

119TH CONGRESS
2D SESSION

S. 4169

To amend the Higher Education Act of 1965 to eliminate interest on student loans, establish the Education Affordability Trust Fund, increase annual and aggregate loan limits, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 24, 2026

Mr. WELCH introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

A BILL

To amend the Higher Education Act of 1965 to eliminate interest on student loans, establish the Education Affordability Trust Fund, increase annual and aggregate loan limits, and for other purposes.

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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Student Loan Interest Elimination Act”.

6 (b) TABLE OF CONTENTS.—The table of contents for
7 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—LOAN MODIFICATION AND REFINANCING FOR EXISTING
FEDERAL STUDENT LOANS

Sec. 101. Program authority.

Sec. 102. Program for the loan modification of eligible Federal Direct loans,
and refinancing of other Federal student loan.

TITLE II—TERMS AND CONDITIONS FOR NEW FEDERAL
STUDENT LOANS

Sec. 201. Applicable rates of interest for loans made on or after July 1, 2026.

Sec. 202. Termination of interest subsidized loans.

Sec. 203. Annual and aggregate loan limits.

TITLE III—TRUST FUND

Sec. 301. Supplemental Federal Pell Grant Program.

Sec. 302. Use of funds from the repayment of Federal student loans.

Sec. 303. Education Affordability Trust Fund.

TITLE IV—GENERAL PROVISIONS

Sec. 401. Implementation.

1 **TITLE I—LOAN MODIFICATION**
2 **AND REFINANCING FOR EX-**
3 **ISTING FEDERAL STUDENT**
4 **LOANS**

5 **SEC. 101. PROGRAM AUTHORITY.**

6 Section 451(a) of the Higher Education Act of 1965
7 (20 U.S.C. 1087a(a)) is amended—

8 (1) by striking “There are hereby made avail-
9 able” and inserting “After using funds available
10 from the Education Affordability Trust Fund in ac-
11 cordance with section 494A, there are hereby made
12 available”;

13 (2) by striking “and (2)” and inserting “(2)”;
14 and

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

3 **SEC. 102. PROGRAM FOR THE LOAN MODIFICATION OF ELI-**
4 **GIBLE FEDERAL DIRECT LOANS, AND REFI-**
5 **NANCING OF OTHER FEDERAL STUDENT**
6 **LOANS.**

7 (a) LOAN MODIFICATION AND REFINANCING.—Part
8 D of title IV of the Higher Education Act of 1965 (20
9 U.S.C. 1087a et seq.) is amended by adding at the end
10 the following:

11 **“SEC. 460A. PROGRAM FOR THE LOAN MODIFICATION OF**
12 **ELIGIBLE FEDERAL DIRECT LOANS, AND RE-**
13 **FINANCING OF OTHER FEDERAL STUDENT**
14 **LOANS.**

15 “(a) FEDERAL DIRECT LOAN MODIFICATION.—The
16 Secretary shall establish and implement, with respect to
17 each borrower of an eligible Federal direct loan, proce-
18 dures to—

19 “(1) modify, without any action from the bor-
20 rower, the terms of such loan so that beginning on
21 July 1, 2026, no interest shall accrue on such loan;
22 and

23 “(2) allow the borrower, at any time, to opt out
24 of the loan modification under paragraph (1) for
25 such loan.

1 “(b) REFINANCING ELIGIBLE NON-FEDERAL DI-
 2 RECT LOANS AS FEDERAL DIRECT CONSOLIDATION
 3 LOANS.—

4 “(1) IN GENERAL.—The Secretary shall estab-
 5 lish and implement, with respect to each borrower of
 6 an eligible non-Federal direct loan, procedures to—

7 “(A) refinance such loan in accordance
 8 with procedures listed in paragraph (2); and

9 “(B) allow the borrower, at any time, to
 10 opt out of the loan refinancing under subpara-
 11 graph (A) for such loan.

12 “(2) PROCEDURES.—In refinancing an eligible
 13 non-Federal direct loan with respect to a borrower
 14 of such loan, the Secretary shall carry out the fol-
 15 lowing:

16 “(A) The Secretary shall make a Federal
 17 Direct Consolidation Loan under this sub-
 18 section, in an amount equal to the sum of the
 19 unpaid principal, accrued unpaid interest, and
 20 late charges of the eligible non-Federal direct
 21 loan.

22 “(B) The Secretary shall pay the proceeds
 23 of such Federal Direct Consolidation Loan to
 24 the holder of the eligible non-Federal direct
 25 loan, in order to discharge the borrower from

1 any remaining obligation with respect to such
2 eligible non-Federal direct loan.

