

Calendar No. 539

119TH CONGRESS
2D SESSION**S. 4097**

To establish that a State-based education loan program is excluded from certain requirements relating to a preferred lender arrangement.

IN THE SENATE OF THE UNITED STATES

MARCH 16, 2026

Ms. MURKOWSKI (for herself, Mr. REED, Mr. CASSIDY, Mrs. SHAHEEN, Mr. SULLIVAN, Mr. LANKFORD, and Mr. GRASSLEY) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

AUGUST 4, 2026

Reported by Mr. CASSIDY, with an amendment

[Strike out all after the enacting clause and insert the part printed in *italic*]

A BILL

To establish that a State-based education loan program is excluded from certain requirements relating to a preferred lender arrangement.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “~~State-Based Education~~
5 ~~Loan Awareness Act~~”.

1 **SEC. 2. STATE-BASED EDUCATION LOAN PROGRAMS.**

2 Section 151 of the Higher Education Act of 1965 (20
3 U.S.C. 1019) is amended—

4 (1) in paragraph (8)(B)—

5 (A) in clause (i), by striking “or” after the
6 semicolon;

7 (B) in clause (ii), by striking the period at
8 the end and inserting “; or”; and

9 (C) by adding at the end the following:

10 “(iii) arrangements or agreements
11 with respect to education loans made
12 under a State-based education loan pro-
13 gram.”; and

14 (2) by adding at the end the following:

15 “(10) STATE-BASED EDUCATION LOAN PRO-
16 GRAM.—The term ‘State-based education loan pro-
17 gram’ means an education loan program that—

18 “(A) is provided by a State agency, State
19 authority, or nonprofit organization, separately
20 or jointly;

21 “(B) makes loans that are not funded, in-
22 sured, or guaranteed by the Federal Govern-
23 ment;

24 “(C) is authorized, established, or char-
25 tered by State law, or otherwise approved by
26 the State;

1 “(D) offers one or more loans for which
2 the interest rate and fees, as calculated in ac-
3 cordance with sections 106 and 107 of the
4 Truth in Lending Act (15 U.S.C. 1605; 1606),
5 are at least as favorable as the interest rate and
6 fees of the Direct PLUS loans authorized under
7 part D of title IV at the time such loan is origi-
8 nated; and

9 “(E) is available only to a borrower who
10 has been advised, such as in a financial aid
11 offer, by an institution of higher education (as
12 defined under section 102)—

13 “(i) that the borrower has the oppor-
14 tunity to exhaust eligibility for Federal
15 education loans made under part D of title
16 IV prior to accepting a private education
17 loan; and

18 “(ii) of the interest rates, fees, and
19 benefits of such Federal education loans,
20 including income-driven repayment options,
21 opportunities for loan forgiveness, forbear-
22 ance or deferment options, interest sub-
23 sidies, and tax benefits.”.

1 **SECTION 1. SHORT TITLE.**

2 *This Act may be cited as the “State-Based Education*
 3 *Loan Awareness Act”.*

4 **SEC. 2. STATE-BASED EDUCATION LOAN PROGRAMS.**

5 *Section 151 of the Higher Education Act of 1965 (20*
 6 *U.S.C. 1019) is amended—*

7 *(1) in paragraph (8)(B)—*

8 *(A) in clause (i), by striking “or” after the*
 9 *semicolon;*

10 *(B) in clause (ii), by striking the period at*
 11 *the end and inserting “; or”; and*

12 *(C) by adding at the end the following:*

13 *“(iii) arrangements or agreements with*
 14 *respect to education loans made under a*
 15 *State-based education loan program.”; and*

16 *(2) by adding at the end the following:*

17 *“(10) STATE-BASED EDUCATION LOAN PRO-*
 18 *GRAM.—The term ‘State-based education loan pro-*
 19 *gram’ means an education loan program that—*

20 *“(A) is provided by a State agency, State*
 21 *authority, or nonprofit organization, separately*
 22 *or jointly;*

23 *“(B) makes loans that are not funded, in-*
 24 *sured, or guaranteed by the Federal Government;*

25 *“(C) is authorized, established, or chartered*
 26 *by State law, or otherwise approved by the State;*

