H. R. 6397

To amend the Higher Education Act of 1965 to provide for the refinancing of certain Federal student loans, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 26, 2020

Mr. COURTNEY (for himself, Mr. BLUMENAUER, Mr. BROWN of Maryland, Mr. CÁRDENAS, Mr. CICILLINE, Mr. CISNEROS, Mr. DeFAZIO, Ms. DELAURO, Ms. DELBENE, Mrs. DINGELL, Mr. MICHAEL F. DOYLE of Pennsylvania, Ms. ESCOBAR, Mr. FOSTER, Mrs. HAYES, Mr. HIMES, Mr. KILMER, Mr. LARSON of Connecticut, Ms. LEE of California, Mr. LYNCH, Mr. McNERNEY, Ms. NORTON, Mr. PAYNE, Mr. PERLMUTTER, Mr. PETERS, Mr. PETERSON, Mr. PHILLIPS, Mr. RUSH, Mr. RYAN, Ms. SÁNCHEZ, Ms. SCHAKOWSKY, Mr. DAVID SCOTT of Georgia, Ms. SEWELL of Alabama, Ms. SLOTKIN, Mr. SOTO, Mr. STANTON, Mr. Swalwell of California, Mr. TAKANO, Mr. WELCH, Mr. YARMUTH, Ms. BASS, and Mr. CROW) introduced the following bill; which was referred to the Committee on Education and Labor

A BILL

To amend the Higher Education Act of 1965 to provide for the refinancing of certain Federal student loans, and for other purposes.

1 Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

2 SECTION 1. SHORT TITLE.

3 This Act may be cited as the “Coronavirus Emergency Student Loan Refinancing Act”.


TITLE I—REFINANCING PROGRAMS

SEC. 101. REFINANCING PROGRAMS.

(a) Program Authority.—Section 451(a) of the Higher Education Act of 1965 (20 U.S.C. 1087a(a)) is amended—

(1) by striking “and (2)” and inserting “(2)”;

and

(2) by inserting “; and (3) to make loans under section 460A and section 460B” after “section 459A”.

(b) Refinancing Program.—Part D of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087a et seq.) is amended by adding at the end the following:

“SEC. 460A. REFINANCING FFEL AND FEDERAL DIRECT LOANS.

“(a) In General.—Beginning not later than 30 days after the date of enactment of the Coronavirus Emergency Student Loan Refinancing Act, the Secretary shall establish a program under which the Secretary, upon the receipt of an application from a qualified borrower, makes a loan under this part, in accordance with the provisions of this section, in order to permit the borrower to obtain the interest rate provided under subsection (c).

“(b) Refinancing Direct Loans.—
“(1) Federal Direct Loans.—Upon application of a qualified borrower, the Secretary shall repay a Federal Direct Stafford Loan, a Federal Direct Unsubsidized Stafford Loan, a Federal Direct PLUS Loan, or a Federal Direct Consolidation Loan of the qualified borrower, for which the first disbursement was made, or the application for the consolidation loan was received, before July 1, 2020, with the proceeds of a refinanced Federal Direct Stafford Loan, a Federal Direct Unsubsidized Stafford Loan, a Federal Direct PLUS Loan, or a Federal Direct Consolidation Loan, respectively, issued to the borrower in an amount equal to the sum of the unpaid principal, accrued unpaid interest, and late charges of the original loan.

“(2) Refinancing FFEL Program Loans as Refinanced Federal Direct Loans.—Upon application of a qualified borrower for any loan that was made, insured, or guaranteed under part B and for which the first disbursement was made, or the application for the consolidation loan was received, before July 1, 2010, the Secretary shall make a loan under this part, in an amount equal to the sum of the unpaid principal, accrued unpaid interest, and
late charges of the original loan to the borrower in accordance with the following:

“(A) The Secretary shall pay the proceeds of such loan to the eligible lender of the loan made, insured, or guaranteed under part B, in order to discharge the borrower from any remaining obligation to the lender with respect to the original loan.

“(B) A loan made under this section that was originally a loan made, insured, or guaranteed—

“(i) under section 428 shall be a Federal Direct Stafford Loan;

“(ii) under section 428B shall be a Federal Direct PLUS Loan;

“(iii) under section 428H shall be a Federal Direct Unsubsidized Stafford Loan; and

“(iv) under section 428C shall be a Federal Direct Consolidation Loan.

“(C) The interest rate for each loan made by the Secretary under this paragraph shall be the rate provided under subsection (c).