3 “(3) TERMS AND CONDITIONS OF REFINANCED
4 LOANS.—

5 “(A) IN GENERAL.—A Federal Direct Con-
6 solidation Loan made under this subsection
7 shall have the same terms and conditions as a
8 Federal Direct Consolidation Loan that was not
9 made under this subsection, except—

10 “(i) notwithstanding any other provi-
11 sion of this title, a borrower of a Federal
12 Direct Consolidation Loan made under this
13 subsection may repay such loan under any
14 repayment plan or program described in
15 section 455(d)(1);

16 “(ii) that the Secretary may adjust
17 such terms and conditions as necessary to
18 enable the borrower to access loan forgive-
19 ness or other benefits available to the bor-
20 rower under the loan before refinancing
21 under this subsection, in any case where
22 such benefits are more generous than pro-
23 vided under a Federal Direct Consolidation
24 Loan under this subsection; and

1 “(iii) as otherwise provided in this
2 subsection.

3 “(B) NO ORIGINATION FEES.—Notwith-
4 standing section 455(c), the Secretary may not
5 charge a borrower of a loan made under this
6 subsection an origination fee for such loan.

7 “(C) INTEREST RATES.—No interest shall
8 accrue on a loan that is made under this sub-
9 section.

10 “(D) NO AUTOMATIC EXTENSION OF RE-
11 PAYMENT PERIOD.—A loan made under this
12 subsection shall not result in the extension of
13 the duration of the repayment period of the
14 original loan, and the borrower shall retain the
15 same repayment term that was in effect on the
16 original loan. Nothing in this paragraph shall
17 be construed to prevent a borrower from elect-
18 ing a different repayment plan at any time in
19 accordance with section 455(d)(3).

20 “(E) RULE OF CONSTRUCTION.—Nothing
21 in this section shall be construed to prevent a
22 borrower of a Federal student loan described in
23 subparagraph (B) or (C) of subsection (d)(2)
24 from consolidating such loans with other loans
25 eligible for consolidation under this section, or

1 to require such a borrower to consolidate such
 2 loans with other Federal student loans into a
 3 single consolidation loan under this section.

4 “(c) REPORT.—Not later than 1 year after the date
 5 of the enactment of the Student Loan Interest Elimination
 6 Act, and on an annual basis thereafter, the Secretary shall
 7 submit a report to the authorizing committees that in-
 8 cludes—

9 “(1) the total number of borrowers whose loans
 10 have been modified or refinanced under this section
 11 during the preceding year; and

12 “(2) the number of such borrowers who are de-
 13 linquent in making payments on such a loan.

14 “(d) DEFINITIONS.—In this section:

15 “(1) ELIGIBLE FEDERAL DIRECT LOAN.—The
 16 term ‘eligible Federal direct loan’ means—

17 “(A) a loan made under this part, and first
 18 disbursed before July 1, 2026;

19 “(B) a loan made, insured, or guaranteed
 20 under part B, and which is held by the Sec-
 21 retary;

22 “(C) a loan made under part E, and which
 23 is held by the Secretary; or

24 “(D) a loan made under subpart 1 of part
 25 A of title VII of the Public Health Service Act

1 (42 U.S.C. 292 et seq.), and which is held by
 2 the Secretary.

3 “(2) ELIGIBLE NON-FEDERAL DIRECT LOAN.—

4 The term ‘eligible non-Federal direct loan’ means a
 5 loan—

6 “(A) made, insured, or guaranteed under
 7 part B, and which is not held by the Secretary;

8 “(B) made under part E, and which is not
 9 held by the Secretary; or

10 “(C) made under—

11 “(i) subpart I of part A of title VII of
 12 the Public Health Service Act (42 U.S.C.
 13 292 et seq.), and which is not held by the
 14 Secretary;

15 “(ii) subpart II of part A of title VII
 16 of the Public Health Service Act (42
 17 U.S.C. 292q et seq.), and in the case of a
 18 loan made under section 723 of such Act
 19 (42 U.S.C. 292s), only if the borrower of
 20 the loan has completed the full period of
 21 service, practice, or training that was im-
 22 posed as a condition on receipt of such
 23 loan; or

24 “(iii) part E of title VIII of the Public
 25 Health Service Act (42 U.S.C. 297a et

1 seq.), and in the case of a loan made under
 2 section 846A of such Act (42 U.S.C.
 3 297n-1), only if the borrower has com-
 4 pleted the 4-years of full-time employment
 5 as a faculty member at a school of nursing
 6 as described in subsection (c)(3) of such
 7 section 846A.

8 “(3) ORIGINAL LOAN.—The term ‘original
 9 loan’, used with respect to a Federal Direct Consoli-
 10 dation Loan made under subsection (b), means a
 11 loan for which a borrower’s liability is discharged by
 12 such Federal Direct Consolidation Loan.”.

13 (b) INCOME-CONTINGENT REPAYMENT.—Section
 14 455(e) of the Higher Education Act of 1965 (20 U.S.C.
 15 1087e(e)) is amended by adding at the end the following
 16 new paragraph:

17 “(9) SPECIAL RULE FOR REFINANCED
 18 LOANS.—For purposes of paragraph (7), the period
 19 of time during which a borrower of a Federal Direct
 20 Consolidation Loan made under section 460A(b) has
 21 made monthly payments shall be calculated in the
 22 manner described in section 493C(f).”.

