I

115TH CONGRESS
1ST SESSION

H. R. 3346

To provide for the refinancing and recalculation of certain Federal student loans, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 20, 2017

Mr. LAWSON of Florida introduced the following bill; which was referred to the Committee on Education and the Workforce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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A BILL

To provide for the refinancing and recalculation of certain Federal student loans, and for other purposes.

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

SECTION 1. SHORT TITLE.

This Act may be cited as the "Student Opportunity Act".

SEC. 2. 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" 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 180 days after the date of enactment of the Student Opportunity Act, the Secretary shall establish a program under which the Secretary, upon the receipt of an application from a qualified borrower, reissues the borrower's original loan under this part or part B as 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) REISSUING LOANS.—

"(1) FEDERAL DIRECT LOANS.—Upon application of a qualified borrower, the Secretary shall reissue 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 reissuance of a loan under this section was received before July 1, 2018, in an amount equal to the sum of—

"(A) the unpaid principal, accrued unpaid interest, and late charges of the original loan; and

"(B) the administrative fee under subsection (d)(3).

"(2) DISCHARGING AND REISSUING 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 before July 1, 2010, the Secretary shall reissue such loan as 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 and the administrative fee under subsection (d)(3), to the borrower in accordance with the following:

"(A) The Secretary shall pay the proceeds of such reissued 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) The Secretary shall reissue—

"(i) a loan originally made, insured, or guaranteed under section 428 as a Federal Direct Stafford Loan;

"(ii) a loan originally made, insured, or guaranteed under section 428B as a Federal Direct PLUS Loan;

"(iii) a loan originally made, insured, or guaranteed under section 428H as a Federal Direct Unsubsidized Stafford Loan; and

"(iv) a loan originally made, insured, or guaranteed under section 428C as a Federal Direct Consolidation Loan.

"(C) The interest rate for each loan reissued under this paragraph shall be the rate provided under subsection (c).

"(c) INTEREST RATE.—

"(1) IN GENERAL.—The interest rate for the reissued 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) the high yield of the 10-year Treasury note auctioned at the final auction held prior to the first day of the month in which the application for reissuance under this section is received, plus

"(B) .5 percent.

"(2) FIXED RATE.—The applicable rate of interest determined under paragraph (1) for a reissued 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 reissued 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.—Reissuing 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).

"(3) ADMINISTRATIVE FEE.—The Secretary shall charge the borrower of a loan reissued under this section an administrative fee of not more than 0.5 percent of the sum of the unpaid principal, accrued unpaid interest, and late charges, of the original loan.

"(e) DEFINITION OF QUALIFIED BORROWER.—

"(1) IN GENERAL.—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 reissuance under this section was received, before July 1, 2018; 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 180 days after the date of enactment of the Student Opportunity 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) EXPIRATION OF AUTHORITY.—The Secretary's authority to reissue loans under this section shall expire on the date that is determined in accordance with the Student Opportunity Act.''.

(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 reissued 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 reissued under section 460A that was originally a loan under part B, only monthly payments made after the date on which the loan was reissued may be included for purposes of paragraph (1).''; and

(3) in paragraph (4)(A) (as redesignated by paragraph (1) of this subsection), by inserting ''(including any Federal Direct Stafford Loan, Federal Direct PLUS Loan, Federal Direct Unsubsidized Stafford Loan, or Federal Direct Consolidation Loan reissued 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) REFINANCED FEDERAL DIRECT AND FFEL LOANS.—In calculating the period of time during which a borrower of a loan that is reissued 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 reissued loan, that otherwise meet the requirements of this section.''.

SEC. 3. INTEREST RATES.

(a) INTEREST RATES.—Section 455(b) of the Higher Education Act of 1965 (20 U.S.C. 1087e(b)) is amended—

(1) by redesignating paragraph (9) as paragraph (10); and

(2) by inserting after paragraph (8) the following:

"(9) INTEREST RATE PROVISIONS FOR NEW LOANS ON OR AFTER JULY 1, 2018.—

"(A) RATES FOR UNDERGRADUATE FDSL AND FDUSL.—Notwithstanding the preceding paragraphs of this subsection, for Federal Direct Stafford Loans and Federal Direct Unsubsidized Stafford Loans issued to undergraduate students, for which the first disbursement is made on or after July 1, 2018, the applicable rate of interest shall, for loans disbursed during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to the lesser of—

"(i) a rate equal to—

"(I) the high yield of the 10-year Treasury note auctioned at the final auction held prior to such June 1, plus

"(II) .5 percent; or

"(ii) 8.25 percent.

"(B) RATES FOR GRADUATE AND PROFESSIONAL FDUSL.—Notwithstanding the preceding paragraphs of this subsection, for Federal Direct Unsubsidized Stafford Loans issued to graduate or professional students, for which the first disbursement is made on or after July 1, 2018, the applicable rate of interest shall, for loans disbursed during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to the lesser of—

"(i) a rate equal to—

"(I) the high yield of the 10-year Treasury note auctioned at the final auction held prior to such June 1, plus

"(II) .5 percent; or

"(ii) 9.5 percent.

