

111TH CONGRESS
2D SESSION

H. R. 5055

To provide funds for Pell Grants by amending title IV of the Higher Education Act of 1965.

IN THE HOUSE OF REPRESENTATIVES

APRIL 15, 2010

Ms. FUDGE (for herself, Mr. TOWNS, Mr. JOHNSON of Georgia, and Mr. RUSH) introduced the following bill; which was referred to the Committee on Education and Labor

A BILL

To provide funds for Pell Grants by amending title IV of the Higher Education Act of 1965.

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; PURPOSE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “College Debt Swap Act of 2010”.

6 (b) PURPOSE.—The purposes of this Act are to pro-
7 vide additional funds for Pell Grants, and to establish a
8 temporary private education loan debt consolidation pro-
9 gram to assist eligible borrowers in refinancing all or a

1 portion of their private education debt as Federal Direct
 2 Consolidation Loans.

3 **TITLE I—CONSOLIDATION OF** 4 **PRIVATE EDUCATION LOANS**

5 **SEC. 101. CONSOLIDATION OF PRIVATE EDUCATION LOANS.**

6 Section 455(g) of the Higher Education Act of 1965
 7 (20 U.S.C. 1087e(g)) is amended—

8 (1) by striking “A borrower”; and inserting the
 9 following:

10 “(1) IN GENERAL.—A borrower”;

11 (2) by inserting “, including any loan made
 12 under part B and first disbursed before July 1,
 13 2010, and any loan described in paragraph (2),”
 14 after “section 428C(a)(4)”;

15 (3) by striking the third sentence; and

16 (4) by adding at the end the following new
 17 paragraph:

18 “(2) CONSOLIDATION OF PRIVATE EDUCATION
 19 LOANS AS A FEDERAL DIRECT CONSOLIDATION
 20 LOAN.—

21 “(A) IN GENERAL.—Notwithstanding any
 22 other provision of law, a borrower who meets
 23 the eligibility criteria described in paragraph
 24 (1) and subparagraph (B) of this paragraph

1 may be eligible to obtain a Federal Direct Con-
2 solidation loan under this paragraph that—

3 “(i) shall include an eligible private
4 education loan; and

5 “(ii) may include a loan described in
6 section 428C(a)(4).

7 “(B) ELIGIBLE BORROWER.—A borrower
8 of an eligible private education loan is eligible
9 to obtain a Federal Direct Consolidation Loan
10 under this paragraph if the borrower—

11 “(i) is not in default on a loan made,
12 insured, or guaranteed under this title or
13 in default (as such term is defined in sec-
14 tion 435(l)) on any eligible private edu-
15 cation loan that the borrower is seeking to
16 consolidate under this paragraph, except
17 that a borrower who entered such default
18 at any time during the period beginning on
19 December 1, 2007, through December 31,
20 2009, due to an economic hardship (as
21 such term is defined in section 435(o)), as
22 determined by the Secretary, shall not be
23 ineligible under this clause;

24 “(ii) was—

1 “(I) at any time on or after July
2 1, 1994, and before July 1, 2010, en-
3 rolled as an undergraduate, graduate,
4 or professional student who was eligi-
5 ble to borrow a loan under section
6 428H or a Federal Direct Unsub-
7 sidized Stafford Loan; or

8 “(II) at any time on or after July
9 1, 2006, and July 1, 2010, enrolled as
10 a graduate or professional student
11 who was eligible to borrow a loan
12 under section 428B or a Federal Di-
13 rect PLUS loan;

14 “(iii) borrowed at least one eligible
15 private education loan for a period of en-
16 rollment described in clause (ii);

17 “(iv) is in—

18 “(I) repayment status on the eli-
19 gible private education loan that the
20 borrower is seeking to consolidate
21 under this paragraph; or

22 “(II) a grace period preceding re-
23 payment on such loan;

24 “(v) does not have an adverse credit
25 history, as such term is defined by the Sec-

retary, by regulation, with respect to Federal Direct PLUS loans; and

“(vi) has not previously obtained a Federal Direct Consolidation Loan under this paragraph.

“(C) DEFINITION OF ELIGIBLE PRIVATE EDUCATION LOAN.—For purposes of this paragraph, the term ‘eligible private education loan’ means a private education loan (as such term is defined in section 140 of the Truth in Lending Act (15 U.S.C. 1650)) that was disbursed to a borrower on or after July 1, 1994, and before July 1, 2010.

“(D) AMOUNT THAT MAY BE CONSOLIDATED.—The aggregate maximum amount of eligible private education loans that may be consolidated by a borrower under this paragraph is—

“(i) for loans made to a borrower for a period of enrollment described in subparagraph (B)(ii)(I), an amount equal to the amount of outstanding principal, accrued interest, and related fees and costs (as determined by the Secretary) owed by the borrower on eligible private education

1 loans, except that the outstanding principal
2 on the eligible private education loans shall
3 not exceed—

4 “(I) the maximum aggregate
5 amount of loans under section 428H,
6 as of the date of the enactment of the
7 College Debt Swap Act of 2010—

8 “(aa) for an undergraduate
9 dependent student, if the bor-
10 rower was enrolled as an under-
11 graduate dependent student dur-
12 ing the period of enrollment;

13 “(bb) for an undergraduate
14 independent student, if the bor-
15 rower was enrolled as an under-
16 graduate independent student
17 during the period of enrollment;
18 or

19 “(cc) for a graduate or pro-
20 fessional student, if the borrower
21 was enrolled as a graduate or
22 professional student during the
23 period of enrollment;

24 minus

1 “(II) the aggregate amount of
2 loans under section 428H and Federal
3 Direct Unsubsidized Stafford Loans
4 borrowed by the borrower for such pe-
5 riod of enrollment; plus

6 “(ii) for loans made to a borrower for
7 a period of enrollment described in sub-
8 paragraph (B)(ii)(II), an amount equal
9 to—

10 “(I) the total outstanding prin-
11 cipal, accrued interest, and related
12 fees and costs (as determined by the
13 Secretary) owed by the borrower on
14 eligible private education loans; minus

15 “(II) the aggregate amount of
16 loans under section 428B and Federal
17 Direct PLUS loans borrowed by the
18 borrower for such period of enroll-
19 ment.