23 (c) REPAYMENT ASSISTANCE PLAN.—Section
 24 455(q)(1) of the Higher Education Act of 1965 (20

1 U.S.C. 1087e(q)(1)) is amended by adding at the end the
 2 following:

3 “(H) For purposes of subparagraph (E),
 4 the period of time during which a borrower of
 5 a Federal Direct Consolidation Loan made
 6 under section 460A(b) has made monthly pay-
 7 ments shall be calculated in the manner de-
 8 scribed in section 493C(f).”.

9 (d) INCOME-BASED REPAYMENT.—

10 (1) EXCLUSION FROM EXCEPTED CONSOLIDA-
 11 TION LOAN.—Section 493C(a)(2)(B) of the Higher
 12 Education Act of 1965 (20 U.S.C. 1098e(a)(2)(B))
 13 is amended by inserting “a Federal Direct Consoli-
 14 dation Loan under section 460A, and does not in-
 15 clude” after “does not include”.

16 (2) CALCULATION OF QUALIFYING PAY-
 17 MENTS.—Section 493C of the Higher Education Act
 18 of 1965 (20 U.S.C. 1098e) is amended by adding at
 19 the end the following:

20 “(f) SPECIAL RULE FOR REFINANCED LOANS.—

21 “(1) REFINANCED FEDERAL DIRECT CONSOLI-
 22 DATION LOANS.—In calculating the period of time
 23 during which a borrower of a Federal Direct Con-
 24 solidation Loan that is made under section 460A(b)

1 has made monthly payments for the purposes of sub-
2 section (b)(7), the Secretary shall—

3 “(A) review the borrower’s payment his-
4 tory to identify each component loan of such
5 Federal Direct Consolidation Loan;

6 “(B) for each such component loan—

7 “(i) calculate the weighted factor of
8 the component loan, which shall be the fac-
9 tor that represents the portion of such
10 Federal Direct Consolidation Loan that is
11 attributable to such component loan; and

12 “(ii) determine the number of quali-
13 fying monthly payments made on such
14 component loan before consolidation;

15 “(C) calculate the number of qualifying
16 monthly payments determined under subpara-
17 graph (B)(ii) with respect to a component loan
18 that shall be deemed as qualifying monthly pay-
19 ments made on the Federal Direct Consolida-
20 tion Loan by multiplying—

21 “(i) the weighted factor of such com-
22 ponent loan as determined under subpara-
23 graph (B)(i); by

24 “(ii) the number of qualifying monthly
25 payments made on such component loan as

1 determined under subparagraph (B)(ii);
 2 and

3 “(D) calculate and inform the borrower of
 4 the total number of qualifying monthly pay-
 5 ments with respect to the component loans of
 6 the Federal Direct Consolidation Loan that
 7 shall be deemed as qualifying monthly payments
 8 made on the refinanced Federal Consolidation
 9 Loan, by—

10 “(i) adding together the result of each
 11 calculation made under subparagraph (C)
 12 with respect to each such component loan;
 13 and

14 “(ii) rounding the number determined
 15 under clause (i) to the nearest whole num-
 16 ber.

17 “(2) COMPONENT LOAN DEFINED.—In this
 18 subsection, the term ‘component loan’, used with re-
 19 spect to a Federal Direct Consolidation Loan, means
 20 a loan for which the liability was discharged by the
 21 proceeds of such Federal Direct Consolidation
 22 Loan.”.

23 (e) CONFORMING AMENDMENTS.—The Higher Edu-
 24 cation Act of 1965 (20 U.S.C. 1001 et seq.) is amended—

1 (1) in section 455(d)(1), by striking “shall offer
 2 a borrower of a loan” and inserting “shall offer a
 3 borrower of a Federal Direct Consolidation Loan
 4 under section 460A (with respect to the Federal Di-
 5 rect Consolidation Loan under such section only,
 6 and without regard to when other loans may have
 7 been received), and shall offer a borrower of a loan”;

8 (2) in section 455(d)(7)—

9 (A) in the matter preceding subparagraph
 10 (A), by striking “Beginning” and inserting
 11 “Subject to subparagraph (F), beginning”;

12 (B) in subparagraph (C), by striking “A
 13 borrower is required” and inserting “Subject to
 14 subparagraph (F), a borrower is required”;

15 (C) in subparagraph (E)(ii)(II), by insert-
 16 ing “(excluding such loans under section
 17 460A)” after “a Federal Direct Consolidation
 18 Loan”; and

19 (D) by adding at the end the following:

20 “(F) CONSOLIDATION LOANS UNDER SEC-
 21 TION 460A.—Notwithstanding any other provi-
 22 sion of this title, including this subsection, a
 23 borrower of a Federal Direct Consolidation
 24 Loan under section 460A shall be eligible to
 25 repay the Federal Direct Consolidation Loan

1 under such section only under any repayment
 2 plan or program described under paragraph (1),
 3 without regard to when other loans may have
 4 been received.”; and

5 (3) in section 428C(a)(3)(B)(i)(V) (20 U.S.C.
 6 1078–3(3)(B)(i)(V))—

7 (A) by striking the period at the end of
 8 item (cc) and inserting a semicolon;

9 (B) by striking the period at the end of
 10 item (dd) and inserting “; or”; and

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

12 “(ee) for the purpose of ob-
 13 taining a Federal Direct Consoli-
 14 dation Loan under section
 15 460A(b).”.