“(c) INTEREST RATES.—
“(1) IN GENERAL.—The interest rate for the refinanced Federal Direct Stafford Loans, Federal Direct Unsubsidized Stafford Loans, Federal Direct PLUS Loans, and Federal Direct Consolidation Loans, shall be a rate equal to—

“(A) in any case where the original loan was a loan under section 428 or 428H, a Federal Direct Stafford loan, or a Federal Direct Unsubsidized Stafford Loan, that was issued to an undergraduate student, a rate equal to the lowest yield on the 10-year Treasury note in the preceding 6 months plus 2.05 percent;

“(B) in any case where the original loan was a loan under section 428 or 428H, a Federal Direct Stafford Loan, or a Federal Direct Unsubsidized Stafford Loan, that was issued to a graduate or professional student, a rate equal to the lowest yield on the 10-year Treasury note in the preceding 6 months plus 3.6 percent;

“(C) in any case where the original loan was a loan under section 428B or a Federal Direct PLUS Loan, a rate equal to the lowest yield on the 10-year Treasury note in the preceding 6 months plus 4.6 percent; and
“(D) in any case where the original loan was a loan under section 428C or a Federal Direct Consolidation Loan, a rate calculated in accordance with paragraph (2).

“(2) INTEREST RATES FOR CONSOLIDATION LOANS.—

“(A) METHOD OF CALCULATION.—In order to determine the interest rate for any refinanced Federal Direct Consolidation Loan under paragraph (1)(D), the Secretary shall—

“(i) determine each of the component loans that were originally consolidated in the loan under section 428C or the Federal Direct Consolidation Loan, and calculate the proportion of the unpaid principal balance of the loan under section 428C or the Federal Direct Consolidation Loan that each component loan represents;

“(ii) use the proportions determined in accordance with clause (i) and the interest rate applicable for each component loan, as determined under subparagraph (B), to calculate the weighted average of the interest rates on the loans consolidated
into the loan under section 428C or the Federal Direct Consolidation Loan; and

“(iii) apply the weighted average calculated under clause (ii) as the interest rate for the refinanced Federal Direct Consolidation Loan.

“(B) INTEREST RATES FOR COMPONENT LOANS.—The interest rates for the component loans of a loan made under section 428C or a Federal Direct Consolidation Loan shall be the following:

“(i) The interest rate for any loan under section 428 or 428H, Federal Direct Stafford Loan, or Federal Direct Unsubsidized Stafford Loan issued to an undergraduate student shall be a rate equal to the lesser of—

“(I) the rate for Federal Direct Stafford Loans and Federal Direct Unsubsidized Stafford Loans issued to undergraduate students for the 12-month period beginning on July 1, 2020, and ending on June 30, 2021; or
“(II) the original interest rate of
the component loan.

“(ii) The interest rate for any loan
under section 428 or 428H, Federal Direct
Stafford Loan, or Federal Direct Unsub-
sidized Stafford Loan issued to a graduate
or professional student shall be a rate
equal to the lesser of—

“(I) the rate for Federal Direct
Unsubsidized Stafford Loans issued
to graduate or professional students
for the 12-month period beginning on
July 1, 2020, and ending on June 30,
2021; or

“(II) the original interest rate of
the component loan.

“(iii) The interest rate for any loan
under section 428B or Federal Direct
PLUS Loan shall be a rate equal to the
lesser of—

“(I) the rate for Federal Direct
PLUS Loans for the 12-month period
beginning on July 1, 2020, and end-
ing on June 30, 2021; or
“(II) the original interest rate of
the component loan.

“(iv) The interest rate for any compo-

428C or a Federal Direct Consolidation
Loan shall be the weighted average of the
interest rates that would apply under this
subparagraph for each loan comprising the
component consolidation loan.

“(v) The interest rate for any eligible
loan that is a component of a loan made
under section 428C or a Federal Direct
Consolidation Loan and is not described in
clauses (i) through (iv) shall be the inter-
est rate on the original component loan.

“(3) FIXED RATE.—The applicable rate of in-
terest determined under paragraph (1) for a refi-
nanced loan under this section shall be fixed for the
period of the loan.

“(d) TERMS AND CONDITIONS OF LOANS.—

“(1) IN GENERAL.—A loan that is refinanced
under this section shall have the same terms and
conditions as the original loan, except as otherwise
provided in this section.
“(2) NO AUTOMATIC EXTENSION OF REPAYMENT PERIOD.—Refinancing a loan under this section shall not result in the extension of the duration of the repayment period of the loan, and the borrower shall retain the same repayment term that was in effect on the original loan. Nothing in this paragraph shall be construed to prevent a borrower from electing a different repayment plan at any time in accordance with section 455(d)(3).

