

Pub. L. 103-208, set out as a note under section 1051 of this title.

Pub. L. 103-66, title IV, §404(c), Aug. 10, 1993, 107 Stat. 363, provided that: “The amendments made by this section [amending this section and section 1085 of this title] shall take effect on July 1, 1994, except that the amendments made by subsection (a)(2)(B) [amending this section] shall take effect upon enactment [Aug. 10, 1993].”

EFFECTIVE DATE OF 1992 AMENDMENTS

Pub. L. 102-408, title III, §306(c), Oct. 13, 1992, 106 Stat. 2086, provided that: “The amendments made by this section [amending this section] take effect 60 days after the date of enactment of this Act [Oct. 13, 1992].”

Amendment by Pub. L. 102-325 effective July 23, 1992, except that changes made in this section, relating to consolidation loans, applicable with respect to loans for which the application is received by an eligible lender on or after Jan. 1, 1993, see section 432, set out as a note under section 1078 of this title.

EFFECTIVE DATE OF 1987 AMENDMENT

Amendment by Pub. L. 100-50 effective as if enacted as part of the Higher Education Amendments of 1986, Pub. L. 99-498, see section 27 of Pub. L. 100-50, set out as a note under section 1001 of this title.

SELECTION OF STUDENT LOAN SERVICER

Pub. L. 115-31, div. H, title III, May 5, 2017, 131 Stat. 549, which provided in part that the Secretary of Education must, no later than September 30, 2017, allow student loan borrowers who are consolidating Federal student loans to select from any student loan servicer to service their new consolidated student loan, was transferred and is classified as a note under section 1087f of this title.

PENDING APPLICANTS

Pub. L. 105-78, title VI, §609(f), Nov. 13, 1997, 111 Stat. 1523, provided that: “The consolidation loans authorized by the amendments made by this section [amending this section] shall be available notwithstanding any pending application by a student for a consolidation loan under part D of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087a et seq.), upon withdrawal of such application by the student at any time prior to receipt of such a consolidation loan.”

COST EVALUATION REPORT

Pub. L. 99-272, title XVI, §16017(d), Apr. 7, 1986, 100 Stat. 348, provided that: “The Secretary of Education shall evaluate the cost, efficiency, and impact of the consolidation loan program established by the amendments made by this section [enacting former section 1078-3 of this title and amending former sections 1077, 1085, 1087-1, and 1087-2 of this title] and shall report to the Congress not later than June 30, 1988, on the findings and recommendations required by this subsection.”

§ 1078-4. Commingling of funds

Notwithstanding any other provision of this part regarding permissible uses of funds from any source, funds received by a guaranty agency under any provision of this part may be commingled with funds received under any other provision of this part and may be used to carry out the purposes of such other provision, except that—

- (1) the total amount expended for the purposes of such other provision shall not exceed the amount the guaranty agency would otherwise be authorized to expend; and
- (2) the authority to commingle such funds shall not relieve such agency of any accounting or auditing obligations under this part.

(Pub. L. 89-329, title IV, §428D, as added Pub. L. 99-498, title IV, §402(a), Oct. 17, 1986, 100 Stat. 1393.)

§ 1078-5. Repealed. Pub. L. 102-164, title VI, § 605(b)(1), Nov. 15, 1991, 105 Stat. 1068

Section, Pub. L. 89-329, title IV, §428E, as added Pub. L. 99-498, title IV, §402(a), Oct. 17, 1986, 100 Stat. 1393; amended Pub. L. 100-50, §10(t), June 3, 1987, 101 Stat. 345, related to State garnishment law requirements.

§ 1078-6. Default reduction program

(a) Other repayment incentives

(1) Sale or assignment of loan

(A) In general

Each guaranty agency, upon securing 9 payments made within 20 days of the due date during 10 consecutive months of amounts owed on a loan for which the Secretary has made a payment under paragraph (1) of section 1078(c) of this title, shall—

- (i) if practicable, sell the loan to an eligible lender; or
- (ii) beginning July 1, 2014, assign the loan to the Secretary if the guaranty agency has been unable to sell the loan under clause (i).

(B) Monthly payments

Neither the guaranty agency nor the Secretary shall demand from a borrower as monthly payment amounts described in subparagraph (A) more than is reasonable and affordable based on the borrower's total financial circumstances.

(C) Consumer reporting agencies

Upon the sale or assignment of the loan, the Secretary, guaranty agency or other holder of the loan shall request any consumer reporting agency to which the Secretary, guaranty agency or holder, as applicable, reported the default of the loan, to remove the record of the default from the borrower's credit history.

(D) Duties upon sale

With respect to a loan sold under subparagraph (A)(i)—

(i) the guaranty agency—

(I) shall, in the case of a sale made on or after July 1, 2014, repay the Secretary 100 percent of the amount of the principal balance outstanding at the time of such sale, multiplied by the reinsurance percentage in effect when payment under the guaranty agreement was made with respect to the loan; and

(II) may, in the case of a sale made on or after July 1, 2014, in order to defray collection costs—

- (aa) charge to the borrower an amount not to exceed 16 percent of the outstanding principal and interest at the time of the loan sale; and
- (bb) retain such amount from the proceeds of the loan sale; and

(ii) the Secretary shall reinstate the Secretary's obligation to—

(I) reimburse the guaranty agency for the amount that the agency may, in the