16 **TITLE II—TERMS AND CONDI-** 17 **TIONS FOR NEW FEDERAL** 18 **STUDENT LOANS**

19 **SEC. 201. APPLICABLE RATES OF INTEREST FOR LOANS** 20 **MADE ON OR AFTER JULY 1, 2026.**

21 Section 455(b)(8) of the Higher Education Act of
 22 1965 (20 U.S.C. 1087e(b)(8)) is amended—

23 (1) in the paragraph heading, by inserting
 24 “AND BEFORE JULY 1, 2026” after “JULY 1, 2013”;

1 (2) in subparagraph (A), by inserting “and be-
2 fore July 1, 2026” after “July 1, 2013”;

3 (3) in subparagraph (B), by inserting “and be-
4 fore July 1, 2026” after “July 1, 2013”;

5 (4) in subparagraph (C), by inserting “and be-
6 fore July 1, 2026” after “July 1, 2013”;

7 (5) in subparagraph (D), by inserting “and be-
8 fore July 1, 2026” after “July 1, 2013”;

9 (6) by redesignating subparagraph (F) as sub-
10 paragraph (G); and

11 (7) by inserting after subparagraph (E) the fol-
12 lowing:

13 “(F) NEW LOANS ON OR AFTER JULY 1,
14 2026.—Notwithstanding the preceding subpara-
15 graphs of this paragraph, for Federal Direct
16 Unsubsidized Stafford Loans, Federal Direct
17 PLUS Loans, and Federal Direct Consolidation
18 Loans for which the first disbursement is made,
19 or the application is received, on or after July
20 1, 2026, the applicable rate of interest shall be
21 0 percent on the unpaid principal balance of the
22 loan.”.

23 **SEC. 202. TERMINATION OF INTEREST SUBSIDIZED LOANS.**

24 (a) PROGRAM AUTHORITY.—Section 451(a) of the
25 Higher Education Act of 1965 (20 U.S.C. 1087a(a)) is

1 amended by adding at the end the following: “No new
 2 Federal Direct Stafford Loans, as referenced under sec-
 3 tion 455(a)(2)(A), may be made under this part after
 4 June 30, 2026, and no funds are authorized to be appro-
 5 priated, or may be expended, under this Act or any other
 6 Act to make such Federal Direct Stafford Loans for which
 7 the first disbursement is after June 30, 2026.”.

8 (b) TERMINATION OF AUTHORITY.—Section 455(a)
 9 of the Higher Education Act of 1965 (20 U.S.C.
 10 1087e(a)) is amended by adding at the end the following:

11 “(9) TERMINATION OF AUTHORITY TO MAKE
 12 INTEREST SUBSIDIZED LOANS TO ANY STUDENT.—
 13 Notwithstanding any provision of this part or part
 14 B, for any period of instruction beginning on or
 15 after July 1, 2026—

16 “(A) a student shall not be eligible to re-
 17 ceive a Federal Direct Stafford loan under this
 18 part; and

19 “(B) the maximum annual amount of Fed-
 20 eral Direct Unsubsidized Stafford loans such a
 21 student may borrow in any academic year (as
 22 defined in section 481(a)(2)) or its equivalent
 23 shall be the maximum annual amount for such
 24 student determined under section 428H, plus
 25 an amount equal to the amount of Federal Di-

1 rect Stafford loans the student would have re-
 2 ceived in the absence of this paragraph.”.

3 **SEC. 203. ANNUAL AND AGGREGATE LOAN LIMITS.**

4 Section 455(a) of the Higher Education Act of 1965
 5 (20 U.S.C. 1087e(a)) is amended—

6 (1) in paragraph (4)—

7 (A) in subparagraph (A), in the matter
 8 preceding clause (i), by striking “and (8)” and
 9 inserting “, (8), and (9)”; and

10 (B) in subparagraph (B), in the matter
 11 preceding clause (i), by striking “and (8)” and
 12 inserting “, (8), and (9)”; and

13 (2) in paragraph (6), by striking “paragraph
 14 (8)” and inserting “paragraphs (8) and (9)”; and

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

16 “(9) ADJUSTMENT FOR INFLATION.—

17 “(A) IN GENERAL.—Each amount speci-
 18 fied in paragraphs (4) and (6) shall, for any pe-
 19 riod of instruction beginning on or after July 1,
 20 2027, be deemed increased by a percentage
 21 equal to the annual adjustment percentage.

22 “(B) ANNUAL ADJUSTMENT PERCENTAGE
 23 DEFINED.—In this paragraph, the term ‘annual
 24 adjustment percentage’, as applied to an aca-
 25 demic year, means the estimated percentage

change in the Consumer Price Index (as determined by the Secretary, using the definition in section 478(f) or the most recent calendar year ending prior to the beginning of that academic year).”.