“(e) DEFINITION OF QUALIFIED BORROWER.—

“(1) IN GENERAL.—For purposes of this section, the term ‘qualified borrower’ means a borrower—

“(A) of a loan under this part or part B for which the first disbursement was made, or the application for a consolidation loan was received, before July 1, 2020; and

“(B) who meets the eligibility requirements based on income or debt-to-income ratio established by the Secretary.

“(2) INCOME REQUIREMENTS.—Not later than 30 days after the date of enactment of the Coronavirus Emergency Student Loan Refinancing Act, the Secretary shall establish eligibility requirements based on income or debt-to-income ratio that
take into consideration providing access to refinancing under this section for borrowers with the
greatest financial need.

“(f) NOTIFICATION TO BORROWERS.—The Secretary,
in coordination with the Director of the Bureau of Con-
sumer Financial Protection, shall undertake a campaign
to alert borrowers of loans that are eligible for refinancing
under this section that the borrowers are eligible to apply
for such refinancing. The campaign shall include the fol-
lowing activities:

“(1) Developing consumer information mate-
rials about the availability of Federal student loan
refinancing.

“(2) Requiring servicers of loans under this
part or part B to provide such consumer information
to borrowers in a manner determined appropriate by
the Secretary, in consultation with the Director of
the Bureau of Consumer Financial Protection.

“SEC. 460B. FEDERAL DIRECT REFINANCED PRIVATE LOAN
PROGRAM.

“(a) DEFINITIONS.—In this section:

“(1) ELIGIBLE PRIVATE EDUCATION LOAN.—
The term ‘eligible private education loan’ means a
private education loan, as defined in section 140(a)
of the Truth in Lending Act (15 U.S.C. 1650(a)), that—

“(A) was disbursed to the borrower before July 1, 2020; and

“(B) was for the borrower’s own postsecondary educational expenses for an eligible program at an institution of higher education participating in the loan program under this part, as of the date that the loan was disbursed.

“(2) Federal Direct Refinanced Private Loan.—The term ‘Federal Direct Refinanced Private Loan’ means a loan issued under subsection (b)(1).

“(3) Private Educational Lender.—The term ‘private educational lender’ has the meaning given the term in section 140(a) of the Truth in Lending Act (15 U.S.C. 1650(a)).

“(4) Qualified Borrower.—The term ‘qualified borrower’ means an individual who—

“(A) has an eligible private education loan;

“(B) has been current on payments on the eligible private education loan for the 6 months prior to the date of the qualified borrower’s application for refinancing under this section, and
is in good standing on the loan at the time of such application;

“(C) is not in default on the eligible private education loan or on any loan made, insured, or guaranteed under this part or part B or E; and

“(D) meets the eligibility requirements described in subsection (b)(2).

“(b) Program Authorized.—

“(1) In general.—The Secretary, in consultation with the Secretary of the Treasury, shall carry out a program under which the Secretary, upon application by a qualified borrower who has an eligible private education loan, shall issue such borrower a loan under this part in accordance with the following:

“(A) The loan issued under this program shall be in an amount equal to the sum of the unpaid principal, accrued unpaid interest, and late charges of the private education loan.

“(B) The Secretary shall pay the proceeds of the loan issued under this program to the private educational lender of the private education loan, in order to discharge the qualified
borrower from any remaining obligation to the lender with respect to the original loan.

“(C) The Secretary shall require that the qualified borrower undergo loan counseling that provides all of the information and counseling required under clauses (i) through (viii) of section 485(b)(1)(A) before the loan is refinanced in accordance with this section, and before the proceeds of such loan are paid to the private educational lender.

“(D) The Secretary shall issue the loan as a Federal Direct Refinanced Private Loan, which shall have the same terms, conditions, and benefits as a Federal Direct Unsubsidized Stafford Loan, except as otherwise provided in this section.

“(2) BORROWER ELIGIBILITY.—Not later than 30 days after the date of enactment of the Coronavirus Emergency Student Loan Refinancing Act, the Secretary, in consultation with the Secretary of the Treasury and the Director of the Bureau of Consumer Financial Protection, shall establish eligibility requirements—

“(A) based on income or debt-to-income ratio that take into consideration providing ac-
cess to refinancing under this section for borrowers with the greatest financial need;

“(B) to ensure eligibility only for borrowers in good standing;

“(C) to minimize inequities between Federal Direct Refinanced Private Loans and other Federal student loans;

“(D) to preclude windfall profits for private educational lenders; and

“(E) to ensure full access to the program authorized in this subsection for borrowers with private loans who otherwise meet the criteria established in accordance with subparagraphs (A) and (B).