1 “(D) offers one or more loans for which the
2 interest rate and fees, as calculated in accord-
3 ance with sections 106 and 107 of the Truth in
4 Lending Act (15 U.S.C. 1605, 1606), are at least
5 as favorable as the interest rate and fees of the
6 Federal Direct PLUS loans authorized under
7 part D of title IV at the time such loan is origi-
8 nated; and

9 “(E) is available only to a borrower who
10 has been advised, such as in a financial aid
11 offer, by an institution of higher education (as
12 defined in section 102)—

13 “(i) that the borrower should exhaust
14 Federal student loan eligibility under part
15 D of title IV prior to accepting a private
16 education loan; and

17 “(ii) of the interest rates, fees, and ben-
18 efits of such Federal education loans, in-
19 cluding income-driven repayment options,
20 opportunities for loan forgiveness, forbear-
21 ance or deferment options, interest sub-
22 sidies, and tax benefits.”.

1 **SEC. 3. GAO REPORT ON CHANGES IN TRENDS OF STUDENT**
 2 **LOAN BORROWERS.**

3 (a) *IN GENERAL.*—Not later than 2 years after the
 4 date of enactment of this Act, the Comptroller General of
 5 the United States shall prepare and submit a report to the
 6 Committee on Health, Education, Labor, and Pensions of
 7 the Senate and the Committee on Education and Workforce
 8 of the House of Representatives on changes in trends of stu-
 9 dent loan borrowers at institutions of higher education.

10 (b) *AREAS OF EXAMINATION.*—The report required
 11 under subsection (a) shall examine, in particular—

12 (1) the implementation of student loan changes
 13 made by the amendments made under title VIII of the
 14 Act titled “An Act to provide for reconciliation pursu-
 15 ant to title II of H. Con. Res. 14” (Public Law 119–
 16 21; 139 Stat. 72), including—

17 (A) the average total amount borrowed by
 18 students, disaggregated by source, including the
 19 aggregate total combined amount of Federal,
 20 State-based, institutional, and private education
 21 loans;

22 (B) changes during the 2-year period fol-
 23 lowing the effective dates of the changes made by
 24 the amendments made under such title VIII in
 25 the rates of borrowing—

1 (i) *Federal, State-based, institutional,*
 2 *and private education loans for under-*
 3 *graduate and graduate borrowers; and*

4 (ii) *on behalf of dependent students*
 5 *under the Federal Direct PLUS Loan pro-*
 6 *gram under part D of title IV of the Higher*
 7 *Education Act of 1965 (20 U.S.C. 1087a et*
 8 *seq.); and*

9 (C) *the average amount borrowed in Fed-*
 10 *eral, State-based, institutional, and private edu-*
 11 *cation loans, disaggregated by—*

12 (i) *enrollment status as a first-time*
 13 *student or non-first-time student;*

14 (ii) *enrollment status as a full-time*
 15 *student or part-time student;*

16 (iii) *type of degree or certificate sought*
 17 *by the student for whom the loan was*
 18 *awarded;*

19 (iv) *Federal Pell Grant recipient status*
 20 *under section 401 of the Higher Education*
 21 *Act of 1965 (20 U.S.C. 1070a); and*

22 (v) *program of study of the student for*
 23 *whom the loan was awarded;*

24 (2) *the availability of State-based education loan*
 25 *programs (as defined in section 151 of the Higher*

1 *Education Act of 1965 (20 U.S.C. 1019)) for students*
 2 *or parents of students at institutions of higher edu-*
 3 *cation, including the extent to which States expand*
 4 *existing or create new State-based education loan pro-*
 5 *grams;*

6 *(3) the differences in interest rates for Federal,*
 7 *State-based, institutional, and private education*
 8 *loans;*

9 *(4) the extent to which students or parents of*
 10 *students borrow both Federal education loans and*
 11 *State-based education loans, institutional education*
 12 *loans, or private education loans, or some combina-*
 13 *tion thereof; and*

14 *(5) changes in outcomes for borrowers of Federal,*
 15 *State-based, institutional, and private education*
 16 *loans, both in the aggregate and disaggregated, to the*
 17 *extent practicable, by—*

18 *(A) type of institution of higher education*
 19 *(whether public, private nonprofit, or propri-*
 20 *etary);*

21 *(B) program of study;*

22 *(C) repayment rate;*

23 *(D) delinquency rate;*

24 *(E) default rate;*

25 *(F) use of deferment or forbearance; and*

1 (G) *rate of principal reduction.*

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