TITLE III—TRUST FUND

SEC. 301. SUPPLEMENTAL FEDERAL PELL GRANT PROGRAM.

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

“(10) SUPPLEMENTAL PELL GRANTS USING EXCESS TRUST FUND AMOUNTS.—For any award year for which the Secretary elects to use the excess amounts (or a portion of such excess amounts) described in section 494A(c) to carry out a Supplemental Pell Grant Program under this paragraph, the Secretary shall—

“(A) award each student that receives a Federal Pell grant under this subpart for such award year, an additional Federal Pell Grant in an amount that—

“(i) bears the same relationship to such excess amount (or such portion) as the amount of the Federal Pell Grant such

1 student receives under this subpart (ex-
2 cluding this paragraph) for such award
3 year bears to the total amount awarded in
4 Federal Pell Grants under this subpart
5 (excluding this paragraph) for such award
6 year; and

7 “(ii) may—

8 “(I) exceed the total maximum
9 Federal Pell Grant available for such
10 award year; and

11 “(II) be lower than the minimum
12 Federal Pell Grant (as defined in sec-
13 tion (a)(2)(F)) for such award year;
14 and

15 “(B) ensure that—

16 “(i) in the case of a student awarded
17 an additional Federal Pell Grant under
18 subparagraph (A) for an award year, the
19 total amount of Federal Pell Grants
20 awarded to such student under this sub-
21 part (including such additional Federal
22 Pell Grant) for such award year may ex-
23 ceed the total maximum Federal Pell
24 Grant available for such award year; and

1 “(ii) any period of study covered by
 2 an additional Federal Pell Grant awarded
 3 under subparagraph (A) shall not be in-
 4 cluded in determining a student’s duration
 5 limit under subsection (d)(5).”.

6 **SEC. 302. USE OF FUNDS FROM THE REPAYMENT OF FED-**
 7 **ERAL STUDENT LOANS.**

8 Part G of title IV of the Higher Education Act of
 9 1965 (20 U.S.C. 1088 et seq.) is amended by adding at
 10 the end the following:

11 **“SEC. 494A. USE OF FUNDS FROM THE REPAYMENT OF FED-**
 12 **ERAL STUDENT LOANS.**

13 “(a) IN GENERAL.—The Secretary of Education
 14 shall, without further appropriation, deposit all amounts
 15 repaid on loans made, insured, or guaranteed under this
 16 title into the Education Affordability Trust Fund estab-
 17 lished under section 494B (referred to in this section as
 18 the ‘Trust Fund’).

19 “(b) USE OF TRUST FUND ASSETS.—

20 “(1) IN GENERAL.—The Trust Fund Board
 21 shall transfer the assets from the investments of the
 22 Trust Fund to the Secretary of Education, to pay
 23 for the administrative costs of the Department of
 24 Education in making loans under part D, including
 25 loans under section 460A(b), to all eligible students

1 (and the eligible parents of such students) in attend-
2 ance at participating institutions of higher education
3 selected by the Secretary, to enable such students to
4 pursue their courses of study at such institutions, in
5 the following amounts:

6 “(A) During any period of time when the
7 Trust Fund has assets under management of
8 \$500,000,000 or more over a 180-day period,
9 100 percent of such assets.

10 “(B) During any period of time when the
11 Trust Fund has assets of less than
12 \$500,000,000, but more than or equal to
13 \$400,000,000 over a 180-day period, 40 per-
14 cent of such assets.

15 “(C) During any period of time when the
16 Trust Fund has assets of less than
17 \$400,000,000 but more than or equal to
18 \$300,000,000 over a 180-day period, 10 per-
19 cent of such assets.

20 “(D) During any period of time when the
21 Trust Fund has assets of less than
22 \$300,000,000 over a 180-day period, 0 percent
23 of such assets.

24 “(2) ASSETS DEFINED.—In this subsection, the
25 term ‘assets’ means the amount that the return on

1 investment from bond investments made by the
2 Trust Fund exceeds the amount repaid on loans and
3 deposited into the Trust Fund under subsection (a).

4 “(c) USE OF EXCESS AMOUNTS.—If the amounts re-
5 quired to be transferred under subsection (b) are in excess
6 of the amounts needed to pay for the costs of the Depart-
7 ment of Education described under subsection (b), the
8 Secretary of Education may elect to use such excess
9 amounts (or a portion of such excess amounts)—

10 “(1) to carry out the Supplemental Federal Pell
11 Grant Program under section 401(b)(10); and

12 “(2) for the Postsecondary Student Success
13 Program authorized under part B of title VII and
14 for which the Department issued a notice inviting
15 applications in the Federal Register on August 12,
16 2022 (87 Fed. Reg. 49811 et seq.), except that, not-
17 withstanding the terms and condition of such pro-
18 gram described in the notice—

19 “(A) any institution of higher education
20 defined in section 101 or 102(a)(1)(B) is eligi-
21 ble to receive a grant under the program if—

22 “(i) the average cost of tuition to at-
23 tend such institution for the 3 most recent
24 academic years has not increased by more
25 than 3 percent;

1 “(ii) the institution provides an assur-
 2 ance that the average cost of tuition to at-
 3 tend such institution for the succeeding 3
 4 academic years will not increase by more
 5 than 3 percent; or

6 “(iii) the size of the endowment fund
 7 (as defined in section 312(c)) of the insti-
 8 tution on the first day of the previous cal-
 9 endar year was not greater than
 10 \$100,000,000; and

11 “(B) grants under the program will be
 12 awarded on a competitive basis, and the amount
 13 of any such grant will be not less than
 14 \$600,000, and not more than \$1,000,000.