"(C) PLUS LOANS.—Notwithstanding the preceding paragraphs of this subsection, for Federal Direct PLUS Loans, for which the first disbursement is made on or after July 1, 2018, the applicable rate of interest shall, for loans disbursed during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to the lesser of—

"(i) a rate equal to—

"(I) the high yield of the 10-year Treasury note auctioned at the final auction held prior to such June 1, plus

"(II) .5 percent; or

"(ii) 10.5 percent.

"(D) CONSOLIDATION LOANS.—Notwithstanding the preceding paragraphs of this subsection, any Federal Direct Consolidation Loan for which the application is received on or after July 1, 2018, shall bear interest at an annual rate on the unpaid principal balance of the loan that is equal to the weighted average of the interest rates on the loans consolidated, rounded to the nearest higher one-eighth of one percent.

"(E) CONSULTATION.—The Secretary shall determine the applicable rate of interest under this paragraph after consultation with the Secretary of the Treasury and shall publish such rate in the Federal Register as soon as practicable after the date of determination.

"(F) RATE.—The applicable rate of interest determined under this paragraph for a Federal Direct Stafford Loan, a Federal Direct Unsubsidized Stafford Loan, or a Federal Direct PLUS Loan shall be fixed for the period of the loan.".

(b) IN SCHOOL DEFERMENT.—Section 455(f) of the Higher Education Act of 1965 (20 U.S.C. 1087e(f)) is amended—

(1) in paragraph (1), in the matter preceding subparagraph (A), by striking "A borrower" and inserting "Except as provided in paragraph (5), a borrower"; and

(2) by adding at the end the following new paragraph:

"(5) SPECIAL RULE FOR IN SCHOOL DEFERMENT.—Notwithstanding any other provision of this Act, a borrower described in paragraph (2)(A) shall be eligible for a deferment, during which periodic installments of principal need not be paid, and interest—

"(A) shall not accrue, in the case of a borrower with an expected family contribution of not more than $10,000 (computed in accordance with part F of this title); and

"(B) shall accrue at the rate equal to the high yield of the 10-year Treasury note applicable to such loan under subsection (b)(9), in the case of a borrower of an unsubsidized loan with an expected family contribution of more than $10,000 (computed in accordance with part F of this title).".

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall take effect as if enacted on July 1, 2018.

SEC. 4. ELIMINATION OF ORIGINATION FEES FOR FEDERAL DIRECT LOANS.

(a) SENSE OF CONGRESS.—It is the sense of Congress that no origination fees should be charged on any future Federal Direct Loans.

(b) REPEAL OF ORIGINATION FEES.—Subsection (c) of section 455 of the Higher Education Act of 1965 (20 U.S.C. 1087e(c)) is repealed.

(c) EFFECTIVE DATE.—The amendment made by subsection (b) shall apply with respect to loans made under part D of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087a et seq.) for which the first disbursement of principal is made, or, in the case of a Federal Direct Consolidation Loan, the application is received, on the first July 1 after the date of enactment of this Act.

SEC. 5. MODIFICATION OF TREATMENT OF STUDENT LOAN FORGIVENESS.

(a) IN GENERAL.—Section 108(f) of the Internal Revenue Code of 1986 is amended—

(1) by striking paragraphs (1) and (2) and inserting the following:

"(1) IN GENERAL.—In the case of an individual, gross income does not include any amount which (but for this subsection) would be includible in gross income by reasons of the discharge (in whole or in part) of—

"(A) any loan provided expressly for postsecondary educational expenses, regardless of whether provided through the educational institution or directly to the borrower, if such loan was made by—

"(i) the United States, or an instrumentality or agency thereof,

"(ii) a State, territory, or possession of the United States, or the District of Columbia, or any political subdivision thereof, or "(iii) any institution of higher education,

"(B) any loan made by any educational organization described in section 170(b)(1)(A)(ii) if such loan is made—

"(i) pursuant to an agreement with any entity described in subparagraph (A) under which the funds from which the loan was made were provided to such educational organization, or

"(ii) pursuant to a program of such educational organization which is designed to encourage its students to serve in occupations with unmet needs or in areas with unmet needs and under which the services provided by the students (or former students) are for or under the direction of a governmental unit or an organization described in section 501(c)(3) and exempt from tax under section 501(a), or

"(C) any loan made by an educational organization described in section 170(b)(1)(A)(ii) or by an organization exempt from tax under section 501(a) to refinance a loan to an individual to assist the individual in attending any such educational organization but only if the refinancing loan is pursuant to a program of the refinancing organization which is designed as described in subparagraph (C)(ii).'';

(2) by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively; and

(3) in paragraph (2), as so redesignated, by striking ''made by an organization described in paragraph (2)(D)'' and inserting ''made by an organization described in paragraph (1)(C)''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to discharges of loans after December 31, 2017.

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