20 “(E) INTEREST RATE.—Notwithstanding
21 subsection (b), a Federal Direct Consolidation
22 loan made under this paragraph shall bear in-
23 terest at an annual rate on the unpaid principal
24 balance of the loan that is the weighted aver-

age, rounded to the nearest higher one-eighth of
1 percent, of—

“(i) for loans consolidated under this
paragraph that were made to a borrower
for a period described in subparagraph
(B)(ii)(I), the interest rate for a Federal
Direct Unsubsidized Stafford Loan for
which the first disbursement is made on
the date of enactment of the College Debt
Swap Act of 2010; and

“(ii) for loans consolidated under this
paragraph that were made to a borrower
for a period described in subparagraph
(B)(ii)(II), the interest rate for a Federal
Direct PLUS loan for which the first dis-
bursement is made on the date of enact-
ment of the College Debt Swap Act of
2010.

“(F) PAYMENT TO THE HOLDER.—

“(i) SECRETARY.—For each eligible
private education loan that a borrower is
consolidating under this paragraph, the
Secretary shall make a payment to the
holder of such loan that is equal to the
amount of such loan, in whole or in part,

1 based on the amount (all or a portion) of
2 such loan the borrower consolidated under
3 this paragraph.

4 “(ii) HOLDER.—Upon receipt of a
5 payment described in clause (i), a holder
6 shall discharge the liability on the loan (in
7 whole or in part, based on the amount of
8 the payment) for which such payment was
9 made.

10 “(G) OUTREACH ACTIVITIES REQUIRED.—

11 “(i) IN GENERAL.—The Secretary
12 shall conduct outreach activities described
13 in clause (ii) to inform and educate stu-
14 dents and their families about the tem-
15 porary private education loan consolidation
16 program under this paragraph.

17 “(ii) REQUIRED COMPONENTS OF
18 OUTREACH.—The Secretary shall provide
19 for the broad dissemination of information
20 on the program under this paragraph by—

21 “(I) operating and maintaining
22 an Internet website through which in-
23 dividuals may obtain information on
24 changes made to the program;

1 “(II) developing and dissemi-
2 nating information to alumni of un-
3 dergraduate, graduate, and profes-
4 sional schools who may be eligible for
5 the program;

6 “(III) providing assistance to in-
7 stitutions of higher education to edu-
8 cate graduates on the availability of
9 the program; and

10 “(IV) ensuring that all outreach
11 efforts are developed using plain lan-
12 guage and are culturally- and lan-
13 guage-appropriate.

14 “(iii) USE OF OTHER ENTITIES.—In
15 carrying out this subparagraph, the Sec-
16 retary may work with other appropriate
17 entities to facilitate the dissemination of
18 information under this subparagraph and
19 provide assistance as described in this sub-
20 paragraph.

21 “(H) AUTHORIZATION AND APPROPRIA-
22 TION.—There are authorized to be appro-
23 priated, and there are appropriated, such sums
24 as may be necessary to carry out this para-
25 graph. The amounts made available under this

1 subparagraph shall remain available until June
2 30, 2012.

3 “(I) PERIOD OF AUTHORITY.—The author-
4 ity to make Federal Direct Consolidation loans
5 under this paragraph shall begin 30 days after
6 the date of the enactment of the College Debt
7 Swap Act of 2010 and shall expire on June 30,
8 2012.”.

9 **SEC. 102. CONFORMING AMENDMENT.**

10 Section 428C(a)(3)(B)(i)(V) of the Higher Education
11 Act of 1965 (20 U.S.C. 1078–3(a)(3)(B)(i)(V)) is amend-
12 ed—

13 (1) by striking “or” at the end of item (bb);

14 (2) by striking the period at the end of item
15 (cc) and inserting “; or”; and

16 (3) by adding at the end the following:

17 “(dd) for the purpose of
18 consolidating an eligible private
19 education loan under section
20 455(g)(2), whether such loan is
21 consolidated only with other eligi-
22 ble private education loans or
23 consolidated with loans described
24 in paragraph (4).”.

1 **TITLE II—INVESTING IN**
2 **STUDENTS**

3 **SEC. 201. FEDERAL PELL GRANTS.**

4 Section 401(b)(8) of the Higher Education Act of
5 1965 (20 U.S.C. 1070a(b)(8)) is amended by adding at
6 the end the following:

7 “(G) ADDITIONAL FUNDS FOR FISCAL
8 YEARS 2011 AND 2012.—In addition to any
9 amounts appropriated under subparagraph (A)
10 and any other amounts appropriated to carry
11 out this section, there are authorized to be ap-
12 propriated, and there are appropriated, out of
13 any funds in the Treasury not otherwise appro-
14 priated, to carry out subparagraph (B) of this
15 paragraph, \$4,000,000,000 for fiscal year 2011
16 and 2012.”.

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