15 “(d) REPORT AND TESTIMONY TO CONGRESS.—If
 16 the Secretary of Education elects to use excess amounts
 17 described under subsection (c) the Secretary shall provide
 18 to Congress a report on the use of such amounts (and
 19 provide testimony on such use) not later than 180 days
 20 after making use of such funds.”.

21 **SEC. 303. EDUCATION AFFORDABILITY TRUST FUND.**

22 Part G of title IV of the Higher Education Act of
 23 1965 (20 U.S.C. 1088 et seq.) is further amended by add-
 24 ing at the end the following:

1 **“SEC. 494B. EDUCATION AFFORDABILITY TRUST FUND.**

2 “(a) ESTABLISHMENT.—There is established within
3 the Department a trust fund to be known as the ‘Edu-
4 cation Affordability Trust Fund’ (referred to in this sec-
5 tion as the ‘Trust Fund’).

6 “(b) BOARD.—

7 “(1) IN GENERAL.—The head of the Trust
8 Fund shall be a 6-member Education Affordability
9 Trust Fund Board (referred to in this section as the
10 ‘Board’).

11 “(2) APPOINTMENT OF MEMBERS.—The mem-
12 bers of the Board shall be appointed by the Presi-
13 dent, by and with the advice and consent of the Sen-
14 ate, from among individuals who—

15 “(A) have experience and expertise in the
16 management of financial investments;

17 “(B) have at least 10 years of experience
18 in the financial investment field;

19 “(C) at least 3 of which have experience
20 working with rural lenders, historically
21 disenfranchised groups, or low-income commu-
22 nities; and

23 “(D) are not currently an elected official.

24 “(3) DISQUALIFICATIONS FOR APPOINT-
25 MENTS.—

1 “(A) LOBBYING.—No individual required
2 to register as a lobbyist under section 4 of the
3 Lobbying Disclosure Act of 1995 (2 U.S.C.
4 1603) may be appointed to, or serve on, the
5 Board.

6 “(B) INCOMPATIBLE OFFICE.—No member
7 of the Board may hold or may have held the po-
8 sition of Member of the House of Representa-
9 tives or Senator, may hold the position of offi-
10 cer or employee of the House of Representa-
11 tives, Senate, or instrumentality or other entity
12 of the legislative branch, or may have held such
13 a position within 4 years of the date of appoint-
14 ment.

15 “(4) TERM.—

16 “(A) IN GENERAL.—The members of the
17 Board shall serve 6-year terms, staggered such
18 that the terms of 2 members ends every 2
19 years.

20 “(B) POLITICAL AFFILIATION.—The 2
21 members serving terms that end at the same
22 time may not be members of the same political
23 party.

24 “(C) MEMBERS TAKE OFFICE TO-
25 GETHER.—With respect to the 2 individuals ap-

1 pointed to fill terms ending at the same time,
2 neither individual may begin serving as a mem-
3 ber of the Board until both have been appointed
4 and confirmed by the Senate.

5 “(D) AUTHORITY TO SERVE UNTIL A SUC-
6 CESSOR IS APPOINTED.—Upon the expiration of
7 a term of a member of the Board, that member
8 shall continue to serve until a successor is ap-
9 pointed.

10 “(E) LIMITATION.—An individual may
11 only serve as a member of the Board for a max-
12 imum of 2 terms.

13 “(F) REMOVAL FOR CAUSE.—The Presi-
14 dent may remove a member of the Board only
15 for inefficiency, neglect of duty, or malfeasance
16 in office.

17 “(5) DEADLINE FOR INITIAL APPOINTMENTS.—
18 The initial members of the Board shall be appointed
19 no later than 90 days after the date of enactment
20 of this section.

21 “(6) CHAIR.—Each member of the Board shall
22 serve as the Chair of the Board during the final year
23 of the term for which the member is appointed.

24 “(7) CONFLICTS OF INTEREST.—Each member
25 of the Board shall, with respect to entities in which

1 the Trust Fund invests, either divest any interest in
2 such entities or place such interests into a blind
3 trust.

4 “(8) MEETINGS.—

5 “(A) IN GENERAL.—The Board shall meet
6 no less than once per quarter.

7 “(B) PARTICIPATION BY FUND MAN-
8 AGERS.—The fund manager appointed under
9 subsection (c) shall attend not less than 2 meet-
10 ings of the Board each year, to discuss fore-
11 casting and current investment performance.