“(c) INTEREST RATE.—

“(1) IN GENERAL.—The interest rate for a Federal Direct Refinanced Private Loan is—

“(A) in the case of a Federal Direct Refinanced Private Loan for a private education loan originally issued for undergraduate post-secondary educational expenses, a rate equal to the lowest yield on the 10-year Treasury note in the preceding 6 months plus 2.05 percent; and

“(B) in the case of a Federal Direct Refinanced Private Loan for a private education
loan originally issued for graduate or professional degree postsecondary educational expenses, a rate equal to the lowest yield on the 10-year Treasury note in the preceding 6 months plus 3.6 percent.

“(2) Combined Undergraduate and Graduate Study Loans.—If a Federal Direct Refinanced Private Loan is for a private education loan originally issued for both undergraduate and graduate or professional postsecondary educational expenses, the interest rate shall be a lowest yield on the 10-year Treasury note in the preceding 6 months plus 4.6 percent.

“(3) Fixed Rate.—The applicable rate of interest determined under this subsection for a Federal Direct Refinanced Private Loan shall be fixed for the period of the loan.

“(d) No Inclusion in Aggregate Limits.—The amount of a Federal Direct Refinanced Private Loan, or a Federal Direct Consolidated Loan to the extent such loan was used to repay a Federal Direct Refinanced Private Loan, shall not be included in calculating a borrower’s annual or aggregate loan limits under section 428 or 428H.
“(e) No Eligibility for Service-Related Repayment.—Notwithstanding sections 428K(a)(2)(A), 428L(b)(2), 455(m)(3)(A), and 460(b), a Federal Direct Refinanced Private Loan, or any Federal Direct Consolidation Loan to the extent such loan was used to repay a Federal Direct Refinanced Private Loan, shall not be eligible for any loan repayment or loan forgiveness program under section 428K, 428L, or 460 or for the repayment plan for public service employees under section 455(m).

“(f) Notification to Borrowers.—The Secretary, in coordination with the Secretary of the Treasury and the Director of the Bureau of Consumer Financial Protection, shall undertake a campaign to alert borrowers about the availability of private student loan refinancing under this section.”.

(c) Amendments to Public Service Repayment Plan Provisions.—Section 455(m) of the Higher Education Act of 1965 (20 U.S.C. 1087e(m)) is amended—

(1) by redesignating paragraphs (3) and (4) as paragraphs (4) and (5), respectively;

(2) by inserting after paragraph (2) the following:

“(3) Special Rules for Section 460A Loans.—
“(A) REFINANCED FEDERAL DIRECT LOANS.—Notwithstanding paragraph (1), in determining the number of monthly payments that meet the requirements of such paragraph for an eligible Federal Direct Loan refinanced under section 460A that was originally a loan under this part, the Secretary shall include all monthly payments made on the original loan that meet the requirements of such paragraph.

“(B) REFINANCED FFEL LOANS.—In the case of an eligible Federal Direct Loan refinanced under section 460A that was originally a loan under part B, only monthly payments made after the date on which the loan was refinanced may be included for purposes of paragraph (1).”; and

(3) in paragraph (4)(A) (as redesignated by paragraph (1)), by inserting “(including any Federal Direct Stafford Loan, Federal Direct PLUS Loan, Federal Direct Unsubsidized Stafford Loan, or Federal Direct Consolidation Loan refinanced under section 460A)” before the period at the end.

(d) INCOME-BASED REPAYMENT.—Section 493C of the Higher Education Act of 1965 (20 U.S.C. 1098e) is amended by adding at the end the following:
“(f) Special Rule for Refinanced Loans.—

“(1) Refinanced Federal Direct and FFEL Loans.—In calculating the period of time during which a borrower of a loan that is refinanced under section 460A has made monthly payments for purposes of subsection (b)(7), the Secretary shall deem the period to include all monthly payments made for the original loan, and all monthly payments made for the refinanced loan, that otherwise meet the requirements of this section.

“(2) Federal direct refinanced private loans.—In calculating the period of time during which a borrower of a Federal Direct Refinanced Private Loan under section 460B has made monthly payments for purposes of subsection (b)(7), the Secretary shall include only payments—

“(A) that are made after the date of the issuance of the Federal Direct Refinanced Private Loan; and

“(B) that otherwise meet the requirements of this section.”.