall, to the extent feasible, be entered into not later than January 1, 1994.

#### (b) Selection criteria

##### (1) Application

Each institution of higher education desiring to participate in the direct student loan program under this part shall submit an appli-

cation satisfactory to the Secretary containing such information and assurances as the Secretary may require.

##### (2) Selection procedure

The Secretary shall select institutions for participation in the direct student loan program under this part, and shall enter into agreements with such institutions under section 1087d(a) of this title, from among those institutions that submit the applications described in paragraph (1), and meet such other eligibility requirements as the Secretary shall prescribe.

#### (c) Selection criteria for origination

##### (1) In general

The Secretary may enter into a supplemental agreement with an institution (or a consortium of such institutions) that—

- (A) has an agreement under subsection<sup>1</sup> 1087d(a) of this title;
- (B) desires to originate loans under this part; and
- (C) meets the criteria described in paragraph (2).

##### (2) Selection criteria

The Secretary may approve an institution to originate loans only if such institution—

- (A) is not on the reimbursement system of payment for any of the programs under subpart 1 or 3 of part A, part C, or part E of this subchapter;
- (B) is not overdue on program or financial reports or audits required under this subchapter;
- (C) is not subject to an emergency action, or a limitation, suspension, or termination under section 1078(b)(1)(T), 1082(h), or 1094(c) of this title;
- (D) in the opinion of the Secretary, has not had severe performance deficiencies for any of the programs under this subchapter, including such deficiencies demonstrated by audits or program reviews submitted or conducted during the 5 calendar years immediately preceding the date of application;
- (E) provides an assurance that such institution has no delinquent outstanding debts to the Federal Government, unless such debts are being repaid under or in accordance with a repayment arrangement satisfactory to the Federal Government, or the Secretary in the Secretary's discretion determines that the existence or amount of such debts has not been finally determined by the cognizant Federal agency; and
- (F) meets such other criteria as the Secretary may establish to protect the financial interest of the United States and to promote the purposes of this part.

(D) in the opinion of the Secretary, has not had severe performance deficiencies for any of the programs under this subchapter, including such deficiencies demonstrated by audits or program reviews submitted or conducted during the 5 calendar years immediately preceding the date of application;

(E) provides an assurance that such institution has no delinquent outstanding debts to the Federal Government, unless such debts are being repaid under or in accordance with a repayment arrangement satisfactory to the Federal Government, or the Secretary in the Secretary's discretion determines that the existence or amount of such debts has not been finally determined by the cognizant Federal agency; and

(F) meets such other criteria as the Secretary may establish to protect the financial interest of the United States and to promote the purposes of this part.

#### (d) Eligible institutions

The Secretary may not select an institution of higher education for participation under this section unless such institution is an eligible institution under section 1085(a) of this title.

#### (e) Consortia

Subject to such requirements as the Secretary may prescribe, eligible institutions of higher

<sup>1</sup> So in original. Probably should be “section”.