12 “(C) EMERGENCY MEETING REQUIRE-
13 MENT.—If, once the assets under management
14 of the Trust Fund have reached
15 \$500,000,000,000, the assets under manage-
16 ment of the Trust Fund drops below
17 \$300,000,000,000, the Board shall immediately
18 hold an emergency meeting to discuss ensuring
19 the long-term solvency of the Trust Fund.

20 “(9) VOTING.—Investment guidelines shall be
21 adopted by a unanimous vote of the entire Board.
22 All other decisions of the Board shall be decided by
23 a majority vote. All decisions of the Board shall be
24 entered upon the records of the Board.

1 “(10) COMPENSATION.—While serving on the
 2 business of the Board (including travel time), a
 3 member of the Board shall be entitled to compensa-
 4 tion at the per diem equivalent of the rate provided
 5 for level IV of the Executive Schedule under section
 6 5315 of title 5, United States Code, and while so
 7 serving away from home and the member’s regular
 8 place of business, a member may be allowed travel
 9 expenses, as authorized by the Chair of the Board.

10 “(c) POWERS AND RESPONSIBILITIES OF THE
 11 BOARD.—

12 “(1) APPOINTMENT OF FUND MANAGERS.—

13 “(A) IN GENERAL.—The Board shall ap-
 14 point independent fund managers from among
 15 individuals who have met such ethics vetting re-
 16 quirements as the Board may establish.

17 “(B) FAILURE TO MAKE A UNANIMOUS AP-
 18 POINTMENT.—If the Board fails to make an ap-
 19 pointment under subparagraph (A), the Chair
 20 shall, not later 10 days after the date of such
 21 failure, make the appointment.

22 “(C) INITIAL FUND MANAGERS.—The
 23 Board shall make the initial appointment of
 24 independent fund managers under subpara-
 25 graph (A) not later than 60 days after the date

1 on which all members of the Board are first ap-
 2 pointed.

3 “(2) OTHER DUTIES.—The Board shall—

4 “(A) retain independent advisers to assist
 5 it in the formulation and adoption of its invest-
 6 ment guidelines;

7 “(B) pay the administrative expenses of
 8 the Trust Fund from the assets in the Trust
 9 Fund; and

10 “(C) discharge their duties (including the
 11 voting of proxies) with respect to the assets of
 12 the Trust Fund solely in the interest of the
 13 Trust Fund and through it, the participants
 14 and beneficiaries of the programs funded under
 15 this Act—

16 “(i) for the exclusive purpose of—

17 “(I) providing zero-interest Fed-
 18 eral student loans to existing and fu-
 19 ture borrowers; and

20 “(II) defraying reasonable ex-
 21 penses of administering the functions
 22 of the Trust Fund;

23 “(ii) with the care, skill, prudence,
 24 and diligence under the circumstances then
 25 prevailing that a prudent person acting in

1 a like capacity and familiar with such mat-
 2 ters would use in the conduct of an enter-
 3 prise of a like character and with like
 4 aims;

5 “(iii) by diversifying investments so as
 6 to minimize the risk of large losses and to
 7 avoid disproportionate influence over a
 8 particular industry or firm, unless under
 9 the circumstances it is clearly prudent not
 10 to do so; and

11 “(iv) in accordance with Trust Fund
 12 governing documents and instruments in-
 13 sofar as such documents and instruments
 14 are consistent with this Act.

15 “(3) PROHIBITIONS WITH RESPECT TO MEM-
 16 BERS OF THE BOARD.—No member of the Board
 17 shall—

18 “(A) deal with the assets of the Trust
 19 Fund in the member’s own interest or for the
 20 member’s own account;

21 “(B) in an individual or in any other ca-
 22 pacity act in any transaction involving the as-
 23 sets of the Trust Fund on behalf of a party (or
 24 represent a party) whose interests are adverse

1 to the interests of the Trust Fund or the inter-
 2 ests of borrowers; or

3 “(C) receive any consideration for the
 4 member’s own personal account from any party
 5 dealing with the assets of the Trust Fund.

6 “(4) AUDIT AND REPORT.—

7 “(A) AUDIT.—The Board shall annually
 8 engage an independent qualified public account-
 9 ant to audit the financial statements of the
 10 Trust Fund.

11 “(B) REPORT TO CONGRESS.—

12 “(i) IN GENERAL.—The Board shall
 13 submit an annual management report to
 14 the Secretary of Education, the Secretary
 15 of the Treasury, the President, and the
 16 Congress not later than 180 days after the
 17 end of each fiscal year, including—

18 “(I) a statement of financial po-
 19 sition, including the total amount in
 20 the Trust Fund;

21 “(II) a statement of operations;

22 “(III) a statement of cash flows;

23 “(IV) a breakdown of the invest-
 24 ments made by the Trust Fund, in-
 25 cluding by type;

1 “(V) a statement on internal ac-
 2 counting and administrative control
 3 systems;

4 “(VI) the report resulting from
 5 an audit of the financial statements of
 6 the Trust Fund conducted under sub-
 7 paragraph (A); and

8 “(VII) any other comments and
 9 information necessary to inform the
 10 Congress about the operations and fi-
 11 nancial condition of the Trust Fund.

12 “(ii) PUBLIC AVAILABILITY OF RE-
 13 PORT.—The Board shall make each report
 14 required under this subparagraph available
 15 to the public, including on the website of
 16 the Department of Education.

17 “(5) RULES AND ADMINISTRATIVE POWERS.—
 18 The Board shall have the authority to make rules to
 19 govern the operations of the Trust Fund, employ
 20 professional staff, and contract with outside advisers
 21 to provide legal, accounting, investment advisory, or
 22 other services necessary for the proper administra-
 23 tion of this section. In the case of contracts with in-
 24 vestment advisory services, compensation for such
 25 services may be on a fixed contract fee basis or on

1 such other terms and conditions as are customary
2 for such services.

3 “(6) FINANCIAL DISCLOSURE REPORTS.—Each
4 Member and employee of the Board shall file with
5 the Secretary of Education and appropriate commit-
6 tees of Congress financial disclosure reports that
7 comply with the requirements under subchapter I of
8 chapter 131 of title 5, United States Code.

9 “(7) FUNDING.—The expenses of the Trust
10 Fund and the Board incurred under this section
11 shall be paid from the Trust Fund.

12 “(d) DUTIES OF THE FUND MANAGERS.—

13 “(1) IN GENERAL.—The fund managers shall
14 invest the assets of the Trust Fund in a manner
15 consistent with the investment guidelines adopted by
16 the Board.

17 “(2) INSTRUMENTS.—The fund managers shall
18 invest the amounts in the Trust Fund in bonds that
19 consist of the following:

20 “(A) Municipal bonds.

21 “(B) Bonds issued by the Department of
22 the Treasury, which may not make up more
23 than 40 percent of the total investments of the
24 Trust Fund.

25 “(C) Other Federal bonds.

1 “(D) Bonds issued by the Federal Home
 2 Loan Mortgage Corporation, the Federal Na-
 3 tional Mortgage Association, or a Federal
 4 Home Loan Bank.

5 “(E) International bonds, which may not
 6 make up more than 10 percent of the total in-
 7 vestments of the Trust Fund.

8 “(F) Corporate bonds, which may not
 9 make up more than 10 percent of the total in-
 10 vestments of the Trust Fund.

11 “(3) INVESTMENT REQUIREMENTS.—

12 “(A) RATINGS.—The investments of the
 13 Trust Fund shall consist—

14 “(i) only of investments rated at least
 15 Baa1 or BBB+ by Moody’s, S&P, or Fitch
 16 Ratings;

17 “(ii) at least 80 percent of invest-
 18 ments rated at least A3 or A- by Moody’s,
 19 S&P, or Fitch Ratings;

20 “(iii) at least 60 percent of invest-
 21 ments rated at least Aa1 or AA+ by
 22 Moody’s, S&P, or Fitch Ratings; and

23 “(iv) at least 40 percent of invest-
 24 ments rated at least Aaa or AAA by
 25 Moody’s, S&P, or Fitch Ratings.

1 “(B) DIVERSIFICATION.—The investments
2 of the Trust Fund shall be diversified to mini-
3 mize the risk of large losses and to avoid dis-
4 proportionate influence over a particular region,
5 industry, or firm, unless under the cir-
6 cumstances it is clearly prudent not to do so.

7 “(C) LIMITATION ON INVESTING IN CER-
8 TAIN COUNTRIES.—The Trust Fund may not
9 invest in entities or subsidiaries of entities that
10 are—

11 “(i) based in any country that does
12 not have diplomatic relations with the
13 United States;

14 “(ii) based in any country, the govern-
15 ment of which is subject to sanctions by
16 the United States; or

17 “(iii) on a sanctions list of the De-
18 partment of the Treasury.

19 “(4) SHORT-TERM INITIAL INVESTMENTS.—
20 During the 10-year period beginning on the date of
21 enactment of this section, the fund managers shall
22 prioritize investments in bonds with a maturity date
23 of less than 10 years.

24 “(e) MEANS OF FINANCING.—For purposes of the
25 Congressional Budget Act of 1974 (2 U.S.C. 621 et seq.),

1 the Balanced Budget and Emergency Deficit Control Act
 2 of 1985 (2 U.S.C. 900 et seq.), and chapter 11 of title
 3 31, United States Code, and notwithstanding section 20
 4 of Office of Management and Budget Circular No. A-11,
 5 or any successor thereto, earnings of the Trust Fund shall
 6 be calculated on an accrual basis.”.

7 **TITLE IV—GENERAL** 8 **PROVISIONS**

9 **SEC. 401. IMPLEMENTATION.**

10 In carrying out the amendments made by titles I, II,
 11 and III, the Secretary of Education may waive the applica-
 12 tion of—

13 (1) the master calendar requirements under
 14 section 482 of the Higher Education Act of 1965
 15 (20 U.S.C. 1089); and

16 (2) negotiated rulemaking under section 492 of
 17 the Higher Education Act of 1965 (20 U.S.C.
 18 1098a).

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